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Earnings more than doubled in first nine months of 2021

- Strong operating result despite continued rise in energy, raw material and logistics costs
- Key strategic projects on track – commissioning of the lyocell plant in Thailand from the end of the year
- Renowned marine research institute of the University of California, San Diego, confirms that LENZING™ fibers are biodegradable – an effective alternative to reduce plastic pollution
- Lenzing rated “sustainability champion” by MSCI ESG
- Cord Prinzhorn assumes role of interim CEO – 2021 guidance confirmed

Lenzing – The Lenzing Group reported a significant year-on-year improvement in revenue and earnings in the first nine months of 2021 thanks to the largely positive market environment. Growing optimism in the textile and apparel industry and the recovery in retail led to a substantial increase in demand and prices on the global fiber market, particularly at the start of the current financial year.

Revenue rose by 32.9 percent to EUR 1.59 bn in the first nine months of 2021. This increase is attributable to a higher sales volume as well as higher viscose prices, which stood at more than RMB 15,000 in May thanks to significantly higher demand for fibers, especially in Asia. The focus on wood-based specialty fibers such as the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ branded fibers also had a positive impact on the revenue trend; the share of specialty fibers in fiber revenue amounted to 72.4 percent in the reporting period. This more than offset the negative impact of less favorable currency effects. The earnings performance essentially reflects the positive market trend and was additionally reinforced by efficiency-enhancement measures. Energy, raw material and logistics costs increased significantly during the entire reporting period. EBITDA (earnings before interest, tax, depreciation and amortization) more than doubled to EUR 297.6 mn in the first nine months of 2021 (compared to EUR 138.5 mn in the first nine months of 2020). The EBITDA margin rose from 11.6 percent to 18.7 percent. Net profit for the period amounted to EUR 113.4 mn (compared to a net loss of EUR minus 23.3 mn in the first nine months of 2020) and earnings per share to EUR 3.77 (compared to EUR minus 0.1 in the first three months of 2020).

“Lenzing has enjoyed a strong business performance to date in 2021. Demand for our wood-based, biodegradable specialty fibers under the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands is growing very well”, notes Thomas Obendrauf, Chief Financial Officer of the Lenzing Group. “We stay the course, and the largest investment program in our company’s history is still running according to schedule. With the imminent commissioning of the lyocell plant in Thailand, we will reach a highly important milestone for both the company and our goal to make the textile and nonwovens industries more sustainable”, Obendrauf comments.

Gross cash flow more than tripled to EUR 301.1 mn in the first nine months of 2021 (compared to EUR 83.3 mn in the first nine months of 2020). This increase was above all due to the earnings performance. Cash flow from operating activities amounted to EUR 307.8 mn (compared to EUR minus 14 mn in the first nine months of 2020). Free cash flow amounted to EUR minus 317.9 mn (compared to EUR minus 460.8 mn in the first nine months of 2020) due to the investment activities related to the projects in Thailand and Brazil. CAPEX (expenditures for intangible assets, property, plant and equipment, and biological assets) increased by 40.3 percent to EUR 631.1 mn during the reporting period, of which roughly half was financed out of cash flow from operating activities. The strong increase in investments is attributable to the implementation of the key projects.

Strengthening specialty fiber growth

The construction of the pulp mill in Brazil continues to proceed according to schedule despite the challenging developments related to COVID-19. The expected ramp-up of the pulp mill is still scheduled for the first half of 2022. The new mill will strengthen backward integration and, consequently, Lenzing’s specialty fiber growth in line with the sCore TEN strategy.

Specialty fibers are Lenzing’s great strength. The objective is to generate more than 75 percent of fiber revenues from business with wood-based specialty fibers such as lyocell and modal fibers by 2024. The focus of this strategic target is on the construction of a new state-of-the-art lyocell plant in Thailand. The investment for the new plant with a capacity of 100,000 tons amounts to approximately EUR 400 mn. Construction work started in the second half of 2019 and proceeded largely according to schedule in the reporting period, despite the challenges arising from the pandemic. The recruiting and onboarding of new employees is progressing successfully. The commissioning of the plant is scheduled for the end of the year, and the start of production for the first quarter of 2022.

In addition, Lenzing is investing more than EUR 200 mn in its production sites in Purwakarta (Indonesia) and Nanjing (China) to convert existing standard viscose capacity into capacity for eco-friendly specialty fibers. In Nanjing, Lenzing will establish the first wood-based fiber complex in China that does not depend on coal as an energy source. At the same time, a line of standard viscose will be converted to a TENCEL™ branded modal fibers line, making the Chinese plant a completely wood-based specialty fiber site by the end of 2022.

Investments in Lenzing's site in Indonesia will make this facility fully compliant with EU Ecolabel standards. As a consequence, the site will become a pure specialty viscose supplier as of 2023. Once these investments have been completed, Lenzing will boost specialty fibers as a percentage of its fiber revenues to well above the targeted 75 percent by as early as 2023.

Vision of a zero-carbon future

With the implementation of its science-based targets, the Lenzing Group is actively contributing to combating 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 vision is to be climate-neutral by 2050. The two key projects in Brazil and Thailand represent important milestones on this journey. Thanks to its excellent infrastructure, the location in Thailand can be supplied with sustainable biogenic energy. In addition, the mill in Brazil will feed more than 50 percent of the electricity generated into the public grid as renewable energy. The investments at the existing Asian locations are also in line with Lenzing's decarbonization goals.

The cooperation with Södra, a Swedish pulp producer, marks a further milestone in Lenzing's efforts to achieve its ambitious climate and sustainability goals. The two leading global suppliers, which have been proactively driving the closed-loop economy in the fashion industry for many years, are joining forces to give the issue a further boost and to make a decisive contribution to addressing the challenges posed by textile waste globally. A capacity expansion for pulp from textile waste is also planned. The goal is to recycle 25,000 tons of textile waste per year by 2025.

For Lenzing, sustainability represents both a core value of its strategy and a guiding principle for innovation and product development. Lenzing further expanded its product offering for the textile and nonwovens industries in the reporting period. The first TENCEL™ branded lyocell fiber made of orange pulp and wood sources was presented in the third quarter. The first fabrics are being developed in cooperation with Orange Fiber, an Italian specialist textile producer. The upcycling of orange peel as part of the TENCEL™ Limited Edition initiative represents another successful attempt by Lenzing to develop new recycling solutions with partners along the value chain. The launch of the first carbon-neutral fibers on the global nonwovens market under the VEOCEL™ brand offers a further example of product innovation in the reporting period, reflecting the ambitious path pursued by Lenzing and its partners in the areas of climate change and the closed-loop economy.

Alternative to fossil-based fibers

With its wood-based, biodegradable VEOCEL™ fibers, Lenzing is also benefiting from new legislation such as the Single-Use Plastics Directive (EU) 2019/904.¹ The EU Commission published implementation guidelines in the second quarter specifying which products fall within the directive's scope. Lenzing welcomes the measures taken by the EU in a joint effort of the Member States to combat plastic pollution. The Single-Use Plastics Directive stipulates uniform labelling requirements for some of the single-use plastic products either on the packaging or on the product itself from July 3, 2021. They encompass feminine hygiene products and wet wipes for personal and household care containing plastic.

In a study published in October 2021², scientists from the renowned academic research institute Scripps Institution of Oceanography (SIO) of the University of California, San Diego, confirmed that wood-based cellulosic fibers are quickly degraded in the ocean at the end of their lifecycle, which makes them a clearly superior alternative to fossil-based synthetic fibers. The study arose from an independent project aiming to understand "end-of-life" scenarios for textiles and nonwovens discarded in the environment. While wood-based cellulosic fibers fully biodegraded within 30 days, the fossil-based fibers tested were practically unchanged after more than 200 days.

Plastic pollution represents one of the great problems of our time, and it might have a long-term impact on multiple generations. The fashion industry, with its "fast fashion" business model, has an extremely negative effect on the environment. The use of fossil-based synthetic fibers in clothes has roughly doubled over the last 20 years, Fossil-based fibers represent approximately two thirds of global fiber consumption today, and this share is constantly increasing³.

Lenzing rated "sustainability champion"

Lenzing received several awards for its achievements during the reporting period, most notably in the field of sustainability: The renowned rating agency MSCI upgraded Lenzing Group from "A" to "AA" as of September 2021. This places Lenzing among the top 6 percent of rated companies in its peer group. Due to the improved MSCI ESG rating, Lenzing will benefit from lower interest expenses. Lenzing placed a EUR 500 mn bonded loan (Schuldschein loan) in November 2019 that is linked to its sustainability performance. In accordance with its commitment under the bonded loan placement, the company will donate the full amount of the interest expense saving as a consequence of the rating revision to a project it supports. MSCI cited the company's ambitious

¹ Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment

² <https://www.sciencedirect.com/science/article/pii/S0048969721031314>

³ http://changingmarkets.org/wp-content/uploads/2021/01/FOSSIL-FASHION_Web-compressed.pdf

climate targets, its approach to promoting a closed-loop economy and exceptionally good governance structures as the main reasons for the upgrade.

Lenzing was awarded Platinum CSR status by EcoVadis for the first time in 2021 and now ranks among the top one percent of companies worldwide rated with regard to the environment, fair working conditions and human rights, as well as ethics and sustainable procurement.

Cord Prinzhorn assumes role of interim CEO

In September, the Supervisory Board of Lenzing AG came to a mutual agreement with its longstanding Chief Executive Officer Stefan Doboczky to terminate his contract before the end of his term. Doboczky informed the Supervisory Board that he will not be available for a further extension of his contract. The Supervisory Board accepted his resignation with great regret and the parties mutually agreed to end the contract with effect as of the end of the reporting period. Cord Prinzhorn has been appointed interim Chief Executive Officer. He has been a member of Lenzing's Supervisory Board since the Annual General Meeting in April. When Prinzhorn assumes the role of Chief Executive Officer on November 04, 2021, his Supervisory Board mandate will be suspended for the time being.

Outlook and guidance for 2021

The International Monetary Fund forecasts global growth of 5.9 percent for 2021. However, the economic recovery after the deep recession caused by COVID-19 is subject to risks, and largely depends on further progress made with vaccination campaigns and the successful global containment of the pandemic, particularly in developing countries. The currency environment is expected to remain volatile in the regions relevant to Lenzing.

The global fiber markets saw a significant recovery from the CoV crisis from the third quarter of 2020, starting in China. However, the market turned in February/March this year and took a downward trend until well into the third quarter. In the last few weeks, fiber prices have risen sharply again. In the cotton market, the current 2020/2021 harvest points to a tightening in production volume and, consequently, a slight decrease in inventory levels. The prices for dissolving wood pulp remain at a high level despite the decline in the third and at the start of the fourth quarter.

Lenzing expects continued growth in demand for sustainably produced fibers for the textile and apparel industries as well as for the hygiene and medical industries. 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 progressing active immunization of a broad population against COVID-19, optimism and confidence in a speedy return to normality are also rising within the textile value chain. However, the currently positive environment continues to be characterized by a high level of uncertainty, also due to the increased occurrence of virus mutations and the extremely high infection rates in parts of South America and in South and South-East Asia. For this reason, visibility remains limited.

Following significant cost increases in the year to date, further cost pressure on energy, raw materials and logistics is expected in the coming quarters.

Given the above factors and the very positive performance during the first nine months, the Lenzing Group therefore continues to expect EBITDA to reach at least EUR 360 mn in 2021.

In light of these trends, Lenzing considers itself well-positioned with its sCore TEN corporate strategy, and will continue to drive the completion of the major strategic projects, which are to make a significant contribution to earnings from 2022. In addition to its targets for EBITDA (EUR 800 mn) and ROCE (>10 %⁴), Lenzing also confirms its four other medium-term targets for 2024: net debt/EBITDA (<2.5 x), share of specialty fibers (>75 % of fiber revenue), own supply of dissolving wood pulp (>75 %), decarbonization (>40 % fewer CO₂ emissions per ton of product).

⁴ To be adjusted for assets under construction

Selected indicators of the Lenzing Group		
EUR mn	01-09/2021	01-09/2020
Revenue	1,588.5	1,194.9
EBITDA (Earnings before interest, tax, depreciation and amortization)	297.6	138.5 ¹
EBITDA margin	18.7 %	11.6 % ¹
Net profit/loss for the period	113.4	-23.3
Earnings per share in EUR	3.77	-0.10
Cash flow from operating activities	307.8	-14.0
CAPEX ²	631.1	449.8
	30/09/2021	31/12/2020
Net financial debt	806.3	471.4
Adjusted equity ratio ³	41.6 %	45.8 %
Number of employees (headcount)	7,831	7,358

1) As of the beginning of the 2021 financial year, the Lenzing Group presents the consolidated income statement according to the cost-of-sales method rather than the total cost method, Thus increasing international comparability with peer group companies. Some amounts previously recognized in EBIT/EBITDA are reclassified to the financial result (see note 1 of the consolidated interim financial statements of the Half-Year Report 01-06/2021)

2) Capital expenditures: Investments in intangible assets, property, plant and equipment, and biological assets as per the consolidated statement of cash flows

3) Ratio of adjusted equity to total assets in percent

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PIN: 60oqapdVE5fA

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About the Lenzing Group

The Lenzing Group stands for the ecologically responsible production of specialty fibers made from the renewable raw material wood. As an innovation leader, Lenzing is a partner to 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, biodegradability and compostability, Lenzing fibers are also highly suitable for hygiene products and agricultural applications.

The Lenzing Group's business model extends far beyond that of a traditional fiber producer. Together with its customers and partners, Lenzing develops innovative products along the value chain and creates 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 slow the rate of global warming and to accomplish the targets of the Paris Climate Agreement and the EU Commission's "Green Deal", Lenzing has developed a clear vision: namely to make a zero-carbon future come true.

Lenzing Group: Key Facts & Figures 2020

Revenue: EUR 1.63 bn

Nominal capacity: 1,045,000 tons

Number of employees (headcount): 7,358

TENCEL™, VEOCEL™, LENZING™, REFIBRA™, ECOVERO™, LENZING MODAL™, LENZING VISCOSE™, MICROMODAL™ and PROMODAL™ are trademarks of Lenzing AG.

Disclaimer: The above key financial indicators are derived primarily from the condensed consolidated interim financial statements and the consolidated financial statements for the previous year of the Lenzing Group. Additional details are provided in the "Notes on the financial performance indicators of the Lenzing Group" at <https://www.lenzing.com/notes-financial-performance-indicators-lenzing-group-2021-q3>, and in the condensed consolidated interim financial statements as well as the Lenzing Group's consolidated financial statements for the previous year. Rounding differences may occur in the presentation of rounded amounts and percentages.
