

Lenzing Aktiengesellschaft
Werkstrasse 2
4860 Lenzing, Austria
www.lenzing.com

Phone +43 7672 701 2743
Fax +43 7672 918 2743
E-mail media@lenzing.com

Date August 03, 2022

Lenzing reports significant revenue growth and solid earnings for the first half-year

- Revenue up by more than 25 percent, earnings impacted by sharp rise in energy, raw material and logistics costs
- Key projects in Thailand and Brazil successfully commissioned
- Further development of the corporate strategy with a focus on profitable growth and accelerated transformation to a circular economy model
- Lenzing continues to advance purposefully towards Group-wide climate neutrality
- Earnings guidance for 2022 confirmed: EBITDA expected significantly above the 2021 level

Lenzing – The Lenzing Group’s revenue grew by 25.2 percent year-on-year to reach EUR 1.29 bn in the first half of 2022, primarily due to higher fiber prices. The earnings trend mainly reflects the cost trend in global energy and raw material markets, which affected the whole of manufacturing industry. Energy, raw materials and logistics costs rose sharply once again in the reporting period, after cost pressure had already risen steadily throughout the 2021 financial year. As a consequence, earnings before interest, tax, depreciation and amortization (EBITDA) decreased by 13.3 percent year-on-year to EUR 188.9 mn.

The strength of the specialty strategy and of brands based on innovation and sustainable activity as well as the continued focus on measures to improve structural earnings in all regions mitigated this negative effect. The EBITDA margin reduced from 21.1 to 14.6 percent in the first half of the year. Net profit for the period decreased by 24.8 percent to EUR 72.3 mn, while earnings per share amounted to EUR 2.36 (compared to EUR 3.06 in the first half of 2021).

“In the first half of 2022, we have accomplished an enormous amount together in order to achieve our ambitious growth and sustainability goals. Thanks to considerable efforts, we can be satisfied with our business performance given the extreme developments in global energy and raw material markets,” comments Stephan

Sielaff, Lenzing Group CEO. “The second half of the year will continue to be characterized by elevated levels of uncertainty and extreme challenges on the energy and raw materials sides. Lenzing is a company with an international footprint and for this reason is partly able to offset certain local challenges globally, albeit at significantly higher costs. Lenzing has analyzed conceivable scenarios and developed appropriate responses. For months, we have been preparing as best we can for a situation of acute energy shortages, rising prices and supply constraints, and we will continue to do everything within our power to ensure sustainable business performance, and to continue to be a reliable partner,” notes Sielaff.

Gross cash flow reduced by 14.9 percent to EUR 169.7 mn in the first half of 2022, mainly reflecting the earnings trend. Due to the higher level of working capital, cash flow from operating activities amounted to EUR 15.2 mn (compared to EUR 199.8 mn in the first half of 2021). Free cash flow amounted to EUR minus 372.7 mn (compared to EUR minus 224.3 mn in the first half of 2021), which especially reflected the investment activities related to the projects in Thailand and Brazil. Capital expenditure on intangible assets, on property, plant and equipment and on biological assets (CAPEX) decreased by 8.7 percent to EUR 389 mn. The continued high level of investment volume primarily reflects the completion of the two key projects.

Personnel changes on the Managing and Supervisory Boards

In March 2022, the Lenzing Supervisory Board announced the appointment of Mr. Stephan Sielaff as the new Chief Executive Officer of the Lenzing Group. As of April 1, 2022, Mr. Sielaff succeeded Mr. Cord Prinzhorn, who took over as interim CEO in the fourth quarter of 2021. This reduces the Managing Board from five to four members. Chief Financial Officer Mr. Thomas Obendrauf informed the Lenzing Supervisory Board that he would not be available for a further extension of his contract, which expired in June 2022. The Lenzing Supervisory Board is currently working on a replacement for him. Until a successor is appointed, Stephan Sielaff will perform the Chief Financial Officer’s duties on an interim basis, while Thomas Obendrauf will assist the company in an advisory capacity.

Meanwhile, the Managing Board mandate of Chief Pulp Officer Christian Skilich was extended early by a 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.

Corporate strategy further developed

A comprehensive review of the corporate strategy was also conducted in the reporting period. As a consequence, Lenzing will continue on its profitable growth trajectory following the successful implementation of the two key projects in Thailand and Brazil. The focus on sustainable and high-quality premium textile fibers and nonwoven fibers is being sharpened further, and the transition from a linear to a circular economy model is being

accelerated. On the basis of this further development of the corporate strategy, Lenzing also adjusted its financial targets and, assuming that a healthy economic environment prevails, will significantly increase its EBITDA to over EUR 1 bn by 2027, with an ROCE of over 12 percent.

Strengthening specialty fibers growth

In March, the new, state-of-the-art lyocell plant in Thailand was opened. The production plant, which is the largest of its kind with a nominal 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. By 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 in Indonesia, Lenzing will already have increased specialty fibers' share of fiber revenue to well above the 75 percent target by the 2024 target year.

The implementation of the pulp project in Brazil secures the Group's own supply of dissolving wood pulp and thereby also strengthens growth in specialty fibers in line with the corporate strategy. With the successful start-up on schedule, Lenzing, which holds a 51 percent interest in the LD Celulose joint venture, reached 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 EUR 200 mn, Lenzing continues to march purposefully towards 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 be 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 rely to an even greater extent in the future on electricity generation from renewable energies. 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.

The Indonesian site has been sourcing green electricity exclusively from renewable sources since July this year and is currently being converted to biomass. In Purwarkata, Lenzing invests in reducing CO₂ emissions as well as air and water emissions. As part of this investment, Lenzing is converting its existing capacities for standard viscose entirely to capacities for specialty viscose under the LENZING™ ECOVERO™ and VEOCEL™ brands.

30 years of TENCEL™ fibers

With the positioning 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 is celebrating 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 very positive international attention 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.

Sustainability champion

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.

Outlook

The International Monetary Fund forecasts global growth of 3.2 percent for 2022. However, the war in Ukraine and China's zero-Covid policy hit the global economy hard in the first half of 2022. Extreme developments in energy and commodity markets as well as global supply chain constraints are currently posing a major challenge

for the whole of manufacturing industry. The currency environment is expected to remain volatile in the regions relevant to Lenzing.

The recovery in global retail sales of textiles and apparel continued in the first half of 2022, although the pandemic-related lockdowns in China caused a regional slump in demand. The rising inflation rate is depressing consumer sentiment, particularly in Europe and the USA, which is also leading to a noticeable deterioration in sentiment in the textile value chain. High stock levels across the entire industry are adding to the pressure on demand.

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

The highly uncertain supply situation and the sharp rise in prices in energy and raw material markets as well as ongoing supply chain disruptions are currently creating an extremely challenging market environment. As a consequence, earnings visibility has diminished further.

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. For this reason, Lenzing regards the further development of its strategy as having been validated, and will continue to drive growth in specialty fibers and strengthen its own supply of dissolving wood pulp, including boosting the sustainable energy mix and the reduction of carbon emissions.

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 be significantly above the level of 2021.

Selected indicators of the Lenzing Group		
EUR mn	01-06/2022	01-06/2021
Revenue	1,293.6	1,033.3
EBITDA (operating profit before depreciation and amortization)	188.9	217.8
EBITDA margin	14.6 %	21.1 %
Net profit for the period	72.3	96.1
Earnings per share in EUR	2.36	3.06
Cash flow from operating activities	15.2	199.8
CAPEX ¹	389.0	426.0
	30/06/2022	31/12/2021
Net financial debt	1,502.0	977.0
Adjusted equity ratio ²	38.1 %	39.7 %
Number of employees (headcount)	8,278	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

Photo download:

<https://mediadb.lenzing.com/pinaccess/showpin.do?pinCode=jIYQO1QCDTU2>

PIN: jIYQO1QCDTU2

Your contact for

Public Relations:

Dominic Köfner

Vice President Corporate Communications & Public Affairs
Lenzing Aktiengesellschaft
Werkstrasse 2, 4860 Lenzing, Austria

Phone +43 7672 701 2743

E-mail media@lenzing.com

Web www.lenzing.com

Investor Relations:

Sébastien Knus

Vice President Capital Markets
Lenzing Aktiengesellschaft
Werkstrasse 2, 4860 Lenzing, Austria

Phone +43 664 8281576

E-mail s.knus@lenzing.com

Web www.lenzing.com

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. Thanks 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 nonwovens 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 2021

Revenue: EUR 2.19 bn

Nominal capacity: 1,145,000 tonnes

Employees: 7,958

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

Disclaimer: The above financial indicators are derived primarily from the Lenzing Group's condensed consolidated interim financial statements and the Lenzing Group's prior-year consolidated financial statements. 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.
