

# Lenzing AG

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## euro adhoc: Lenzing AG / Financial Figures/Balance Sheet / Lenzing Group: improved sales and results for first half-year 2008

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6-month report

25.08.2008

All essential corporate key data improved - perceptible weakening of the fiber business

The business development of the Lenzing Group in the first six months of 2008 was again gratifying. Lenzing was able to carry the good market situation of business year 2007 over into the first six months of 2008, despite signs of a slowing fiber business.

Consolidated sales of the first half-year rose by 17.4% from EUR 587.5 mill. to EUR 689.5 mill. The increase was based on improved prices over previous year's, higher sales volumes in fibers and the first-time full consolidation of the new acquisitions in segment Plastics. The above-average rise of cost of material and purchased services by 24% from EUR 333.6 mill. to EUR 412.9 mill. was largely the consequence of rapidly rising prices for energy, chemicals and other raw materials. These costs could not be passed on the customers to the same extent as in the previous quarters.

EBIT improved by 8% from EUR 66.7 mill. to EUR 72.1 mill. The change in the financial result from minus EUR 4.6 mill. to minus EUR 7.3 mill. is a result of increased net debt due to investments made and rising interest rates.

EBT rose from EUR 62.1 mill. to EUR 64.8 mill. and period net income from EUR 46.1 mill. to EUR 46.8 mill. Earnings per share improved from EUR 11.53 to EUR 12.02.

As at 30 June 2008, the Lenzing Group employed a staff of 5,952 (31 December 2007: 5,918) in its continued business operations.

Perceptible weakening in segment Fibers

First signs of a weakening global fiber market were perceptible already from the beginning of the second quarter. In line with expected global economic developments, fiber demand started to decline after two boom years. Moreover, the rise in cost of material and purchased services was disproportional and burdened the second quarter sales figures of segment Fibers.

It was still possible to raise sales prices in the first quarter, but the market decline from the second quarter on exerted distinct pressure on prices in segment Fibers. This in particular affected textile fibers. Lenzing continued to implement its corporate strategy and secured its global position by intensive marketing activity in the top segment, despite difficult general conditions. Part of this strategy is the expansion of the product portfolio favoring specialty products with good margins. This markedly contributed to the still good business development of Fibers in the first six months.

Business Unit Textile Fibers developed new customer groups and market segments in the targeted product groups high-quality sportswear, lingerie and home textiles. The good demand situation of 2007 in Business Unit Nonwoven Fibers continued into the first six months of 2008. The price levels of 2007 were held.

The supply situation for dissolving pulp eased up considerably. This was due to weaker demand for viscose fibers and the imminent start-up of new production capacity.

Stable development of segments Plastics and Engineering

The focus in segment Plastics was put on the integration of the new companies acquired in 2007. Moreover, site optimization and structural improvements were consistently implemented. The segment was reorganized into two new business units (Business Unit Filaments and Fibers, Business Unit Performance Polymers), adapting the segment structure to market realities. According to expectations, business development was positive even if there were first signs of impact from the weakening European economy. The first half of the segment Engineering's business year was characterized by strong order bookings from the fiber industry due to continued investment activity.

Outlook

The unfavorable economic development that started in the USA clouds expectations for the global economy. The current business year will see the start-up of more production capacity for cellulose fibers in Asia. The global undersupply of the past two years will therefore give way to a phase of overcapacity. The weak dollar and turbulent raw material and energy markets will add further pressure.

