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Lenzing Group with an excellent start into 2021

- Significant increase in operating result: EBITDA at EUR 94.5 mn, cash flow from operating activities more than tripled
- Major strategic projects continue fully on track – production start of the lyocell plant in Thailand expected in the fourth quarter 2021
- Upper Austria's largest photovoltaic plant at the Lenzing site
- Lenzing exits Hygiene Austria joint venture
- Guidance 2021: Lenzing expects operating result at least at pre-crisis level

Lenzing – The Lenzing Group had a clearly positive revenue and earnings development in the first quarter of 2021. Growing optimism in the textile and apparel industry as a result of the vaccination progress and the continuing recovery in retail led to a significant increase in demand and higher prices in the global fiber market.

Revenue rose by 4.9 percent to EUR 489.3 mn in the first quarter of 2021. This is mainly attributable to a strong increase in demand from China and the resulting higher viscose prices. The focus on wood-based specialty fibers such as TENCEL™ and LENZING ECOVERO™ branded fibers had a positive impact on revenue development; the share of specialty fibers in fiber revenue rose from 72.2 percent to 72.6 percent. The negative impact of more unfavorable currency effects was consequently more than offset. The earnings development essentially reflects the increase in revenue. The continued focus on structural earnings improvements in all regions reinforced this positive effect. EBITDA (earnings before interest, tax, depreciation and amortization) increased by 36.8 percent to EUR 94.5 mn in the first quarter of 2021. The EBITDA margin rose from 14.8 percent to 19.3 percent. Net profit for the period amounted to EUR 29.9 mn (01-03/2020: EUR 17.7 mn) and earnings per share to EUR 1.06 (01-03/2020: EUR 0.84).

“Lenzing benefited from the growing optimism in the textile value chain and the strong recovery of the fiber markets in the first quarter of 2021. Demand for our sustainably produced specialty fibers such as TENCEL™ and LENZING™ ECOVERO™ saw a clearly positive development again”, says Stefan Doboczky, CEO of the

Lenzing Group. “Strategically, we remain fully on track. The implementation of the pulp project in Brazil proceeds according to plan despite the challenges related to COVID-19, and the new lyocell plant in Thailand will start up as planned in the fourth quarter of 2021”, Doboczky adds.

Gross cash flow in the first quarter of 2021 increased by 117.5 percent to EUR 84.3 mn compared to the first quarter of the previous year. This increase is primarily due to the earnings development. Cash flow from operating activities more than tripled to EUR 111.5 mn. (01-03/2020: 31.9 mn). Free cash flow amounted to EUR minus 99 mn (01-03/2020: EUR minus 106.7 mn) due to investment activities related to the projects in Thailand and Brazil.

Strengthening specialty fiber growth

CAPEX (expenditures for intangible assets, property, plant and equipment and biological assets) rose by 52.5 percent to EUR 211.5 mn in the reporting period, due to the implementation of the key projects. The construction of the pulp mill in Brazil continues to proceed according to plan despite the challenging developments related to COVID-19. The start-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 roughly EUR 400 mn. Construction work started in the second half of 2019 and went according to plan in the reporting period. The recruiting and onboarding of new employees is also progressing successfully. Production is scheduled to start towards the end of 2021.

Vision of a zero-carbon future

With the implementation of its science-based targets, the Lenzing Group actively contributes to combating 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 vision is to be climate-neutral by 2050. The two key projects in Brazil and Thailand are 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.

Sustainability in Lenzing

Lenzing continuously seeks possibilities to increase energy efficiency at existing locations and to use renewable energy sources or sources with lower CO₂ emissions. In the first quarter of 2021, the company announced the construction of the largest ground-mounted photovoltaic plant in Upper Austria on an area of 55,000 m² at the Lenzing site. Construction is scheduled to start in the second half of 2021.

In its [Sustainability Report 2020](#) "Stand up for future generations", Lenzing re-emphasized its commitment to take responsibility beyond the products it makes. The non-financial report, prepared in accordance with the reporting standards of the Global Reporting Initiative (GRI) and the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) and reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, illustrates how the company is responding to the global challenges of our time.

Hygiene Austria LP GmbH

After the allegations regarding Hygiene Austria LP GmbH became known in March 2021, Lenzing worked intensively with Palmers Textil AG to address them. The following steps were taken together: Along with a committed action plan to ensure the sound and continuing existence of the company as a going concern, the two shareholders have agreed that Lenzing's stake in Hygiene Austria will be transferred to Palmers. Lenzing waived its right to a suitable purchase price for the time being in order to ensure the continued existence of Hygiene Austria in line with its founding principle (see also [Press release of Lenzing AG of 04/02/2021](#)). The investment was fully written off in the first quarter.

Lenzing stands for strong values and an internationally recognized process and governance system. However, mistakes were made in implementing the business idea of Hygiene Austria. The Managing Board of Lenzing AG is drawing the necessary lessons for the future in consultation with the Supervisory Board.

Guidance for 2021

The International Monetary Fund expects global growth of 6 percent for 2021. However, the economic recovery after the deep recession caused by COVID-19 is subject to risks and largely depends on the vaccination progress and successful containment 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. In February/March of this year, the market turned again and has since moved sideways. In the

cotton market, a shortage in production volume is anticipated in the current 2020/2021 harvest and, consequently, a slightly decline in inventory levels. The prices for dissolving wood pulp remain at a high level.

Lenzing 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 progressing active immunization of a broad population against COVID-19, 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, also due to the increased occurrence of virus mutations and the extreme occurrence of infections in countries such as Brazil and India. Therefore, the visibility remains limited.

Taking into account the above factors, the Lenzing Group expects the operating result in 2021 to reach at least the level of the pre-crisis year 2019.

In view of these developments, Lenzing considers itself well-positioned with its sCore TEN corporate strategy, and will continue to drive the completion of the major strategic projects, which will make a significant contribution to earnings from 2022. In addition to its targets for EBITDA (EUR 800 mn) and ROCE (>10 %¹), 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), internal production of dissolving wood pulp (>75 %), decarbonization (>40 % fewer CO₂ emissions per ton of product).

¹ To be adjusted for assets under construction

Selected indicators of the Lenzing Group		
EUR mn	01-03/2021	01-03/2020
Revenue	489.3	466.3
EBITDA (Earnings before interest, tax, depreciation and amortization)	94.5	69.1 ¹
EBITDA margin	19.3%	14.8% ¹
Net profit for the period	29.9	17.7
Earnings per share in EUR	1.06	0.84
Cash flow from operating activities	111.5	31.9
CAPEX ²	211.5	138.6
	31.03.2021	31.12.2020
Net financial debt	572.4	471.4
Adjusted equity ratio ³	43.4 %	45.8%
Number of employees	7,554	7,358

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see footnote 1 of the consolidated income statement of the Group Interim Report Q1/2021)

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

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. 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 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", available at <https://www.lenzing.com/notes-financial-performance-indicators-lenzing-group-2021-q1> 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.
