

EANS-Adhoc: Lenzing AG / Clear Earnings Improvement in the First Quarter of 2015

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Financial Figures/Balance Sheet/quarterly report

- Increased revenue thanks to better product mix
- Cost savings improve operating results
- Market environment remains difficult

The first quarter of 2015 for the Lenzing Group was characterized by satisfactory volume demand against the backdrop of still unsatisfactory selling prices. In spite of the ongoing difficult market environment, the upgraded product mix, slightly higher fiber sales volumes and the improved cost situation enabled Lenzing to achieve a clear improvement in earnings.

Consolidated revenue totaled EUR 474.6 mn in the first quarter of 2015, a rise of 5.1% from EUR 451.7 mn in the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 28.7% from the previous year to EUR 59.6 mn (Q1 2014: EUR 46.3 mn). This corresponded to an EBITDA margin of 12.6% (Q1 2014: 10.2%). Earnings before interest and taxes (EBIT) amounted to EUR 27.0 mn in the first three months of 2015, comprising a sharp rise of 61.3% from the prior-year level of EUR 16.7 mn. The EBIT margin was 5.7% (Q1 2014: 3.7%). The profit for the period more than doubled to EUR 16.6 mn, climbing by 115.3% from EUR 7.7 mn in the first quarter of 2014.

Adjusted equity of the Lenzing Group rose to EUR 1,113.6 mn at the end of March 2015, up from EUR 1,066.1 mn at the end of 2014. The adjusted equity ratio amounted to 45.4% (December 31, 2014: 44.9%). Net financial debt was more or less unchanged at EUR 450.1 mn (December 31, 2014: EUR 449.5 mn), whereas net gearing fell to 40.4% from 42.2% at the end of 2014.

Laying the groundwork for success

"The marketing drive for specialty fibers launched in 2014, especially for TENCEL®, has paid off. We successfully implemented initial price increases and significantly increased the share of specialty fibers in the product mix. Moreover, we laid the groundwork for generating further earnings improvements against the backdrop of an ongoing difficult market environment thanks to comprehensive structural and cost optimization measures", explains Lenzing's Chief Executive Officer Peter Untersperger. "The excellENZ cost savings initiative is proceeding according to plan and will generate cost savings of up to EUR 160 mn p.a. as of 2016 compared to the year 2013. Furthermore, we are adjusting technical services to the declining investment activity of the Lenzing Group, thus serving as the basis for important productivity increases."

Strong volume demand

Lenzing continued the good operational development achieved in the fourth quarter of 2014 with respect to its core business of manufacturing man-made cellulose fibers in the first quarter of 2015 as well. All production plants were once again operating at full capacity. Demand for the specialty fiber Lenzing Modal® as well as TENCEL® was very gratifying. Lenzing reported a comparatively good development for standard viscose fibers used in textile applications in the first quarter of 2015 thanks to the selective focus on attractive sales markets and higher value fiber qualities, continuing the positive trend of the fourth quarter of 2014.

The improved product mix led to a rise in Lenzing's average fiber selling prices before currency effects to EUR 1.68/kg in the first quarter of 2015 compared to EUR 1.56/kg in the first quarter of 2014. In a like-for-like comparison, taking account of all revenue-related currency effects in the first quarter of 2015, the average fiber selling price of the Lenzing Group in the first three months of 2015 would be about EUR 1.58/kg.

Outlook 2015

The viscose fiber market showed a slight upward movement at the beginning of the second quarter of 2015. However, it remains to be seen whether this development is sustainable. Thanks to the ongoing high volume demand for its fibers, Lenzing continues to expect full utilization of all its production capacities. Lenzing will strive to carry out selling price increases in the second quarter of 2015.

Moreover, the excellENZ program involving additional cost savings will be resolutely continued. Lenzing continues to expect an ongoing improvement in the product mix and a good development of operating results in both the textile and nonwovens segments for the rest of the year. This can be attributed to the very good development of TENCEL® and Lenzing Modal® and the intensified marketing activities targeting attractive markets and new customers.

Key Group indicators

(IFRS)

(in EUR mn)

	1-3/2015	1-3/2014
Group revenue	474.6	451.7
EBITDA	59.6	46.3
EBITDA margin in %	12.6	10.2
EBIT	27.0	16.7
EBIT margin in %	5.7	3.7
Profit/loss for the period	16.6	7.7
Earnings per share	0.66	0.28
CAPEX(1)	11.2	36.6

	31/03/2015	31/12/2014
Adjusted equity ratio(2) in %	45.4	44.9
Number of employees at period-end	6,301	6,356

1) Refers to investments in intangible assets, property, plant and equipment

2) Ratio of adjusted equity (equity including investment grants less prop. deferred taxes) to total assets

Further inquiry note:

Lenzing AG

Mag. Angelika Guldt

Tel.: +43 (0) 7672-701-2713

Fax: +43 (0) 7672-918-2713

mailto:a.guldt@lenzing.com

issuer: Lenzing AG

A-A-4860 Lenzing

phone: +43 7672-701-0

FAX: +43 7672-96301

mail: a.guldt@lenzing.com

www: <http://www.lenzing.com>

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