EANS-Adhoc: Lenzing AG / Lenzing Group: Difficult Market Environment in the First Quarter of 2013 as Expected

Financial Figures/Balance Sheet/3-month report

Weak fiber selling prices, Lenzing counteracts trend with cost savings
EBITDA of EUR 64.5 mn above expectations
Unchanged guidance for the entire year 2013

The ongoing difficult market environment for man-made cellulose fibers shaped the business development of the Lenzing Group in the first quarter of 2013 as expected.Consolidated sales amounted to EUR 496.5 mn, a decline of 6.0% from the comparable figure of EUR 528.2 mn in the prior-year quarter. However, this also includes the shift of about EUR 25 mn from external to internal sales at the Paskov pulp plant. In a year-on-year comparison of total fiber sales, the selling price decline could almost be completely compensated by the higher fiber sales volumes in the first quarter of 2013.

Although consolidated earnings before interest, tax, depreciation and amortization (EBITDA) in the first quarter of 2013 fell to EUR 64.5 mn (1-3 2012: EUR 93.1 mn), the EBITDA margin at 13.0% (1-3 2012: 17.6%) was higher than expected, and was slightly above the guidance for the first quarter of 2013. Earnings before interest and tax (EBIT) of the Lenzing Group declined by 46.1% to EUR 36.2 mn (1-3 2012: EUR 67.2 mn), comprising an EBIT margin of 7.3% in the first three months of the year (1-3 2012: 12.7%).

"Lenzing acquitted itself quite well in the first quarter of 2013. We counteracted the more difficult market conditions in a timely manner by implementing the cost optimization project excelLENZ, and already achieved the first cost improvements.Moreover, we are strengthening our specialty strategy by putting the focus on our specialty fibers Lenzing Modal®and TENCEL®. A further priority is the optimization of our cash management in the Lenzing Group by postponing maintenance investments for the time being which are not absolutely necessary", says Peter Untersperger, Lenzing's Chief Executive Officer, in explaining the current approach.

In the first quarter of 2013, total fiber sales volumes amounted to about 216,000 tons, at about the same level as the fourth quarter of 2012 but approximately 13% higher than the prior-year quarter. This increase can be attributed to the new production capacities coming on stream in Indonesia and the USA.A fire took place at the TENCEL®fiber production site in Heiligenkreuz in March, which will likely result in a loss of production amounting to some 5,000 tons in 2013 as a whole.

The strategic expansion program of the Lenzing Group was implemented as planned in the first quarter of the year. Rapid progress is being made on construction of the large TENCEL®factory at the Lenzing site. The conversion of the Biocel Paskov pulp plant from a paper to a swing capacity paper and dissolving pulp plant is also proceeding on schedule. On balance, capital expenditure in the form of investments in property, plant and equipment and intangible assets totaled EUR 56.5 mn in the first quarter of 2013, above the prior-year level of EUR 52.9 mn.

Adjusted Group equity as at March 31, 2013 increased once again, rising slightly by 1.7% to EUR 1,172.9 mn from EUR 1,153.1 mn at the end of 2012. This corresponded to an excellent adjusted equity ratio of 45.1% of the balance sheet total (December 31, 2012: 43.8%).

Outlook

From today's perspective no change in the current price situation on the global fiber market is expected in the coming months, nor is any major impetus to demand likely to come from the global economy for the time being. The market is being shaped by the ongoing high cotton inventories as well as the cotton policy of China which is difficult to predict. A sideways movement is expected with respect to raw material prices, especially for pulp.

Business development in the second quarter of 2013 is expected to be similar to the performance of the Group in the first quarter as a consequence of the continued implementation of countermeasures. The guidance for EBITDA, the most important performance indicator, has been set at EUR 65 - 70 mn in the second quarter of 2013, even slightly above first quarter earnings. Similarly, the solid balance sheet of the Lenzing Group comprises a good basis for the ongoing large-scale investments.

Lenzing confirms its guidance for the entire financial year which was published in March 2013.

Key Group indicators (IFRS) (EUR mn)	1-3/2013	1-3/2012
Consolidated sales	496.5	528.2
EBITDA1	64.5	93.1
EBITDA margin1 in %	13.0	17.6
Earnings before interest and tax (EBIT)1	36.2	67.2
EBIT margin1 in %	7.3	12.7
Profit for the period	20.9	48.4
CAPEX (investments in property, plant and equipment, intangible assets and non-controlling interest)	56.5	52.3

	31/03/2013	31/12/2012
Adjusted equity ratio2in %	45.1	43.8
Employees at period-end	7,062	7,033

1) Before restructuring
2) Equity incl. government grants less prop. deferred taxes

Segment reporting3 (EUR mn)	1-3/2013	1-3/2012
Segment Fibers		
Sales	447.1	474.4
EBITDA	58.9	87.2
Segment Engineering		
Sales	35.3	30.0
EBITDA	2.2	2.5
Segment Discontinued Operations		
Sales	26.3	32.5
EBITDA	2.9	3.1
Segment Other		
Sales	13.3	13.9
EBITDA	0.6	0.9

3) The disposal of the Business Unit Plastics resulted in a restructuring of the Lenzing Group's segment reporting. Lenzing now reports on its Segment "Fibers", which encompasses the internal business units Textile Fibers, Nonwoven Fibers, Pulp and Energy. The activities of Lenzing Technik are assigned to the Segment "Engineering". The Segment "Discontinued Operations" includes the disposed of Business Unit Plastics as well as European Precursor (EPG), the terminated joint venture with SGL Carbon and Kelheim Fibres. The Segment Other mainly encompasses the activities of Dolan GmbH/Kelheim (synthetic fibers, part of the Segment Plastics Products up until now) as well as the educational and training center Bildungszentrum Lenzing (BZL).

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