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## Lenzing Group weathers the crisis year 2020 and remains strategically well on track

- Successful implementation of measures to fight the COVID-19 pandemic with a focus on the safety and health of employees, customers and partners and securing sustainable business development
- Implementation of strategic investment projects progressing on schedule – financing contracts for the construction of the pulp plant in Brazil concluded according to plan
- Lenzing expands its lead in sustainability and circular economy – first TENCEL™ branded carbon-zero fibers launched
- Successful issuance of a EUR 500 mn hybrid bond further strengthens balance sheet structure
- Lenzing expects recovery of the fiber market to continue in 2021 and an operating result on pre-crisis level

Lenzing – In 2020, the Lenzing Group successfully responded to the extremely difficult market environment due to the COVID-19 crisis by implementing a broad package of measures and remains fully on track in terms of its strategy. The measures focused on protecting Lenzing's employees and partners and on safeguarding its operations. Lenzing flexibly adjusted production volumes and was able to offer its customers the usual delivery service at any time. In addition, Lenzing also intensified measures for structural earnings improvement to mitigate the effect of the pressure on fiber prices and demand for fibers, and reduced its operating costs.

The immediate effects of the COVID-19 crisis increased the pressure on prices and volumes in the textile fiber segment, in particular in the second quarter of 2020. The recovery of demand in the second half of the year, primarily for wood-based specialty fibers such as TENCEL™ Modal and LENZING™ ECOVERO™, had a positive impact on the revenue and earnings development, but could not compensate for losses. Revenue declined by 22.4 percent to EUR 1.63 bn in 2020. The earnings development essentially reflects the decline in revenue, but was supported by measures for structural earnings improvements in all regions. EBITDA (earnings before interest, tax, depreciation and amortization) fell by 39.9 percent to EUR 196.6 mn. The EBITDA margin decreased from 15.5 percent to 12 percent. Net profit/loss for the year amounted to EUR minus 10.6 mn (2019: EUR 114.9 mn) and earnings per share attributable to Lenzing shareholders to EUR 0.24 (2019: EUR 4.63).

“2020 was largely dominated by the COVID-19 pandemic, also at Lenzing. Lenzing responded quickly and with determination to the increased pressure on prices and volumes. In the second half of the year, we saw a broad recovery of the fiber market; in particular, demand for our sustainably produced specialty fibers increased significantly”, says Stefan Doboczky, CEO of the Lenzing Group. “Strategically, we remain fully on track and the implementation of our key projects in Brazil and Thailand continues to proceed according to plan. With our corporate priorities, we are consistently pursuing a major goal, namely to make a zero-carbon future come true”, says Doboczky.

### **Strengthening specialty fiber growth**

CAPEX (expenditures for intangible assets, property, plant and equipment and biological assets) nearly tripled to EUR 668.8 mn in 2020. This increase is a consequence of the implementation of the major projects in Brazil and Thailand. The Lenzing Group’s investment activities continued to focus on expanding the internal production of pulp, increasing the share of specialty fibers and implementing the climate targets in line with the sCore TEN corporate strategy during the reporting year.

The construction of the dissolving wood pulp plant in Brazil continues to progress according to plan. After the final investment decision in December 2019, the Duratex Group acquired a 49 percent share in the joint venture LD Celulose in the first quarter of the reporting year as agreed. Lenzing holds 51 percent of the shares. The expected Industrial CAPEX will be USD 1.38 bn. The project is predominantly financed through equity and long-term debt. The corresponding financing contracts were concluded in the second quarter of 2020 as planned. The commissioning of the pulp plant is scheduled for the first half of 2022.

Specialty fibers are Lenzing’s great strength. The strategic target to generate roughly 50 percent of revenue with specialty fibers in 2020 has already been met. Lenzing aims for further organic growth in this area in order to be even more resilient to volatile markets in the future. The focus of the coming years will clearly be on the construction of the new, state-of-the-art lyocell plant in Thailand, with the objective to increase the share of specialty fibers in the revenue generated by the Segment Fibers to more than 75 percent by 2024. The investment for the new plant with a capacity of 100,000 tons amounts to roughly EUR 400 mn. Construction work started in the second half of 2019 and went according to plan during the reporting year. Production is expected to be launched at the end of 2021.

### **Solid balance sheet structure**

As one of the first companies worldwide, Lenzing placed a bonded loan bound to its sustainability performance in 2019 in order to finance further operational growth. In November 2020, Lenzing successfully issued a subordinated hybrid bond with a total volume of EUR 500 mn, which is classified as equity in accordance with

IFRS. The bond was oversubscribed multiple times, has a perpetual tenor and an annual coupon of 5.75 percent. As a result, adjusted equity increased by 22.5 percent to EUR 1.91 bn as at December 31, 2020, corresponding to an adjusted equity ratio of 45.8 percent.

### Sustainability at Lenzing

With the implementation of its science-based targets, the Lenzing Group actively contributes to mastering the problems caused by climate change. In 2019, Lenzing made a strategic commitment to reducing its greenhouse gas emissions per ton of product by 50 percent by 2030. The target is to be climate-neutral by 2050. The implementation of the two key projects in Brazil and Thailand is an important milestone on this journey. Thanks to its excellent infrastructure, the location in Thailand can be supplied with sustainable biogenic energy. In addition, the plant in Brazil will feed more than 50 percent of the electricity generated into the public grid as renewable energy.

The introduction of the first TENCEL™ branded CarbonNeutral® fibers and the establishment of the Renewable Carbon Initiative with the aim of speeding up the transition to renewable carbon are further important events from the reporting year, which serve as examples of the successful path that Lenzing and its partners are taking towards carbon neutrality.

The Lenzing Group received several awards for its achievements during the 2020 financial year, most notably in the field of sustainability:

- Lenzing underwent assessment by the non-profit environmental organization CDP for the first time in 2020 and was the first new entrant to secure a double 'A' score in the categories climate and forest.
- ISS ESG, one of the most recognized rating agencies in the field of sustainability, raised Lenzing's sustainability rating from "C+" to "B-", the highest rating in the category "Paper & Forest Products", positioning the Lenzing Group among the top 10 percent of rated companies. The "Prime Status" of the Lenzing Group was also confirmed.
- In Canopy's Hot Button Ranking Lenzing achieved the highest category for the first time. The Canadian environmental organization particularly highlighted our continuous leadership regarding sustainable procurement and efficient use of resources over the past years.
- In December Lenzing won the prestigious "Building Public Trust Award 2020" for the best climate reporting on the Austrian ATX. The jury emphasized Lenzing's commitment to a holistic climate-related strategic alignment and clear targets.
- In addition, Lenzing won the Austrian State Prize for Innovation. This award recognizes Lenzing's achievements and its strategy to grow exclusively on the basis of sustainable innovations. Lenzing convinced the jury with its LENZING™ Web Technology. The novel process combines fiber and

nonwovens production in only one step, setting new standards in terms of efficiency, circularity and ecological sustainability.

### **Guidance for 2021**

The International Monetary Fund expects global growth of 5.5 percent for 2021. However, the economic recovery after the deep recession caused by COVID-19 is subject to risks and largely depends on the further development of the pandemic. The currency environment is expected to remain volatile in the regions relevant to Lenzing.

The global fiber and pulp markets came under considerable pressure as a result of the COVID-19 crisis. The significant recovery of demand from the third quarter of 2020 onwards, starting in China, continued into the first quarter of 2021 and is currently providing a friendly market environment. In the cotton market, a shortage of supply, in particular for organic cotton, is anticipated in the current 2020/2021 harvest and, consequently, an unchanged development in inventory levels.

At the same time, Lenzing still expects a continued increase in demand for sustainably produced fibers for the textile and apparel industry as well as for the hygiene and medical industry. This trend is likely to continue unabated after the COVID-19 pandemic, not least due to a number of legislative initiatives.

With the prospect of a broad population being vaccinated against COVID-19 in the near future, optimism and confidence in an early return to normality are also growing within the textile value chain. However, the currently positive environment is still characterized by a high level of uncertainty due to the COVID-19 pandemic. Therefore, the earnings visibility remains limited. Taking into account the above factors, the Lenzing Group expects the operating result to develop at a similar level in 2021 as in the pre-crisis year 2019.

Lenzing considers itself well-positioned in view of these developments and based on its sCore TEN corporate strategy, and will in particular continue the disciplined implementation of the strategic investment projects, which will make a significant contribution to earnings from 2022.

<b>Selected indicators of the Lenzing Group</b>		
<b>EUR mn</b>	<b>2020</b>	<b>2019</b>
Revenue	1,632.6	2,105.2
EBITDA (Earnings before interest, tax, depreciation and amortization)	196.6	326.9
EBITDA margin	12.0 %	15.5 %
Net profit/loss for the year	(10.6)	114.9
Earnings per share in EUR	0.24	4.63
CAPEX <sup>1</sup>	668.8	244.0
Free cash flow	(614.8)	0.8
	<b>31.12.2020</b>	<b>31.12.2019</b>
Net financial debt	471.4	400.6
Adjusted equity ratio <sup>2</sup>	45.8 %	50.0 %
Number of employees	7,358	7,036

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

2) 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. In order to reduce the speed of global warming and to accomplish the targets of the Paris Climate Agreement and the "Green Deal" of the EU Commission, Lenzing has a clear vision: namely to make a zero-carbon future come true.

### Key Facts & Figures Lenzing Group 2020

Revenue: EUR 1.63 bn

Nameplate capacity: 1,045,000 tons

Employees: 7,358

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Disclaimer: The above financial indicators are derived primarily from the IFRS consolidated financial statements of the Lenzing Group. Additional details are provided in the section "Notes on the financial performance indicators of the Lenzing Group", in the glossary to the Annual Report and in the consolidated financial statements of the Lenzing Group.

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