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Lenzing rides out significant cost pressure to report solid first quarter

- Solid revenue and earnings performance despite extremely tight cost situation
- Personnel changes on the Managing and Supervisory Boards – Stephan Sielaff appointed as the new CEO
- Successful production start at world's largest lyocell plant in Thailand
- World's largest pulp mill of its kind successfully started-up in Brazil
- Premium textile brand TENCEL™ celebrates 30 years of sustainable fiber innovation

Lenzing – In the first quarter of 2022, the Lenzing Group, like the entire manufacturing industry, was significantly affected by the extreme developments in global energy and commodity markets. A predominantly positive market environment and the strategic focus on specialty fibers such as those of the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands nevertheless ensured a solid revenue and earnings trend, with the effect of higher costs being largely offset.

Revenue grew by 25.7 percent year-on-year to reach EUR 615 mn in the first quarter of 2022, primarily due to continued high demand for wood-based biodegradable specialty fibers and higher fiber prices. Specialty fibers' share of fiber revenue currently stands at 73.3 percent. The earnings trend reflects trends in energy, raw materials and logistics costs, although the company's continued focus on measures to improve structural earnings in all regions mitigated this negative effect. Earnings before interest, tax, depreciation and amortization (EBITDA) decreased by 7 percent year-on-year to EUR 88 mn. The EBITDA margin reduced from 19.3 to 14.3 percent. Net profit for the quarter grew by 14.3 percent to EUR 34.1 mn, while earnings per share amounted to EUR 0.87 (compared to EUR 1.06 in the first quarter of 2021).

"Lenzing made a solid start to the 2022 financial year thanks to considerable efforts in an environment of sharply rising costs. Demand for our wood-based, biodegradable specialty fibers also recorded a positive trend in the first quarter," notes Stephan Sielaff, Lenzing Group CEO. "Strategically, we remain fully on track with the opening

of our lyocell plant in Thailand and the commissioning of the pulp mill in Brazil, and we are very proud of this. We now aim to take the next step and continue our shift from a linear to a circular economy model. As a sustainability champion, we are aware that the textile and nonwovens industries cannot continue to operate as they do at present," Sielaff comments.

Gross cash flow was up by 2 percent to EUR 86 mn in the first quarter of 2022, mainly due to the earnings trend. Cash flow from operating activities decreased by 28.5 percent to EUR 79.7 mn. Free cash flow amounted to minus EUR 102.9 mn (compared to minus EUR 99 mn in the first quarter of 2021), particularly due to investing activities in connection with the projects in Thailand and Brazil. Capital expenditure on intangible assets, property, plant and equipment and on biological assets decreased by 13.6 percent to EUR 182.7 mn, of which approximately 44 percent was financed from cash flow from operating activities. The continuing high level of investment volume primarily reflects the completion of the two key projects.

Personnel changes in the Managing and Supervisory Boards

The Lenzing Supervisory Board announced the appointment of Stephan Sielaff as the new Chief Executive Officer of the Lenzing Group in March 2022. As of April 01, 2022, Mr. Sielaff succeeded Mr. Cord Prinzhorn, who took over as interim CEO in the fourth quarter of 2021. CFO Thomas Obendrauf informed the Lenzing Supervisory Board that he would not be available for a further extension of his contract, which expires in June 2022. The Lenzing Supervisory Board is currently working on a timely appointment to replace him. Thomas Obendrauf will support the company in an advisory capacity until his successor is appointed.

This will reduce the Managing Board from five to four members. Meanwhile, the Managing Board mandate of Chief Pulp Officer Christian Skilich was prematurely extended by further three years until May 31, 2026. Personnel changes also occurred on the Lenzing Supervisory Board. Cord Prinzhorn took over as Chairman from Peter Edlmann, who stepped down from the Supervisory Board at his own request with effect as of April 26, 2022.

Strengthening specialty fibers growth

In March, the new, state-of-the-art lyocell plant in Thailand was officially opened. The production plant, which is the largest of its kind with a nameplate capacity of 100,000 tonnes per year, was commissioned as planned after two and a half years of construction, and despite the challenges deriving from the pandemic. The successful implementation of the project will enable Lenzing to better meet growing customer demand for lyocell fibers, thereby making the global textile and nonwovens industries more sustainable.

Specialty fibers are Lenzing's great strength. In 2024, more than 75 percent of fiber revenue is to be generated from the business with wood-based, biodegradable specialty fibers under the TENCEL™, LENZING™

ECOVERO™ and VEOCEL™ brands. With the opening of the Lyocell plant in Thailand and the investments in existing production sites in China and Indonesia, Lenzing will already have increased its share of specialty fibers in fiber revenue to well above its 75 percent target by 2023.

The implementation of the pulp project in Brazil secures the Group's own supply of dissolving wood pulp and thereby also strengthens specialty fiber growth in line with the corporate strategy sCore TEN. With the successful start-up on schedule, Lenzing, which holds a 51 percent interest of the LD Celulose joint venture, achieved a further important milestone. The plant ramp-up phase is scheduled to be completed by the end of 2022.

Aiming for a carbon-free future

With the implementation of the two key projects in Brazil and Thailand, as well as with the investments at the existing Asian sites in China and Indonesia amounting to more than EUR 200 mn, Lenzing continues to push forward Group-wide climate neutrality. In 2019, Lenzing became the first fiber manufacturer to set a target to reduce its carbon emissions by 50 percent by 2030 and to become climate neutral by 2050. This carbon reduction target has been confirmed by the Science Based Targets Initiative.

In order to further reduce carbon emissions in line with its strategic targets, Lenzing will also rely to an even greater extent on electricity generation from renewable energies in the future. Lenzing is currently working on the construction of several photovoltaic systems at its site in Upper Austria. The total capacity of the ground-mounted system and the three rooftop systems will amount to approximately 7 MW peak after the expected commissioning in the second half of 2022. All official approvals have been obtained for the systems.

30 years of sustainable fiber innovation

With the repositioning of its product brands, the Lenzing Group has been sending a strong message to consumers since 2018. With TENCEL™ und LENZING™ ECOVERO™ as umbrella brands for all specialty products in the textile segment, VEOCEL™ as the umbrella brand for all specialty nonwoven products, and LENZING™ for all industrial applications, the company showcases its strengths in a targeted manner.

The TENCEL™ brand has been supporting customers and partners in the textile and apparel industry with sustainable fiber innovations since 1992. In 2022, Lenzing celebrates the 30th anniversary of its premium textile brand, which today stands for high-quality, sustainable fibers, digital technologies and transparency in the supply chain worldwide. This brand success is also reflected in the company's collaboration with more than 300 partner brands. Since February, Lenzing has been conducting customer and employee activities in various regions under the motto "[Feel Good Fibers Since 1992](#)" in order to mark the brand anniversary.

Lenzing and the TENCEL™ brand once again enjoyed great success at this year's Oscars, the Academy Awards, in Hollywood. In 2022, together with RCGD Global (formerly Red Carpet Green Dress™), three customized dresses made of TENCEL™ Luxe Filament and TENCEL™ lyocell fibers were presented to a world audience.

Champions of sustainability

During the first quarter, Lenzing was also pleased to receive the prestigious ÖGUT Environmental Award 2022 in the "World Without Waste" category. The Austrian Society for Environment and Technology (ÖGUT) thereby recognized Lenzing's contribution to transforming the textile industry into a model of the circular economy. In 2021, Lenzing was recognized on several occasions for its achievements as a "sustainability champion", including top ratings by CDP, MSCI and EcoVadis.

Lenzing has also been taking new, innovative paths in financial and non-financial reporting since 2022. Both the Annual Report and the Sustainability Report for the past financial year were published for the first time in digital form as [online reports](#). With the title "Linear to Circular", Lenzing emphasizes its efforts to balance its economic needs with those of nature as part of the circular economy.

Lenzing Annual General Meeting

The 78th Annual General Meeting of Lenzing held on April 26, 2022 approved all items on the agenda. In accordance with the Managing Board's proposal for the distribution of profit, as approved by the Supervisory Board, a resolution was passed to pay a dividend of EUR 4.35 per share. The AGM also voted on the principles for the remuneration of the members of the Managing and Supervisory boards (remuneration policy). Lenzing's remuneration policy for the performance-based remuneration of the Managing Board is linked not only to financial performance criteria but also to non-financial sustainability criteria (ESG), which further promote the sustainable business strategy.

Outlook

The International Monetary Fund forecasts global growth of 3.6 percent for 2022. However, the economic recovery from the deep recession caused by COVID-19 has been slowed by the war in Ukraine. Extreme developments in energy and commodity markets as well as global supply chain constraints are currently posing a major challenge for the entire manufacturing industry. The currency environment is expected to remain volatile in the regions of relevance to Lenzing.

The recovery in demand in the global textile and apparel industry has continued to date in 2022, although geopolitical developments and the current Omicron wave in China dampened sentiment in the textile value chain towards the end of the first quarter. Extensive lockdowns in parts of China caused demand to slump regionally.

In the trend-setting market for cotton, signs are emerging of a slight increase in stock volumes in the current 2021/2022 harvest season, although dynamics in international commodity markets and global supply chain constraints are likely to continue to have a significant bearing on price trends.

Lenzing continues to expect demand for environmentally responsible fibers for the textile and clothing industry as well as the hygiene and medical sectors to grow. However, the trend in the energy and raw materials costs as well as disturbances in the supply chain are currently creating a very challenging market environment. Earnings visibility remains limited.

Taking into consideration the aforementioned factors and the first earnings contributions from the key projects in Thailand and Brazil, the Lenzing Group continues to anticipate that EBITDA for the full 2022 year will lie significantly above the level of 2021.

Lenzing Group – selected indicators		
EUR mn	01-03/2022	01-03/2021
Revenue	615.0	489.3
EBITDA (earnings before interest, tax, depreciation and amortization)	88.0	94.5
EBITDA margin	14.3 %	19.3 %
Net profit for the quarter	34.1	29.9
Earnings per share in EUR	0.87	1.06
Cash flow from operating activities	79.7	111.5
CAPEX ¹	182.7	211.5
	31/03/2022	31/12/2021
Net financial debt	1,096.1	977.0
Adjusted equity ratio ²	39.7 %	39.7 %
Number of employees (headcount)	8,164	7,958

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

2) 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 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 clothing to versatile denims and high-performance sports clothing. Thanks to their consistently high quality, their 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, 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 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 key facts & figures 2021

Revenue: EUR 2.19 bn

Nameplate capacity: 1,145,000 tonnes

Employees: 7,958

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

Disclaimer: The above key financial figures derive primarily from the Lenzing Group's condensed consolidated interim financial statements and its consolidated financial statements for the previous year. Additional details are provided in "Notes on the Lenzing Group's financial performance indicators", available at the following link <https://www.lenzing.com/notes-financial-performance-indicators-lenzing-group-2022-q1>, as well as in the Lenzing Group's condensed consolidated interim financial statements and in its consolidated financial statements for the previous year. Rounding differences can occur in the presentation of rounded amounts and percentage rates.
