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## Lenzing continues on its recovery track in a persistently difficult market environment

- Revenue of EUR 1.25 bn and EBITDA of EUR 136.5 mn in the first half of 2023
- EBITDA and net result for the period significantly improved compared with the first quarter of 2023
- Cost-cutting program and measures to strengthen sales activities being implemented as planned
- Liquidity position strengthened by successful capital increase and extension of credit terms
- Production of TENCEL™ brand modal fibers successfully launched in China

Lenzing – The business performance of the Lenzing Group, a leading global supplier of specialty fibers for the textile and nonwoven industries, largely reflected the subdued market trends in the first half of 2023. After the market environment deteriorated significantly in the second half of 2022, signs of recovery were evident during the first and second quarters of 2023 in terms of both raw material and energy costs as well as demand. Textile fibers recorded improving demand, and business with nonwoven fibers and with dissolving wood pulp proved to be very stable.

Revenue in the reporting period decreased by 3.4 percent year-on-year to EUR 1.25 bn. This reduction was primarily due to lower fiber revenues, while pulp revenues were up. In addition to the current market environment, the earnings trend was particularly influenced by positive one-off effects from the valuation of biological assets and inventories. As a consequence, earnings before interest, tax, depreciation and amortization (EBITDA) in the first half of 2023 decreased by 27.7 percent year-on-year to EUR 136.5 mn. The net result amounted to minus EUR 65.8 mn (compared with EUR 72.3 mn in the first half of 2022) and earnings per share amounted to minus EUR 3.92 (compared with EUR 2.36 in the first half of 2022).

As far as business trends in the second quarter are concerned, the Lenzing Group recorded a recovery compared to the first quarter of 2023. Revenue increased by 0.6 percent compared to the previous quarter to

EUR 627.1 mn. EBITDA amounted to EUR 106.8 mn (compared with EUR 29.7 mn), while the net result for the period amounted to minus EUR 0.8 mn (compared with minus EUR 64.9 mn in the first quarter of 2023).

“Lenzing is on a recovery track, as a comparison with the previous quarter in particular shows, even though the current market environment continues to weigh on consumer sentiment and thereby on the order situation in many industries. We proactively implemented optimization measures on the cost and liquidity side as well as on the sales side at an early stage, which are having an increasingly positive impact,” notes Stephan Sielaff, Lenzing Group CEO. “Overall, we remain cautiously optimistic, although visibility remains limited, especially in the textile segment. In the medium and long term, we continue to expect strong growth in demand for sustainable products from Lenzing. The capital increase, which was implemented swiftly and successfully, provides Lenzing with financial flexibility and strength, and will form a solid basis for our strategic growth.”

Nico Reiner, CFO of the Lenzing Group, adds: “We have significantly strengthened our balance sheet and liquidity position not only through the successful capital increase but also through the extension of credit terms. Timing played a crucial role in these steps. Instead of speculating about the future, we resolutely seized the opportunity to strengthen the company and prepare for the many tasks ahead.”

### **Effective measures launched**

Lenzing launched a reorganization and cost-cutting program in the third quarter of 2022 and is fully on track with its implementation. More than EUR 70 mn in annual cost savings are targeted once the program has been fully implemented. In addition, measures were initiated to bolster free cash flow, further steps were taken to reduce working capital, and currency and energy price hedging were restructured.

At the same time, Lenzing launched a program in the reporting period to strengthen sales activities and to improve revenue. In order to meet market requirements at the highest level, Lenzing continues to invest in the development of premium products in accordance with its “Better Growth” corporate strategy and services and consistently places customer needs at the center of its work.

Lenzing also successfully implemented a capital increase with subscription rights for existing shareholders during the reporting period. The gross issue proceeds of approximately EUR 400 mn will be deployed to strengthen the balance sheet and liquidity position, to create additional flexibility in relation to the financing strategy and to support the Better Growth strategy. The effects of the capital increase will not be reflected in Lenzing Group’s cash flow and balance sheet figures until the third quarter.

### “Better Growth” further advanced

In the first half of 2023, the implementation of the “Better Growth” corporate strategy was also driven forward. This strategy is mainly aimed at better serving structurally strong demand growth for specialty fibers of the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands. In line with its strategy, Lenzing will pursue a profitable growth path following the successful implementation of its key projects, sharpen its focus on sustainable and high-quality premium fibers for textiles and nonwovens and, in parallel, continue to push ahead with the transition to a circular economy model.

Since 2021, Lenzing has invested more than EUR 200 mn in production sites in China and in Indonesia in order to convert existing capacities for generic viscose into capacities for environmentally responsible specialty fibers. In Nanjing (China), the conversion of a production line to TENCEL™ modal fibers was successfully completed in the reporting period. As part of the investments at the site in Purwakarta (Indonesia), Lenzing is creating additional capacity for LENZING™ ECOVERO™ fibers. The conversion work is proceeding according to plan, and the site is expected to be converted into a pure specialty viscose supplier before the end of this year.

Lenzing has proactively developed and promoted innovations in recycling for several years (such as the REFIBRA™ and Eco Cycle technologies) in order to provide solutions to the global textile waste problem. Since 2021, Lenzing has been working with Swedish pulp producer Södra to jointly develop new processes for recycling used textiles on an industrial scale. In the reporting period, the project<sup>1</sup> was supported by an EU grant of EUR 10 mn under the LIFE 2022 program.<sup>2</sup>

### Outlook

The war in Ukraine and the more restrictive monetary policy pursued by many central banks in order to combat inflation are expected to continue to influence global economic activity. The IMF warns that risks remain elevated overall and forecasts growth of 3 percent for both 2023 and 2024. The currency environment is expected to remain volatile in the regions of relevance to Lenzing.

This market environment continues to weigh on the consumer climate and on sentiment in the industries relevant to Lenzing. Recently, however, the outlook brightened somewhat according to a global survey by the ITMF.<sup>3</sup>

In the trend-setting market for cotton, signs are emerging of a further buildup of stocks in the current 2022/23 crop season. Initial forecasts also see a further buildup of stocks in 2023/24, albeit to a lesser extent.

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<sup>1</sup> Project 101113614 — LIFE22-ENV-SE-TREATS

<sup>2</sup> [https://cinea.ec.europa.eu/programmes/life\\_en](https://cinea.ec.europa.eu/programmes/life_en)

<sup>3</sup> Source: ITMF, 21<sup>st</sup> Global Textile Industry Survey, July 2023

However, despite signs of recovery in both demand and raw material and energy costs, earnings visibility remains limited overall.

Lenzing is fully on track with the implementation of its reorganization and cost-cutting program. These and further measures are aimed at positioning Lenzing in the best possible way for the expected market recovery.

In structural terms, Lenzing continues to anticipate growth in demand for environmentally responsible fibers for the textile and clothing industry as well as the hygiene and medical sectors. As a consequence, Lenzing is very well positioned with its “Better Growth” strategy and plans to continue driving growth with specialty fibers as well as its sustainability goals, including the transformation from a linear to a circular economy model.

The successful implementation of the key projects in Thailand and Brazil as well as the investment projects in China and Indonesia will further strengthen Lenzing’s positioning in this respect.

Taking into consideration the aforementioned factors and assuming a further market recovery in the current financial year, the Lenzing Group continues to expect EBITDA in a range between EUR 320 mn and EUR 420 mn for 2023.

<b>Selected indicators of the Lenzing Group</b>		
<b>EUR mn</b>	<b>01-06/2023</b>	<b>01-06/2022</b>
Revenue	1,250.2	1,293.6
EBITDA (operating profit before depreciation and amortization)	136.5	188.9
EBITDA margin	10.9 %	14.6 %
Net profit/loss for the period <sup>1</sup>	-65.8	72.3
Earnings per share in EUR	-3.92	2.36
Cash flow from operating activities	-29.2	15.2
CAPEX <sup>2</sup>	-136.5	-389.0
	<b>30/06/2023</b>	<b>30/06/2022</b>
Net financial debt <sup>3</sup>	1,953.0	1,799.4
Adjusted equity ratio <sup>4</sup>	36.6 %	37.8 %
Number of employees (headcount)	8,162	8,301

1) Profit (loss) after taxes

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

3) Since the second quarter of the 2023 financial year, net financial debt is presented excluding lease liabilities (see the supplement to the management report "Notes on the Financial Performance Indicators of the Lenzing Group").

4) Ratio of adjusted equity to total assets in percent

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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 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 and nonwoven sector towards a closed loop economy. In order to slow the rate of global warming and to accomplish the climate targets of the Paris Agreement and the EU Commission's "Green Deal", Lenzing has a clear vision: namely to make a zero-carbon future come true.

## Lenzing Group facts & figures 2022

Revenue: EUR 2.57 bn

Nominal capacity (fibers): 1,145,000 tonnes

Employees: 8,301

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

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Disclaimer: The above key financial figures 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 the section "Notes on the financial performance indicators of the Lenzing Group", in the glossary to the half-year report and in the condensed consolidated interim financial statements as well as the Lenzing Group's prior-year consolidated financial statements. Rounding differences can occur in the presentation of rounded amounts and percentage rates.

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