

Lenzing Aktiengesellschaft  
Werkstrasse 2  
4860 Lenzing, Austria  
[www.lenzing.com](http://www.lenzing.com)

**Phone** +43 7672 701 2743  
**Fax** +43 7672 918 2743  
**E-mail** [media@lenzing.com](mailto:media@lenzing.com)

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## Lenzing Group with strong operating result in 2021

- Revenue and earnings performance significantly improved despite considerable cost increases
- Successful production start at world's largest lyocell plant in Thailand
- Imminent start-up of world's largest pulp mill of its kind in Brazil
- Lenzing recognized as "sustainability champion" several times worldwide – one of only 14 companies awarded "AAA" rating by CDP
- New, innovative reporting methods – Lenzing presents its [online annual report](#) for the first time

Lenzing – Thanks to its strategic focus on wood-based specialty fibers and the predominantly positive market environment, the Lenzing Group recorded a significantly improved revenue and earnings performance in 2021 compared to the previous year. Increasing optimism in the textile and apparel industry as a consequence of the progress made with vaccinations and the continuing recovery in the retail sector ensured a strong rise in demand and prices on the global fiber market, particularly at the beginning of the reporting year.

Revenue grew by 34.4 percent to EUR 2.19 bn. In addition to the predominantly positive market environment, the focus on specialty fibers such as TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ branded fibers also had a positive impact on revenue growth. Specialty fibers currently account for 72.3 percent of fiber revenues. Significant increases in energy, raw material and logistics costs occurred throughout the reporting year. Earnings before interest, tax, depreciation and amortization (EBITDA) almost doubled compared to the previous year to reach a level of EUR 362.9 mn (after EUR 192.3 mn in 2020). The EBITDA margin rose from 11.8 percent to 16.5 percent. Net profit for the year amounted to EUR 127.7 mn (after EUR minus 10.6 mn in 2020), and earnings per share stood at EUR 4.16 (after EUR 0.24 in 2020).

"Lenzing can be pleased with a strong business year. Demand for our wood-based, biodegradable specialty fibers under the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands continued to perform very well in 2021," notes Cord Prinzhorn, Chief Executive Officer of Lenzing Group. "Strategically, Lenzing remains on course despite the challenges posed by the global pandemic. With the start of production at our state-of-the-art

lyocell plant in Thailand a few days ago, we are further strengthening our leading position as a supplier of eco-friendly specialty fibers. The completion of our pulp mill in Brazil is imminent. We are very proud to be able to realize these projects – which are so important for Lenzing – both on time and within budget,” comments Prinzhorn.

Gross cash flow almost tripled to EUR 372 mn in 2021 (compared to EUR 126.8 mn in 2020). This growth primarily reflected the earnings trend. Cash flow from operating activities amounted to EUR 394 mn (after EUR 48.9 mn in 2020). Free cash flow stood at EUR minus 445.5 mn (after EUR minus 614.8 mn in 2020), particularly due to investing activities in connection with the projects in Thailand and Brazil. Capital expenditure on intangible assets, property, plant and equipment and biological assets (CAPEX) increased by 26.3 percent to EUR 844.3 mn in the reporting period, approximately half of which was financed from cash flow from operating activities. The sharp rise in investment volumes is primarily due to the implementation of the two key projects.

### **Strengthening special fibers growth**

Specialty fibers are Lenzing’s great strength. In 2024, more than 75 percent of fiber revenues are expected to derive from the wood-based specialty fiber business. In recent years, the focus of this strategic objective has been on the construction of the new, state-of-the-art lyocell plant in Thailand, which was officially opened on March 03, 2022. This project was completed both on time and within budget. The new production plant, which is the largest of its kind in the world with a nominal capacity of 100,000 tonnes per year, will help to better serve growing consumer demand for TENCEL™ and VEOCEL™ lyocell fibers.

The construction of the pulp mill in Brazil strengthens the Group’s own supplies of dissolving wood pulp, and thereby also specialty fiber growth in line with the sCore TEN strategy. Implementation of the project continues to progress to schedule despite the challenges posed by COVID-19.

### **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 recognized by the Science Based Targets Initiative.

The partnership with Swedish pulp producer Södra marks a further milestone in Lenzing’s efforts to realize its ambitious climate and sustainability goals. These two global market leaders, which have been proactively promoting the circular economy in the fashion industry for many years, are joining forces to give the issue a

further boost and to make a decisive contribution to resolving the global textile waste problem. An expansion of capacities for pulp recovery from waste textiles is also planned. The goal is to be able to recycle 25,000 tonnes of used textiles per year by 2025.

Sustainability is not only a very important element of strategy at Lenzing, but also a guiding principle for innovation and product development. Lenzing continued to expand its product offering for the textile and nonwovens sectors in 2021. The third quarter saw the presentation of the first TENCEL™ lyocell fibers made from wood- and orange-based fiber pulp. The upcycling of orange peels as part of the TENCEL™ Limited Edition initiative represents a further successful step by Lenzing to develop new closed loop solutions together with partners along the value chain. The introduction of the first carbon neutral fibers on the global nonwovens market under the VEOCEL™ brand comprises a further product innovation from the reporting year that exemplifies Lenzing's ambitious path in climate protection and the circular economy.

### **Alternative to fossil-based fibers**

With its wood-based, biodegradable VEOCEL™ fibers, Lenzing's nonwoven business also benefits from new regulations such as the Single-Use Plastics Directive (EU) 2019/904.<sup>1</sup> The EU Commission published its implementation guidelines in the second quarter, specifying which products fall within the directive's scope. Lenzing welcomes the measures taken by the EU in the joint fight by member states against plastic waste pollution. Since July 03, 2021, the Single-Use Plastics Directive also provides for uniform labeling requirements for certain products on either packaging or on the product itself. These include feminine hygiene products and wet wipes for personal and household care that contain plastics.

In a study published in October 2021,<sup>2</sup> scientists from the renowned academic research institute Scripps Institution of Oceanography (SIO) at the University of California, San Diego, confirmed that wood-based cellulosic fibers biodegrade in the ocean within a short time frame at the end of their life cycle, making them a significantly better alternative to fossil-based synthetic fibers. The study was the result of an independent project aimed at understanding "end-of-life" scenarios for textiles and nonwovens disposed of in the environment. While wood-based cellulosic fibers completely biodegraded within 30 days, the fossil-based fibers that were tested showed almost no change even after more than 200 days.

Plastic pollution of the environment is a major problem of our time, which may continue to affect many future generations. The fashion industry, with its "fast fashion" business model, places a particularly extreme burden on the environment. For example, the use of fossil-based synthetic fibers in garments has approx. doubled over

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<sup>1</sup> Directive (EU) 2019/904 of the European Parliament and of the Council of June 5, 2019 on the reduction of the impact of certain plastic products on the environment

<sup>2</sup> <https://www.sciencedirect.com/science/article/pii/S0048969721031314>

the past 20 years. Fossil-based fibers account for around two-thirds of global fiber consumption today – with an upward trend.<sup>3</sup>

### **Honored as global “sustainability champion”**

Lenzing received several awards worldwide in 2021 for its achievements, especially in the sustainability area: Lenzing was one of only 14 companies worldwide to receive a “AAA” rating from global non-profit environmental organization CDP for its environmental leadership in climate change, water security and forest conservation. CDP is recognized as the gold standard of environmental reporting worldwide.

Renowned rating agency MSCI upgraded Lenzing’s rating from “A” to “AA”. Lenzing thereby ranks among the top six percent of companies evaluated in its peer group. This improved MSCI ESG rating also leads to a reduction in interest expenses for Lenzing. Lenzing placed a bonded loan of EUR 500 mn in November 2019, which is linked to its own sustainability performance.

In the EcoVadis CSR rating, Lenzing achieved platinum status for the first time in 2021, ranking it among the top one percent of companies evaluated worldwide in terms of the environment, fair working conditions and human rights, as well as ethics and sustainable procurement.

### **Online Annual Report 2021: “Linear to Circular”**

Lenzing is also taking new, innovative paths in terms of its financial and non-financial reporting. It will offer both its annual report and its sustainability report in digital form from 2022. “We have set ourselves the goal of also reflecting Lenzing’s high level of innovation in terms of its communications, and we are breaking new and innovative ground in this area. This year, we are pleased to be able to present our reports in digital and thereby interactive form for the first time. This not only makes our reporting more user-friendly, but also takes place exactly where the majority of our users are – online,” comments Dominic Köfner, Vice President Corporate Communications & Public Affairs. With the 2021 Annual Report bearing the title “Linear to Circular”, the company is emphasizing its focus on carefully balancing its needs with those of nature in the spirit of the circular economy. “Our innovations in relation to the circular economy and biodegradability stem from a deep sense of responsibility to our planet and a desire to act in ways that future generations can be proud of. We hope that you will discover and share this sense of responsibility when you read the Lenzing Annual Report 2021,” notes Köfner. The Lenzing Annual Report 2021 is available at the following link: <https://reports.lenzing.com/annual-report/2021>.

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<sup>3</sup> [http://changingmarkets.org/wp-content/uploads/2021/01/FOSSIL-FASHION\\_Web-compressed.pdf](http://changingmarkets.org/wp-content/uploads/2021/01/FOSSIL-FASHION_Web-compressed.pdf)

### Outlook

The International Monetary Fund expects global growth of 4.4 percent for 2022. However, the economic recovery from the deep recession caused by COVID-19 entails risks, and continues to depend on the further course of the pandemic and its implications for individual economic sectors. The sharp rise in energy costs and the problems of global supply chains pose further economic challenges. In addition, it has become increasingly important to monitor geopolitical risks. In particular, the military conflicts in Ukraine will have a negative impact on the global economy. The currency environment is expected to remain volatile in the regions relevant to Lenzing.

The extensive recovery in demand in the global textile and apparel industry also led to a recovery in demand and rising prices on the world fiber market in 2021. 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 in 2022. Prices for dissolving pulp increased by more than 50 percent at the peak in 2021. The price as of December 31, 2021 amounted to USD 905 per tonne.

Lenzing continues to anticipate rising demand for environmentally compatible fibers for the textile and clothing industry as well as the hygiene and medical sectors. However, the current positive market environment continues to be characterized by uncertainty due to the ongoing pandemic. Visibility remains limited as a consequence. Following significant cost increases in 2021, cost pressure on the energy, raw materials and logistics sides is also expected to continue in the first quarters of 2022.

Taking into consideration the aforementioned factors and the imminent commissioning and completion of the key strategic projects, which will already make an initial contribution to earnings from the current financial year, the Lenzing Group expects EBITDA for 2022 to lie significantly above the level of 2021.

<b>Selected indicators of the Lenzing Group</b>		
<b>EUR mn</b>	<b>2021</b>	<b>2020</b>
Revenue	2,194.6	1,632.6
EBITDA (operating profit before depreciation and amortization)	362.9	192.3 <sup>1</sup>
EBITDA margin	16.5 %	11.8 % <sup>1</sup>
Net profit/loss for the year	127.7	-10.6
Earnings per share in EUR	4.16	0.24
Cash flow from operating activities	394.0	48.9
CAPEX <sup>2</sup>	844.3	668.8
	<b>31/12/2021</b>	<b>31/12/2020</b>
Net financial debt	977.0	471.4
Adjusted equity ratio <sup>3</sup>	39.7 %	45.8 %
Number of employees (headcount)	7,958	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 note 2 of the consolidated financial statements as at December 31, 2021)

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

3) Ratio of adjusted equity to total assets in percent

**Photo download:**

<https://mediadb.lenzing.com/pinaccess/showpin.do?pinCode=mmkn9snDWgIK>

PIN: mmkn9snDWgIK

**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](mailto:media@lenzing.com)

**Web** [www.lenzing.com](http://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](mailto:s.knus@lenzing.com)

**Web** [www.lenzing.com](http://www.lenzing.com)

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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. 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 targets of the Paris Climate Agreement and the EU Commission's "Green Deal", Lenzing has developed 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

Number of employees (headcount): 7,958

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

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Disclaimer: The above financial indicators are derived primarily from the Lenzing Group's IFRS 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 Annual Report and in the Lenzing Group's consolidated financial statements.

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