

Report of the Supervisory Board

To the 76th Annual General Meeting

Dear Shareholders,

Lenzing AG was confronted with a very difficult market environment with intensifying trade disputes and growing geopolitical tensions in 2019. The high level of uncertainty led to a slowdown of demand on the global fiber markets, while supply was increasing at the same time. As a result, the prices for standard viscose fell to a historic low in 2019. Despite this difficult market environment, Lenzing AG recorded a solid result based on the consistent implementation of its sCore TEN strategy and targeted countermeasures.

Two central aspects of the sCore TEN strategy were advanced in the past financial year as important investment decisions were made. The first expansion phase for the construction of the world's largest lyocell plant in Thailand, with a planned capacity of 100,000 tons, was approved as part of the disciplined expansion of the share of specialty fibers. In addition, the decision to establish a 500,000 ton dissolving wood pulp plant in Brazil in cooperation with the joint venture partner Duratex was made in December 2019. The objective of this backwards integration is to strengthen the core business by expanding the company's internal production of dissolving wood pulp, and to further reduce its risk profile. In connection with the approval of these two projects, the Supervisory Board set up a Committee for Large CAPEX Projects for the first time, which subsequently focused on the support, consulting and control of the two large projects.

The Supervisory Board fulfilled the monitoring obligations defined by law, the articles of association and rules of procedure in connection with these diverse activities. It was involved in the fundamental decisions on a timely

basis and provided professional advice for the Management Board. The Management Board, in turn, submitted regular detailed reports to the Supervisory Board on the financial position and performance of Lenzing AG and the Lenzing Group. In addition, the Management Board also reported to the Chairman of the Supervisory Board outside the framework of scheduled meetings on the development of business, the position of the company and major transactions. Individual issues were handled in depth by the committees established by the Supervisory Board, which then reported to the full Supervisory Board on their activities. To prepare the important investment decision in Brazil, the Supervisory held a meeting in Brazil.



Supervisory Board meetings

The Supervisory Board of Lenzing AG met five times during the 2019 financial year, where the Management Board reported on the development of business as well as major transactions and measures. The work of the Management Board was also monitored, and the Supervisory Board offered its professional advice on major strategic issues. The meetings concentrated, above all, on the following topics: the development of the business climate, the strategic development of the Lenzing Group including an update of the sCore TEN strategy and its targets, current and planned investment projects, research and development focal points, staff-related issues and financing measures as well as the discussion and approval of the budget for the 2020 financial year.

In addition, the Supervisory Board addressed the efficiency of its own working procedures and discussed and implemented the resulting measures.

The Annual General Meeting on April 17, 2019 elected Stefan Fida and Christian Bruch to the Supervisory Board. Felix Fremerey and Helmut Bernkopf were re-elected to the Supervisory Board. Hanno M. Bästlein and Christoph Kollatz resigned from the Supervisory Board as of April 17, 2019. We commend Mr. Bästlein for accompanying the company during a phase of transition towards a specialty fiber company and would like to thank the two departing Supervisory members for their commitment and constructive work.

Heiko Arnold resigned from the Management Board at his own request with effect from December 1, 2019. We would like to thank Heiko Arnold for his commitment and achievements for the Lenzing Group. Stephan Sielaff was appointed member of the Management Board (Chief Technology Officer) with effect from March 1, 2020 for a period of three years. In order to underline importance of dissolving wood pulp for the strategic development of the company in the future, Christian Skilich was appointed member of the Management Board for this business area with effect from June 1, 2020 for a period of three years as part of an organizational change.

Committee meetings

The Remuneration Committee established by the Supervisory Board met four times during the reporting year and dealt primarily with the evaluation of performance and definition of goals for the Management Board members as well as general remuneration topics related to the Management Board. The appointment of Stephan Sielaff and Christian Skilich as well as the agreement relating to the resignation of Heiko Arnold were negotiated, approved and finalized.



Report of the Supervisory Board

The Nomination Committee met four times in 2019. The meetings focused, in particular, on personnel development measures and succession planning issues. This committee also prepared the appointment of Stephan Sielaff and Christian Skilich and made an appropriate recommendation to the full Supervisory Board.

The Strategy Committee met twice in 2019. Discussions with the Management Board covered the further development of the sCore TEN corporate strategy, the sustainability strategy and an update of the derived strategic approach and investments at these meetings.

The Audit Committee met three times in 2019. In addition to reviewing and preparing the separate and consolidated financial statements, the committee focused on monitoring the effectiveness of the internal control and risk management systems, addressing compliance-related matters, supervising the internal audit schedule and the implementation of related measures and identifying the future focal points of internal audit.

In addition, a Strategy Committee for Financing Matters was established in the 2019 financial year, which deals with decisions regarding key financing topics with respect to the simultaneous implementation of the major strategic projects initiated.


Additional information on the composition and working procedures of the Supervisory Board and its remuneration is provided in the Corporate Governance Report.

Audit of the annual financial statements, including the management report, and the consolidated financial statements, including the Group management report

The separate financial statements of Lenzing AG, together with the management report, and the consolidated financial statements of the Lenzing Group, together with the Group management report, including the non-financial statement in accordance with Section 245a of the Austrian Commercial Code as at December 31, 2019 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and granted an unqualified opinion. The Corporate Governance Report was evaluated by PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz, which concluded that the statement by Lenzing AG on its compliance with the Austrian Code of Corporate Governance (January 2018) provides a true representation of the actual situation.

The Audit Committee of the Supervisory Board reviewed the separate and consolidated financial statements, the management report and Group management report, the Management Board's recommendation for the use of accumulated profit and the Corporate Governance Report. The results of this review were subsequently discussed with the auditor in detail. The Audit Committee agreed with the results of the auditor's report based on its review and reported to the Supervisory Board on this matter as required. The committee also recommended that the Supervisory Board submit a proposal to the Annual General Meeting, calling for the appointment of KPMG Austria GmbH Wirtschaftsprüfungs – und Steuerberatungsgesellschaft as the auditor for the 2020 financial year.

The Supervisory Board formally approved the management report and Corporate Governance Report after its review and adopted the separate annual financial statements for 2019 in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act. Furthermore, the Supervisory Board stated its approval of the consolidated financial statements and Group management report in accordance with Sections 244 and 245a



of the Austrian Commercial Code. In accordance with Section 96 Para. 1 and 2 of the Austrian Stock Corporation Act, the Supervisory Board reported that a separate non-financial report (Sustainability Report) was prepared and audited. The Supervisory Board agrees with the Management Board's proposal for the use of accumulated profit. The Supervisory Board agrees with the recommendation by the Audit Committee and will therefore submit a proposal to the 76th Annual General Meeting for the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the annual financial statements for the 2020 financial year.

The Supervisory Board was not informed of any conflicts of interest on the part of Management Board or Supervisory Board members during the reporting year which would require disclosure to the Annual General Meeting.

My thanks

On behalf of the Supervisory Board, I would like to thank all employees, employee representatives, the management team and the Management Board for their outstanding commitment and the successes achieved in the past financial year. Special thanks also go out to the customers, shareholders, suppliers and business partners of Lenzing for their trust.

Vienna, March 3, 2020

Peter Edlmann

Chairman of the Supervisory Board