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EANS-Adhoc: Lenzing AG / Lenzing sets the course for future dynamic expansion of fiber production capacity

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Company Information

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The Lenzing Group, a world market leader in man-made cellulose fibers, sets the course for the future dynamic expansion of its fiber production capacity. The recently agreed expansion program includes the construction of the first industrial-scale production plant for TENCEL® fibers at the site in Lenzing/Upper Austria, the construction of a fifth viscose production line at its Indonesian subsidiary PT. South Pacific Viscose (SPV), as well as further capacity expansion measures. These new expansion projects, in addition to those already in progress, are expected to increase the Lenzing Group's annual fiber production capacity of currently nearly 700,000 metric tons by approximately 25%. This would be a significant milestone in reaching the strategic target of a production capacity of one million metric tons of fibers by 2014. The total investment volume amounts to approximately EUR 285 million.

Lenzing's CEO, Peter Untersperger, explains these latest decisions: "This expansion program responds to the dynamic demand development for man-made cellulosic fibers and is intended to further secure our leading world market position. The structural changes in the global textile fiber market, which are characterized by a tendency towards rising cotton price levels and an ever-increasing volatility of cotton quantities, as well as the increasing demand for man-made cellulosic fibers in nonwovens, lead us to continue to expect strong demand for Lenzing fibers over the next years. Moreover, the capacity expansion program is intended to further secure our leading position in the industry with respect to cost efficiency and market position."

First industrial-scale production site for TENCEL® fibers at the Lenzing site in Upper Austria The decision to construct the first production plant for TENCEL® at the facility in Lenzing/Upper Austria represents a milestone for this site. The total investment will amount to approximately EUR 130 million, with a planned annual production capacity of approximately 60,000 metric tons. The plant will be the world's first fully backwards integrated production site for TENCEL® fibers, as it can be directly supplied with pulp from the fully integrated pulp mill at the Lenzing site. The regulatory approval procedures for the industrial-scale plant are expected to be initiated shortly. TENCEL®, a high-grade specialty fiber, is used for textiles as well as for nonwovens. The Lenzing Group is the world's only industrial producer of TENCEL®.

The new investment program also includes the expansion of the TENCEL® production site in Mobile/Alabama (USA). A total investment of almost USD 30 million is expected to increase the site's annual production capacity to approximately 50,000 metric tons. A production line that was decommissioned by the site's previous owner will be modernized and upgraded to meet the strong demand for TENCEL® fibers from the nonwovens sector (wipes, baby care products) in North and South America.

Fifth production line at SPV and expansion in Nanjing In response to strong demand for Lenzing viscose fibers in Asia, Lenzing is planning to increase capacity at its sites in Purwakarta/Indonesia (SPV) and Nanjing/China. Lenzing will construct a fifth production line with a total investment of approximately USD 130 million at SPV. It will be designed as a "jumbo line" with a planned annual production capacity of 80,000 metric tons, which is expected to increase SPV's total capacity to 325,000 metric tons by 2013. The additional quantities are expected to be mainly sold in the fast-growing Indonesian domestic market.

At Lenzing's site in Nanjing/ China, a second production line is currently under construction, which is scheduled to almost double current production capacity to 140,000 metric tons by mid-2011. Lenzing has now decided to increase production capacity of this site's second line to 160,000 metric tons immediately after start-up, with a total investment of approximately USD 18 million. The additional capacity is expected to be available from 2012 onwards.

Moreover, production capacity for specialty nonwovens fibers will be expanded at the Lenzing site. An existing line will be upgraded at a total investment of approximately EUR 17 million. This expansion measure is in response to strong demand for Lenzing's nonwoven fibers. This project is scheduled to be completed by mid-2012.

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