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COVID-19 impacts revenue and earnings of the Lenzing Group in the first half of 2020

- Fiber prices and demand under pressure
- Measures to protect employees, customers and suppliers and to keep plants operational implemented successfully
- Joint venture Hygiene Austria established for industrial production of protective masks in the fight against the COVID-19 pandemic – new distribution channel via shop.hygiene-austria.at
- Strategic investment projects progress according to plan – financing agreements for construction of pulp plant in Brazil concluded as planned
- Revenue and operating result in the remaining quarters of 2020 expected to exceed that of the second quarter

Lenzing – In the first half of 2020, the Lenzing Group faced a historically difficult market environment with increased pressure on prices and volumes resulting from the COVID-19 crisis. To counteract that, Lenzing intensified its cooperation with partners along the value chains and adjusted its production volumes and sales prices to market reality. The disciplined implementation of the sCore TEN corporate strategy and the focus on specialty fibers continued to have a positive impact.

The immediate effects of the COVID-19 crisis further increased price pressure on textile fibers across the entire product range. As a result, revenue declined by 25.6 percent from EUR 1.09 bn to EUR 810.2 mn in the first half of 2020. In addition to price effects, Lenzing also felt the decline in demand for textile fibers in all regions. The slightly higher demand for fibers in the medical and hygiene segments reduced the losses, but could not offset them. The earnings development essentially reflects the decline in revenue. The implementation of measures for structural earnings improvements in all regions and making use of the short-time work model, which was temporarily introduced by the Austrian Federal Government, mitigated this negative effect. EBITDA (earnings before interest, tax, depreciation and amortization) fell by 46.6 percent to EUR 96.7 mn in the first half of 2020. The EBITDA margin decreased from 16.6 percent to 11.9 percent. Net profit for the period¹ amounted to EUR

¹ Attributable to Lenzing AG shareholders

1.5 mn (compared to EUR 78.8 mn in the first half-year of 2019) and earnings per share to EUR 0.06 (compared to EUR 2.97 in the first half-year of 2019).

“The COVID-19 crisis has an impact on the entire textile and apparel industry and further increased the price and volume pressure on the global fiber market. Likewise, Lenzing was also confronted with this historically difficult market environment and focused on the health and safety of their employees, the continuation of long-term partnerships and ensuring their sustainable business development”, says Stefan Doboczky, Chief Executive Officer of the Lenzing Group. “Strategically, we are still fully on track and the implementation of our key projects in Thailand and Brazil is progressing according to plan. The successful conclusion of the financing agreements for the construction of the pulp plant in Brazil was a highlight of the first half of the year”, says Doboczky.

Strengthening specialty fiber growth

CAPEX (expenditures for intangible assets and property, plant and equipment and biological assets) roughly tripled to EUR 268.7 mn in the first half of 2020. This increase is a consequence of the progress of the major projects in Brazil and Thailand. The implementation of the two most important long-term investment projects to strengthen internal pulp supply and to increase the share of specialty fibers in line with the sCore TEN corporate strategy is progressing according to plan.

After the decision to build the dissolving wood pulp plant in Brazil with a capacity of 500,000 tons was made in December, the Duratex Group acquired a 49 percent share in the joint venture LD Celulose as agreed in the first quarter of 2020. Lenzing holds 51 percent of the shares. The expected Industrial CAPEX will be USD 1.38 bn. The project is predominantly financed through long-term debt. The corresponding financing contracts were concluded in the second quarter of 2020 as planned. IFC, a member of the World Bank Group, and IDB Invest, a member of the IDB Group, are co-leading a USD 1.1 billion financing to the joint venture LD Celulose. The export credit agency Finnvera and seven commercial banks are participating in the financing.

Stand up! Against business as usual

On March 21, Lenzing presented its Sustainability Report 2019, which was also the International Day of Forests. The report sets out how the company is actively dealing with the global challenges. Under the motto “Stand up! Against business as usual”, Lenzing emphasizes its wider responsibilities over and above its products. With the implementation of the science-based target, Lenzing actively contributes to mastering the problems caused by climate change. The Lenzing Group is committed to reducing its greenhouse gas emissions per ton of product by 50 percent by 2030 (baseline: 2017) and to become climate-neutral by 2050.

Production of high-quality protective masks: Hygiene Austria LP GmbH

To meet the increased demand for high-quality hygiene and protective equipment, Lenzing AG and Palmers Textil AG founded Hygiene Austria LP GmbH in late April, in which Lenzing AG holds 50.1 percent and Palmers Textil AG 49.9 percent. The company started producing and selling mouth-nose and FFP2 masks from May 2020. In a next step, the product range was extended to include masks for children. In July, Hygiene Austria LP GmbH launched an online shop (shop.hygiene-austria.at), thus making another contribution to the security of Austrian supply. Based on its modern production infrastructure, the company can currently produce up to 12 million masks per month.

Virtual Annual General Meeting on June 18, 2020

The 76th Annual General Meeting of Lenzing AG, which was held in a virtual form via livestream due to the COVID-19 pandemic, followed the proposal of the Management Board and resolved on June 18, 2020, not to distribute a dividend for the 2019 financial year.

Guidance 2020

The Lenzing Group suspended on March 24 its result forecast for 2020 as a consequence of the global COVID-19 crisis and the resulting very limited visibility; at that time, Lenzing expected the result for 2020 to be below the level of 2019.

For 2020, the International Monetary Fund currently projects the greatest recession of the global economy in the course of a century. Global economic output is expected to contract by 4.9 percent in 2020.

Whilst it remains difficult to give a precise outlook for 2020, Lenzing assumes from today's perspective that the revenue generation and operating performance of the remaining two quarters will exceed those of the second quarter.

The comparatively solid business development in the first half of the year reassures the Lenzing Group in its chosen corporate strategy sCore TEN. Lenzing will continue to implement its strategy with great discipline with a particular focus on the strategic investment projects which both will yield a significant contribution to earnings starting from 2022.

Selected indicators of the Lenzing Group		
EUR mn	01-06/2020	01-06/2019
Revenue	810.2	1,088.5
EBITDA (Earnings before interest, tax, depreciation and amortization)	96.2	181.2
EBITDA margin	11.9 %	16.6 %
Net profit for the period ¹	1.5	78.8
Earnings per share in EUR	0.06	2.97
CAPEX ²	268.7	95.1
Free cash flow	(285.1)	28.8
	30.06.2020	31.12.2019
Net financial debt	701.4	400.6
Adjusted equity ratio ³	41.8 %	50.0 %
Number of employees	7,225	7,036

1) Attributable to Lenzing AG shareholders

2) Capital expenditures: expenditures for intangible assets and property, plant and equipment and biological assets as per statement of cash flow

3) Ratio of adjusted equity to total assets in percent

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About the Lenzing Group

The Lenzing Group stands for ecologically responsible production of specialty fibers made from the renewable raw material wood. As an innovation leader, Lenzing is a partner of global textile and nonwoven manufacturers and drives many new technological developments.

The Lenzing Group's high-quality fibers form the basis for a variety of textile applications ranging from elegant ladies clothing to versatile denims and high-performance sports clothing. Due to their consistent high quality, their biodegradability and compostability Lenzing fibers are also highly suitable for hygiene products and agricultural applications.

The business model of the Lenzing Group goes far beyond that of a traditional fiber producer. Together with its customers and partners, Lenzing develops innovative products along the value chain, creating added value for consumers. The Lenzing Group strives for the efficient utilization and processing of all raw materials and offers solutions to help redirect the textile sector towards a closed-loop economy.

Key Facts & Figures Lenzing Group 2019

Revenue: EUR 2.11 bn

Nameplate capacity: 1,045,000 tons

Employees: 7,036

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Disclaimer: The above key financial indicators are derived primarily from the condensed consolidated interim financial statements and the consolidated financial statements of the previous year of the Lenzing Group. Additional details are provided in "Notes on the financial performance indicators of the Lenzing Group", the glossary to the half-year report and the condensed interim consolidated financial statements and the Lenzing Group's consolidated financial statements of the previous year. Rounding differences may occur in the presentation of rounded amounts and percentages.
