

Lenzing AG

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Lenzing Group: 2007 - Another record result

. Consolidated sales up 20.9 percent to EUR 1.26 bill. . EBIT up 50.6 percent to EUR 162.3 mill. . Management board proposes dividend of EUR 14 (2006: EUR 10)

The business result of the Lenzing Group for 2007 clearly surpasses the very good result of 2006. Excellent economic conditions and the dynamic expansion of the group in fibers and plastics form the basis of yet another record result.

According to preliminary figures, consolidated sales rose by 20.9% to EUR 1.26 bill. (2006: EUR 1.04 bill.). EBITDA improved by 35.4% to EUR 229.3 mill. (2006: EUR 169.3 mill.) and EBIT rose by 50.6% to 162.3 mill. (2006: EUR 107.8 mill.). Net income improved by 33.1% to EUR 117.6 mill. (2006: EUR 88.4). The management board will propose a dividend of EUR 14.00 per share (2006: EUR 10.00).

"We made optimum use of the opportunities provided by fiber boom year 2007 and fully utilized our production capacity that we had built up in time. At the same time we passed raw material price increases on to the market. To add, we had the strong expansion of Business Unit Plastics with four new businesses acquired in the past twelve months alone" comments Thomas Fahnemann, chairman of the management board.

Sales by Segment Fibers - generating 80% of consolidated sales - according to preliminary segment reporting were EUR 1,069.5 mill. (2006: EUR 902.8 mill.). Segment EBIT improved to EUR 148.4 mill. (2006: EUR 89.6 mill.) and 560,000 tons (2006: 480,000 tons) of produced fibers constitute a new production record. It was brought about mainly by the start of production at the fiber plant in Nanjing (China).

"Lenzing in 2007 further enhanced its global lead in cellulose fiber production in terms of quantity as well as quality" is Thomas Fahnemann's comment on the current development. The newly developed fiber MicroModal® AIR, a particularly fine fiber for high quality lingerie applications, is a case in point, as well as the current outstanding success of Lenzing FR® fibers: this Lenzing fiber is not only very much in demand for heat resistant work wear for industry and fire fighting. It also is the basis of a new generation of flame retardant uniforms for the US armed forces. Continuous innovation significantly broadened Lenzing's areas of application for nonwovens, particularly in technical applications, for example as reinforcement fibers replacing asbestos or glassfiber.

Lenzing's specialty fiber TENCEL®, for example, is used in the separators of high-performance batteries of hybrid-power cars. Thomas Fahnemann outlines the situation: "Lenzing Fibers for textile and nonwovens applications are increasingly becoming high-tech products. We do, however, not neglect our important volume business with high-quality viscose fibers." Scheduled investment of about EUR 160 mill. for the expansion of production capacity in Segment Fibers alone, is evidence of that.

Dynamic expansion of Plastics

Segment Plastics in 2007 was defined as another growth platform, next to business field fibers. A corresponding acquisition policy set Plastics onto a new level of international industrial activity.

According to preliminary segment reporting, sales improved to EUR 133.1 mill. (2006: EUR 93.5 mill.). Segment EBIT increased to EUR 9.0 mill. (EUR 8.9 mill.) and staff grew to almost 1000 (2006: 350). The production focus is on thermoplastics, PTFE fibers and yarns, short cut filaments and precursor for carbon fibers. Lenzing Plastics operates a total of six production sites in Europe and the USA.

According to preliminary figures, Segment Engineering increased overall sales to EUR 119.0 mill. (2006: 103.6 mill.), enabled by a positive business environment and high order volumes from the Lenzing Group itself. Sales to external customers came to EUR 68.7 mill. (2006: 59.0 mill.). Segment EBIT declined to EUR 6.2 mill (2006: EUR 10.1 mill.) as a result of cautious valuation of risks from pending business transactions and the retreat from marking systems. The average number of staff was 550.

Lenzing parted with Segment Paper at the beginning of 2008.

Outlook Domestic demand in the emerging markets is considered to continue its development in 2008, despite a slower US economy, due to the general rise in prosperity over recent years. The economy in Europe is expected to weaken briefly without, however, slowing down to a standstill.

The development of core business fibers will slow down after fiber boom year 2007 and a good first quarter 2008. Lenzing's good

market position, however, will secure production at full capacity. Largely stable demand is expected from the core markets of the second main business field, Plastics. Demand from the construction industry, however, may decline. Plastics in 2008 will again provide impulse for the growth of the Lenzing Group.

The full consolidation of the companies acquired in 2007 over the business year will more than compensate for the deconsolidation of Segment Paper. Results could come under pressure from a further weakening of the US dollar or from rising raw material prices.

The Lenzing Group will continue its ambitious expansion program for cellulose fibers throughout 2008 and beyond with the most comprehensive investment program in company history. Possible short-term fluctuations are not going to affect the continuous rise in the demand for high-quality cellulose fibers in the long-term.

| Consolidated company key figures (IFRS) | 2007 | 2006 | |
|---|---------|---------|--|
| in EUR mill. | prel. | | |
| Sales* | 1,260.5 | 1,042.6 | |
| EBITDA* | 229.3 | 169,3 | |
| EBIT* | 162.3 | 107,8 | |
| Net income after minorities | 109.6 | 83,9 | |
| EBITDA margin* % | 18.2 | 16,2 | |
| EBIT margin* % | 12.9 | 10,3 | |
| Equity ratio** % | 44.8 | 51,1 | |
| Staff | 6,043 | 5,044 | |
| Capital expenditure (intangibles, property, plant and equipment and financial assets) | 266.8 | 105.6 | |
| Operating cash flow | 225.6 | 146.1 | |

* continuing operations

** Equity incl. government grants less prop. deferred taxes

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