Lenzing

Innovative by nature

2021

Linear to Circular

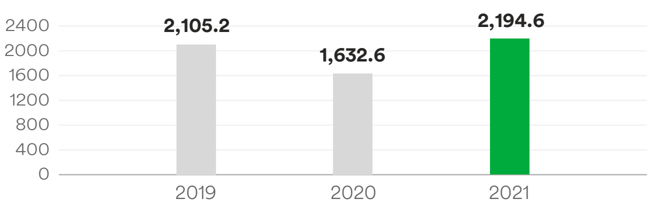
Annual Report

Lenzing Group

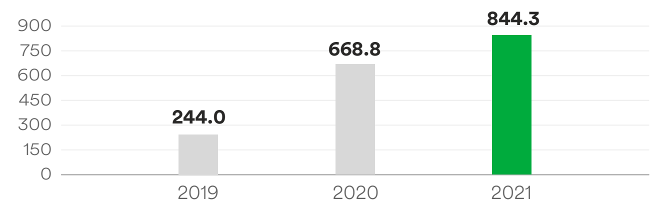
Overview of the Lenzing Group

Selected indicators of the Lenzing Group[1]

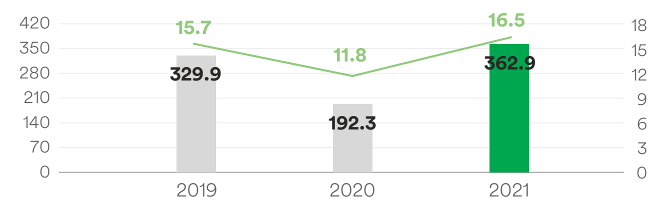
Revenue in EUR mn



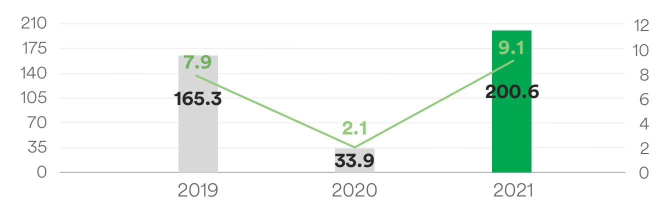
Investments (CAPEX) in EUR mn



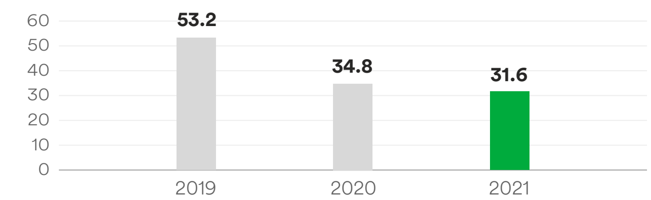
EBITDA in EUR mn **EBITDA margin** in %



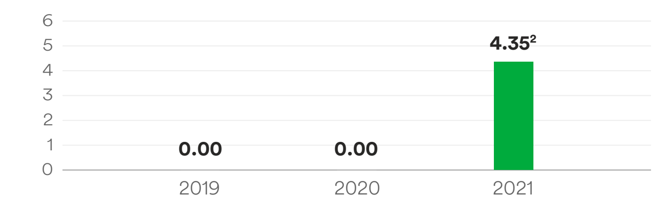
EBIT in EUR mn **EBIT margin** in %



R&D expenditure (after Frascati) in EUR mn



Dividend per share in EUR



The Lenzing Group stands for the ecologically responsible production of specialty fibers made from wood as a renewable raw material. 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, 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, adding 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 nonwoven sector towards a closed loop economy. In order to slow the rate of global warming and accomplish the targets of the Paris Climate Agreement and the EU Commission's Green Deal, Lenzing has a clear vision: to realize a zero carbon future.

[1] Since the beginning of the 2021 financial year, the Lenzing Group has reported its consolidated income statement by applying the cost of sales method. The previous presentation applied the nature of expense method. The complete consolidated income statement is presented in the consolidated financial statements.
[2] On the basis of the current proposal for the appropriation of profit, subject to the adoption of a resolution at the Annual General Meeting.

Selected indicators of the Lenzing Group

Key earnings and profitability figures

EUR mn	2021	2020	Change
Revenue	2,194.6	1,632.6	34.4%
EBITDA (earnings before interest, tax, depreciation and amortization)	362.9	192.3[1]	88.7%
EBITDA margin	16.5%	11.8%[1]	
EBIT (earnings before interest and tax)	200.6	33.9[1]	492.5%
EBIT margin	9.1%	2.1%[1]	
EBT (earnings before tax)	182.9	22.3	722.1%
Net profit/loss for the year	127.7	(10.6)	n/a
Earnings per share in EUR	4.16	0.24	1,658.1%
ROCE (return on capital employed)	5.4%	(0.5) %[1]	
ROE (return on equity)	9.1%	1.3%	
ROI (return on investment)	4.2%	0.9%[1]	

Key cash flow figures

EUR mn	2021	2020	Change
Gross cash flow	372.0	126.8	193.3%
Cash flow from operating activities	394.0	48.9	705.0%
Free cash flow	(445.5)	(614.8)	(27.5)%
CAPEX	844.3	668.8	26.3%
Liquid assets as at 31/12	1,124.1	1,081.1	4.0%
Unused credit facilities as at 31/12	454.5	1,031.4	(55.9)%

Key balance sheet figures

EUR mn as at 31/12	2021	2020	Change
Total assets	5,322.8	4,163.0	27.9%
Adjusted equity	2,115.7	1,907.0	10.9%
Adjusted equity ratio	39.7%	45.8%	
Net financial debt	977.0	471.4	107.3%
Net financial debt / EBITDA	2.7	2.5[1]	9.8%
Net debt	1,079.3	575.0	87.7%
Net gearing	46.2%	24.7%	
Trading working capital	387.4	383.8	0.9%
Trading working capital to annualized group revenue	16.0%	21.9%	

Key stock market figures

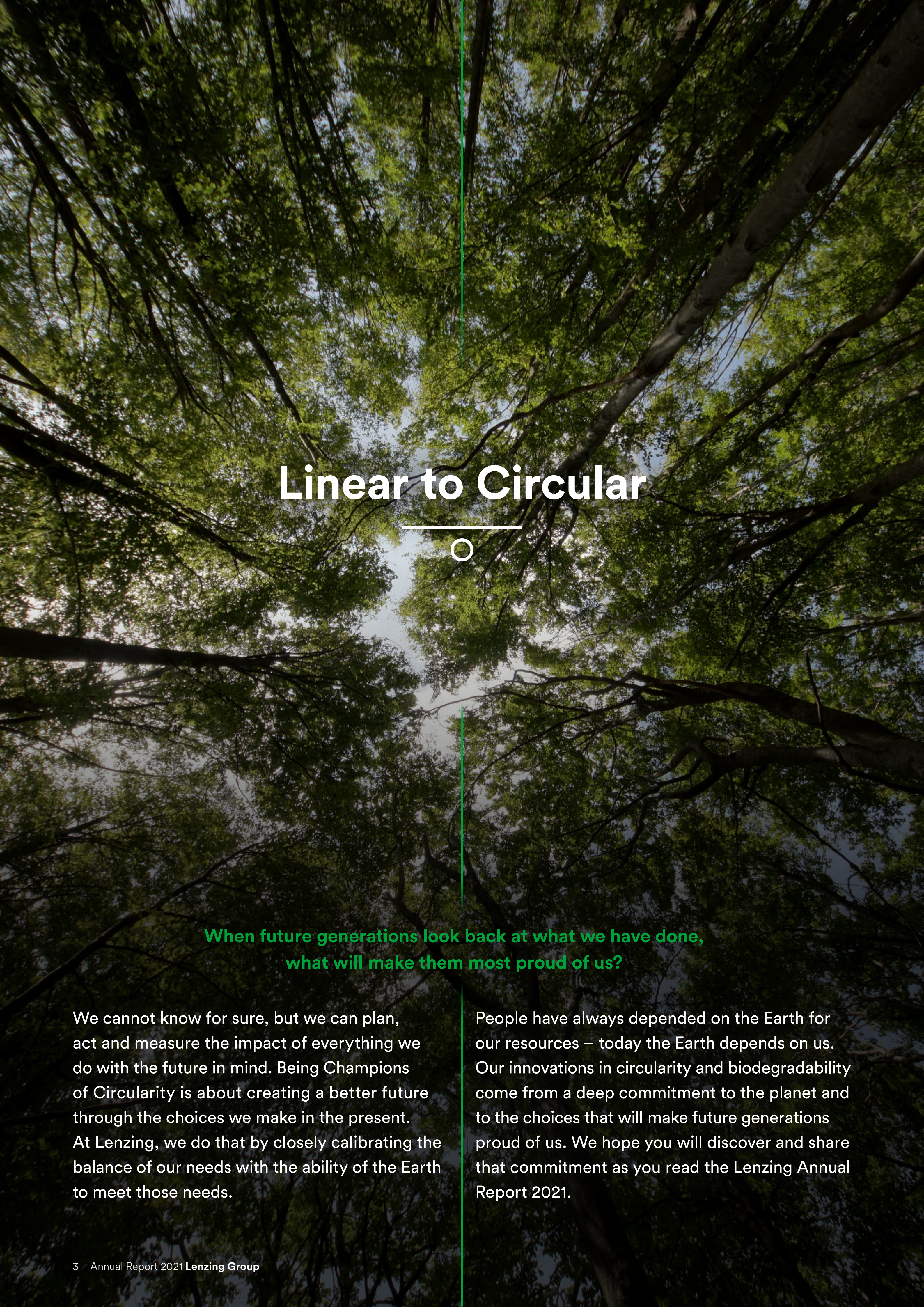
EUR	2021	2020	Change
Market capitalization in mn as at 31/12	3,239.1	2,198.3	47.3%
Share price as at 31/12	122.00	82.80	47.3%
Dividend per share	4.35[2]	0.00	n/a

Employees

	2021	2020	Change
Number (headcount) as at 31/12	7,958	7,358	8.2%

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) On the basis of proposed distribution of profits.

The above financial indicators are derived primarily from the IFRS consolidated financial statements of the Lenzing Group. 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 consolidated financial statements of the Lenzing Group. Rounding differences can occur in the presentation of rounded amounts and percentage rates.



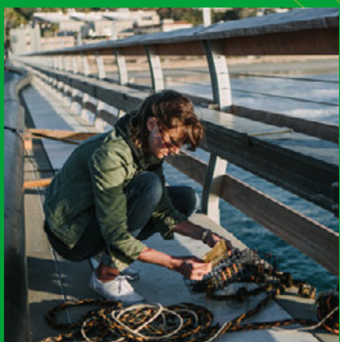
Linear to Circular

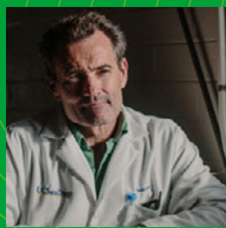
When future generations look back at what we have done, what will make them most proud of us?

We cannot know for sure, but we can plan, act and measure the impact of everything we do with the future in mind. Being Champions of Circularity is about creating a better future through the choices we make in the present. At Lenzing, we do that by closely calibrating the balance of our needs with the ability of the Earth to meet those needs.

People have always depended on the Earth for our resources – today the Earth depends on us. Our innovations in circularity and biodegradability come from a deep commitment to the planet and to the choices that will make future generations proud of us. We hope you will discover and share that commitment as you read the Lenzing Annual Report 2021.

Champions of Circularity





The online Annual Report 2021 of the Lenzing Group contains many exciting stories that tell the story of our journey from a linear to a circular economy.

Read the Stories of 2021

Content

“ It’s hard to express my admiration for the way Lenzingers responded to the ongoing COVID-19 pandemic.

Letter from the CEO
→ Page 7

Revenue 2021

+34.4 %

Management Report 2021
→ Page 21

Highlights 2021

The largest investment program in the company's history is progressing according to plan – Commissioning of the world's largest lyocell plant in Thailand from the end of 2021.

January
- Planning of Upper Austria's largest ground-mounted photovoltaic plant started at the Lenzing site

February
- Denim range expanded: Lenzing introduces groundbreaking Indigo Color technology

March
- 2020 results: Lenzing weathers the crisis year and remains strategically well on track

April
- "Stand up for future generations": Lenzing presents its Sustainability Report 2020
- Lenzing and TENCEL™ shine again at the Oscars
- First carbon neutral VEOCEL™ lyocell fibers launched on the global nonwovens market

May
- Milestone towards group-wide climate neutrality: EUR 200 mn investment in Asian locations
- Q1 results: Lenzing reports excellent start to the financial year
- Next step on the path to climate neutral production: new air purification and sulfur reprocessing plant in operation at the Lenzing site

June
- Two world market leaders join forces in textile recycling: partnership agreement signed with Södra
- Lenzing repeatedly recognized as a successful international player
- Fiber identification extended to TENCEL™ brand

July
- Lenzing elected to the board of the leading nonwovens association EDANA
- Lenzing awarded platinum status for sustainability by EcoVadis
- Investment in state-of-the-art wastewater treatment at Grimsby site
- Development of new closed loop solutions: presentation of the first TENCEL™ branded lyocell fiber made from orange and wood pulp

August
- H1 results: Lenzing records significant improvement in revenue and earnings

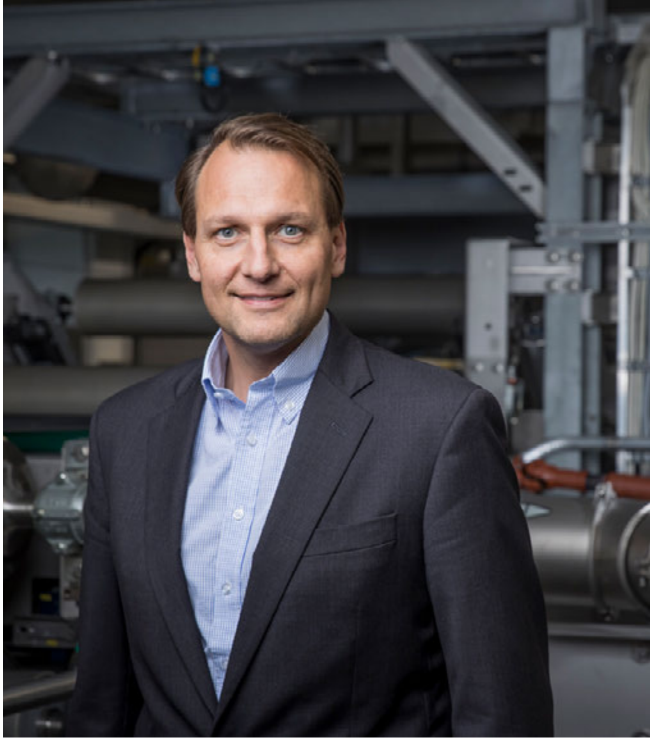
September
- Carbon neutral TENCEL™ fibers enhanced by REFIBRA™ technology

October
- Lenzing receives MSCI ESG "Sustainability Champion" award
- Internationally renowned marine research institute confirms biodegradability of LENZING™ fibers
- Denim range expanded with matt TENCEL™ lyocell fibers

November
- Q3 results: strong operating earnings despite significant cost increases
- Cord Prinzhorn takes over as interim CEO following the resignation of Stefan Doboczky
- Lenzing Managing Board proposes dividend of EUR 4.35

December
- CDP honors Lenzing as one of the most sustainable companies in the world

Letter from the CEO



Dear Reader,

It is my great pleasure to welcome you. Introducing a report of this kind so soon in my tenure as Chief Executive Officer means that all the credit and recognition for the results outlined here goes to others, primarily to Lenzingers, as we like to call our employees. Credit is also due to our customers, shareholders, suppliers and partners, who are with this company on its journey towards a model of prosperity and growth that protects and enhances the natural world. As part of that journey, our reporting has made the transition from print to digital. I hope you will like the functionality this provides, as well as approve of its reduced environmental impact. I invite you to explore the links and features you will find here, and I hope you enjoy creating your own experience according to your particular needs and interests.

My role at Lenzing has two aspects. I joined the Supervisory Board in May 2021, and took over as Chief Executive Officer on an interim basis in November. This allows me to combine detailed knowledge of the company with the clear eye of a new hire. I will continue to serve on the Supervisory Board once a permanent Chief Executive Officer is appointed, and whoever that person is, I am certain they will share the passion I have felt over many years for this industry, especially for its transformational potential in sustainability. With that in mind, allow me to express my thanks to my predecessor, Stefan Doboczky, for his service.

There is a human as well as an environmental meaning to sustainability, and it is that sense of the word I wish to address first. In the context of the ongoing COVID-19 pandemic, which has caused so much loss and disruption, it is hard to express adequately the admiration I feel for the way Lenzingers responded. In every location, in every function, in every team, the commitment and resilience shown by our people has been extraordinary. This is a business report so, naturally, you will read about strategic, financial and operational matters. But however impressive the numbers, however efficient the machines, however innovative the processes, it is the resilience and hard work of people – Lenzingers, and others – which results in our performance.

And, as you will see from the stories and numbers presented in this report, that performance has been excellent. This is in no small measure due to the loyalty of our customers. They faced the same challenging context as we did in 2021, yet continued to work with us commercially, in many cases in increasing volumes, and often encouraged and supported our focus on the shift from a linear to a circular economic model. And, as reported last year, we remain strategically on track despite all the challenges of operating during a global pandemic. This is evident throughout our production, brand, technology, community and sustainability work. It's especially evident in the progress made on our key projects in Brazil and Thailand.

The construction of such large scale projects in the midst of COVID-19 called for an unparalleled approach towards planning, recruitment, training and safety management. The utmost care was taken not only to safeguard our employees and contractors, but also their families. This was no small task considering the Prachinburi (Thailand) site will be the world's largest lyocell plant of its kind once production begins. It's also the first project of this scale that we've delivered outside Austria. Moreover, the plant in Brazil is our largest ever investment in the provision of sustainable raw materials for wood-based (cellulosic) fiber production. Both projects have run on time to budget, and both will be operational early 2022, which is an accomplishment we do not take lightly. Despite the challenges that our people faced on site in Brazil and Thailand, they delivered on our strategic vision and promise.

We continue to benefit from a steadily growing fiber market as people along the entire value chain seek, and adopt, more sustainable solutions. The renewable origin of our products and our dedication to sustainable innovation make us the 'go-to' manufacturer for growing numbers of customers and partners. We are very proud of the steady stream of accolades we receive for our environmental credentials. In 2021, these included Platinum status for CSR from EcoVadis; a Sustainability Champion AA rating on the MSCI ESG listing; and a Triple A listing from global environmental non-profit CDP, for leadership in climate change, water security and forests. We are one of just 14 companies world-wide to be awarded a Triple A listing by CDP, but that is not something to celebrate. We want – and expect – many more companies to join us.

These, and other awards, show that Lenzing is a company completely committed to the reduction of our environmental footprint. Our goal of becoming climate-neutral by 2050 requires investment, intelligence and ingenuity, qualities that are woven into the headline events of our 2021 story. For example, our EUR 200 mn investment in Asia which, among other things, includes our Nanjing site that will rely on natural gas rather than coal as a power source. It also puts our Purwakarta facility in Indonesia at the leading edge of reducing CO_2 emissions through the use of biogenic fuel. We introduced the first carbon neutral lyocell fiber for the nonwovens industry, with VEOCEL™ lyocell fibers certified as having a net-zero carbon footprint under the CarbonNeutral Protocol.

We invested more than EUR 23 mn in a state-of-the-art wastewater treatment plant at our site in Grimsby, United Kingdom. We expanded fiber identification technology to TENCEL™ branded fibers as part of an ongoing campaign for greater supply chain transparency. At our Lenzing, Austria site, planning started on Upper Austria's largest ground-mounted photovoltaic plant, which will generate nearly 5,500 megawatt hours per year. We also built a new air purification and sulfur recovery plant – the result of EUR 40 mn invested since 2019 – which takes us another step closer to meeting our climate targets.

2021 saw the development of exciting new partnerships. For instance, we teamed up with world-class pulp producer Södra to develop more ways of giving waste a new life. Like us, Södra are champions of post-consumer textile recycling, and we are working together to drive change at every stage of the textile value chain. We also began a collaboration with Orange Fiber, an Italian company which has patented the pulp production process for citrus by-products. This allows us to upcycle waste materials in our products, such as creating the first TENCEL™ branded lyocell fiber made of orange pulp and wood sources. Our innovation in sustainability is visible at the end of the product lifecycle, as well as the start. An investigation by scientists at the Scripps Institution of Oceanography in California has provided further evidence of the biodegradability of our fibers. The study showed that clothing made from wood-based fibers biodegraded in sea water within 21 days, compared to clothing from synthetic fibers which showed no biodegradation after more than 210 days.

These and other partnerships Lenzing is building are generating value for the planet while, at the same time, making a positive impact on our commercial results. I am convinced there is a great future to be built on sustainability and the circular economy model for Lenzing as a business. This matters first and foremost because of the contribution it makes to the quality of the natural environment, on which all life depends, as well as the growth and prosperity it offers shareholders, employees and customers. There is so much more I could mention here from the pages of Lenzing's 2021 calendar, and from our plans for 2022 and beyond. However, now it's time to hand over to you.

Which links will you follow first? Which stories resonate most strongly with you? How can Lenzing's extraordinary achievements and even greater ambitions support yours? This is for you to determine. We look forward to hearing about the results of your efforts because, in the understandably terse terms of those protesting the degradation of our shared global environment, no nature equals no future. Everything we do, therefore, as we go about running this successful and growing business, is designed to ensure that the future not only exists, but also provides for future generations the kind of existence we want for ourselves.

Thank you for reading. Stay safe and well, and be sure to visit our main site at Lenzing.com to find out more about us and what we do.

Yours sincerely,

Cord Prinzhorn

Report of the Supervisory Board

To the 78th Annual General Meeting

Dear shareholders,

The COVID-19 pandemic has kept us on our toes for the second year now, and to date Lenzing has performed very well in this extraordinary situation. Whereas this supposedly small virus has made us aware of our great vulnerability, it has also brought us closer together again as a community. As a consequence, we were able to work together, join our forces and achieve our common goals. In the past year, the company again did everything within its power to protect the lives and health of our employees. We regret all the more the losses among our workforce and among our project partners, and at this point we too grieve with their bereaved families.

The year 2021 was a very eventful year for Lenzing Aktiengesellschaft, with some ups and downs. We made good preparations for a further pandemic crisis year by issuing a hybrid bond at the end of last year, and secured our major projects in Thailand and Brazil, despite all adversities, thereby underpinning Lenzing's long-term orientation. We have made great progress with both of these projects and look forward with confidence to their successful commissioning. Following the historically low price level in the previous year, viscose prices already recovered significantly in the first quarter of 2021. A surge in demand in global fiber markets favored the situation, and helped Lenzing to recover earlier than expected and despite the still tangible effects of the pandemic. Unfortunately, the market recovery was accompanied by a highly strained global logistics situation, so that not only extreme supply bottlenecks but also drastic cost increases challenged the entire textile value chain. The significant cost increases for energy and energy-intensive raw materials that began in the middle of the year then added to the burden. The consistent focus on the efficiency enhancement and cost reduction programs that we already initiated in 2020 prevented cuts in supply capability, competitiveness and ultimately also profitability.

Lenzing achieved a major success in the context of its long-term sustainability strategy. Lenzing was one of only 14 companies worldwide to achieve a "Triple A" rating from the non-profit environmental organization CDP. This award makes us all proud and confirms the company's strategic orientation of positioning resource conservation, the circular economy and innovation as the most important cornerstones of our targeted carbon neutrality.

In addition to supporting the Managing Board members in these diverse issues, a major task of the Supervisory Board was also to oversee the major strategic projects in Thailand and Brazil. COVID-19 hit these countries particularly hard during the past 2021 year. Our choice of partners and excellent project management, as well as our selection of executives, specialists and contractors, have proven particularly successful, so that these major projects have been implemented very successfully to date, despite the difficult pandemic situation. Both projects remain on budget and on schedule and represent the two cornerstones of "backward integration" and "product portfolio specialization" in our sCore TEN strategy.

A further high priority for the Supervisory Board was the complete clarification of the Hygiene Austria case. The excellent collaboration between the Managing Board and the Supervisory Board as well as the involvement of external experts led to a rapid forensic and legal review, whose consequences included the divestment of this business activity.

The Supervisory Board fulfilled the monitoring obligations defined by law, the articles of association and the rules of procedure in connection with these varied activities. It was involved in fundamental decisions on a timely basis and provided professional advice for the Managing Board. The Managing 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 Managing Board also reported to the Chairman of the Supervisory Board outside the context of scheduled meetings concerning business performance, the company's position and major transactions. Individual issues were handled in depth by the committees established by the Supervisory Board, which then reported to the plenary Supervisory Board on their activities. Against the backdrop of the effects of COVID-19, the majority of the meetings were held virtually via video conference in the 2021 financial year.

Supervisory Board meetings

The Supervisory Board of Lenzing AG met eight times during the reporting year. At these meetings, the Managing Board reported on business performance as well as major transactions and measures. The Managing Board's work was also monitored, and the Supervisory Board offered its professional advice on major strategic issues. In view of the impact of the ongoing difficult logistics situation due to the effect of COVID-19 along the entire value chain, communication with the Managing Board was further intensified and steps to mitigate the COVID-19 risks for the business of Lenzing AG were continuously taken in close coordination with the Managing Board and evaluated on an ongoing basis. Meetings concentrated, above all, on the following topics: business and pricing trends, the Lenzing Group's further strategic development including an update of the sCore TEN strategy and its targets, the sustainability strategy and ESG topics, focus areas of research and development, digitalization, staff-related issues, financing measures as well as the discussion and approval of the budget for the 2022 financial year. A further focus was on the discussion on the complete clarification of the Hygiene Austria case, which was handled in cooperation with external experts.

In order to give the necessary emphasis to Lenzing's sustainability efforts, the Supervisory Board approved an adjusted remuneration policy, which was then approved by the Annual General Meeting. Now ESG KPIs can also be included in the evaluation of the Managing Board members' long-term, performance-based performance bonuses. The Supervisory Board also addressed the efficiency of its own working procedures, and discussed and initiated measures.

At the Annual General Meeting on April 14, 2021, Dr. Markus Fürst and Cord Prinzhorn, MBA, were newly elected to the Supervisory Board. Dipl.-BW Peter Edelmann and Dr. Stefan Fida were re-elected to the Supervisory Board. Dr. Veit Sorger stepped down from the Supervisory Board as of April 14, 2021. We would like thank Dr. Veit Sorger for more than 17 years of trusting and constructive guidance and direction, and wish him all the best for his future path in life.

Dr. Stefan Doboczky stepped down as CEO of Lenzing AG at his own request and by mutual agreement as of September 2021. We would like to thank Dr. Stefan Doboczky for his extraordinary work for Lenzing over the past seven years. Stefan Doboczky has made a special contribution to the transformation of Lenzing into a global specialty fiber and sustainability company. The Supervisory Board will present a successor solution very soon.

Committee meetings

The Remuneration Committee established by the Supervisory Board met twelve times during the reporting year and dealt primarily with the evaluation of performance and definition of goals for the Managing Board members as well as general remuneration topics relating to the Managing Board. Moreover, the Remuneration Committee worked on developing the remuneration policy of Lenzing AG. The Nomination Committee convened for five meetings in the reporting year. These meetings focused on personnel development measures and succession planning issues, the appointment of Cord Prinzhorn, MBA, as interim CEO and, in particular, his long-term succession. The committee discussed election proposals to the Supervisory Board and presented corresponding proposals for resolution. The Strategy Committee did not hold any meetings in the reporting year. Instead, strategy-relevant topics were discussed at two extraordinary meetings of the plenary Supervisory Board. At these meetings, discussions with the Managing Board and voting covered the further development of the sCore TEN corporate strategy, the sustainability strategy and an update of the derived strategic approach and investments. In addition, updates on individual product strategies, the quality strategy as well as continuous programs to enhance efficiency and reduce costs were discussed with the Managing Board. The Audit Committee convened for four meetings in the reporting year. Some of these meetings were also attended by representatives of the auditors who reported on their auditing activities and coordinated them with the Audit Committee. Specific accounting topics were also discussed in the presence of the auditor. In addition to reviewing and preparing the separate and consolidated financial statements, the committee also addressed the additional tasks in accordance with Section 92 Para. 4a of the Austrian Stock Corporation Act, focusing particularly on critically examining and monitoring the functioning and effectiveness of the internal control, audit and risk management systems. The results were subsequently discussed with the full Supervisory Board.

As part of the Supervisory Board's work, the Hygiene Austria Committee was convened in the reporting year to fully clarify this matter. A total of ten meetings were held in the year under review. In addition, external teams of experts from various specialist areas, such as forensics, corporate law, criminal law, and labor and capital market law, were brought in to ensure a complete investigation and the implementation of the necessary measures derived from the findings. All results were reported by the committee to the Supervisory Board and discussed in detail. The Committee for Large CapEx Projects established by the Supervisory Board met five times in the reporting year and dealt with the ongoing support, consulting and control of the two large projects for construction of a lyocell fiber plant in Thailand and the construction of a dissolving wood pulp plant in Brazil. Project governance and risk management of the projects, as well as mitigation of COVID-19 impacts, were the primary focus here.

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

Audit of the separate annual financial statements and management report as well as the consolidated financial statements and Group management report

The separate annual 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 of December 31, 2021, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and awarded an unqualified opinion. The Corporate Governance Report was evaluated by PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz. It was found that the declaration of compliance with the Corporate Governance Code issued by Lenzing AG (January 2021) corresponds to the actual circumstances. The Supervisory Board's Audit Committee reviewed the separate annual financial statements and the consolidated financial statements as well as the separate management report and Group management report, the Managing Board's recommendation for the application of unappropriated profit and the Corporate Governance Report. The results of this review were subsequently discussed with the auditor in detail. The Audit Committee concurred 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 to appoint KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor for the 2022 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 2021 in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act. Furthermore, the Supervisory Board declared its approval of the consolidated financial statements and the 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) had been prepared and audited. The Supervisory Board concurs with the Managing Board's proposal for the application of unappropriated profit. The Supervisory Board concurs with the recommendation by the Audit Committee and will consequently submit a proposal to the 78th Annual General Meeting for the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the annual financial statements for the 2022 financial year. The Supervisory Board was not informed of any conflicts of interest on the part of Managing Board or Supervisory Board members during the reporting year that would require disclosure to the Annual General Meeting.

The Supervisory Board would like to extend its thanks and acknowledgement to the Managing Board and all employees of Lenzing AG for their outstanding commitment. Thanks to their personal dedication, Lenzing AG was able to handle the particular challenges posed by COVID-19 and to continue implementing the sCore TEN strategy with undiminished strength. We also wish to extend our special thanks to the customers, shareholders, suppliers and business partners of Lenzing for their trust and solidarity.

Thank you!

Vienna, March 9, 2022

Peter Edelmann,
Chairman of the Supervisory Board

CHAPTER

1/4

The Company

2021

Content

Lenzing Group locations

Numbers = Nominal capacities as at December 31, 2021

* Air-dry

The Lenzing Group strategy

The sCore TEN corporate strategy, which the Lenzing Group has consistently implemented since 2015, outlines the direction the company aims to take together with its employees, suppliers, customers, partners and investors.

The concept of sCore TEN is based on striving for innovation and above-average business success (SCORE), the strong core business with wood-based cellulosic fibers from sustainable production as the driver of development (CORE), and the focus on growth based on specialty fibers, above all TENCEL™ branded lyocell fibers (TEN). The heart in the logo represents the corporate values and culture, which were developed as part of the strategy process, and stands for Lenzing as a reliable partner.

Lenzing regularly reviews whether its corporate strategy is up-to-date, taking into account internal and external developments. In several areas, the market environment is significantly more challenging than just a few years ago. However, successful growth and development over recent years, including in a very difficult market climate at times, gave further reassurance to Lenzing that its strategic orientation is appropriate. Today, the company is substantially more resilient than just a few years ago, which is above all due to its specialty strategy and its strong brands based on innovation and sustainability.

Lenzing continues to anticipate strong growth in the fibers business. The main growth drivers include steady population growth and rising prosperity in emerging markets. Per capita fiber consumption will continue to expand significantly. After a period of stagnation from 2019 to 2021, Lenzing expects demand for wood-based cellulosic fibers to increase by 5 to 7 percent per year through to 2025 – in other words, around twice as fast as the global fiber market.

Most of the operational and economic goals of the sCore TEN strategy defined in 2015 have been set for 2020, and most of them have been achieved ahead of time. Consequently, the goals were revised in 2019 and are now scheduled to be met by 2024. The strategic cornerstones have remained largely unchanged since 2015: pulp lies at the core of the strategy. It is extracted from the renewable raw material wood. The dissolving wood pulp produced in the Lenzing Group's biorefineries is processed into cellulosic fibers. Lenzing produces a large part of the required pulp itself. Lenzing aims to achieve a share of more than 75 percent by 2024 in order to hedge even better against future price fluctuations. The focus is on completing the key project in Brazil on schedule in order to achieve this strategic goal.

Quality and sustainability will remain the foundation of success and profitability in the future. Lenzing will consequently continue to invest in the development of its biorefineries, in strengthening its closed loop model, and in providing full transparency along the value chain. The implementation of the climate target endorsed by the Science Based Targets Initiative represents a new focus of the sCore TEN strategy. Lenzing will substantially reduce its carbon dioxide emissions over the coming years. The target is to be climate-neutral by 2050. In line with its strategic commitment for 2024, Lenzing is endeavoring to reduce emissions per tonne of product by more than 40 percent compared with 2017.

Lenzing will continue to expand its partnerships and collaborations with companies along the value chain and further enhance its proximity to its customers in order to strengthen its quality position on the market. Moreover, Lenzing will continue to work hard to increase the visibility of its brands and support customers and consumers in their purchasing decisions by creating a better understanding of products and their impact on the environment and society. A strong focus will also remain on brand management.

Specialty fibers are Lenzing's great strength. Lenzing operates globally today and, with its aspiration to innovation leadership, is the best partner when it comes to high-quality specialty fibers. Lenzing aims for further organic growth in this area in order to be even more resilient to volatile markets in the future. The current focus is on the start-up of the new, state-of-the-art lyocell plant in Thailand and the implementation of the investment projects at the existing sites in China and Indonesia. Specialty fibers' share of fiber revenue is thereby expected to rise to more than 75 percent by 2024.

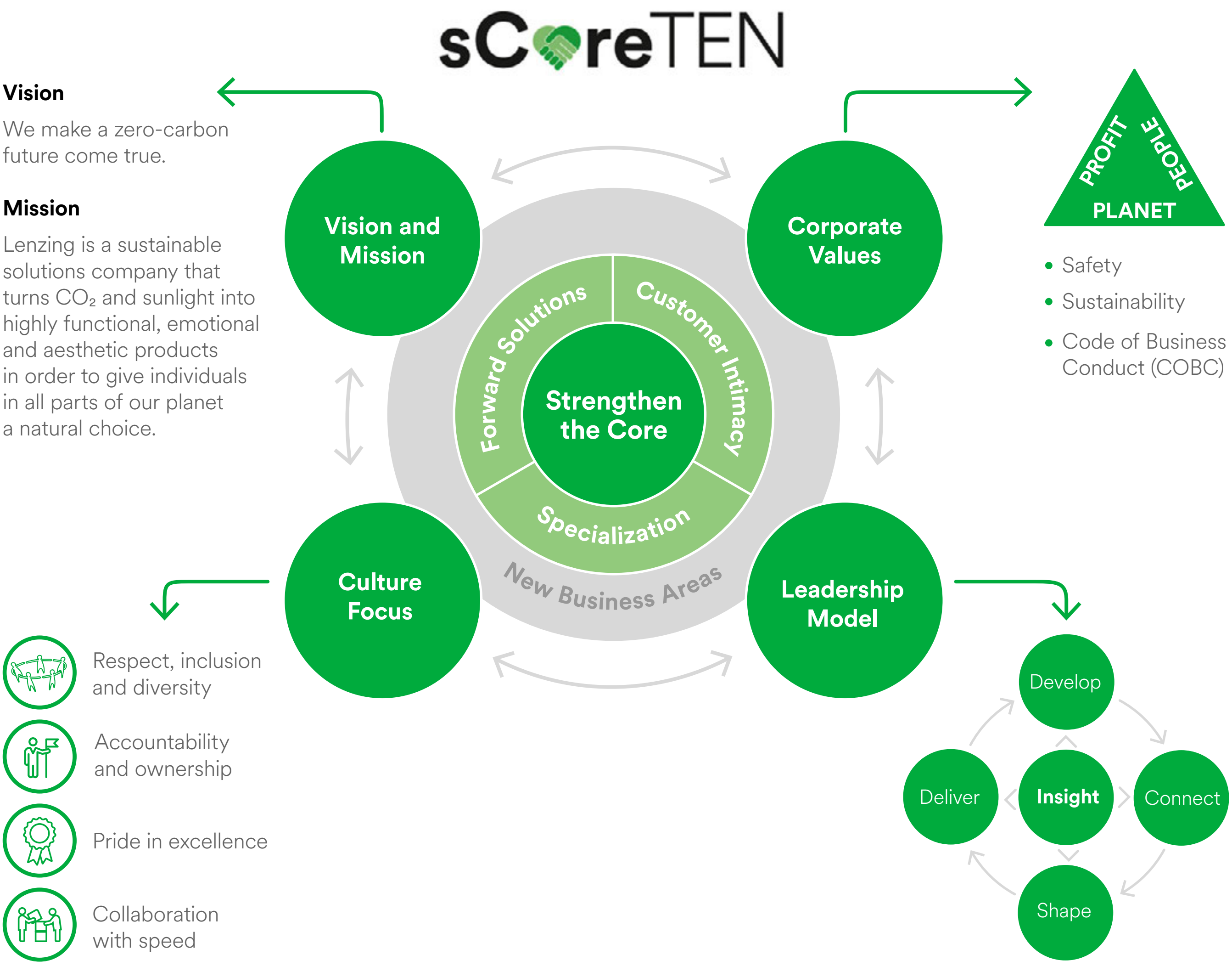
The recent year's positive trend, which includes a solid balance sheet policy, helps Lenzing to successfully implement its key projects, including in a difficult market environment. However, the company's relatively strong position does not allow any scope for complacency. Lenzing will consequently continue to focus on stringent cost discipline in the years to come.

Corporate strategy sCore TEN with target year 2024

	Goals
EBITDA	EUR 800 mn
ROCE	10 %[1]
Net Debt/EBITDA	<2,5 x[2]
Specialties share	>75 % of fiber sales
Dissolving wood pulp backward integration	>75 %
Decarbonisation	40 % specific CO_2 reduction per ton of product

[1] To be adjusted for plants under construction
[2] To be adjusted for JV guarantees

Overview of the sCore TEN strategy and its five strategic directions



In order to reflect the company's priorities even better in its strategy, particularly with regard to its decarbonization goals, Lenzing also further developed its mission and vision in 2020.

Strengthen the core

The increase in Lenzing's self-supply with pulp to 75 percent by 2024 will be secured by backwards integration – by increasing the Group's own pulp production volume and/or by expanding strategic partnerships. Lenzing will also continue to focus on its core business: the sustainable production of high-quality wood-based cellulosic fibers.

Customer intimacy

Around two thirds of Lenzing's customers are based in Asia. For this reason, the company is increasingly offering consultancy services, product development and customer support where its customers and partners in the value chain require them most, which is locally. Lenzing has also shifted management decisions to these regions. These steps will bring the company not only closer to its customers, but also closer to their success.

Specialization

Lenzing plans to generate more than 75 percent of its fiber revenue with environmentally compatible specialty fibers such as lyocell and modal fibers by 2024. As a consequence, Lenzing will distinguish itself to an even greater extent from its competitors and will be less susceptible to cyclical fluctuations.

Forward solutions

Lenzing is continuing to expand its research and development activities and is investing primarily in sustainable technology as well as in selected areas of the value chain. In line with the sCore TEN corporate strategy, the focus is consequently on growth that is based on sustainable innovations. At present, the Eco Filament Technology for the production of TENCEL™ Luxe branded filaments and the LENZING™ Web Technology definitely rank among the most exciting projects in the global market.

New business areas

Lenzing harnesses its core expertise in order to develop new and attractive business areas over the medium to long term.

Sustainability in the Lenzing Group

The climate crisis is one of the world's most urgent challenges and requires global solutions. Its impact can be felt all over the world and affects people, nature and business. The EU Commission intends to confront this challenge with a "Green Deal" for Europe. This comprises an ambitious package of measures that aim to make Europe the first climate-neutral continent by 2050. As one of the sustainability pioneers in its sector, the Lenzing Group is making a significant contribution to achieving this goal.

We follow three strategic principles within the context of our "Naturally positive" sustainability strategy: driving systemic change, the circular economy, and greening the value chain. The focus is on those sustainability areas where Lenzing can have the greatest impact in creating a more sustainable world.

In order to review which topics are material from the perspective of the stakeholders of the Lenzing Group, the materiality analysis was revised in 2021. In a multi-stage process, the following topics were defined as essential together with stakeholders:

- Circular economy & resources
- Climate & energy
- Responsible wood procurement
- Biodiversity & ecosystems
- Sustainable innovations & products
- Health & safety
- Human rights & fair labor practices
- Business ethics
- Digitalization & cyber security

Lenzing has set a total of 18 ambitious, Group-wide sustainability targets for the most important challenges in each of its strategic focus areas. In order to enhance transparency, the corresponding implementation measures are described in the Sustainability Report. The goals set also relate to the United Nation Sustainable Development Goals (SDGs).

Read more about the goals and implementation of the **"Naturally positive"** sustainability strategy in the Lenzing Group Sustainability Report, which is available online at this link:

Sustainability Report 2021

The Lenzing Group brand world

With its focus on specialty fibers and with a view to the needs of customers and partners, Lenzing is very well positioned on the textile and nonwoven markets. "Maintaining our sustainable technological leadership, while at the same time emphasizing partnerships and openness towards our stakeholders, plus a stronger focus on the connection between our fibers and the people for whose benefit we develop them." This is the message behind the brands which have been visible on the market since 2018 and which were connected even more strongly with the underlying brand promise – "We look beyond fiber to the life it unlocks" – in the reporting period.

Lenzing Group fibers are "innovative by nature" in two ways. Wood-based cellulosic fibers are a natural product that Lenzing has used for more than 80 years in innovative solutions for the production of textiles and nonwovens. The benefits of Lenzing's cellulosic fibers are easy to see, touch and feel: soft and smooth, breathable, absorbent, gentle on the skin. All of this is reflected by the slogan "Innovative by nature."

The brands and their promise

The brand promise of the Lenzing Group ("We look beyond fiber to the life it unlocks") requires a positioning based on strength and clarity. The historically grown approach to presenting brands, products and offers has outlived its time. The focus of the Lenzing brand architecture is on a simple, clear presentation featuring plausible brand promises targeted at customers' immediate needs. The Lenzing Group's brand world tells a uniform, consistent and globally communicated story which, for customers, conveys a visible and perceptible message of the sCore TEN strategy. The focus on specialization, while at the same time strengthening Lenzing's core competency, requires that the registered trademarks be promoted with conviction, and vouched for worldwide.

The architecture for the product brands is based on a simple system. With TENCEL™ and VEOCEL™, consumers find clearly distinct product brands for the applications of specialty fibers in textiles and nonwovens. The master brand overarches these product brands. Below this top level, the previous product specifications for B2B customers are logically structured by category, such as technology, product type and process.

TENCEL™ – the flagship brand for textiles

TENCEL™ is the Lenzing Group's flagship brand for textiles and stands for a variety of specialized applications. All specialty products in the textile segment (e.g. TENCEL™ Active, Denim, Footwear, Home, Intimate, Luxe) are marketed under the TENCEL™ brand. Specifications (such as modal) remain visible for B2B customers. TENCEL™ stands for the characteristics of these lyocell fibers that are most important to end customers: soft to the skin, smooth to the touch, high breathability and fashionable draping properties.

VEOCEL™ – the brand for nonwovens

VEOCEL™ is the brand of choice for all producers that follow a natural approach to care and cleaning products. The focus here is also on consumers who choose VEOCEL™ as a product for everyday use. Consumers find quality and security in cleanliness and care with VEOCEL™ Beauty, Body, Intimate and Surface. For the value chain in the nonwoven segment, this creates a variety of new possibilities for differentiation.

LENZING™ – the brand for B2B applications

Lenzing fibers are also ideally suited for technical applications such as tea bags, coffee pads and filter fibers, or as substitutes for synthetic fibers in agriculture. For these B2B applications, which are not important for end consumers, fibers are marketed under the LENZING™ brand. Specialty fibers that offer protection from heat are marketed under the LENZING™ for Protective Wear brand. The LENZING™ FR fibers used for this purpose provide protection from the following heat sources: fire, radiant heat, electric arcs, liquid metals and flammable liquids.

Innovative by nature

A human, personal B2Me brand: Being closer to what life is all about, being well-known and attractive even on the consumer level and emerging stronger with regards to the competition.

Feels so right

Purely for you

TENCEL™ – the flagship brand for textiles

TENCEL™ is the Lenzing Group's flagship brand for textiles and stands for a variety of specialized applications. All specialty products in the textile segment (e.g. TENCEL™ Active, Denim, Footwear, Home, Intimate, Luxe) are marketed under the TENCEL™ brand. Specifications (such as modal) will still be visible for B2B customers. TENCEL™ stands for the characteristics of these lyo-cell fibers that are most important to end customers: soft to the skin, smooth to the touch, high breathability and fashionable draping properties.

VEOCEL™ – the brand for nonwovens

VEOCEL™ is the brand of choice for all producers who follow a natural approach for care and cleaning products. The focus here is also on the consumers who choose VEOCEL™ as a product for everyday use. Consumers find quality and security in cleanliness and care with VEOCEL™ Beauty, Body, Intimate and Surface. For the value chain in the nonwoven segment, this creates a variety of new possibilities for differ-entiation.

LENZING™ – the brand for B2B applications

Lenzing fibers are also ideally suited for technical applications like tea bags, coffee pads and filter fibers or as substitutes for synthetic fibers in agriculture. For these B2B applications, which are not important for end consumers, fibers are marketed under the LENZING™ brand. Specialty fibers which offer protection from heat are marketed under the LENZING™ for Protective Wear brand. The LENZING™ FR fibers used for this purpose provide protection from the following heat sources: fire, radiant heat, electric arcs, liquid metals and flammable liquids.

The Lenzing product portfolio

Lenzing fibers are used primarily for clothing, home textiles and hygiene products. Biological degradability is inherent to Lenzing fibers. This feature closes the cycle, with nature returning to nature. Lenzing fibers combine the biological properties of natural fibers with the processing advantages of mechanically produced fibers.

Lenzing lyocell fibers

The Lenzing Group is a leading global producer of lyocell fibers. The origin of all Lenzing fibers is cellulose, a component of the renewable natural raw material wood. Fiber production itself is particularly environmentally compatible thanks to closed loop recycling. More than 99 percent of the solvent used is recovered and recycled, making the Lenzing Group's lyocell fibers the fibers of the future. This closed loop production process was recognized by the European Union with its European Award for the Environment. Products made of Lenzing lyocell fibers are more absorbent than cotton, softer than silk and cooler than linen. They are deployed in a wide range of applications that include sportswear, home textiles and mattresses as well as hygiene articles such as wet wipes and baby wipes. Lenzing lyocell fibers are marketed primarily under the TENCEL™ and VEOCEL™ brands.

Lenzing modal fibers

The Lenzing Group's modal fibers are extracted from beech wood sourced in both Austria and its neighboring countries. Low fiber rigidity and modal cross-section make the fiber a natural softening agent. The softer the fiber, the finer the resultant textiles. Lenzing modal fibers can be blended with all types of fibers and processed using conventional machinery. Advantages such as mercerizability and uncomplicated processing make Lenzing modal fibers an all-round genius among cellulosic fibers. These fibers are marketed primarily under the TENCEL™ brand.

Lenzing viscose fibers

Lenzing has been producing classic viscose fiber for more than 80 years. Viscose fibers from the Lenzing Group are made from the renewable raw material wood. They absorb moisture well and are pleasant to wear. Lenzing viscose fibers are premium products on the global market and are used in clothing and hygiene articles. They are a preferred fiber brand for fashion clothing fabrics. In the hygiene sector, where purity and absorbency are ascribed top priority, they are utilized in products such as wipes, tampons and wound dressings.

Innovations and new products

Lenzing sets standards in the area of wood-based cellulose fibers with its quality and innovative strength and drives new developments in this area worldwide.

Read more about the sustainable innovations of the Lenzing Group in the chapter "Sustainable Innovations" of the Lenzing Group Sustainability Report 2021 online at this link:

Sustainability Report 2021

Carbon neutral TENCEL™ and VEOCEL™ fibers

Lenzing launched new carbon-neutral lyocell and modal fibers under the TENCEL™ brand for use in the textile industry, and introduced the first carbon neutral lyocell fibers for nonwovens under the VEOCEL™ brand in 2021. These products are certified as CarbonNeutral® products under the CarbonNeutral Protocol, the world's leading carbon neutrality framework.

The fibers contribute to lower carbon emissions throughout the supply chain. The four main levers include energy savings, the utilization of renewable energy, new technology innovations and supplier engagement. These are intended to help achieve Lenzing's long-term goal of reducing greenhouse gas emissions to zero.

LENZING™ ECOVERO™ viscose fibers and VEOCEL™ special fibers with Eco Care Technology

LENZING™ ECOVERO™ viscose fibers (for textiles) and VEOCEL™ specialty viscose fibers (for nonwovens) with Eco Care technology produce 50 percent less greenhouse gas emissions and water pollution than standard viscose.

TENCEL™ Modal with Eco Color Technology

Pigments are added to these fibers during production, helping to avoid conventional energy-intensive dyeing steps. A fabric made from this product has 60 percent fewer carbon emissions than conventionally dyed fabrics.

Lenzing fibers with recycled content – REFIBRA™ or Eco Cycle Technology

In line with Lenzing's circular economy vision "We give waste a new life – every day," the current generation of innovative fibers produced on a large industrial scale utilizes cutting scraps from cotton production, used textiles and wood from sustainably managed forests as raw materials. The cotton material is recycled into dissolving pulp that is blended (up to 30 percent) with wood-based dissolving pulp to produce high-quality lyocell fibers for textile and nonwoven applications. This technology saves tonnes of cuttings from cotton production and used textiles from disposal in landfills or incineration. They are manufactured with high resource efficiency. According to its own calculations, Lenzing fibers with recycled content require 95 percent less water for production than conventional cotton. For this reason, these fibers have a low environmental impact, such as in terms of land usage.

TENCEL™ Luxe Filament Yarn

Lyocell filaments under the TENCEL™ Luxe brand are set to become an important milestone for eco-couture fabrics in the premium luxury market. The closed loop manufacturing process for Lyocell fibers ensures minimal environmental impact thanks to low process water, energy and raw material consumption. TENCEL™ Luxe brand lyocell filaments are produced using Eco Filament technology, bypassing conventional spinning, which is energy-intensive and predominantly used in regions that depend mainly on fossil energy. For example, at sector level, spinning processes are responsible for 28 percent of the total carbon dioxide emissions from the textile value chain (excluding the utilization phase).

LENZING™ Web Technology

The LENZING™ Web Technology is an innovative R&D technology platform that enables the production of a wide range of novel sustainable nonwovens from the raw material wood. The patented nonwovens formation process, for which Lenzing holds more than 25 patent applications, starts with dissolving wood pulp and produces a nonwoven made of 100 percent Lyocell continuous fibers. This technology enables single-step fiber and nonwoven production and sets new standards in the cellulosic nonwovens area in terms of efficiency, the circular economy and environmental sustainability. The flexibility of this technology and its potential integration with other nonwoven technologies will enable the development of a wider range of new cellulosic materials and composite structures for high tech applications.

Lenzing fiber applications

People can dress from head to toe in fibers made by the Lenzing Group. Whether in underwear, T-shirts or vests for everyday use or in more exquisite evening garments – Lenzing fibers are everywhere.

Tencel™ Feels so right

EcoVero™

Veocel™ Purely for you

LENZING™

> **“Lenzing fibers are present everywhere in our lives.”**

Many different applications exist for Lenzing fibers in sports activities: in quick-drying, breathable, odorless T-shirts, in fleece jackets, in trousers for climbing, running, walking and yoga as well as in corresponding sports shoes.

In the bathroom, Lenzing fibers can be found in both hand and bath towels. These are soft and, at the same time, absorbent and easy-care. Hygienic and wet wipes for skin cleansing as well as baby diapers and tampons also contain Lenzing fibers.

The many different household applications include wipes made of Lenzing fibers, and nets made of sustainable, biodegradable Lenzing fibers for fruits and vegetables.

These biodegradable fibers are also used in agriculture, such as for the cultivation of tomatoes. In addition to the fibers themselves, acetic acid and soda as byproducts of fiber production can also be found in food retailing and, as a consequence, by the consumer.

Applications for Lenzing fibers in the medical sector include hygiene and wound care. The fibers also form an essential component in protective clothing guarding against heat and fire.

When people go to bed at night, they can relax in pajamas and on mattresses made with Lenzing fibers. They also cover up with bed linens containing Lenzing products.

Lenzing fibers are found in many areas of life. In the future, Lenzing plans to intensify its efforts to inform consumers that they can also make a personal contribution to environmental protection and a more sustainable world through their daily shopping decisions.

CHAPTER

2/4

Management Report 2021

Content

General Market Environment

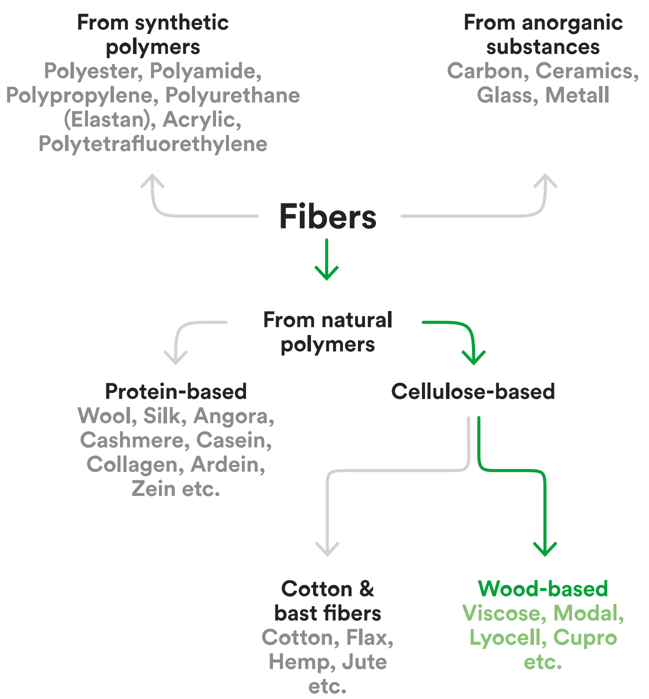
Global economy[1]

In 2021, the global economy recovered from the previous year's recession, despite the ongoing COVID-19 pandemic. The International Monetary Fund estimates that growth amounted to 5.9 percent in 2021 (-3.1 % in 2020). The economy in industrialized nations is expected to have expanded by 5 percent (2020: -4.5 %). At 5.6 percent (2020: -3.4 %), growth in the USA was higher than that of the Eurozone at 5.2 percent (2020: -6.4 %). As in the previous year, China recorded above-average growth of 8.1 percent (2020: 2.3 %).

Despite the economic recovery, 2021 was characterized by numerous economic challenges: supply failed to keep pace with demand in many areas of the global economy. In addition to further reasons, including structural reasons, this led to significant price increases, particularly in the energy area, and to problems in global supply chains.

For 2022, the IMF forecasts growth of 4.4 percent. However, a continuation of the economic recovery remains exposed to risks, especially the further course of the pandemic and its implications for individual economic sectors.

Fibers on the world market



Global fiber market[2]

Global demand recovers to pre-crisis levels; fiber production continues to rise

Following the pandemic-related shock in the previous year, the demand situation in the textile and apparel industry largely recovered in 2021. Retail sales of apparel returned to pre-crisis levels worldwide. However, major regional differences were evident: in the USA, sales increased by up to 50 percent year-on-year, to stand some 10 to 15 percent above pre-crisis levels. Sales in China were stable, although only just above their 2019 level, while EU sales were almost 20 percent below their 2019 level. Sales in Japan were down by as much as 20 to 25 percent. These differences, some of which are very significant, are particularly due to local infection patterns and the government measures taken.

The extensive recovery in the textile and apparel industry and continuing high demand for medical and hygiene products, which also led to strong demand for nonwoven fibers in 2021, fed through to a significant recovery in the world fiber market. Initial estimates suggest that production levels on the world fiber market are likely to have risen by 2 to 3 percent year-on-year to 116 mn tonnes.

Cotton production decreased by 7 percent to 24.3 mn tonnes in 2020/2021, according to preliminary estimates. This is mainly due to the effect of comparatively high crop yields in the 2019/2020 pre-season. Demand rose by 13 percent to 25.7 mn tonnes. Cotton stocks subsequently reduced, but still remained above 2019 levels.

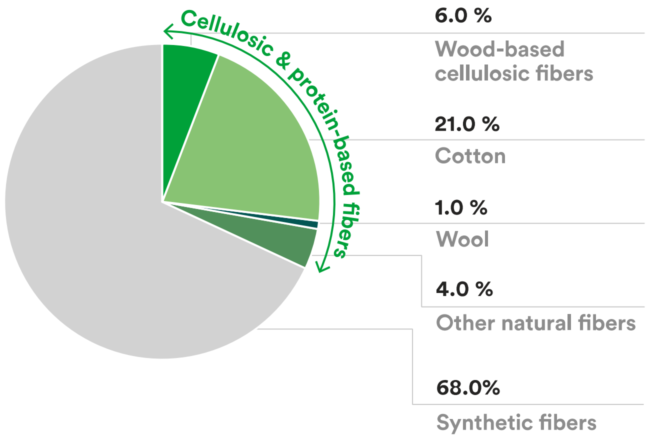
Wood-based cellulosic fiber production in 2021 increased by 8 percent to set a new high of 7.3 mn tonnes, supported by strong demand and capacity expansions. The production of modal and lyocell fibers rose at an above-average rate.

Production volumes of synthetic polymer fibers grew by almost 6 percent to 78.5 mn tonnes, according to initial estimates. Polyester fibers reported the fastest growth in 2021. Polyamide, polypropylene and acrylic fibers were at lower levels, due mainly to price disadvantages compared to polyester, and difficulties in raw material supplies.

[1] Source: IMF, World Economic Outlook, January 2022

[2] All production-related figures in this section were updated from the initial estimates published in the Annual Report 2020.
Source: ICAC, IWF, Cotton Outlook, CCFG, FAO

Global fiber production 2021[1]
by type of fiber in percent (basis = 116 mn tons)



Price trends further affected by COVID-19

The ongoing COVID-19 pandemic continued to affect the general price level for staple fibers in 2021. Prices for a number of fiber types recovered, in some cases significantly, as demand returned.

The cotton price amounted to 127.2 US cents per pound as of December 31, 2021, corresponding to an increase by 50 percent compared with the beginning of the year. On average, the cotton price was 41 percent higher than in the previous year. The rise in cotton prices is only partly attributable to fundamental factors. It is primarily driven by dynamics on international commodity markets and problems in the global supply chain.

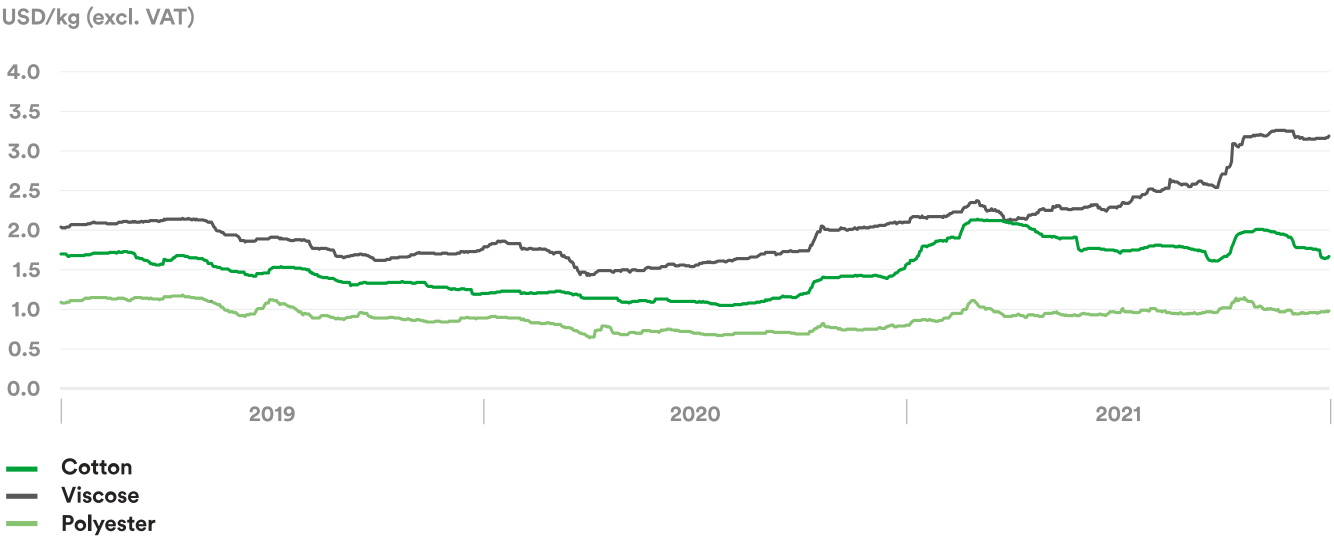
Prices for standard viscose hardly changed over the year. At RMB 12,000 per tonne, the year-end price was only 4 percent higher than that at the previous year-end. However, price trends were subject to significant fluctuations over the course of the reporting year. In the first quarter, prices recorded a significant recovery from the COVID-19 crisis to peak at RMB 15,600 per tonne as of the end of February. As a consequence, prices came under pressure in an environment of subdued demand and rising stocks. In September, the Chinese government imposed measures to reduce energy consumption in industry. This also affected the textile value chain, such as spinning and weaving mills, which in turn had a negative impact on fiber demand and viscose price trends. A brief recovery phase was followed by further decreases in prices from the end of November with the emergence of the omicron variant. Average 2021 prices for standard viscose stood 45 percent higher than the previous year's average.

Prices for wood-based specialty fibers such as those of the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands were much more stable than those for standard fibers.

The Chinese import price for fiber pulp, the key raw material for the production of wood-based cellulosic fibers, rose by 24 percent to USD 905 per tonne during the year, outpacing the increase for paper pulp. In the meantime, the price had even risen to USD 1,106 per tonne in April. Supporting factors for the sustained high price level included a supply shortage due to supply bottlenecks and logistical problems, as well as higher demand at the end of the year. At USD 991 per tonne, the average price for the year was 36 percent higher than in the previous year.

The polyester price in 2021 was affected by significant price fluctuations for crude oil and intermediates, as well as a recovery in demand. The price of polyester staple fiber in China rose by 19 percent year-on-year to RMB 7,020 per tonne at the end of the year. The average price for the year was also RMB 7,020 per tonne, 20 percent higher than the previous year's average.

Staple fiber prices – Development in China[2]



[1] Source: ICAC, CIRFS, TFY, Lenzing estimates

[2] Source: CCFG, CCA

The Development of Business in the Lenzing Group

Thanks to its strategic focus on specialty fibers and a largely positive market environment, the Lenzing Group recorded a significant year-on-year improvement in revenue and earnings trends in 2021. Growing 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 significant rise in demand and prices on the global fiber market, particularly at the beginning of the year under review.

Revenue rose by 34.4 percent to EUR 2.19 bn in 2021, reflecting both higher sales volumes as well as higher fiber prices. The focus on wood-based specialty fibers, such as those of the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands, also exerted a positive impact on revenue growth. These positive price and mix effects more than offset negative currency effects.

The earnings trend mainly reflects Lenzing's position within the current market environment. A continued focus on measures to improve structural earnings in all regions reinforced this positive effect. Significant increases in energy, raw material and logistics costs were recorded throughout the reporting year. Earnings before interest, tax, depreciation and amortization (EBITDA) almost doubled year-on-year to EUR 362.9 mn in 2021 (compared with EUR 192.3 mn in 2020). The EBITDA margin rose from 11.8 percent to 16.5 percent. Operating profit (EBIT) amounted to EUR 200.6 mn (compared to EUR 33.9 mn in 2020). The EBIT margin rose accordingly from 2.1 percent to 9.1 percent. The financial result of EUR minus 17.7 mn includes the full write-off of the interest in Hygiene Austria LP GmbH as well as a loan to this same company. Earnings before tax (EBT) increased to EUR 182.9 mn compared with EUR 22.3 mn in 2020). Net profit for the year amounted to EUR 127.7 mn compared with EUR minus 10.6 mn in 2020) and earnings per share stood at EUR 4.16 (compared with EUR 0.24 in 2020).

The income tax expense of EUR 55.2 mn (compared with EUR 32.8 mn in 2020) follows the earnings trend and reflects currency effects and the valuation allowance applied to individual Group companies' tax assets.

Details on revenue and earnings trends in the year under review are as follows:

Condensed consolidated income statement[1] **EUR mn**

			Change	
	2021	**2020**	**Absolute**	**Relative**
Revenue	**2,194.6**	**1,632.6**	**562.0**	**34.4%**
Cost of sales	(1,692.8)	(1,386.4)	(306.3)	22.1%
Gross profit	**501.9**	**246.2**	**255.7**	**103.8%**
Other operating income	78.0	59.1	18.9	31.9%
Selling expenses	(234.0)	(156.9)	(77.0)	49.1%
Administrative expenses	(117.5)	(88.2)	(29.3)	33.2%
Research and development expenses	(24.0)	(16.2)	(7.8)	48.3%
Other operating expenses	(3.8)	(10.1)	6.4	(63.0)%
EBIT	**200.6**	**33.9**	**166.8**	**492.5%**
Financial result	(17.7)	(11.6)	(6.1)	52.4%
EBT	**182.9**	**22.3**	**160.7**	**722.1%**
Income tax expense	(55.2)	(32.8)	(22.4)	68.1%
Net profit/loss for the year	**127.7**	**(10.6)**	**138.3**	**n/a**

1) Since the beginning of the 2021 financial year, the Lenzing Group has reported its consolidated income statement by applying the cost of sales method. The previous presentation applied the nature of expense method. The complete consolidated income statement is presented in the consolidated financial statements.

Higher level of investment activities

Gross cash flow almost tripled to EUR 372 mn in 2021 (compared to EUR 126.8 mn in 2020), which mainly reflects the earnings trend. Cash flow from operating activities amounted to EUR 394 mn (compared with EUR 48.9 mn in 2020). Free cash flow stood at EUR minus 445.5 mn (2020: EUR minus 614.8 mn), which was especially due to investment activities related to the projects in Thailand and Brazil. Capital expenditure on intangible assets, property, plant and equipment, and on biological assets 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 increase in investment volumes is primarily due to the implementation of the two key projects.

The liquidity position rose by 4 percent year-on-year to stand at EUR 1.11 bn as of the end of 2021.

Solid balance sheet structure

The Lenzing Group's total assets grew by 27.9 percent compared to December 31, 2020, and amounted to EUR 5.3 bn as of the end of December 2021. The most significant changes relate to the increase in property, plant and equipment due to the higher level of investing activities.

Adjusted equity rose by 10.9 percent to EUR 2.12 bn as of the end of 2021, primarily due to the operating profit trend in 2021. The adjusted equity ratio decreased from 45.8 percent to 39.7 percent, due particularly to the higher level of total assets. Net financial debt amounted to EUR 977 mn as of the end of the reporting year (compared to EUR 471.4 mn as of December 31, 2020). This increase reflects the financing of the two key projects in Thailand and Brazil. Net gearing rose to 46.2 percent as of the reporting date (compared with 24.7 percent as of December 31, 2020). Trading working capital increased by 0.9 percent to EUR 387.4 mn.

The Development of Business in the Division

In order to prepare the Lenzing Group for the challenges and opportunities deriving from the investment projects and the changed market environment, the Managing Board presented a new organizational structure that is to support the sCore TEN strategy objectives with a focus on profitable, organic growth in specialty fibers, and further enhance efficiency and transparency. As a consequence, the management of the business was adjusted and divided into the two new divisions of "Fibers" and "Pulp".[1]

The Lenzing Group's investment activities in 2021 continued to focus on the expansion of the Group's internal fiber pulp production, raising the share of specialty fibers, and implementing the climate targets in line with the sCore TEN corporate strategy.

In September, the Lenzing Supervisory Board reached an amicable agreement with long-serving CEO Stefan Doboczky on the early termination of his contract. Mr. Doboczky informed the Supervisory Board that he would not be available for a further extension of his contract from 2022. The Lenzing Supervisory Board noted this with great regret, and in agreement with Mr. Doboczky terminated his contract as of the end of the third quarter.

Cord Prinzhorn was appointed CEO on an interim basis. Mr. Prinzhorn has been a member of the Lenzing Supervisory Board since the Annual General Meeting in April of this year. As of November 4, 2021, he relinquished this position until further notice, and assumed the CEO role.

Division Fiber

The Fibers Division comprises all business activities of the Lenzing Group with the different generations of wood-based cellulosic fibers.

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 was the start-up of the new state-of-the-art lyocell plant in Thailand with a nominal capacity of 100,000 tonnes. Production starts in the first quarter of 2022.

Moreover, Lenzing is investing more than EUR 200 mn in production sites in China and Indonesia to convert existing capacities for standard viscose into capacities for environmentally compatible specialty fibers. In Nanjing, Lenzing is working on converting a line to TENCEL™ modal fibers. The portfolio of the Chinese fiber plant will thereby consist entirely of specialty fibers by the end of 2022. As part of the investment in Purwakarta, Lenzing will bring its entire viscose production up to EU Ecolabel standards. The site will thereby become a pure specialty viscose supplier as of 2023.

In addition to the new lyocell plant in Thailand, which is designed to be carbon neutral, investments at existing sites are also in line with Lenzing's targets to reduce carbon dioxide emissions per tonne of product by 50 percent by 2030, and to be climate neutral by 2050.

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. Lenzing continued to enhance the visibility of its brands in 2021 through targeted communication measures.

The revenue of the Fibers Division reached a level of EUR 1.9 bn in 2021, 69.4 percent of which was attributable to textile fibers and 30.6 percent to fibers for nonwovens and special applications. Fiber sales volume increased by 15.5 percent in 2021 to approximately 909,000 tonnes (2020: approximately 787,000 tonnes). The share of specialty fibers in fiber revenues decreased to 72.3 percent (2020: 76.2 %) as a consequence of the recovery in standard viscose prices. The division's earnings (EBITDA) amounted to EUR 214 mn, while operating earnings (EBIT) stood at EUR 107.4 mn.

Textile fibers

The market for textile fibers performed very well in 2021, although significant differences in demand for standard viscose and specialty fibers were discernible in some cases.

Prices for standard viscose were very volatile. High energy, raw material and logistics costs coupled with poor availability of containers further affected the economic attractiveness of standard viscose fibers.

In contrast, the wood-based specialty fibers business recorded stable and high demand in all major producing textile markets such as China, India, Pakistan, Bangladesh and Turkey, as well as for all Lenzing product groups (TENCEL™ lyocell and modal fibers, LENZING™ ECOVERO™ fibers), driven by growing demand for high-quality and sustainably produced fibers from retailers and fashion brands.

Lenzing also presented a variety of new fiber innovations in 2021, which help make its partners' product ranges more sustainable.

In February, Lenzing launched TENCEL™ brand modal fibers with Indigo Color technology. The single-stage spun-dyeing process used here enables indigo pigments to be incorporated directly into the fiber. Compared to conventional indigo dyeing processes, this ensures better color fastness with significantly lower resource con-

[1] Note 3 to the condensed consolidated interim financial statements as of June 30, 2021

sumption. The product has been awarded the EU Ecolabel. This label is awarded to products that meet high environmental standards throughout their life cycle.

To meet demand for more recycling solutions in the textile and apparel industry, in September Lenzing presented carbon-neutral TENCEL™ fibers enhanced by REFIBRA™ recycling technology. The carbon-free lyocell and modal fibers of the TENCEL™ brand generated significant growth in interest among customers and partners along the value chain in 2021. These fibers represent an important step taken by Lenzing and its partners on their joint path to carbon neutrality.

In October, Lenzing expanded its product range to include matt TENCEL™ lyocell fibers. These provide a matt appearance to garments, in contrast to the typical sheen of TENCEL™ lyocell fibers. Feedback from fashion brands and retailers was very positive, leading to good initial sales figures.

In addition to environmental protection, transparency also represents a great challenge for the textile industry. To address the issue, Lenzing expanded its fiber identification system to include TENCEL™ lyocell and modal fibers in 2021. With this step, the company once again underlined its commitment to a transparent textile value chain.

In addition, Lenzing offers an innovative solution based on blockchain technology in collaboration with TextileGenesis™ to ensure traceability along the textile value chain. As of December 31, 2021, more than 600 different partner companies have been successfully integrated into the platform. Thanks to the innovative Fibercoin™ technology of the TextileGenesis™ platform, Lenzing is able to issue digital tokens in direct proportion to physical fiber deliveries. These track deliveries along the value chain and act as a kind of digital twin. The feedback from leading fashion brands and retailers is positive.

Lenzing also made very good progress in the development of the lyocell filament business under the TENCEL™ Luxe brand. TENCEL™ Luxe filaments have been registered with The Vegan Society™ since 2021. The independent certificate proves that the wood-based filaments are manufactured entirely without animal testing or animal components. In 2021, more fabrics were developed as sustainable and vegan alternatives to silk fabrics for outerwear, footwear, activewear and traditional Indian clothing. Leading fashion brands and designers have already incorporated some of these developments into their collections. Lenzing also optimized the operation of its second pilot plant in 2021 and received approval for a project to eliminate capacity bottlenecks in December as a consequence of the positive market trend.

In addition, Lenzing further expanded the awareness and visibility of its TENCEL™ and LENZING™ ECOVERO™ brands in 2021. In the first half of the year, Lenzing reached more than 400 million consumers worldwide with brand activation at Earth Day (#checkwhatsgood), the Oscars (with Red Carpet Green Dress and TENCEL™ Luxe) and #FeelsSoRight. New co-branding initiatives in collaboration with partners such as Zara, PULL&BEAR, Zalando, Massimo Dutti, Camper, H&M and Esprit have greatly increased visibility in the market. The TENCEL™ eShop was opened in February 2021. It now includes ten brands, including Levi's®, H&M, Esprit, Jack & Jones, J.Crew, Mara Hoffman and West Elm. It is the world's first e-commerce portal from a sustainable fiber producer. It was featured in Vogue magazine and has reached over 20 million people to date. The portal now has more than 100,000 page views from an international audience and is continuing to grow. To further raise awareness for sustainable fashion, Lenzing implemented the #MakeItFeelRight campaign from June to December. By the end of the year under review, 510 million consumers in nine countries had been reached.

Nonwoven fibers

The nonwoven fibers business continued to comprise an important strategic pillar for Lenzing in the second year of the pandemic. Higher demand for hygiene products as a consequence of COVID-19 also had a positive impact on demand for nonwoven fibers in the first half of 2021. The high level of stocks worldwide weakened this effect somewhat in the second half of the year.

Lenzing's nonwoven fibers business also continued to benefit from the long-term global trend toward more sustainable, biodegradable materials, supported by new regulations in the markets. The company welcomes the issuance of the guidelines for the implementation of the Single-Use Plastics Directive (EU) 2019/904, which came into force on June 5, 2019. In this directive, the EU Commission specifies which products fall within its scope, thereby providing clarity in the EU member states' joint fight against plastic waste pollution. Lenzing's wood-based and biodegradable nonwoven fibers, such as those under the VEOCEL™ brand, offer a sustainable and innovative solution to this man-made problem. The Single-Use Plastics Directive also provides for uniform labeling requirements for certain products on either the packaging or on the product itself from July 3, 2021. These include feminine hygiene products and wet wipes for personal and household care that contain plastics. With its VEOCEL™ brand, Lenzing provides consumers with clear guidance for their purchasing decisions: products bearing the VEOCEL™ brand logo on their packaging follow stringent certification criteria. This assures consumers that the fibers of the labeled product are biodegradable and contain 100 percent cellulosic material.

With the #ItsInOurHands environmental initiative, the VEOCEL™ brand is specifically raising consumer awareness of issues such as sustainable materials, as well as climate and environmental protection. In 2021, the initiative achieved a global reach of more than 70 million, again also increasing the visibility of the VEOCEL™ brand. With the "It's In Our Hands" school project, the brand is also involved in the "Citizen Science" area, which aims to raise awareness among students aged 10 to 16 concerning the importance of sustainable materials in everyday products. The launch took place in the fall of 2021 in the USA, Germany and Austria.

With the "Nature re-imagined" campaign, Lenzing placed an even greater focus on its particularly environmentally compatible lyocell process in its advertising activities in 2021. The process developed by Lenzing enables more than 99 percent of the solvent to be recovered in a closed loop and to be always fed back into the production process. With VEOCEL™ brand lyocell fibers, Lenzing thereby offers customers in the nonwovens sector a sustainable fiber that also features special properties in terms of quality.

As part of the "Climate Care" campaign, Lenzing launched the first carbon-neutral cellulosic fibers on the global nonwovens market in the second quarter. The launch of fibers certified as CarbonNeutral® products in accordance with the CarbonNeutral Protocol guidelines represents a further milestone on the joint journey of Lenzing and its partners towards carbon dioxide neutrality. This new offering in the VEOCEL™ brand portfolio is the result of targeted measures to reduce specific product emissions. By utilizing renewable energies, low carbon dioxide raw materials and energy sources, efficient production methods, and carbon dioxide offsetting via verified climate protection projects, it is possible for the first time to offer fibers for nonwoven fibers with a carbon-neutral footprint.

The hydrophobic LENZING™ Lyocell Dry fiber is a further product innovation from the year under review. This combines the benefits of standard lyocell fiber with the ability to repel moisture and liquid. Unlike conventional cellulosic fibers, water cannot penetrate the fibers, with the water instead forming beads on the surface. The fiber thereby makes it possible to tap further application areas that were previously largely dependent on petroleum-based fibers.

With a focus on information and education as well as innovative new products, the company succeeded in expanding its global brand presence and network of co-branding partners in 2021: in the USA, the VEOCEL™ brand cooperates with well-known brands such as Coterie and Neutrogena, and in China with Kotex, a brand of US hygiene products manufacturer Kimberly-Clark. In Turkey, the VEOCEL™ brand joined the multimedia campaign of Turkish hygiene products manufacturer DeepFresh.

Co-products of fiber production

The Lenzing Group produces LENZING™ sodium sulfate as a co-product at all locations where viscose or modal fibers are manufactured. This is used in the detergent and glass industries and for the production of food and animal feed. Sales volumes at the Lenzing site increased by 12 percent year-on-year in 2021.

Since 2019, Lenzing has produced and marketed LENZING™ calcium sulfate, a further co-product reporting a constant trend level. Sales volumes already amounted to 16,000 tonnes in 2021.

Division Pulp

The Pulp Division comprises all Lenzing Group business activities from wood procurement through to the production of fiber pulp and biorefinery products. In addition to the activities in Paskov and Lenzing, the division focused on the implementation of the major project in Brazil in 2021. The construction of the fiber pulp mill in Minas Gerais continues to proceed according to plan, despite the challenges caused by COVID-19. Commissioning is still planned for the first half of 2022. In addition to securing internal supplies, the new pulp mill also enables Lenzing to achieve an important milestone in its climate neutrality strategy. It will be one of the world's most productive and energy-efficient mills and feed more than 50 percent of the electricity generated into the public grid as renewable energy. In 2019, Lenzing made a commitment to reducing its greenhouse gas emissions per tonne of product by 50 percent by 2030 compared with a 2017 baseline. The aim is to be climate-neutral by 2050.

In order to further boost closed loop recycling, Lenzing signed a partnership agreement with Swedish pulp producer Södra in June. The cooperation involves the transfer of knowledge between the two companies, which have been proactively driving closed loop recycling for many years, as well as a joint new process development for the recycling of textile waste. A capacity expansion for pulp from textile waste is also planned. The aim is to be able to recycle approximately 25,000 tonnes of used textiles per year by 2025. Lenzing has proactively developed and promoted innovations in recycling for several years (such as the REFIBRA™ and Eco Cycle technologies) in order to provide solutions to the global textile waste problem.

The Pulp Division's revenue reached a level of EUR 759 mn in 2021. Divisional earnings (EBITDA) amounted to EUR 210.1 mn, and operating earnings (EBIT) stood at EUR 164.2 mn.

Wood

Developments on global commodity markets also had a significant effect on the wood market in 2021. A labor shortage in the value chain, increased demand for firewood and biomass as a consequence of high energy prices, as well as a high level of production in almost the entire wood processing industry have tightened the availability of various types of wood and prompted an upward price dynamic.

The Lenzing Group's current procurement strategy entailing long-term master agreements achieved a good stabilizing effect on volumes and prices. Lenzing was consequently able to ensure a good supply situation with moderate price increases at its two pulp plants at the sites in Lenzing (Austria) and Paskov (Czech Republic) during the reporting period.

In 2021, an audit in accordance with the Forest Stewardship Council® (FSC®) and Programme for the Endorsement of Forest Certification™ (PEFC™) forest certification systems confirmed again for both sites that, in addition to stringent forestry laws in the supplier countries, all wood used derives from PEFC™ and FSC® certified or controlled sources.[1]

Biorefinery

Pulp

The Pulp Division supplies the Lenzing Group's fiber production sites with high-quality fiber pulp, and operates its own fiber pulp plants at the Lenzing and Paskov sites. This covers around two-thirds of Lenzing's pulp requirements. The remainder is largely purchased on the basis of long-term agreements. A total of approximately 600,000 tonnes of fiber pulp was produced at Lenzing's two pulp plants in 2021.

The price of hardwood-based fiber pulp in China increased by 36 percent in 2021 to USD 991 per tonne as of December 31, reflecting high demand along the entire value chain, especially at the start of the year.

[1] License code: FSC-C041246 and PEFC/06-33-92 (Lenzing), and FSC-C118737 and PEFC/08-31-0025 (Paskov)

Increasing internal fiber pulp production forms a key element in the implementation of the sCore TEN strategy. Construction of the pulp mill in Brazil as part of the joint venture with Dexco (formerly Duratex) continued to run to schedule in 2021, and its commissioning is planned for the first half of 2022. The expected construction costs amount to USD 1.38 bn. The project is predominantly financed through equity and long-term debt.

To provide the biomass, the joint venture secured over 44,000 hectares of FSC®-certified commercial forest, and leased additional land, in order to have approximately 70,000 hectares of FSC®-certified land when completed.[1] These plantations operate in full accordance with the Lenzing Group's guidelines and high standards for the sourcing of wood and pulp.

Biorefinery products
In addition to pulp, the Lenzing Group's biorefineries also produce and market biorefinery products so that further components of the valuable raw material wood are utilized. Renowned customers from the food, animal feed, pharmaceutical and chemical industries increasingly rely on biobased products from Lenzing.

Sales volumes of the biorefinery products LENZING™ Acetic Acid Biobased and LENZING™ Furfural Biobased rose on average by 3 percent and 14 percent, respectively. The price increases on the cost side were successfully passed on to sales products.

The biorefinery products business area also places a strong focus on sustainability. A lifecycle analysis performed by the research institute Quantis confirmed that the carbon footprint of LENZING™ Acetic Acid Biobased is more than 85 percent less than that of comparable products based on fossil resources. Customers increasingly perceive this product advantage as a benefit.

Divisional supplies of energy and other raw materials

In the Fibers and Pulp divisions, energy and other raw materials are significant factors influencing the Lenzing Group's financial position and performance.

Energy

Lenzing's biorefinery concept at the Lenzing and Paskov locations makes the Group a pioneer in highly self-sufficient pulp and fiber production. For its other locations, Lenzing is developing energy efficiency enhancement programs.

After historically low prices in the previous year, the 2021 financial year was characterized by extreme price increases for all energy commodities, mainly due to a tight supply situation on the European natural gas market caused by delay in the commissioning of the "Nord Stream 2" pipeline project. Higher demand due to the long winter of 2020/2021 and the good economic situation exacerbated the situation.

Prices for gas and electricity in Europe were well above previous record levels. Natural gas prices were up by 325 percent in 2021, and electricity prices increased by 205 percent. Coal prices rose by 118 percent in 2021 due to the strong economic recovery coupled with a reduction in supply, primarily in Asia.

Prices for carbon credits increased by 108 percent in the year under review, due not only to an artificial shortage of credits issued but also to higher demand for solid fossil fuels such as coal as a consequence of the sharp rise in gas prices.

Oil prices, by contrast, recorded a "moderate" increase of 54 percent during the year under review, due to the dampening effect of global travel restrictions on demand.

The Lenzing Group's procurement strategy for the main cost components, electricity and natural gas, is based on procurement via the spot market. Price increases on global energy markets consequently also led to a significant rise in the company's energy costs in the reporting year.

The Lenzing Group's energy production facilities operated on a largely normal basis in 2021. At the Lenzing site, the construction of the largest open-space photovoltaic plant in the province of Upper Austria is planned on an area of 55,000 m². The project will be implemented in 2022, subject to final regulatory approvals.

In Paskov, a voltage dip in the European power grid led to the prolonged outage of a turbine. As a consequence, less surplus energy was fed into the public power grid in 2021 than in the previous year.

The power plants in Purwakarta were operated with high availability levels and were further optimized. As the coal price in Asia was still very high in historical terms, energy costs remained high in 2021. The price of coal rose by 45.3 percent year-on-year. The grid electricity price recorded a small increase in comparison and was 4.1 percent higher in 2021 than in 2020.

The rising coal price also affected steam prices at the Nanjing site. On average, the steam price in 2021 was 23.1 percent higher than in 2020. The grid electricity price stood 3.8 percent higher than in the previous year. The switchover in energy production from coal to natural gas, which is intended to reduce carbon emissions, was progressed further in 2021.

Other raw materials

The shock to global commodity markets triggered by COVID-19, especially in the fourth quarter, led to tighter supplies and significant price increases in 2021.

Lenzing is working on a long-term concept to enhance supply security. The successful completion and commissioning of the air purification and sulfur recycling plant at the Lenzing site in 2021 represented an important step along this path. Since the start of construction in 2019, Lenzing has invested approximately EUR 40 mn in the project, which will further reduce carbon emissions and increase self-sufficiency in relation to critical process raw materials.

Caustic soda
Caustic soda is used in the production of pulp and is also an important primary product for the production of viscose and modal fibers. It arises as a co-product from chlorine production. Counter

[1] FSC license code: FSC-C006042

to the general price trend on raw material markets, prices for caustic soda decreased in the first half of 2021 due to oversupply in the market. Lower demand as a consequence of COVID-19 was offset by comparatively high production volumes due to generally good demand for chlorine. The market turned around in the second half of the year, and demand has increased significantly while supply has tightened. This situation led to a significant price increase worldwide.

Sulfur
Sulfur is an important starting material for the production of carbon disulfide and sulfuric acid. In turn, both raw materials are used in the viscose process. Sulfur prices also recorded a significant price increase in 2021, mainly due to higher demand and lower production volumes as a consequence of COVID-19 – with negative effects on availability in the meantime.

Others

The "Others" area mainly comprises central headquarters functions and overarching activities as well as R&D activities and the activities of BZL-Bildungszentrum Lenzing GmbH (training and personnel development). Revenue in the "Others" area reached EUR 6.1 mn in 2021. The result (EBITDA) amounted to EUR minus 58.4 mn, while the operating result (EBIT) stood at EUR minus 68.2 mn.

Hygiene Austria LP GmbH

After the allegations surrounding Hygiene Austria LP GmbH became known in March 2021, Lenzing worked intensively to address them. Accompanied by a corresponding set of specifications for the continuation of business operations on a firm footing, Lenzing also transferred its interest to Palmers Textil AG. In order to ensure the continuation of the company as a going concern in accordance with the nature of its formation, Lenzing initially waived a corresponding purchase price (see also press release of Lenzing AG of 04/02/2021). The entirety of this interest has been written off in the meantime.

Investments

The Lenzing Group's investing activities in 2021 continued to focus on increasing its internal fiber pulp production, raising the share of specialty fibers, and implementing the climate targets in line with the sCore TEN corporate strategy.

Capital expenditure on intangible assets, property, plant and equipment and biological assets increased by 26.3 percent to EUR 844.3 mn in the reporting year. The sharp rise in the volume of capital expenditure is particularly due to the implementation of key projects in Brazil and Thailand.

In Brazil, Lenzing and its partner Dexco (formerly Duratex) are constructing the largest pulp mill of its kind with a nominal capacity of 500,000 tonnes per year. Dexco acquired a 49 percent interest in the LD Celulose joint venture, with Lenzing retaining 51 percent. Construction work also progressed according to plan in the year under review, despite the challenges due to COVID-19. For this reason, the commissioning of the mill is still planned for the first half of 2022. The expected construction costs for this largest project in Lenzing's corporate history amount to USD 1.38 bn. The financing is mainly provided by long-term debt funding. IFC, a member of the World Bank Group, and IDB Invest, a member of the IDB Group, are supporting the investment program. Export credit agency Finnvera and seven commercial banks also participated in the approximately USD 1.15 bn financing package.

In Thailand, Lenzing worked at full speed in 2021 to complete the new state-of-the-art lyocell plant with a nominal capacity of 100,000 tonnes per year. Production started in the first quarter of 2022. The investment volume amounts to around EUR 400 mn.

In addition, Lenzing is investing more than EUR 200 mn in production sites in China and Indonesia to convert existing capacities for standard viscose into capacities for environmentally compatible specialty fibers. In Nanjing, Lenzing is working on converting a line to TENCEL™ modal fibers. The portfolio of the Chinese fiber plant will thereby consist entirely of specialty fibers by the end of 2022. As part of the investment in Purwakarta, Lenzing will bring its entire viscose production up to EU Ecolabel standards. The site will thereby become a pure specialty viscose supplier as of 2023.

In addition to the new lyocell plant in Thailand, which is designed to be carbon neutral, investments at existing sites are also in line with Lenzing's targets to reduce carbon dioxide emissions per tonne of product by 50 percent by 2030 and to be climate neutral by 2050.

In 2021, Lenzing also announced plans for the largest open-space photovoltaic plant in the state of Upper Austria, covering an area of 55,000 m² at the Lenzing site. In Grimsby (UK), the company is investing GBP 20 mn (equivalent to EUR 23.3 mn) in the construction of a new, state-of-the-art wastewater treatment plant, thereby implementing a planned measure to reduce wastewater emissions by 2022.

The year 2021 also saw the successful completion and commissioning of the air purification and sulfur reprocessing plant at the Lenzing site. Thanks to the new plant, carbon dioxide emissions will be further reduced and self-sufficiency in critical process raw materials will be increased. Lenzing has invested approximately EUR 40 mn in this project since the start of construction in 2019.

Research and Development

Research and development activities in the Lenzing Group are concentrated in the Research and Development Department (R&D), a corporate unit based in Lenzing. At the end of 2021, a total of 222 staff were employed in R&D. R&D expenditures, calculated according to the Frascati method (after the deduction of grants), amounted to EUR 31.6 mn (compared with EUR 34.8 mn in 2020). Lenzing holds 1,487 patents and patent applications (from 190 patent families) in 52 countries as of the end of 2021.

The pandemic and its implications for public and private life continued to affect R&D in the year under review. Lenzing adapted its R&D portfolio to these circumstances in order to continue to fully support key projects and to further advance strategic topics such as textile recycling and forward solutions (e.g. TENCEL™ Luxe and LENZING™ Web Technology).

Focus areas in 2021

Sustainability is not only a core value within Lenzing's strategy, but also a guiding principle for innovation and product development.

In both process and product development, the R&D function is continuously working on solutions that further support the ambitious goal of carbon neutrality by 2050. A current focus in process development is the further integration of the biorefinery concept at the pulp production sites, and consequently even better material utilization of wood as raw material. Further projects focus on closing loops and reducing wastewater, as well as energy efficiency enhancement and the reduction of carbon dioxide emissions.

Lenzing continued to expand its product offering for the textile and nonwovens industries in 2021. The hydrophobic LENZING™ Lyocell Dry fiber, for example, combines the advantages of standard lyocell fiber with the ability to repel moisture and liquid. Unlike conventional cellulosic fibers, water cannot penetrate the fibers. Instead, the water forms beads on the surface. This fiber thereby makes it possible to tap further application areas that were previously largely dependent on petroleum-based fibers.

The Indigo Color technology, which forms the basis for a further product innovation from the year under review, enables denim customers to improve their range in terms of sustainability and quality. With the aid of this pioneering technology, indigo pigments can be integrated during fiber production, which ensures better color fastness than conventional indigo dyeing processes while consuming far fewer resources.

With LENZING™ Web Technology, Lenzing developed a process for producing cellulosic nonwovens directly from textile pulp, thereby enabling processing steps along the value chain to be saved, and the ecological footprint to be reduced. The Republic of Austria highlighted this development's innovative character in 2020 by awarding it the "State Prize for Innovation".

In 2021, Lenzing was one of the few companies to receive sought-after "Green Frontrunner" funding from the Austrian Research Promotion Agency (FFG). "Green Frontrunner" funding helps establish new, aggressive business area strategies that have a positive impact on environmental and climate protection. The project that is being funded bundles several technology areas relating to the further closing of materials loops and reducing emissions in pulp and fiber production.

Innovation centers and collaborations

In addition, intensive communication occurs with the application and innovation centers in Hong Kong and Purwakarta, where new applications for Lenzing's textile fibers are developed on site in cooperation with customers. Based on these joint development activities, Lenzing is intensifying global collaboration with partners along the value chain.

In order to give further impetus to the circular economy, Lenzing signed a partnership agreement with Swedish pulp producer Södra in 2021. As part of this cooperation, the two companies intend to share their knowledge and jointly develop new processes to recycle used textiles. A capacity expansion for pulp from textile waste is also planned. The aim is to be able to recycle approximately 25,000 tonnes of used textiles per year by 2025. Lenzing has been proactively developing and promoting recycling innovations such as its REFIBRA™ and Eco Cycle technologies for several years in order to provide solutions to the global textile waste problem.

The first TENCEL™ lyocell fibers made from wood- and orange-based fiber pulp were presented during the third quarter. The first fabrics are currently being developed in collaboration with Italian specialist Orange Fiber. The upcycling of orange peels as part of the TENCEL™ Limited Edition Initiative represents a further successful attempt by Lenzing to develop new circular solutions together with partners along the value chain.

After its opening in the previous year, in 2021 the nonwovens development center at Hof University of Applied Sciences in Germany was commissioned for internal and external customer trials. In this state-of-the-art facility, new innovative applications for sustainably produced nonwoven fibers from Lenzing are developed together with partners along the value chain.

Non-financial statement

Environmental protection, sustainable business development and responsibility for people form part of Lenzing's fundamental strategic values. As a consequence, sustainability is firmly anchored within the sCore TEN strategy. Current information about sustainability is provided in the Lenzing Group Sustainability Report, which also forms the consolidated non-financial report in accordance with Section 267a of the Austrian Commercial Code (UGB).

Risk Report

Current risk environment

The risks of new virus variants and varying success with vaccination programs in the world's regions are continuing to jeopardize stable economic growth. In 2021, the global economy recovered from the previous year's recession, despite the ongoing COVID-19 pandemic. The International Monetary Fund estimates that growth amounted to 5.9 percent in 2021 (-3.1 % in 2020). For 2022, the IMF forecasts growth of 4.4 percent.

Significant inflation, especially in relation to commodities and energy, is likely to continue to have a major bearing on the global risk environment in 2022. Risks such as supply chain problems, cyber attacks and the consequences of climate change are becoming increasingly significant.

In addition, it has become increasingly important to monitor geopolitical risks. In particular, the war in Ukraine will have a negative impact on the global economy. The Lenzing Group's business is not directly affected by the military conflicts in Ukraine. Indirectly, however, as is the case for industry as a whole, the risk of further increases in energy and raw material costs in particular, as well as negative effects on the capital markets, is also increasing for Lenzing.

A detailed analysis of the trends in the global fiber market during the reporting year and the related risks for the Lenzing Group is provided in the section “General Market Environment”.

Lenzing risk outlook for 2022

Increasingly global risks will affect the Lenzing Group's business to varying degrees in the future.

In 2021, the global textile and apparel industry recorded a broad-based recovery from the previous year's pandemic-related demand shock, which also led to a recovery in demand and subsequently to rising prices on the world fiber market. Risks to operating results arise particularly from price fluctuations for key raw materials and energy, which lead to high volatility, especially also for standard viscose. Growing demand for sustainable solutions in the world is adding to the pressure on the standard viscose segment.

The stable trend and continued price premium for wood-based specialty fibers compared to standard fibers such as cotton and polyester continued to have a positive effect on the Lenzing Group's business performance in 2021. As a consequence, the company continues to regard itself as very well positioned with its sCore TEN strategy and its focus on growth deriving from specialty fibers.

Lenzing aims for further organic growth in this area in order to be even more resilient to volatile markets in the future. The Group's own fiber pulp supplies are secured long-term thanks to continuous capacity expansions and sufficient market supply. Investment activities will focus on the implementation in Brazil of the world's largest pulp mill of its kind, including securing a plantation for the supply of biomass. The commissioning of the new plant with a nominal capacity of 500,000 tonnes per year is scheduled for the first half of 2022.

Significant increases in energy, raw material and logistics costs were recorded throughout the reporting year. Price momentum is not expected to diminish in the short term. As far as currencies are concerned, the US dollar fluctuated against the euro within a 10 percent range, while the Chinese yuan fluctuated against the euro in a 9 percent range. A depreciation of the two currencies would have a negative impact on Lenzing's open currency volumes. Liquidity risk is expected to be low in 2022 thanks to the stable financial structure.

No significant loss events arising from operational, environmental or product liability risks occurred in the reporting year.

For the two key projects in Brazil and Thailand, possible cost overruns or long-term delays that could have a negative effect on the Lenzing Group's financial results are not anticipated from today's perspective. Despite the more challenging environment created by COVID-19, the implementation of these projects ran largely according to plan. In Thailand, the lyocell plant started production in the first quarter of 2022.

As at other companies, non-operational risks are playing an increasingly important role in the Lenzing Group. In recent years, especially cyber risks, compliance risks (as well as reputational damage that is often associated with compliance risks) and recruitment risks have been increasingly ranked higher. Lenzing continuously counters these risks with broadly rolled-out standards and a global organizational structure.

Risk management

The main purpose of risk management within the Lenzing Group is to secure and strengthen the company by correctly and transparently assessing financial, operational and strategic risks, including those relating to the ESG area. The Lenzing Group's Managing Board, together with the heads of the reporting departments, conducts extensive coordinating and controlling operations as part of a comprehensive integrated internal control system that covers all locations. The timely identification, evaluation and response to strategic and operational risks form essential components of these management activities and make a significant contribution to the company's value. This approach is based on a standardized, Group-wide monthly reporting system and the ongoing monitoring of strategic and operational plans.

Lenzing has implemented a corporate risk management system for the central coordination and monitoring of risk management processes throughout the Group. This system identifies and analyzes the main risks, together with input from the operating units, and communicates the results to the Managing Board and senior managers. Risk management also includes the proactive analysis of potential events and near-misses. Further tasks include actively controlling risks and evaluating appropriate measures with the respective business areas. Since 2020, both long-term risks and opportunities related to climate change have been identified and assessed within the Lenzing Group. Mitigation measures corresponding to such risks are taken into consideration in the risk management process, including the requirements of the TCFD (Task Force on Climate-related Financial Disclosures) in relation to climate-related risks.

Risk management strategy

Lenzing pursues a multi-step approach to risk management:

Risk analysis (based on the COSO®[1] Framework)

The Central Risk Management Department carries out semiannual risk assessments with a five-year time horizon at all production locations and functional units. Long-term risks and opportunities are also analyzed in connection with ESG issues. The main risks, as well as an increasing number of opportunities, are recorded and quantitatively assessed in accordance with international COSO® standards. Those risks are presented outside the consolidated statement of financial position and the consolidated income statement. The financial impact of a potential loss on Group EBITDA or on cash and cash equivalents is taken into consideration. The risks are simulated against EBITDA planning, and the range of potential deviations from the respective budget is determined. Lenzing uses a simulation software which also calculates other KPIs such as value at risk, risk-adjusted ROCE and a sensitivity analysis. Risks that cannot be measured in monetary terms are recorded qualitatively.

Risk reduction

The objective is to minimize, avoid or, in certain cases, intentionally accept risks based on appropriate measures. The actions taken depend on the expected impact of the specific risk on the Group.

Responsibility

Individual risks are assigned on the basis of the existing organization matrix. Each risk is assigned to a member of the Managing Board as “risk owner” and to a risk officer.

Risk monitoring/control

The effectiveness of the risk management system used by the Lenzing Group was evaluated by KPMG Austria GmbH pursuant to Rule 83 of the Austrian Corporate Governance Code (ACGC) as part of a special, limited assurance audit in the reporting year.

Reporting

The main risks are presented in detail in a report and discussed with the Managing Board and the Audit Committee. The risk report is also submitted to the Supervisory Board.

Market environment risks

Market risk

As an international corporation, the Lenzing Group is exposed to a variety of risks. The trend in prices and volumes for textile fibers and, to a lesser extent, also for nonwoven fibers, is cyclical as it is dependent on global and regional economic conditions. Lenzing fibers compete with cotton and synthetic fibers in many submarkets. Consequently, price trends for these products also have an influence on Lenzing fibers’ revenue and sales volumes trends.

The Lenzing Group counteracts this risk by steadily increasing the share of specialty fibers in its global product portfolio and a consistent sustainability and innovation strategy. In addition to increasing the share of specialty fibers, which now accounts for around 72 percent of fiber revenue, the aim is to further expand the company’s role as a leader in terms of sustainability in the fiber sector. Lenzing fibers also offer a differentiating feature in the standard fiber sector with their high sustainability and quality standards combined with customer-oriented and solutions-oriented technical support.

The Lenzing Group relies on a strong international market presence, especially in Asia, combined with a first-class regional support network for customers, as well as a high level of customer-oriented product diversification.

Sales risk

A comparatively small number of major customers are responsible for approximately one half of the Lenzing Group’s fiber revenue. A decrease in sales to these major customers, or the loss of one or more major customers without an immediate replacement, poses a certain risk. The company counteracts such risk with its global presence and the continuous broadening of its client base and sales segments. Possible default on trade receivables is covered by clear receivables management and global credit insurance.

Competitive and innovation risks

The Lenzing Group is exposed to the risk of losing its position on the fiber market due to greater competition or new technologies developed by competitors. In particular, the Lenzing Group could relinquish its market position if it were no longer able to offer its products at competitive prices, if its products were to fail to comply with customer specifications and quality standards, or if its customer service were to fail to meet customer expectations. Lenzing counteracts this risk with research and development activities that exceed the average for the sector, and by a high level of product innovation and steady cost optimization. The Lenzing Group – similar to other producers – is exposed to the risk that acceptable or superior alternative products may become available and at more favorable prices than wood-based cellulosic fibers.

Laws and regulations

The Lenzing Group is confronted with different legal systems and regulations in its global markets. A change in laws or other regulations (e.g. import duties, product classifications, environmental requirements etc.), as well as a more stringent interpretation of existing regulations and laws, could lead to significant additional costs

[1] Committee of Sponsoring Organizations of the Treadway Commission

or competitive disadvantages. The Lenzing Group maintains certified management systems for quality management according to ISO 9001, for environmental management according to ISO 14001, and for safety management according to ISO 45001. Legal compliance in connection with these management systems is regularly audited both internally and externally.

With its own legal and compliance department, the Lenzing Group has a corporate division that performs corresponding consulting services and risk assessments.

In response to the far-reaching implications of global warming for society and ecosystems, governments and further stakeholders are likely to introduce more stringent laws and regulations. For example, in addition to reducing carbon credits issued in the EU, new taxes on carbon dioxide emissions could be introduced. Other regions and countries are currently also planning to implement similar steps. The implementation of regionally differing measures could have a negative impact on the Lenzing Group's civic performance and success. The Lenzing Group is implementing a number of measures to reduce climate-related transition risks, and to further enhance resilience in this area.

Intellectual property risks

A risk exists that Lenzing's intellectual property may be infringed or incompletely protected. The Lenzing Group counters such risks by means of a dedicated intellectual property protection department.

Climate change and marine pollution

Increasing awareness of problems caused by climate change, such as rising sea levels, the frequency and severity of natural disasters, and a growing risk from pollution of the world's oceans by plastic waste and microplastics, are creating major risks for the entire fiber industry. By producing biodegradable fibers, Lenzing regards this development as an opportunity for its business model.

The Lenzing Group has recognized the far-reaching effects of climate change on society and ecosystems and offers a sustainable alternative with its innovative and biodegradable products. Lenzing is constantly working to set clear sustainability targets and is continuously seeking ways to enhance its energy efficiency as well as opportunities to utilize renewable energy sources or those with lower carbon dioxide emissions. As early as 2020, Lenzing became the first fiber manufacturer to commit to carbon neutrality by 2050.

ESG (Environment, Social and Governance)

As part of a materiality analysis conducted in 2021, Lenzing conducted a multi-stage, holistic survey of the main issues relating to its sustainably oriented business model. From this analysis, the most important risks and opportunities were determined for each ESG topic area. The topics are integrated into the Enterprise Risk Management System and are successively reflected in Lenzing's long-term strategic business planning.

In the environmental responsibility area (Environment), the main focus topics in the risk matrix comprise climate-related issues in connection with global warming (carbon dioxide reduction) as well as sustainable raw material procurement (wood, chemicals) and the growing water shortage in certain regions. Increasing regulation, particularly in relation to the taxation of greenhouse gases and the pricing of carbon, represents a significant risk for Lenzing. Regulations concerning greenhouse gas emissions have already been introduced in countries where Lenzing operates carbon-intensive processes. Lenzing is consistently working on the implementation of energy efficiency measures, as well as the reduction of carbon dioxide emissions in order to reduce the potential burden of eco-taxes.

For Lenzing, wood is the most important natural resource for the production of its biodegradable cellulosic fibers. Despite sustainable sourcing policies and backward-integrated production, a risk exists that wood prices will rise due to climate change, increasing global demand for biomass, and alternative land use. In this context, Lenzing is expanding its pulp capacities in Brazil (see Lenzing Risk Outlook).

The global textile industry, especially the fashion industry in which Lenzing's products are frequently deployed, is regarded in a critical light due to its sometimes resource-intensive consumption of raw materials and its production processes. Lenzing identifies significant business opportunities through access to new and emerging markets with innovative new products and technologies. Innovation and sustainability lie at the heart of Lenzing's sCore TEN corporate strategy.

The production of pulp and fibers is associated with high levels of water consumption and emissions. Lenzing operates a careful global water management system that ensures compliance with both local laws and global standards. Lenzing is counteracting the increasing scarcity of water by continuously improving resource utilization and by optimizing the selection of sites for the expansion of production capacities.

In the area of social responsibility (Social), the main risks were identified in the area of cyber attacks (see IT risks). With regard to the corporate governance area (Governance), the risk of inadequate compliance with corporate governance and resultant risks is considered material. Lenzing is continuously tightening its internal rules and expanding its compliance organization accordingly.

Operational risks

Procurement risk (including pulp supplies)

The Lenzing Group purchases large volumes of raw materials (wood, pulp, chemicals) and energy for the manufacture of its cellulosic fibers. Fiber production and related margins are exposed to risks arising from the availability and prices of these raw materials, which can fluctuate to the Lenzing Group's disadvantage and may increase as a consequence of climate change. Such risks are countered through the careful selection of suppliers based on price, reliability and quality criteria, EcoVadis-based sustainability assessments, as well as the establishment of long-standing, stable supplier-customer partnerships, in some cases with multi-year or long-term supply agreements. In addition, all suppliers must comply with Lenzing's Global Supplier Code of Conduct. Nevertheless, a risk exists of violations of this code, which may have a negative impact on the Lenzing Group and its stakeholders along the value chain. Supply chain risks may also result from disruptions caused by natural disasters.

Lenzing has also entered into long-term contractual relationships with several raw material suppliers and service partners. These agreements require Lenzing to purchase specified quantities of raw materials on standardized terms and conditions, which may also include price adjustment clauses. Lenzing may consequently not be able to adjust prices, purchase volumes or other contract conditions over the short term in order to respond to market changes.

The sCore TEN strategy includes an increased focus on backwards integration through the expansion of the Group's own cellulose production.

Operating risks, environmental risks and risks relating to climate change

The production of wood-based cellulosic fibers involves complex chemical and physical processes that cause certain environmental risks. These risks are very well controlled thanks to proactive and sustainable environmental management, closed production cycles, ongoing emissions monitoring and state-of-the-art production techniques. Lenzing continuously works on increasing safety and environmental standards through voluntary references such as the EU Ecolabel. As the Lenzing Group has operated production facilities at several locations for several decades, risks arising from environmental damage in earlier periods cannot be completely excluded.

Although the Lenzing Group has set very high technological and safety standards for the construction, operation and maintenance of its production sites, the risk of breakdowns, disruptions and accidents cannot be completely excluded. These types of disruptions can also be caused by external factors over which Lenzing has no control. It is impossible to provide direct protection against certain natural hazards, such as cyclones, earthquakes and floods. Moreover, a risk exists that personal injury, material and environmental damage, both within and outside the production facilities, could result in substantial claims for damages and even criminal liability.

The Lenzing Group's production activities are concentrated at a small number of locations. Any disruption at one of these facilities has a negative impact on the company's business operations.

Product liability risk

The Lenzing Group markets and sells its products and services to customers worldwide. These business activities can lead to damage to customers, or along the value chain, through the delivery of a defective product by Lenzing or one of its subsidiaries. Moreover, product safety can be jeopardized by pollution, which may cause problems in the value chain, such as potential health implications for employees and customers. Lenzing is also subject to local laws in the countries where its products are delivered. Especially in the USA, the potential implications are considered to be severe. Such risk is countered by a special department that focuses exclusively on customers' problems in processing Lenzing products and on handling complaints. Appropriate precautions in the production process and regular quality inspections have been implemented. Third party damages caused by Lenzing are covered by a global liability insurance program.

Financial risks

For a detailed description of financial risks refer to notes 36 to 39 in the Notes to the Consolidated Financial Statements.

Tax risk

The Lenzing Group's production sites are subject to local tax regulations in their respective countries and are required to pay corporation tax as well as other taxes. Changes in tax legislation or different interpretations of prevailing regulations could lead to subsequent tax liabilities.

Compliance

Increasingly stringent international codes of conduct and legal regulations are creating additional demands on Lenzing in relation to compliance and monitoring. Inadequate controls in business processes or a lack of documentation can lead to the violation of applicable laws or regulations, and significantly jeopardize reputation and commercial success. Lenzing addresses this risk by, among other measures, continuously developing its Group-wide compliance organization, the corporate code of conduct that is valid throughout the Group, as well as directives addressing the areas of bribery and corruption, money laundering and antitrust practices. Further information on compliance is provided in the Corporate Governance Report.

IT risks

Lenzing depends on highly developed information technology (IT) systems for its daily operations. IT systems are vulnerable to a range of problems, including software and hardware malfunctions, malicious hacking and cyberattacks, physical damage to key IT centers, and computer virus infections. Consequently, any major damage, disruption and/or circumvention of its existing IT systems may disrupt Lenzing's business operations.

Personnel risks

Personnel risks may arise through the turnover of key staff as well as the recruiting of new staff at all global sites. The Lenzing Group has established a Human Resources Department which operates internationally and coordinates personnel planning with the respective sites. It is responsible for the central management and monitoring of all personnel-related issues, including the organization of global management and training programs for potential executives.

At the production facilities, Lenzing Group employees as well as external contractors' workers and employees are exposed to a risk of injury. Lenzing's "Heartbeat for Health & Safety" program takes such risk into consideration and includes a strategic approach to risk reduction, precautionary measures and extensive training. For more information, please refer to the Lenzing Group Sustainability Report. In addition, risks related to compliance with legal requirements arise when engaging contractors, particularly in connection with the two major projects in Thailand and Brazil.

Risks relating to major projects

The Lenzing Group is continuously expanding its capacities in numerous projects. Examples include the new pulp mill in Brazil and the lyocell mill in Thailand, which is being ramped up at present. These types of major projects entail an inherent risk of cost and schedule overruns. Lenzing counters such risks with a standardized planning process, consistent project management, ongoing cost controls, as well as insurance solutions and risk transfer. In addition to ongoing risk management, Monte Carlo simulations are used for projects of this and similar size to model the sensitivity of the key financial indicators. Despite the currently difficult environment due to the COVD-19 pandemic, progress with these two projects is largely running to schedule to date.

Risks from an external perspective and for other stakeholders

As a globally operating company, the Lenzing Group is aware of its social responsibility. The risks described in the risk report refer primarily to the effect on the Lenzing Group's assets and earnings. As one of the sustainability leaders in its sector, the Lenzing Group seeks a balance between the needs of society, the environment and the economy. The company assumes such responsibility, particularly with respect to potential effects of its operations on neighbors of the production sites and in relation to society as a whole. Active stakeholder work to mitigate risks (partnership for systemic change) and to create additional benefits for people and the environment is a clear goal of the Lenzing Group's innovation and operating activities. The Lenzing Group was awarded platinum status in EcoVadis's CSR rating in the reporting year. This evaluation covers the most important practices in the Corporate Social Responsibility (CSR) area. In cooperation with its partners, the Lenzing Group is working on understanding the risks for stakeholders and on finding solutions to mitigate such risks. This work is based on open communication and transparency as well as continuous improvement of technologies and sustainable practices.

Report on the Key Elements of the Internal Control System (Section 243a Para. 2 of the Austrian Commercial Code)

The Lenzing Group's internal control system is designed to safeguard the reliability of financial reporting, ensure compliance with legal regulations and corporate guidelines, and present the risks not reported on the consolidated statement of financial position or in the consolidated income statement.

The Lenzing Group's organizational structure and processes form the main basis for the control environment and the internal control system. The organizational structure includes the assignment of specific authorities and responsibilities to the various management and hierarchy levels at the Austrian sites and at all international subsidiaries. Key Group functions are centralized in corporate centers which reflect Lenzing's global market presence as well as its decentralized business and site structure. The respective management teams are responsible for coordinating and monitoring business operations at national level.

Lenzing's process organization is characterized by a well-developed and comprehensive set of guidelines which provide an effective foundation for a strong controlling environment and control system. Important Group-wide approval processes and responsibilities are defined in the Lenzing Group Mandates. The management of each business area or department is responsible for monitoring compliance with the respective regulations and controls.

Financial reporting

The Corporate Accounting & Tax Department has central responsibility for financial reporting, the accounting-related internal control system, and tax issues within the Lenzing Group.

The goal of the accounting-related control system is to ensure the uniform application of legal standards, generally accepted accounting principles, and the accounting regulations specified in the Austrian Commercial Code. This system also covers the consolidated accounting process and thereby ensures compliance with the rules defined by International Financial Reporting Standards (IFRS) and internal accounting guidelines, in particular the Group accounting manual and schedules. The accounting-related internal control system is designed to safeguard the timely, uniform and accurate recording of all business processes and transactions. It thereby supports the preparation of reliable data and reports on the Lenzing Group's financial position and financial performance. The subsidiaries included in the consolidated financial statements prepare financial statements in accordance with both local laws and IFRS standards at the company level on a timely basis. The subsidiaries are responsible for the decentralized implementation of existing rules and are supported and monitored in these activities by the Corporate Accounting & Tax function. The Supervisory Board's Audit Committee is integrated in the accounting-related control system. In addition, the annual financial statements are audited by external certified public accountants and the half-year financial statements are reviewed on a voluntary basis.

The Global Treasury Department, and above all the payments unit, is classified as a highly sensitive area due to its direct access to the company's assets. The accompanying increased need for security is reflected in comprehensive regulations and instructions for all relevant processes. The entire process, from procurement through to payment, is subject to stringent corporate guidelines. These guidelines are largely supported by a Group-wide IT system which requires stringent functional separation, a clear authorization concept to prevent authorization conflicts as well as a stringent dual control principle for transaction settlement, in particular for payments, as well as regular reporting, among other measures.

The Internal Audit Department is responsible for monitoring the application of, and compliance with, controls in business operations.

Compliance with legal regulations and internal guidelines

The Lenzing Group's Legal, Intellectual Property & Compliance Department is responsible for legal management. This centralized function handles legal matters within the Lenzing Group and is also responsible for the Compliance Management System (CMS). Together with the Managing Board, it oversees Group-wide compliance with legal regulations and internal guidelines as well as the prevention of legal violations and improper behavior. The Legal, Intellectual Property & Compliance Department reports directly to the Lenzing Group CEO. The CMS evaluates compliance-relevant risks, analyzes deviations from standards and, if necessary, takes measures to reduce them ("prevent, detect, respond"). This department also draws up compliance-relevant guidelines and supports employee training activities worldwide. The Managing Board and the Supervisory Board (or the Audit Committee) receive regular reports on compliance measures.

The Lenzing Group complies with the rules defined by the Austrian Corporate Governance Code (ACGC) and prepares a Corporate Governance Report which is published as part of the Annual Report. The Corporate Governance Report requires the participation of the Supervisory Board, which delegates the responsibility for monitoring compliance with the related obligations to the Audit Committee.

The Corporate Audit Department is independent of all other organizational units and business processes and reports directly to the CFO. It evaluates whether the Group's resources are deployed legally, economically, efficiently and correctly in the interests of sustainable development. The Corporate Audit Department's activities are based on the international standards published by the Institute of Internal Auditors (IIA). Regular reporting to the Managing Board and the Audit Committee ensure the proper functioning of the internal control system.

Reporting of risks outside the statement of financial position and income statement

The Risk Management Department is responsible for the reporting of risks that are not reported on the statement of financial position or in the income statement, and prepares a semi-annual risk report for this purpose. The major risks are also discussed in the Annual Report. The risk report is based on the international COSO® standards (Committee of Sponsoring Organizations of the Treadway Commission).

Enterprise Risk Management adopts a holistic approach in this context. In addition to corporate and project risks included in medium-term planning, the focus is increasingly on the long-term consideration and evaluation of ESG criteria and the associated opportunities and risks for the sustainable development of the Lenzing Group's performance and profitability.

Shareholder structure and information on capital

Share capital and shareholder structure

The share capital of Lenzing AG amounted to a total of EUR 27,574,071.43 as of the balance sheet date and is divided into 26,550,000 no-par-value shares. B&C Group is the majority shareholder with an investment in the voting rights of 50 percent plus two shares. NN Group N.V. holds approximately 5 percent of the shares. The free float amounts to approximately 45 percent. This is divided between Austrian and international investors. The Lenzing Group holds no treasury shares.

Position of shareholders

Each no-par-value share grants the shareholder one vote at the Shareholders' General Meeting of Lenzing AG. Unless provided otherwise by mandatory provisions of the Austrian Stock Corporation Act (AktG), the Shareholders' General Meeting passes resolutions by a simple majority of the votes cast and – if a majority of the share capital is required – by a simple majority of the share capital represented at the Shareholders' General Meeting.

Lenzing AG has no shares with special control rights. A resolution passed by the Annual General Meeting on June 18, 2020 authorized the Managing Board, subject to the consent of the Supervisory Board, to purchase treasury shares in the company for a period of 30 months starting on the date of the resolution pursuant to Section 65 Paras. 1 no. 4 and 8 and Paras. 1a and 1b AktG. The treasury shares acquired by the company may not exceed ten percent of the company's share capital. The consideration to be paid for the repurchase must lie within a range of plus/minus 25 percent of the weighted average closing price on the last 20 stock exchange days preceding the start of the corresponding repurchasing program of the Lenzing share.

The Managing Board was also authorized, subject to the consent of the Supervisory Board, to withdraw repurchased treasury shares without any further resolution by the Shareholders' General Meeting (including the authorization of the Supervisory Board to adopt changes to the articles of association resulting from withdrawing the shares), or to resell them and to determine the conditions of sale. This authorization can be exercised in full, in several parts and in pursuit of one or several objectives by the company, by a subsidiary (Section 189a no. 7 of the Austrian Commercial Code [UGB]) or by third parties for the company's account.

In addition, the Managing Board was authorized for a period of five years from the date of the resolution to approve the sale of treasury shares, subject to the consent of the Supervisory Board, in any manner permitted by law other than through the stock exchange or public offer, and also to exclude shareholders' repurchasing rights (subscription rights), and to determine the conditions of sale.

A resolution passed by the Annual General Meeting on April 12, 2018 authorized the Managing Board, subject to the consent of the Supervisory Board, to increase the share capital by up to EUR 13,787,034.68 through the issue of up to 13,274,999 no-par-value bearer shares – including in tranches – in exchange for cash and/or non-cash capital contributions, within five years from the entry of the changes in the articles of association in the commercial register and to determine the issue price and the further issue conditions ("authorized capital"). This authorized capital was recorded in the commercial register on May 23, 2018.

The statutory subscription right may be granted to shareholders in such a manner that the convertible bonds be assumed by a bank or a syndicate of banks with the obligation to offer them to the shareholders in accordance with their subscription right (indirect subscription right).

The Managing Board was also authorized, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights in the event of a capital increase from the authorized capital in whole or in part (i) if the capital increase in exchange for non-cash capital contributions is carried out for the purpose of acquiring companies, parts of companies, operations, parts of operations, participating interests in companies or other assets connected with an acquisition project, (ii) to satisfy an over-allotment option (greenshoe) or (iii) to compensate for fractional amounts.

In addition, the Managing Board was authorized by a resolution of the Annual General Meeting on April 12, 2018 to issue, subject to the consent of the Supervisory Board, convertible bonds in one or several tranches that grant or provide for the subscription or conversion right or a subscription or conversion obligation for up to 13,274,999 shares in the company. These can be serviced through conditional capital to be approved and/or treasury shares. The issue price and issue conditions are to be determined by the Managing Board, subject to the consent of the Supervisory Board; the issue amount and the exchange ratio are to be determined in accordance with recognized methods of financial mathematics and the price of the company's shares in a recognized pricing procedure. This authorization is valid until April 12, 2023.

The statutory subscription right may be granted to shareholders in such a manner that the convertible bonds be assumed by a bank or a syndicate of banks with the obligation to offer them to the shareholders in accordance with their subscription right (indirect subscription right).

The Managing Board was authorized, subject to the consent of the Supervisory Board, to exclude the subscription right of shareholders when issuing convertible bonds in whole or in part (i) if the convertible bonds are issued in exchange for non-cash capital contributions for the purpose of acquiring companies, parts of companies, operations, parts of operations, participating interests in companies or other assets relating to an acquisition project, or (ii) for the compensation of fractional amounts resulting from the subscription ratio.

The Managing Board was also authorized, subject to the approval of the Supervisory Board, to exclude the subscription right for convertible bonds in whole or in part, provided that the Managing Board, after due examination, arrives at the conclusion that the issue price of the convertible bonds at the time of the final determination of the issue price is not less than the hypothetical market value determined according to recognized, in particular financial-mathematical, methods and that the conversion price or subscription price (issue price) of the subscription shares is determined taking into account recognized methods of financial mathematics and the price of the company's ordinary shares in a recognized pricing procedure, and is not lower than the stock market price of the company's shares during the last 20 trading days prior to the date of announcement of the issue of convertible bonds.

The Managing Board did not utilize the existing authorizations during the reporting year.

The 77th Annual General Meeting of Lenzing AG was held in virtual format via livestream on April 14, 2021 due to the COVID-19 pandemic. Detailed information about the Annual General Meeting, proposals for resolutions and the results of voting are published on the website Lenzing AG: https://www.lenzing.com/investors/shareholders-meeting/2021.

The 78th Annual General Meeting on April 26, 2022 will also be held in virtual format via livestream due to the ongoing COVID-19 pandemic.

Further disclosures pursuant to Section 243a of the Austrian Commercial Code

No provisions exist other than those stipulated by law that cover the appointment or dismissal of members of the Managing or Supervisory boards.

The Dexco Group (formerly the Duratex Group) has a put option and has the right to divest its interest in the LD Celulose joint venture in the event of a change of control at the Lenzing Group (change of control clause).

Besides this, the company has not entered into any significant agreements that would take effect, change or expire in the event of a change in control as the consequence of a takeover bid. No compensation agreements exist between the company and the members of the Managing and Supervisory boards or with employees that would take effect in the event of a public takeover offer.

Outlook

The International Monetary Fund forecasts global growth of 4.4 percent for 2022. However, the economic recovery from the deep recession caused by COVID-19 remains at risk, 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 problems in 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 stock volumes in the current 2021/2022 harvest season, although dynamics on international commodity markets and global supply chain problems are likely to continue to have a significant impact on price trends in 2022. At their peak, fiber pulp prices rose by more than 50 percent in 2021. The price stood at USD 905 per tonne as of December 31, 2021.

Lenzing continues to assume growth in demand for environmentally compatible fibers for the textile and clothing industry as well as the hygiene and medical sectors. However, the currently 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, ongoing cost pressure on the energy, raw materials and logistics sides is expected 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 starting in the current financial year, the Lenzing Group anticipates that EBITDA in 2022 will lie significantly above the 2021 level.

Lenzing, March 01, 2022
Lenzing Aktiengesellschaft

The Managing Board

Cord Prinzhorn
Chief Executive Officer

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

Appendix: Notes on the Financial Performance Indicators of the Lenzing Group

The key financial indicators for the Lenzing Group are described in detail in the following section These indicators are derived primarily from the IFRS consolidated financial statements of the Lenzing Group and are found in this annual report, above all, in the sections “Selected Indicators of the Lenzing Group” and “Five-Year Overview of the Lenzing Group”. The definitions of the indicators are summarized in the glossary to the annual report. The Managing Board believes these financial indicators provide useful information on the financial position of the Lenzing Group because they are used internally and are also considered important by external stakeholders (in particular investors, banks and analysts).

EBITDA, EBITDA margin, EBIT and EBIT margin

EBITDA and EBIT are viewed by the Lenzing Group as the benchmarks for the strength of operating earnings and profitability (performance) before and after depreciation and amortization. Due to their significance – also for external stakeholders – the EBIT is presented on the consolidated income statement and EBITDA is presented in the Financial Performance Indicators and, in order to provide a comparison of margins, in relation to group revenue (as the EBITDA margin and EBIT margin).

EUR mn	2021	2020	2019	2018	2017
Earnings before interest and tax (EBIT)	200.6	33.9[1]	165.3[1]	238.3[1]	373.1[1]
+ Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	164.3	160.4	167.0	147.2	134.6
- Income from the release of investment grants	(1.9)	(2.0)	(2.4)	(2.8)	(3.1)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**362.9**	**192.3[1]**	**329.9[1]**	**382.7[1]**	**504.6[1]**

EUR mn	2021	2020	2019	2018	2017
Earnings before interest, tax, depreciation and amortization (EBITDA)	362.9	192.3[1]	329.9[1]	382.7[1]	504.6[1]
/ Revenue	2,194.6	1,632.6	2,105.2	2,176.0	2,259.4
EBITDA margin	**16.5%**	**11.8%[1]**	**15.7%[1]**	**17.6%[1]**	**22.3%[1]**

EUR mn	2021	2020	2019	2018	2017
Earnings before interest and tax (EBIT)	200.6	33.9[1]	165.3[1]	238.3[1]	373.1[1]
/ Revenue	2,194.6	1,632.6	2,105.2	2,176.0	2,259.4
EBIT margin	**9.1%**	**2.1%[1]**	**7.9%[1]**	**11.0%[1]**	**16.5%[1]**

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).

EBT

EBT measures the pre-tax earnings strength of the Lenzing Group and is shown on the consolidated income statement.

Gross cash flow

In the Lenzing Group, gross cash flow serves as the benchmark for the company's ability to convert gains/losses from operating activities (before changes in working capital) into cash and cash equivalents. This indicator is presented in the consolidated statement of cash flows.

Free cash flow

The free cash flow generated by the Lenzing Group shows the cash flow generated by operating activities – after the deduction of investments – which is available to service the providers of debt and equity. This indicator is also important for external stakeholders.

EUR mn	2021	2020	2019	2018	2017
Cash flow from operating activities	394.0	48.9	244.6	280.0	271.1
- Cash flow from investing activities	(841.3)	(666.2)	(254.7)	(261.8)	(218.6)
- Net inflow from the sale and disposal of subsidiaries and other business areas	0.0	0.0	0.0	(0.1)	(3.1)
+ Acquisition of financial assets and investments accounted for using the equity method	7.3	4.1	15.6	8.0	6.5
- Proceeds from the sale/repayment of financial assets	(5.6)	(1.5)	(4.7)	(2.6)	(23.4)
Free cash flow	**(445.5)**	**(614.8)**	**0.8**	**23.5**	**32.6**

CAPEX

CAPEX shows the expenditures for intangible assets, property, plant and equipment and biological assets. It is presented in the consolidated statement of cash flows.

Liquid assets

Liquid assets show the Lenzing Group's ability to meet due payment obligations immediately with available funds. This indicator is also used to calculate other financial ratios (e.g. net financial debt; see below).

EUR mn as at 31/12	2021	2020	2019	2018	2017
Cash and cash equivalents	1,113.3	1,070.0	571.5	243.9	306.5
+ Liquid bills of exchange (in trade receivables)	10.8	11.1	9.5	10.5	9.4
Liquid assets	**1,124.1**	**1,081.1**	**581.0**	**254.4**	**315.8**

Trading working capital and trading working capital to annualized group revenue

Trading working capital in the Lenzing Group is a measure for potential liquidity and capital efficiency. It is used to compare capital turnover by relating it to group revenue.

EUR mn as at 31/12	2021	2020	2019	2018	2017
Inventories	477.0	329.4	395.7	396.5	340.1
+ Trade receivables	325.2	249.7	251.4	299.6	292.8
- Trade payables	(414.8)	(195.2)	(243.6)	(251.7)	(218.4)
Trading working capital	**387.4**	**383.8**	**403.5**	**444.4**	**414.4**

EUR mn	2021	2020	2019	2018	2017
Latest reported quarterly group revenue (= 4th quarter respectively)	606.1	437.7	487.3	539.8	532.8
x 4 (= annualized group revenue)	2,424.5	1,750.9	1,949.3	2,159.1	2,131.1
Trading working capital to annualized group revenue	**16.0%**	**21.9%**	**20.7%**	**20.6%**	**19.4%**

Adjusted equity and adjusted equity ratio

Adjusted equity shows the Lenzing Group's independence from the providers of debt and its ability to raise new capital (financial strength). This figure includes equity as defined by IFRS as well as government grants less the proportional share of deferred taxes. Adjusted equity is used to compare equity and debt with total assets. This (and/or a similar indicator) is occasionally used as a financial covenant by lenders.

EUR mn as at 31/12	2021	2020	2019	2018	2017
Equity	2,072.1	1,881.4	1,537.9	1,533.9	1,507.9
+ Non-current government grants	13.7	14.2	15.4	16.9	18.3
+ Current government grants	44.2	19.9	13.1	8.4	7.9
- Proportional share of deferred taxes on government grants	(14.2)	(8.5)	(7.1)	(6.3)	(6.4)
Adjusted equity	**2,115.7**	**1,907.0**	**1,559.3**	**1,553.0**	**1,527.7**
/ Total assets	5,322.8	4,163.0	3,121.1	2,630.9	2,497.3
Adjusted equity ratio	**39.7%**	**45.8%**	**50.0%**	**59.0%**	**61.2%**

Net financial debt, net financial debt/EBITDA, net gearing and net debt

Net financial debt is used by the Lenzing Group as the benchmark for its financial indebtedness and capital structure. It is also an important indicator for external stakeholders. The relation of this indicator to EBITDA shows the number of periods in which the same level of EBITDA must be generated to cover net financial debt. The ratio of net financial debt to adjusted equity (net gearing) illustrates the relation of net debt to adjusted equity. This (and/or a similar indicator) is occasionally used as a financial covenant by lenders. Net debt in the Lenzing Group measures the level of financial debt, including the provisions for severance payments and pensions.

EUR mn as at 31/12	2021	2020	2019	2018	2017
Current financial liabilities	120.1	105.6	129.6	166.2	127.3
+ Non-current financial liabilities	1,981.0	1,446.9	852.0	307.6	255.3
- Liquid assets	(1,124.1)	(1,081.1)	(581.0)	(254.4)	(315.8)
Net financial debt	**977.0**	**471.4**	**400.6**	**219.4**	**66.8**
/ Earnings before interest, tax, depreciation and amortization (EBITDA)	362.9	192.3[1]	329.9[1]	382.7[1]	504.6[1]
Net financial debt / EBITDA	**2.7**	**2.5**[1]	**1.2**[1]	**0.6**[1]	**0.1**[1]

EUR mn as at 31/12	2021	2020	2019	2018	2017
Net financial debt	977.0	471.4	400.6	219.4	66.8
/ Adjusted equity	2,115.7	1,907.0	1,559.3	1,553.0	1,527.7
Net gearing	**46.2%**	**24.7%**	**25.7%**	**14.1%**	**4.4%**

EUR mn as at 31/12	2021	2020	2019	2018	2017
Net financial debt	977.0	471.4	400.6	219.4	66.8
+ Provisions for severance payments and pensions	102.2	103.7	110.8	103.4	105.4
Net debt	**1,079.3**	**575.0**	**511.4**	**322.8**	**172.2**

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).

Return on capital (ROE, ROI and ROCE)

Return on capital employed (ROCE) is the Lenzing Group's benchmark for the yield (return) on the capital employed in the operating business. It is also an important indicator for external stakeholders. Return on capital (ROE) and return on investment (ROI) are profitability indicators which measure the earnings strength of the Lenzing Group.

EUR mn	2021	2020	2019	2018	2017
Earnings before interest and tax (EBIT)	200.6	33.9[1]	165.3[1]	238.3[1]	373.1[1]
- Proportional share of current income tax expense (on EBIT)	(52.0)	(45.1)[1]	(60.7)	(57.8)	(79.2)
Earnings before interest and tax (EBIT) less proportional share of current income tax expense (NOPAT)	148.6	(11.2)[1]	104.7[1]	180.6[1]	294.0[1]
/ Average capital employed	2,766.5	2,216.2	1,922.7	1,750.3	1,571.8
ROCE (return on capital employed)	5.4%	(0.5)%[1]	5.4%[1]	10.3%	18.7%[1]
Proportional share of current income tax expense (on EBIT)	(52.0)	(45.1)[1]	(60.7)	(57.8)	(79.2)
Proportional share of other current tax expense	3.7	23.0[1]	0.0	3.5	2.4[1]
Current income tax expense	**(48.4)**	**(22.1)**	**(60.7)**	**(54.3)**	**(76.7)**

EUR mn as at 31/12	2021	2020	2019	2018	2017
Total assets	5,322.8	4,163.0	3,121.1	2,630.9	2,497.3
- Trade payables	(414.8)	(195.2)	(243.6)	(251.7)	(218.4)
- Non-current puttable non-controlling interests	(234.4)	(140.3)	0.0	0.0	(18.0)
- Other non-current liabilities	(6.7)	(26.9)	(5.5)[2]	(5.3)[2]	(6.2)[2]
- Other current liabilities	(180.4)	(141.8)	(118.8)[2]	(141.0)[2]	(120.9)[2]
- Current tax liabilities	(38.3)	(2.4)	(20.7)	(10.4)	(21.6)
- Deferred tax liabilities	(59.8)	(42.4)	(41.9)	(50.4)	(52.7)
- Proportional share of deferred taxes on government grants	(14.2)	(8.5)	(7.1)	(6.3)	(6.4)
- Current provisions	(39.1)	(25.7)	(14.4)[2]	(13.8)[2]	(13.3)[2]
- Non-current provisions	(118.2)	(120.4)	(128.3)[2]	(125.4)[2]	(129.3)[2]
+ Provisions for severance payments and pensions	102.2	103.7	110.8	103.4	105.4
- Cash and cash equivalents	(1,113.3)	(1,070.0)	(571.5)	(243.9)	(306.5)
- Investments accounted for using the equity method	(24.8)	(29.1)	(29.2)	(13.4)	(8.4)
- Financial assets	(71.1)	(40.9)	(41.8)	(36.7)	(36.4)
As at 31/12	3,109.9	2,423.2	2,009.1	1,836.3	1,664.4
As at 01/01	2,423.2	2,009.1	1,836.3	1,664.4	1,479.2
Average capital employed	**2,766.5**	**2,216.2**	**1,922.7**	**1,750.3**	**1,571.8**

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) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2 in the notes to the consolidated financial statements 2020).

EUR mn as at 31/12	2021	2020	2019	2018	2017
Adjusted equity 31/12	2,115.7	1,907.0	1,559.3	1,553.0	1,527.7
Adjusted equity 01/01	1,907.0	1,559.3	1,553.0	1,527.7	1,390.5
Average adjusted equity	**2,011.4**	**1,733.2**	**1,556.1**	**1,540.3**	**1,459.1**

EUR mn	2021	2020	2019	2018	2017
Earnings before tax (EBT)	182.9	22.3	163.8	199.1	357.4
/ Average adjusted equity	2,011.4	1,733.2	1,556.1	1,540.3	1,459.1
ROE (return on equity)	**9.1%**	**1.3%**	**10.5%**	**12.9%**	**24.5%**

EUR mn as at 31/12	2021	2020	2019	2018	2017
Total assets 31/12	5,322.8	4,163.0	3,121.1	2,630.9	2,497.3
Total assets 01/01	4,163.0	3,121.1	2,630.9	2,497.3	2,625.3
Average total assets	**4,742.9**	**3,642.0**	**2,876.0**	**2,564.1**	**2,561.3**

EUR mn	2021	2020	2019	2018	2017
Earnings before interest and tax (EBIT)	200.6	33.9[1]	165.3[1]	238.3[1]	373.1[1]
/ Average total assets	4,742.9	3,642.0	2,876.0	2,564.1	2,561.3
ROI (return on investment)	**4.2%**	**0.9%[1]**	**5.7%[1]**	**9.3%**	**14.6%[1]**

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).

CHAPTER

3/4

Corporate Governance Report

2021

Content

Group Corporate Governance Report 2021

The Austrian Code of Corporate Governance (ACCG) provides stock companies in Austria with a framework for corporate management and control. This framework includes internationally recognized standards for good corporate governance as well as the regulations of Austrian stock corporation law significant in this context.

The goal of the code is to ensure the responsible management and control of companies and corporate groups based on the sustainable and long-term creation of value. It is intended to create a high degree of transparency for all of the company's stakeholders.

Declaration of Commitment

Lenzing AG respects the ACCG and, for the first time in 2010, committed itself to compliance with the documented provisions. The Supervisory Board also unanimously resolved to fully adhere to the ACCG. The current version of the code (January 2021) is available on the Internet under https://www.corporate-governance.at. In accordance with L-Rule 60 of the ACCG, Lenzing AG is required to prepare and publish a Group Corporate Governance Report. The Group Corporate Governance Report of Lenzing AG also represents the Corporate Governance Report for the Lenzing Group.

Corporate Governance Report is published on the website of Lenzing AG in accordance with C-Rule 61 of the ACCG https://www.lenzing.com/de/investoren/corporate-governance.

The Corporate Bodies of Lenzing AG

The division of responsibilities among the members of Lenzing's Managing Board during the 2021 financial year was as follows:

Managing Board

Thomas Cord Prinzhorn (born 1972)

- Chairman of the Managing Board, Chief Executive Officer
- First appointed: November 4, 2021
- Current term of office ends: November 4, 2022

Responsibilities: Corporate Strategy, Corporate Human Resources, Corporate Communication, Corporate Legal Affairs, Investor Relations & Capital Markets, Digital Innovation, Corporate Office

Supervisory board functions at other companies:
Polo Handels AG (until December 14, 2021)

Management and monitoring functions at major subsidiaries:
none

Thomas Obendrauf (born 1970)

- Member of the Managing Board, Chief Financial Officer
- First appointed: March 1, 2016
- Current term of office ends: June 30, 2022

Responsibilities: Finance Fibers, Finance Pulp, Corporate Controlling, Information Technology, Corporate Accounting, Shared Services, Business Processes, Treasury, Corporate Audit & Risk

Supervisory board functions at other companies: none

Management and monitoring functions at major subsidiaries:
none

Robert van de Kerkhof (born 1964)

- Member of the Managing Board, Fibers
- First appointed: May 1, 2014
- Current term of office ends: December 31, 2023

Responsibilities: Textiles BM, Nonwovens BM, BU Noble Fibers, Marketing & Branding, Sales Admin, Demand Planning, Product Stewardship, Technical Marketing & Distribution, Sustainability

Supervisory board functions at other companies: none

Management and monitoring functions at major subsidiaries:
Lenzing Fibers Holding GmbH

Stephan Helmut Sielaff (born 1966)

- Member of the Managing Board, Fibers
- First appointed: March 1, 2020
- Current term of office ends: February 28, 2023

Responsibilities: Operations Lyocell Standard, Operations Lyocell Specification, Operations Viscose/Modal, Global QESH, Global Engineering, Fiber Purchasing, Fiber Supply Planner, HB4P/Lean Six Sigma, Lenzing Technik, Research & Development, Hygiene Austria, Project T3

Supervisory board functions at other companies: none

Management and monitoring functions at major subsidiaries:
Lenzing (Nanjing) Fibers Co., Ltd.

Christian Skilich (born 1968)

- Member of the Managing Board, Pulp & Wood
- First appointed: June 1, 2020
- Current term of office ends: May 31, 2023

Responsibilities: Operations & Technology Pulp, Purchasing Wood, Commercial Affairs Pulp, Commercial Affairs Coproducts, Project Amadeus, Site LDC, Global Logistics, Site Lenzing

Supervisory board functions at other companies:
Labewood s.r.o. (since January 1, 2021), Stölzle Oberglas GmbH (since November 18, 2021)

Management and monitoring functions at major subsidiaries:
Biocel Paskov a.s.

Former Managing Board members

Stefan Doboczky (born 1967)

- Chairman of the Managing Board, Chief Executive Officer
- First appointed: June 1, 2015

Mr. Stefan Doboczky stepped down from the Managing Board with effect as of September 30, 2021.

Supervisory board functions at other companies as of September 30, 2021: OMV

At the Supervisory Board meeting of Lenzing AG on September 7, 2021, Mr. Thomas Cord Prinzhorn was appointed as Chief Executive Officer (CEO) pursuant to Section 90 Para. 2 of the Austrian Stock Corporation Act (AktG) as of November 4, 2021 until a new Chief Executive Officer (CEO) assumes office, albeit for no longer than twelve months.

The Managing Board directs the business operations of Lenzing AG in accordance with the applicable legal regulations, the articles of association and the internal rules of procedure for the Managing Board. The distribution of responsibilities among the individual members of the Managing Board is based on the organizational plan specified in the internal rules of procedure, which also regulates cooperation between the Managing Board members. Furthermore, the Managing Board is required to comply in full with the rules of the Austrian Code of Corporate Governance.

Supervisory Board

Composition

Peter Edelmann (born 1959)

- First appointed: April 12, 2018
- Since April 17, 2019: Chairman
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2023 financial year.

Supervisory board functions at other companies:
Orcan Energy AG

Veit Sorger (born 1942)

- First appointed: June 4, 2004
- Since March 29, 2011: Deputy Chairman
- Dr. Veit Sorger stepped down from the Supervisory Board with effect as of April 14, 2021.

Supervisory board functions at other companies:
Mondi AG, Binder+Co AG, GrECo International Holding AG

Patrick Prügger (born 1975)

- First appointed: March 29, 2011
- Since April 14, 2021: Deputy Chairman
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2021 financial year.

Supervisory board functions at other companies:
AMAG Austria Metall AG

Stefan Fida (born 1979)

- First appointed: April 17, 2019
- Since April 14, 2021: Deputy Chairman
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2024 financial year.

Supervisory board functions at other companies:
Semperit AG Holding

Helmut Bernkopf (born 1967)

- First appointed: April 23, 2009
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2022 financial year.

Supervisory board functions at other companies:
Oesterreichische Entwicklungsbank AG, OeKB CSD GmbH, Acredia Versicherung AG, OeKB EH Beteiligungs- und Management AG, Österreichische Hotel- und Tourismusbank GmbH

Christian Bruch (born 1970)

- First appointed: April 17, 2019
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2022 financial year.

Supervisory board functions at other companies: none

Markus Fürst (1976)

- First appointed: April 14, 2021
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2024 financial year.

Supervisory board functions at other companies: none

Franz Gasselsberger (born 1959)

- First appointed: April 24, 2013
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2022 financial year.

Supervisory board functions at other companies:
Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG, voestalpine AG

Thomas Cord Prinzhorn (born 1972)

- First appointed: April 14, 2021
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2024 financial year. With his appointment to the Managing Board, Mr. Thomas Cord Prinzhorn suspended his mandate as of November 4, 2021 pursuant to Section 90 Para. 2 AktG.

Supervisory board functions at other companies:
Polo Handels AG (until December 14, 2021)

Astrid Skala-Kuhmann (born 1953)

- First appointed: April 19, 2012
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2021 financial year.

Supervisory board functions at other companies: Semperit AG Holding, B&C Industrieholding GmbH

Melody Harris-Jensbach (born 1961)

- First appointed: June 18, 2020
- Current term of office ends as of the date of the Annual General Meeting that passes resolutions relating to the 2023 financial year.

Supervisory board functions at other companies:
Adler Modemärkte Aktiengesellschaft

Supervisory Board members delegated by the Works Council:

Helmut Kirchmair (born 1968)

- First appointed: 2015

Georg Liftinger (born 1961)

- First appointed: 2008

Daniela Födinger (born 1964)

- First appointed: 2014

Johann Schernberger (born 1964)

- First appointed: 2001

Herbert Brauneis (born 1987)

- First appointed: 2018

Independence (C-Rules 53 and 54 ACCG)

The Supervisory Board has adopted the guidelines for the independence of its members pursuant to Appendix 1 of the ACCG.

Accordingly, all members of the Supervisory Board have declared themselves to be independent of the company and its subsidiaries.

In accordance with C-Rule 54 of the ACCG, the Supervisory Board members Helmut Bernkopf, Christian Bruch, Franz Gasselsberger and Melody Harris-Jensbach declared that they were neither shareholders with an interest of more than 10 percent in the company nor did they represent the interests of such shareholders during the 2021 financial year.

Working procedures of the Supervisory Board

In order to fulfill its responsibility to monitor the work of the Managing Board, the Supervisory Board of Lenzing AG holds meetings at least once each quarter. Eight Supervisory Board meetings were held during the reporting year (C-Rule 36). The Supervisory Board was informed by the Managing Board about business performance as well as major transactions and measures. The Supervisory Board supervised the work of the Managing Board and provided advice regarding significant strategic decisions. Central topics of the meetings included business trends, the strategic development of the Group, ongoing and planned expansion projects, focus areas of research and development, personnel measures and organizational development, the Hygiene Austria case, as well as the discussion and approval of the budget for the 2022 financial year and medium-term planning for the 2023 to 2026 period.

The Supervisory Board of Lenzing AG appointed seven committees from among its members in the 2021 financial year (C-Rules 34 and 39 of the ACCG):

Audit Committee
The Audit Committee carries out the responsibilities defined by Section 92 Para. 4a of the Austrian Stock Corporation Act (AktG). Accordingly, it is responsible, in particluar, for monitoring the accounting process and making recommendations or suggestions to ensure its reliability. This committee also oversees the effectiveness of the internal control system, internal audit and risk management. It supervises the audit of the annual separate and consolidated financial statements, examines and monitors the independence of the auditor and approves and controls non-audit services. The Audit Committee also examines the annual financial statements and prepares their approval by the full Supervisory Board, evaluates the Managing Board's proposal for the distribution of profits, the Management Report and the Group Corporate Governance Report. The Chairman of the Audit Committee defines the reciprocal communication between the auditor and the Audit Committee (C-Rule 81a of the ACCG). The committee is required to report to the Supervisory Board on its activities. The Audit Committee met four times in the 2021 financial year. The meetings focused on the reports and work of the auditor, compliance, sustainability reporting and the implementation of the internal audit schedule and the Risk Report.

Members: Patrick Prügger (Chairman, financial expert), Peter Edelmann, Franz Gasselsberger, Markus Fürst (since April 14, 2021), Johann Schernberger, Georg Liftinger

Nomination Committee
The Supervisory Board has established a Nomination Committee. It makes recommendations to the Supervisory Board for appointments to fill vacant positions on the Managing Board and deals with issues related to succession planning. Recommendations are also made to the Annual General Meeting for appointments to the Supervisory Board. In the 2021 financial year, the Nomination Committee held five meetings. These dealt particularly with issues of succession planning and the recruitment search for members of the Managing Board.

Members: Peter Edelmann (Chairman), Veit Sorger (until April 14, 2021), Astrid Skala-Kuhmann, Stefan Fida (since April 14, 2021), Markus Fürst (since April 14, 2021), Johann Schernberger, Georg Liftinger

Remuneration Committee
The Supervisory Board has established a Remuneration Committee. It deals with the terms and conditions of the employment contracts with the members of the Managing Board and ensures compliance with C-Rules 27, 27a and 28 of the ACCG. In addition, the Remuneration Committee is responsible for preparing and reviewing the remuneration policy for the Managing Board members and Supervisory Board members, and for controlling the implementation of the remuneration policy for Managing Board members. Twelve meetings of the Remuneration Committee were held in the 2021 financial year. These dealt particularly with the addition of ESG targets to the remuneration policy approved by the 2021 Annual General Meeting, the Managing Board evaluation and target agreements for 2021, and the conclusion, adjustment, and termination of employment contracts with members of the Managing Board.

Members: Peter Edelmann (Chairman), Veit Sorger (until April 14, 2021), Markus Fürst (since April 14, 2021), Stefan Fida (since April 14, 2021), Astrid Skala-Kuhmann (since April 14, 2021)

Strategy Committee
The Supervisory Board dissolved the Strategy Committee at the constituent Supervisory Board meeting on April 14, 2021, so that in the future the plenary body could handle the review of the company's strategic positioning and the monitoring of strategy implementation. No meeting was held in the 2021 financial year. The strategy issue was dealt with at two Supervisory Board meetings.

Members: Peter Edelmann (Chairman), Astrid Skala-Kuhmann, Patrick Prügger, Christian Bruch, Melody Harris-Jensbach, Johann Schernberger, Georg Liftinger, Helmut Kirchmair

Committee for Urgent Matters
The Supervisory Board has formed a committee to deal with urgent matters. It is authorized to make decisions in particularly urgent cases relating to transactions that require Supervisory Board approval. Two meetings were held in the 2021 financial year at which contracts requiring urgent approval were approved.

Members: Peter Edelmann (Chairman), Patrick Prügger (until April 14, 2021), Markus Fürst (since April 14, 2021), Johann Schernberger

Committee for Large CapEx Projects
The Supervisory Board has established a Committee for Large CapEx Projects. This committee deals with the ongoing support, consulting and controlling of the two large projects for the construction of a lyocell fiber plant in Thailand and the construction of a dissolving wood pulp plant in Brazil. The committee met five times in the 2021 financial year.

Members: Peter Edelmann (Chairman), Christian Bruch, Johann Schernberger

Hygiene Austria Committee
At the meeting on March 10, 2021, the Supervisory Board of Lenzing AG set up the Hygiene Austria Committee in order to accompany the special audit relating to the Hygiene Austria case which had been initiated by the Managing and Supervisory boards, and to supervise the processing of the case as well as all Managing Board measures in connection with the Hygiene Austria case. This committee convened for ten meetings in the 2021 financial year.

Members: Peter Edelmann (Chairman), Patrick Prügger, Stefan Fida, Markus Fürst (since April 14, 2021), Johann Schernberger, Georg Liftinger

Cooperation between the Managing and Supervisory boards
The Managing Board reports to the Supervisory Board on fundamental issues relating to future business policies and the outlook for the financial position and financial performance of Lenzing AG and the Group companies. In addition, the Managing Board provides the Supervisory Board with regular information on the business trends and position of the company and the Group in comparison to forecasts, taking future trends into account. In a separate strategy meeting, the Managing and Supervisory boards also discuss the Lenzing Group's long-term growth objectives.

Self-evaluation by the Supervisory Board
In the 2021 financial year, the Supervisory Board conducted a self-evaluation again as required by C-Rule 36 of the ACCG in the form of a questionnaire, which focused on the control function of the Supervisory Board over the Managing Board and compliance with the obligations of the Managing Board to provide information to the Supervisory Board. The result of the self-evaluation shows that the activities of the Supervisory Board of Lenzing AG are again rated as good overall. The Supervisory Board has acted on individual suggestions from the self-evaluation process. Measures designed to ensure efficiency improvements in the activities of the Supervisory Board have been derived from the results of the self-evaluation.

Advancement of women in the Managing Board, Supervisory Board and key management positions (L-Rule 60 ACCG)

Lenzing AG pursues a stringent equal opportunity policy in all functions and at all hierarchy levels, and actively promotes the career development of women in managerial positions in all business areas. In this context, the focus on the transparency of corporate social responsibility and diversity was enhanced as part of a CSR initiative in 2021. Three overarching social sustainability goals applicable to the entire Lenzing Group (implementation of the "Facility Social Labor Module", respect for human rights and continuous support through social programs in neighboring communities) were defined and approved to this end. Lenzing initiated various focus group workshops in 2021 in order to better understand current gender equality challenges. A total of fifteen women and ten men were invited to participate in these workshops. The results from the workshops are currently being analyzed and findings from them are to be implemented from 2022 onwards.

Astrid Skala-Kuhmann, Melody Harris-Jensbach and Daniela Födinger are members of the Supervisory Board. The functions of Vice President Operations & Technology Pulp as well as Global Commercial Director Biorefinery & Co-Products, as members of the top management team of the Pulp and Wood Division, are held by women who report directly to the member of the Managing Board responsible for Pulp & Wood. One of the seven production sites – Lenzing Biocel Paskov – has been managed by a woman since 2019. More than half of the top management team in the Global Human Resources Department consists of women.

"Modern working conditions" are defined as a focus in the strategic HR orientation. This includes, among other elements, the reconciliation of work and family life as a central topic. Accordingly, in addition to existing flexible working time models, home office and parental leave for both parents, a bilingual (English-German) daycare center "Fasernest" was established near the Lenzing plant.

Diversity concept

Respect, diversity and inclusion form integral and indispensable elements of the corporate culture of Lenzing AG and are reflected in appointments to all functions. Recommendations to the Annual General Meeting for elections to the Supervisory Board and the appointment of members to the Managing Board are designed to achieve a technical and diversity-related balance as this makes an important contribution to the professionalism and effectiveness of the work performed by the Supervisory and Managing boards. In addition to technical and personal qualifications, aspects such as age structure, origin, gender, education and experience are also key criteria.

External evaluation

In accordance with C-Rule 62 of the ACCG, Lenzing must arrange for an external institution to evaluate its compliance with the C-Rules of the code on a regular basis, albeit at least every three years. Lenzing commissioned PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH to evaluate its Group Corporate Governance Report for 2021. This evaluation concluded that the statement of compliance with the Austrian Code of Corporate Governance issued by Lenzing AG gives a true and fair view of the actual situation. All external evaluation reports are published on the company's website at https://www.lenzing.com.

Risk management and Corporate Audit

The effectiveness of Lenzing's risk management system in the reporting year was evaluated by the auditor, KPMG Austria GmbH, in accordance with C-Rule 83 of the ACCG and resulted in an unqualified opinion. The Managing Board was informed of the audit results. In addition, the Head of Risk Management reports regularly on current risks at the Audit Committee meetings.

The Corporate Audit Department reports directly to the Managing Board. The annual audit schedule is finalized in close cooperation with the Managing Board and the Audit Committee. The Head of Corporate Audit also makes regular reports to the Audit Committee on key audit findings.

Directors' Dealings

The purchase and sale of shares by members of the Managing and Supervisory boards are disclosed in accordance with the applicable legal regulations (Art. 19 Regulation (EU) No. 596/2014). (Information on these purchases and sales is provided on the company's website.)

Compliance

Lenzing has a compliance management system that applies throughout the Group. The compliance function aims to advise and support all Lenzing employees, executives and managers through preventative risk-oriented measures as well as uniform detection and response processes, thereby ultimately protecting them from the negative consequences of violations of laws and values. The Head of Corporate Legal Affairs reports to the Audit Committee once a year on compliance issues.

Lenzing Aktiengesellschaft
Lenzing, March 1, 2022

The Managing Board

Cord Prinzhorn
Chief Executive Officer

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

CHAPTER

4 /4

Consolidated Financial Statements 2021

Content

Content notes

Lenzing AG

Consolidated Income Statement

for the period from January 1 to December 31, 2021

EUR '000

	Note	2021	2020
Revenue	(5)	2,194,624	1,632,607
Cost of sales	(6)	(1,692,760)	(1,386,412)[1]
Gross profit		**501,864**	**246,195**
Other operating income	(7)	78,026	59,145
Selling expenses	(6)	(233,981)	(156,932)
Administrative expenses	(6)	(117,547)	(88,236)[1]
Research and development expenses	(6)	(23,993)	(16,181)
Other operating expenses	(8)	(3,753)	(10,133)
Earnings before interest and tax (EBIT)[2]		**200,615**	**33,858[1]**
Income from investments accounted for using the equity method	(13)	(3,541)	5,674
Income from non-current and current financial assets	(14)	7,881	(5,402)
Financing costs	(15)	(22,029)	(11,878)[1]
Financial result		**(17,689)**	**(11,607)**
Earnings before tax (EBT)[2]		**182,926**	**22,251**
Income tax expense	(16)	(55,212)	(32,846)
Net profit/loss for the year		**127,714**	**(10,595)**
Attributable to:			
Shareholders of Lenzing AG		110,346	6,277
Non-controlling interests		(11,382)	(18,762)
Share planned for hybrid capital owners	(17)	28,750	1,890
Earnings per share		EUR	EUR
Diluted = basic	(17)	4.16	0.24

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).
2) EBIT: Operating result, resp. earnings before interest and tax.
EBT: Earnings before tax.

Lenzing AG

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31, 2021

EUR '000

	Note	2021	2020
Net profit/loss for the year		127,714	(10,595)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(32)	(1,691)	633
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	(28)	32,926	(2,646)
Income tax relating to these components of other comprehensive income	(28)	(7,802)	259
Investments accounted for using the equity method – share of other comprehensive income (net of tax)	(22)	105	(106)
		23,537	**(1,861)**
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences arising during the year	(28)	107,394	(111,317)
Financial assets measured at fair value through other comprehensive income (debt instruments) – net fair value gain/loss on remeasurement recognized during the year	(28)	(36)	(34)
Financial assets measured at fair value through other comprehensive income (debt instruments) – reclassification of amounts relating to financial assets disposed during the year	(28)	124	0
Cash flow hedges – effective portion of changes in fair value recognized during the year and non-designated components	(28)	(23,337)	(118,851)
Cash flow hedges – reclassification to profit or loss	(28)	3,173	3,901
Income tax relating to these components of other comprehensive income	(28)	(3,575)	6,447
Investments accounted for using the equity method – share of other comprehensive income (net of tax)	(28)	79	(6,574)
		83,822	**(226,428)**
Other comprehensive income (net of tax)		**107,359**	**(228,289)**
Total comprehensive income		**235,073**	**(238,884)**
Attributable to:			
Shareholders of Lenzing AG		211,065	(160,540)
Non-controlling interests		(4,743)	(80,234)
Share planned for hybrid capital owners		28,750	1,890

Consolidated Statement of Financial Position

as at December 31, 2021

EUR '000

Assets	Note	31/12/2021	31/12/2020
Intangible assets	(18)	36,049	29,669
Property, plant and equipment	(19)	2,877,606	2,068,059
Biological assets	(20)	95,767	84,254
Right-of-use assets	(21)	70,129	65,761
Investments accounted for using the equity method	(22)	24,840	29,088
Financial assets	(23)	38,869	40,890
Deferred tax assets	(31)	3,581	2,409
Current tax assets	(31)	14,937	15,157
Other non-current assets	(24)	42,723	25,915
Non-current assets		**3,204,501**	**2,361,202**
Inventories	(25)	476,956	329,370
Trade receivables	(26)	325,172	249,662
Current tax assets	(31)	1,921	7,410
Other current assets	(27)	168,710	145,347
Financial assets	(23)	32,232	0
Cash and cash equivalents	(35)	1,113,279	1,069,998
Current assets		**2,118,270**	**1,801,786**
Total assets		**5,322,771**	**4,162,988**

Equity and liabilities	Note	31/12/2021	31/12/2020
Share capital		27,574	27,574
Capital reserves		133,919	133,919
Hybrid capital		496,582	496,582
Other reserves		15,134	(117,928)
Retained earnings		1,206,359	1,192,800
Equity attributable to shareholders of Lenzing AG		**1,879,568**	**1,732,947**
Non-controlling interests		192,517	148,480
Equity	(28)	**2,072,085**	**1,881,427**
Financial liabilities	(30)	1,981,036	1,446,876
Government grants	(29)	13,688	14,184
Deferred tax liabilities	(31)	59,806	42,411
Provisions	(32)	118,180	120,383
Puttable non-controlling interests	(37)	234,409	140,341
Other liabilities	(34)	6,740	26,861
Non-current liabilities		**2,413,860**	**1,791,055**
Financial liabilities	(30)	120,125	105,616
Trade payables	(33)	414,768	195,200
Government grants	(29)	44,168	19,878
Current tax liabilities		38,293	2,390
Provisions	(32)	39,088	25,657
Other liabilities	(34)	180,382	141,765
Current liabilities		**836,826**	**490,506**
Total equity and liabilities		**5,322,771**	**4,162,988**

Lenzing AG

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31, 2021

	Note	Share capital	Capital reserves	Hybrid capital	Foreign currency translation reserve
As at 01/01/2020		27,574	133,919	0	61,189
Net profit/loss for the year as per consolidated income statement		0	0	0	0
Other comprehensive income (net of tax)		0	0	0	(102,259)
Total comprehensive income		**0**	**0**	**0**	**(102,259)**
Hedging gains and losses and cost of hedging transferred to the cost of non-current assets and cost of inventory		**0**	**0**	**0**	**0**
Acquisition/disposal of non-controlling interests and other changes in the scope of consolidation	(3,28)	0	0	0	0
Increase in capital	(28)	0	0	496,582	0
Measurement of puttable non-controlling interest recognized directly in equity	(37)	0	0	0	0
Dividends paid		0	0	0	0
Transactions with equity holders		**0**	**0**	**496,582**	**0**
As at 31/12/2020 = 01/01/2021		27,574	133,919	496,582	(41,069)
Net profit/loss for the year as per consolidated income statement		0	0	0	0
Other comprehensive income (net of tax)		0	0	0	89,522
Total comprehensive income		**0**	**0**	**0**	**89,522**
Hedging gains and losses and cost of hedging transferred to the cost of non-current assets and cost of inventory		**0**	**0**	**0**	**0**
Acquisition/disposal of non-controlling interests and other changes in the scope of consolidation	(3,28)	0	0	0	0
Increase in capital	(28)	0	0	0	0
Measurement of puttable non-controlling interest recognized directly in equity	(37)	0	0	0	0
Dividends paid (including hybrid coupon)	(28)	0	0	0	0
Transactions with equity holders		**0**	**0**	**0**	**0**
As at 31/12/2021	**(28)**	**27,574**	**133,919**	**496,582**	**48,452**

EUR '000

Other reserves			Retained earnings	Equity attributable to shareholders of Lenzing AG and to hybrid capital owners	Non-controlling interests	Equity
Financial assets measured at fair value through other comprehensive income	Hedging reserve and non-designated components	Actuarial gains/losses				
10,698	3,770	(47,000)	1,322,856	1,513,006	24,854	1,537,860
0	0	0	8,167	8,167	(18,762)	(10,595)
(2,010)	(62,697)	149	0	(166,817)	(61,472)	(228,289)
(2,010)	(62,697)	149	8,167	(158,650)	(80,234)	(238,884)
0	20,232	0	0	20,232	16,041	36,273
0	0	0	2,118	2,118	100,206	102,324
0	0	0	0	496,582	87,813	584,395
0	0	0	(140,341)	(140,341)	0	(140,341)
0	0	0	0	0	(200)	(200)
0	0	0	(138,223)	358,359	187,819	546,178
8,687	(38,695)	(46,851)	1,192,800	1,732,947	148,480	1,881,427
0	0	0	139,096	139,096	(11,382)	127,714
24,760	(12,441)	(1,122)	0	100,719	6,640	107,359
24,760	(12,441)	(1,122)	139,096	239,815	(4,743)	235,073
0	32,342	0	0	32,342	30,559	62,901
0	0	0	(2,718)	(2,718)	2,718	0
0	0	0	0	0	15,678	15,678
0	0	0	(94,068)	(94,068)	0	(94,068)
0	0	0	(28,750)	(28,750)	(175)	(28,925)
0	0	0	(125,536)	(125,536)	18,221	(107,316)
33,448	(18,794)	(47,973)	1,206,359	1,879,568	192,517	2,072,085

Lenzing AG

Consolidated Statement of Cash Flows

for the period from January 1 to December 31, 2021

EUR '000

		Note	2021	2020
Net profit/loss for the year			127,714	(10,595)
+	Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	(11)	164,269	160,448
+/–	Change in the fair value of biological assets	(20)	(2,258)	10,334
–	Income from the release of investment grants		(1,944)	(1,979)
+/–	Change in non-current provisions		(4,908)	(5,394)
–/+	Income / expenses from deferred taxes		6,838	10,768
+/–	Change in current tax assets and liabilities		42,727	(15,299)
+/–	Income from investments accounted for using the equity method		4,431	(4,883)
–/+	Other non-cash income / expenses	(35)	35,128	(16,568)
Gross cash flow			371,999	126,831
+/–	Change in inventories		(144,902)	81,439
+/–	Change in receivables		(75,115)	(38,360)
+/–	Change in liabilities		242,049	(120,965)
Change in working capital			22,032	(77,885)
Cash flow from operating activities			394,030	48,946
–	Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)		(844,333)	(668,760)
–	Acquisition of financial assets and investments accounted for using the equity method		(7,328)	(4,050)
+	Proceeds from the sale of intangible assets, property, plant and equipment and biological assets		4,810	5,046
+	Proceeds from the sale/repayment of financial assets and the sale of investments accounted for using the equity method		5,567	1,546
Cash flow from investing activities			(841,285)	(666,219)
+	Capital injections to consolidated companies by non-controlling interests		15,577	84,458
+	Increase of hybrid capital	(28)	0	495,443
–	Dividends paid (including hybrid coupon)	(28)	(28,925)	(200)
+	Investment grants		1,095	1,618
+	Increase of bonds and private placements	(35)	0	131,691
+	Increase in other financial liabilities	(35)	626,384	604,277
–	Repayment of bonds and private placements	(35)	(56,000)	(37,500)
–	Repayment of other financial liabilities	(35)	(87,584)	(144,691)
Cash flow from financing activities			470,548	1,135,096
Total change in liquid funds			23,293	517,823
Liquid funds at the beginning of the year			1,069,998	571,479
Currency translation adjustment relating to liquid funds			19,987	(19,304)
Liquid funds at the end of the year			1,113,279	1,069,998
Additional information on payments in the cash flow from operating activities:				
Interest payments received			3,963	1,742
Interest payments made			34,315	19,449
Income taxes paid			9,087	33,533
Distributions received from investments accounted for using the equity method			890	40

Notes to the Consolidated Financial Statements

as at December 31, 2021

General Information

Note 1. Basic information

Description of the company and its business activities

Lenzing Aktiengesellschaft (Lenzing AG), which maintains its registered headquarters in 4860 Lenzing, Werkstrasse 2, Austria, is the parent company of the Lenzing Group (the "Group"). The shares of Lenzing AG are listed in the Prime Market Segment (since April 18, 2011) and in the ATX benchmark index (since September 19, 2011) of the Vienna Stock Exchange in Vienna, Austria.

The core shareholder of Lenzing AG as at December 31, 2021 is the B&C Group, which directly and indirectly holds an investment of 50 percent plus two shares (December 31, 2020: 50 percent plus two shares) in the share capital of Lenzing AG. The direct majority shareholder of Lenzing AG is B&C KB Holding GmbH, Vienna. The indirect majority shareholder of Lenzing AG, which prepares and publishes consolidated financial statements that include the Lenzing Group, is B&C Holding Österreich GmbH, Vienna. The ultimate parent company of the B&C Group, and therefore also of Lenzing AG, is B&C Privatstiftung, Vienna.

The core business of the Lenzing Group is the production and marketing of wood-based cellulosic fibers. The pulp required for production is manufactured for the most part in the Group's own plants and is supplemented by external purchases.

Basis of Reporting

The consolidated financial statements for the period from January 1 to December 31, 2021 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and interpretations which were endorsed in the EU and required mandatory application as of the reporting date. The additional requirements of Section 245a Para. 1 of the Austrian Commercial Code ("Unternehmensgesetzbuch") were also met.

The reporting currency is the euro (EUR), which is also the functional currency of Lenzing AG. The functional currency of the majority of the subsidiaries is the euro (EUR) or US-Dollar (USD). The figures shown in these consolidated financial statements and notes were rounded to the next thousand, unless indicated otherwise ("EUR '000"). The use of automatic data processing tools can lead to rounding differences in the addition of rounded amounts and percentage rates.

Effects of the COVID-19 crisis on the annual results

Business trends in the 2021 financial year improved significantly compared to the same period of the previous year due to the positive market environment. In preparing the consolidated financial statements, the Managing Board has taken into consideration the effects of the COVID-19 crisis, in particular with regard to estimation uncertainties and judgments (such as in the context of the corporate planning used to determine recoverable amounts). Additional information on the effects of the COVID-19 crisis and the measures taken by the Lenzing Group can be found in the group management report.

As part of the preparation of the consolidated financial statements, the management is responsible for assessing the company's ability to continue as a going concern. If material uncertainty exists with regard to events or conditions that may raise significant doubt concerning the company's ability to continue as a going concern, such uncertainty must be explained. Based on the estimates of the Lenzing Group's management and considering all available information regarding the future, which covers a minimum of twelve months after the balance sheet date, such uncertainties do not exist. On the basis of the secured liquidity situation, the continued strong position in the markets relevant to Lenzing and the expectation that the negative effects of the COVID-19 crisis will gradually abate over the course of 2022, the management estimates that the group has sufficient resources as of the approval date to enable it to continue operations in the foreseeable future. Therefore, the consolidated financial statements were prepared based on the assumption of the group's ability to continue as a going concern.

Measurement
Assets and liabilities are principally measured at amortized or depreciated cost. In contrast, other measurement methods are used for the following material positions:

- Biological assets are measured at their fair value.
- Provisions are measured at the present value of the expected settlement amount.
- Deferred tax assets and deferred tax liabilities are recognized at their nominal value. They are measured on the basis of the temporary differences existing as at the reporting date and the effective tax rate expected when the differences are realized.
- Derivative financial instruments and financial assets measured at fair value through profit or loss and at fair value through other comprehensive income are measured at their fair value.
- Puttable non-controlling interests are measured at fair value through other comprehensive income.

Estimation uncertainty and judgments
The Managing Board of Lenzing AG uses estimates, assumptions and judgments in preparing the IFRS consolidated financial statements. These estimates, assumptions and judgments are based on the circumstances assumed as at the reporting date and can have a significant effect on the presentation of the Group's financial position and financial performance. They involve the recognition and measurement of assets and liabilities, contingent receivables and liabilities, the reporting of cash flows and income and expenses (including other comprehensive income) as well as the presentation of disclosures in the notes.

The Lenzing Group is committed to the ecologically responsible production of fibers from the renewable raw material wood and is very concerned about climate protection. In preparing the consolidated financial statements, the Managing Board has taken into consideration the effects of climate change, in particular with regard to estimation uncertainties and judgments (such as in the context of the corporate planning used to determine recoverable amounts). Overall, no significant discernible effects arise at present.

Assumptions and estimates
The following future-oriented assumptions and other major sources of estimation uncertainty at the reporting date could have significant effects on these consolidated financial statements of the Lenzing Group:

- Intangible assets and property, plant and equipment (see note 11): determination of the recoverable amount in connection with impairment testing as defined in IAS 36 (impairment).
- Biological assets (see note 20): determination of fair value less costs to sell.
- Cash and cash equivalents (see note 37): Assessing the classification of money market funds as cash equivalents.
- Financial instruments (see note 37 and 39): determination of fair values and expected credit losses.
- Provisions (see note 32): determination of the expected settlement amount and the net liability of the defined benefit pension and severance payment plans.
- Puttable non-controlling interests (see note 37): determination of fair value less costs to sell.
- Deferred taxes and receivables from current taxes (see note 31): assessment of the extent to which deferred tax assets (in particular, from loss carryforwards) can be utilized and assessment of the recoverability of receivables from current taxes.
- Research and development expenses (see note 18): assessment of capitalization and impairment of development expenses.

Assumptions and estimates are based on experience and other factors that are considered relevant by the Managing Board. However, the amounts actually realized can deviate from these assumptions and estimates if general conditions develop in a different way than the expectations as at the reporting date.

Judgments when applying accounting policies
The application of accounting policies by the Lenzing Group included the following major judgments, which had a material influence on the amounts reported in the consolidated financial statements:

- Liabilities within the scope of reverse factoring agreements (see note 33): assessment of the requirements for derecognition as defined in IFRS 9 (financial instruments).
- Full consolidation and equity method (see note 3, note 37, and note 43): assessment of the existence of control over subsidiaries and assessment of the existence of joint control or significant influence. Application of the present access method to puttable non-controlling interests.
- Receivables from the sale of and measurement of investments accounted for using the equity method (see note 22): evaluation and measurement of the partial sale of the investment in EQUI-Fibres Beteiligungsgesellschaft mbH (EFB), Kelheim, Germany.
- Evidence of impairment (see note 11): evaluation of indications of impairment resp. for impaired cash-generating units evaluation of the occurrence of material changes in comparison with the previous year.

Note 2. Changes in accounting policies

The accounting policies applied by the Lenzing Group in 2021 remained unchanged in comparison with the previous financial year, with the exception of the changes described in this section.

Mandatory changes in accounting policies

The following new and amended standards and interpretations were adopted into EU law and required mandatory application by the Lenzing Group beginning with the 2021 financial year:

Standards/interpretations		Publication by the IASB	Mandatory application according to IASB for financial years from	Adopted by the EU as at 31/12/2021
IFRS 4	Extension of the temporary exemption from applying IFRS 9 in IFRS 4	25/06/2020	01/01/2021	yes
IFRS 16	Extension of practical expedient: Covid-19-Related Rent Concessions	31/03/2021	01/04/2021	yes
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	IBOR-Reform (Phase 2)	27/08/2020	01/01/2021	yes

The new or amended standards and interpretations applicable as of January 1, 2021 did not result in any significant changes to the consolidated financial statements of the Lenzing Group.

The following new or amended standards and interpretations had been published by the IASB prior to the preparation of these consolidated financial statements, but did not require mandatory application by the Lenzing Group for financial years beginning on or before January 1, 2021:

Standards/interpretations		Publication by the IASB	Mandatory application according to IASB for financial years from	Adopted by the EU as at 31/12/2021
IFRS 3	References to the Conceptual Framework	14/05/2020	01/01/2022	yes
IFRS 10, IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	11/09/2014	unknown[1]	no
IFRS 14	Regulatory Deferral Accounts	30/01/2014	01/01/2016	no[2]
IFRS 17	Insurance Contracts	18/05/2017	01/01/2023	yes
IFRS 17	Initial Application of IFRS 7 and IFRS 9 – Comparative Information	09/12/2021	01/01/2023	no
IAS 1	Amendment of classification of liabilities as current or non-current	23/01/2020	01/01/2023	no
IAS 1	Disclosure of Accounting Policies	12/02/2021	01/01/2023	no
IAS 8	Definition of Accounting Estimates	12/02/2021	01/01/2023	no
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	07/05/2021	01/01/2023	no
IAS 16	Property, plant and equipment – Proceeds before intended use	14/05/2020	01/01/2022	Yes
IAS 37	Onerous contracts – Cost of fulfilling a contract	14/05/2020	01/01/2022	yes
Various	Annual Improvements of IFRSs 2018-2020	14/05/2020	01/01/2022	yes

1) The IASB has deferred the effective date of this standard indefinitely.
2) The European Commission does not recommend the adoption of interim standard IFRS 14 into EU law at the present time.

The Lenzing Group applies the practical relief for the accounting of COVID-19-related rent concessions. The change comprises a voluntary practical expedient for leases in which the Lenzing Group is the lessee. For leases to which the practical expedient is applied, this permits the Lenzing Group not to assess whether qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. Rent reductions EUR 0 thousand (2020: EUR 58 thousand) were recognized as negative variable lease payments in the consolidated income statement during the 2021 financial year.

The other above-mentioned new or amended standards and interpretations were not adopted prematurely by the Lenzing Group. They are either not relevant for the Group or do not have a material impact on the earnings, assets or liabilities and the cash flows of the Lenzing Group.

The application of these standards and interpretations is generally planned following their endorsement by the EU.

Voluntary changes in accounting policies

Since the beginning of the 2021 financial year, the Lenzing Group has reported its consolidated income statement applying the cost of sales method. The previous presentation was according to the nature of expense method. The modification in the presentation of the income statement aims to enhance the international comparability of the Lenzing Group's consolidated income statement. As part of this transition, some amounts previously affecting EBIT/EBITDA were reclassified to the financial result (capitalized borrowing costs for the production of non-current assets amounting to EUR 21,166 thousand in 2021, 2020: EUR 8,429 thousand, net interest from defined benefit plans of EUR minus 1,757 thousand in 2021, 2020: EUR minus 2,144 thousand, and loan commitment fees of EUR minus 2,432 thousand in 2021, 2020: EUR minus 2,033 thousand). All amounts were adjusted retrospectively. The Lenzing Group's performance continues to be measured by EBITDA (earnings before interest, tax, depreciation on property, plant and equipment and right-of-use assets and amortization of intangible assets and before income from the release of investment grants) (see note 4 for reconciliation). The following table shows the reconciliation from the nature of expense method to the cost of sales method:

Reconciliation from nature of expense method to cost of goods sold method

2021	Consolidated Income Statement – Cost of goods sold method	Revenue	Change in inventories of finished goods and work in progress	Own work capitalized	Other operating income
Consolidated Income Statement – Nature of expense method		**2,194,624**	**54,587**	**56,938**	**78,026**
Revenue	2,194,624	2,194,624			
Cost of sales	(1,692,760)		54,587	56,938	
Gross profit	**501,864**				
Other operating income	78,026				78,026
Selling expenses	(233,981)				
Administrative expenses	(117,547)				
Research and development expenses	(23,993)				
Other operating expenses	(3,753)				
Earnings before interest and tax (EBIT)	**200,615**				

Reconciliation from nature of expense method to cost of goods sold method

2020	Consolidated Income Statement – Cost of goods sold method	Revenue	Change in inventories of finished goods and work in progress	Own work capitalized	Other operating income
Consolidated Income Statement – Nature of expense method		**1,632,607**	**(41,299)**	**52,080**[1]	**59,145**[1]
Revenue	1,632,607	1,632,607			
Cost of sales	(1,386,412)		(41,299)	52,080	
Gross profit	**246,195**				
Other operating income	59,145				59,145
Selling expenses	(156,932)				
Administrative expenses	(88,236)				
Research and development expenses	(16,181)				
Other operating expenses	(10,133)				
Earnings before interest and tax (EBIT)	**33,858**				

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result.

EUR '000

Gains or losses from the fair value measurement of biological assets	Cost of material and other purchased services	Personnel expenses	Other operating expenses	Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	Income from the release of investment grants	Earnings before interest and tax (EBIT)
2,258	**(1,203,153)**	**(452,617)**	**(367,721)**	**(164,269)**	**1,944**	**200,615**
2,258	(1,198,921)	(329,344)	(128,984)	(151,118)	1,825	
	(1,575)	(41,619)	(186,684)	(4,103)		
	(1,333)	(68,632)	(39,592)	(8,100)	112	
	(1,324)	(13,021)	(8,707)	(948)	7	
			(3,753)			

EUR '000

Gains or losses from the fair value measurement of biological assets	Cost of material and other purchased services	Personnel expenses	Other operating expenses	Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	Income from the release of investment grants	Earnings before interest and tax (EBIT)
(10,334)	**(898,392)**	**(353,609)**[1]	**(247,872)**[1]	**(160,448)**	**1,979**	**33,858**
(10,334)	(870,705)	(255,046)	(114,701)	(148,232)	1,825	
	(1,249)	(32,717)	(119,300)	(3,721)	55	
	(25,847)	(57,904)	3,224	(7,808)	99	
	(455)	(7,942)	(7,098)	(687)		
	(136)		(9,997)			

In the 2020 financial year, a voluntary modification was implemented regarding the presentation of accrued liabilities. Accrued liabilities were presented within provisions until the 2020 financial year. In the course of the annual analysis to optimize presentation, the Lenzing Group identified that the liability character of this type of debt predominates. In accordance with IAS 1.41, current accruals of EUR 48,925 thousand (December 31, 2019: EUR 73,016 thousand; January 1, 2019: EUR 94,072 thousand) were therefore reclassified from current provisions to other current liabilities and non-current accruals of EUR 1,523 thousand (December 31, 2019: EUR 538 thousand; January 1, 2019: EUR 1,109 thousand) were reclassified from non-current provisions to other non-current liabilities. The total amount of liabilities consequently remains unchanged.

Note 3. Consolidation

Scope of consolidation

The consolidated financial statements of the Lenzing Group include Lenzing AG, as the parent company, and its subsidiaries, all on the basis of financial statements as at December 31, 2021.

The number of companies included in the scope of consolidation developed as follows:

Development of the number of consolidated companies (incl. parent company)

	2021		2020	
	Full-consolidation	Equity consolidation	Full-consolidation	Equity consolidation
As at 01/01	**31**	**8**	**30**	**8**
Included in consolidation for the first time during the year	0	0	2	1
Merged during the year	(1)	0	(1)	0
Deconsolidated during the year	(2)	(1)	0	(1)
As at 31/12	**28**	**7**	**31**	**8**
Thereof in Austria	7	3	7	4
Thereof abroad	21	4	24	4

A list of the group companies as at December 31, 2021 is provided in note 43. The most important group companies produce and market wood-based cellulosic fibers (Segment Division Fiber) and, in some cases, pulp (Segment Division Pulp).

In March 2021, the interest in the joint venture Hygiene Austria LP GmbH, Wiener Neudorf, Austria, which was previously accounted for using the equity method (see note 22), was divested and deconsolidated.

In October 2021, the subsidiary Nanjing Fabor Waste Water Treatment Co., Ltd, Nanjing, China, was merged with Lenzing (Nanjing) Fibers Co., Ltd, Nanjing, China.

In November 2021, the previously fully consolidated subsidiaries Avit Investments Limited, Providenciales, Turks & Caicos, and Penique S.A., Panama, Panama, were liquidated and deconsolidated.

In January 2020, the Dexco-Group (formerly known as Duratex Group) acquired a 49 percent share in LD Celulose S.A., Sao Paulo, Brazil as agreed. Lenzing AG holds a majority of 51 percent and thus exercisea control over LD Celulose S.A. The change in shareholdings was the result of an asymmetric capital increase, which was conducted by both parties. The pro-rata equity (49 percent) of LD Celulose S.A. amounted to EUR 100,205 thousand at the time the Duratex Group acquired the shares and corresponds to the amount recognized under non-controlling interests. The proportionate contribution by Duratex amounted to EUR 102,362 thousand. The difference of EUR 2,158 thousand was recognized directly in equity under retained earnings. As part of the capital increase, the Duratex Group contributed biological assets and property, plant and equipment to LD Celulose and carried out further cash capital increases.

The Dexco-Group has a put option for its shares (puttable non-controlling interests). Lenzing AG applies the present access method for the accounting of this liability deriving from puttable non-controlling interests. Accordingly, the Dexco Group's non-controlling interest in LD Celulose S.A. continues to be recognized in equity and a financial liability is recognized for its puttable interest. The initial recognition and subsequent measurement of the liability is at fair value through retained earnings (not affecting net income).

In February 2020, all shares held in the associate WWE Wohn- und Wirtschaftspark Entwicklungsgesellschaft m.b.H., Vienna were sold and deconsolidated.

In April 2020, the joint venture Hygiene Austria LP GmbH, Wiener Neudorf, Austria was founded for the production of protective masks and consolidated at-equity.

In July 2020, 100 percent of the shares in Nanjing Fabor Waste Water Treatment Co., Ltd, Nanjing, China, were acquired and fully consolidated. The assets sold to the Lenzing Group were predominantly assets which in their entirety form a wastewater treatment plant. The purchase price amounted to EUR 16,060 thousand and was paid in cash. The acquisition was therefore recognized as an asset deal in the consolidated financial statements. The payment is recognized in the consolidated statement of cash flows under acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX). The purchase price was allocated proportionately to the individual identifiable assets and liabilities on the basis of their fair values at the acquisition date.

The assets and liabilities at the date of initial consolidation are shown below:

Fair value at acquisition date	EUR '000
Intangible assets	4,651
Property, plant and equipment	10,055
Trade receivables	383
Current tax assets	969
Cash and cash equivalents	6
Total assets	**16,064**
Current tax liabilities	3
Total liabilities	**3**
Net assets	**16,060**

In September 2020, the subsidiary Lenzing Technik GmbH, Lenzing, Austria, was merged with Lenzing AG.

In December 2020, the subsidiary Lenzing Fibers India Private Limited, Coimbatore, India, was founded and included in the scope of fully consolidated companies.

Basis of consolidation

Subsidiaries are companies controlled by the parent company. The Lenzing Group decides individually for each acquisition whether the non-controlling interests in the acquired subsidiary will be recognized at fair value or based on the proportional share of the acquired net assets. On acquisition, non-controlling interests are measured at fair value or the corresponding share of recognized net assets and are reported under equity and comprehensive income as “non-controlling interests”.

The investments in associates and joint ventures are accounted for by applying the equity method.

In January 2021, the Lenzing Group acquired 100 percent of the shares in an insurance cell of White Rock Insurance (Europe) Protected Cell Company Limited, La Valletta, Malta. This company has an insurance concession and enables the Lenzing Group to administer its operationally necessary insurance policies more effectively. As of the acquisition date, the insurance cell did not have any significant assets or liabilities. It is classified as a structured entity from acquisition date and fully consolidated.

Until March 2021, Lenzing AG controlled assets in the GF 82 wholesale fund, a special fund pursuant to Section 20a of the Austrian Investment Fund Act (öInvFG), on the basis of its comprehensive co-determination rights. The fund was classified as a structured entity and fully consolidated. The securities held by the fund were intended, above all, to fulfill the securities coverage requirements for the pension provisions related to Austrian pension plans as required by Section 14 of the Austrian Income Tax Act (öEStG). The material risks to which the fund wass exposed were unchanged and represented traditional investment risks (especially default and market price risks). In March 2021, the shares in wholesale fund GF 82 were sold and deconsolidated.

The structured entities include those assets and liabilities that are held by the Lenzing Group.

The reporting currency of Lenzing AG and the Lenzing Group is the euro. The subsidiaries prepare their annual financial statements in their respective functional currency. The following key exchange rates were used for translation into the reporting currency:

Exchange rates for key currencies

			2021		2020	
Unit		Currency	End of the year	Average	End of the year	Average
1 EUR	USD	US Dollar	1.1334	1.1835	1.2281	1.1413
1 EUR	GBP	British Pound	0.8393	0.8600	0.9031	0.8892
1 EUR	CZK	Czech Koruna	24.9170	25.6468	26.2520	26.4555
1 EUR	CNY	Renminbi Yuan	7.2230	7.6340	8.0134	7.8708
1 EUR	BRL	Brazilian Real	6.3734	6.3814	6.3574	5.8900

Note 4. Segment reporting

Due to the introduction of a new group-wide organization, the composition of the segments has changed as of the 2021 financial year. Internal reporting to the chief operating decision maker, i.e. the plenary Managing Board, was adjusted accordingly as at January 1, 2021. A retrospective presentation of the segment reporting in accordance with the new composition of the segments is not possible due to the significant changes in the segments and the resultant unavailability of financial accounting information. For this reason, the tables below show the old composition of the segments for the 2020 comparison year.

The reportable segments are now the “Division Fiber”, “Division Pulp” and “Others” (previously “Fibers”, “Lenzing Technik” and “Others”). The Lenzing Group classifies its segments based on the differences between their products, which require individual technologies and market strategies.

The Division Fiber produces all three generations of wood-based cellulosic fibers and markets them under the product brands TENCEL™, VEOCEL™, LENZING™ ECOVERO™ and LENZING™. The products made from lyocell, modal and viscose fibres are used for the production of textiles as well as nonwovens and special applications.

The Division Pulp produces and procures dissolving pulp, which is the necessary primary and intermediate product for fiber production. The pulp is used for the company’s own cellulosic fiber production and marketed externally. The fiber and pulp production systems are used and managed independently of each other.

“Others” mainly includes central headquarters functions, overarching activities and the business activities of BZL-Bildungszentrum Lenzing GmbH, Lenzing (training and personnel development).

Information on business segments (new segment structure) **EUR '000**

2021	Division Fiber	Division Pulp	Others	Segment total	Reconciliation	Group
Revenue from external customers	1,904,323	284,177	6,124	**2,194,624**	0	**2,194,624**
Inter-segment revenue	0	475,149	0	**475,149**	(475,149)	**0**
Total revenue	**1,904,323**	**759,326**	**6,124**	2,669,773	**(475,149)**	**2,194,624**
EBITDA (segment result)	214,042	210,080	(58,415)	**365,707**	(2,767)	**362,941**
EBIT	107,423	164,176	(68,190)	**203,409**	(2,794)	**200,615**
Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	107,987	46,239	10,016	**164,242**	27	**164,269**
Income from investments accounted for using the equity method	809	(454)	(3,896)	**(3,541)**	0	**(3,541)**
Other material non-cash income and expenses	22,873	(5,127)	4,404	**22,149**	0	**22,149**
Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)	298,741	577,838	5,740	**882,319**	(37,986)	**844,333**
EBITDA margin[1]	11.2%	27.7%	(953.9)%	**13.7%**	-	**16.5%**
EBIT margin[2]	5.6%	21.6%	(1,113.5)%	**7.6%**	-	**9.1%**

Information on business segments (former segment structure) **EUR '000**

2021	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	2,178,466	14,200	1,958	**2,194,624**	0	**2,194,624**
Inter-segment revenue	148	2,502	3,461	**6,111**	(6,111)	**0**
Total revenue	**2,178,614**	**16,702**	**5,418**	2,200,735	**(6,111)**	**2,194,624**
EBITDA (segment result)	360,862	1,221	926	**363,010**	(69)	**362,941**
EBIT	199,949	(70)	805	**200,684**	(69)	**200,615**
Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	162,856	1,291	122	**164,269**	0	**164,269**
Income from investments accounted for using the equity method	355	0	(3,896)	**(3,541)**	0	**(3,541)**
Other material non-cash income and expenses	21,939	121	20	**22,080**	69	**22,149**
Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)	843,526	605	202	**844,333**	0	**844,333**
EBITDA margin[1]	16.6%	7.3%	17.1%	**16.5%**	-	**16.5%**
EBIT margin[2]	9.2%	(0.4)%	14.8%	**9.1%**	-	**9.1%**

1) EBITDA margin = EBITDA (operating result before depreciation and amortization) in relation to total revenue (here: according to segment reporting).
2) EBIT margin = EBIT (operating result) in relation to total revenue (here: according to segment reporting).

Information on business segments (former segment structure) (previous year) EUR '000

2020	Fibers	Lenzing Technik	Other	Segment total	Recon-ciliation	Group
Revenue from external customers	1,621,659	9,021	1,927	**1,632,607**	0	**1,632,607**
Inter-segment revenue	2,628	14,004	2,656	**19,288**	(19,288)	**0**
Total revenue	**1,624,287**	**23,025**	**4,583**	**1,651,895**	**(19,288)**	**1,632,607**
EBITDA (segment result)	186,493[1]	2,155[1]	1,168	**189,816[1]**	2,511	**192,327[1]**
EBIT	26,598[1]	1,082[1]	1,040	**28,721[1]**	5,137	**33,858[1]**
Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	161,874	1,072	128	**163,075**	(2,626)	**160,448**
Income from investments accounted for using the equity method	4,883	0	790	**5,674**	0	**5,674**
Other material non-cash income and expenses	38,357	(216)	27	**38,168**	(69)	**38,099**
Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)	664,680	4,066	15	**668,760**	0	**668,760**
EBITDA margin[2]	11.5%[1]	9.4%[1]	25.5%	**11.5%[1]**		**11.8%[1]**
EBIT margin[3]	1.6%[1]	4.7%[1]	22.7%	**1.7%[1]**		**2.1%[1]**
Segment assets	3,020,899	20,776	2,474	**3,044,149**	1,118,839	**4,162,988**
Thereof investments accounted for using the equity method	27,934	0	1,154	**29,088**	0	**29,088**
Segment liabilities	675,643	9,946	1,674	**687,263**	1,594,299	**2,281,562**

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).
2) EBITDA margin = EBITDA (operating result before depreciation and amortization) in relation to total revenue (here: according to segment reporting).
3) EBIT margin = EBIT (operating result) in relation to total revenue (here: according to segment reporting).

The other significant non-cash operating expenses and income relate to non-cash measurement effects from receivables, inventories and provisions.

The performance of the segments and the Group is measured by EBITDA (earnings before interest, tax, depreciation on property, plant and equipment and right-of-use assets and amortization of intangible assets and before income from the release of investment grants).

The following table shows the reconciliation of earnings before interest and tax (EBIT) to the earnings before interest, tax, depreciation and amortization (EBITDA) and to the earnings before tax (EBT):

Reconciliation of earnings before interest and tax (EBIT) to the earnings before interest, tax, depreciation and amortization (EBITDA) and to the earnings before tax (EBT) EUR '000

	2021	2020
Earnings before interest and tax (EBIT)	200,615	33,858[1]
Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	164,269	160,448
Income from the release of investment grants	(1,944)	(1,979)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**362,941**	192,327[1]
Segment amortization and depreciation	(164,242)	(163,075)
Consolidation	(27)	2,626
Income from the release of investment grants	1,944	1,979
Earnings before interest and tax (EBIT)	200,615	33,858[1]
Financial result	(17,689)	(11,607)[1]
Earnings before tax (EBT)	**182,926**	**22,251**

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).

The carrying amounts for segment reporting are based on the same accounting policies applied to the IFRS consolidated financial statements.

Information on products and services

Revenue from external customers can be classified by products and services as follows:

Revenue from external customers by products and services (new segment structure) EUR '000

	2021
Wood-based cellulosic fibers	1,833,623
Co-products of fiber production	52,811
Mechanical and plant engineering, engineering services and others	17,890
Division Fiber	**1,904,323**
Pulp	162,176
Biorefinery-products and energy	94,412
Wood and other	27,590
Division Pulp	**284,177**
Others	6,124
Revenue as per consolidated income statement	**2,194,624**

Revenue from customers by products and services (former segment structure) EUR '000

	2021	2020
Wood-based cellulosic fibers	1,833,623	1,362,797
Sodium sulfate and black liquor	52,811	45,477
Pulp, wood, energy and other	292,181	216,013
Segment Fibers	**2,178,614**	**1,624,287**
Mechanical and plant engineering and engineering services	16,702	23,025
Segment Lenzing Technik	**16,702**	**23,025**
Other and consolidation	(693)	(14,705)
Revenue as per consolidated income statement	**2,194,624**	**1,632,607**

No single external customer is responsible for more than 10 percent of external revenue.

Information on geographic regions

The following table provides a classification of revenue from external customers by sales market by geographic area.

Revenue from external customers by geographic regions EUR '000

	2021	2020
Austria	83,866	48,564
Europe (excl. Austria, incl. Turkey)	635,420	476,345
Asia	1,286,462	942,380
America	177,760	155,351
Rest of the world	11,115	9,967
Revenue as per consolidated income statement	**2,194,624**	**1,632,607**

Revenue is allocated according to the geographic region of the customer.

The following table shows non-current assets (excluding financial instruments and tax assets; reconciled to the consolidated figures for total non-current assets), total assets and acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX) by geographic region:

Information on non-current assets, total assets and CAPEX by geographic regions EUR '000

	Non-current assets		Total assets		CAPEX	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Austria	991,183	1,011,150	1,447,738	1,378,876	73,442	101,217
Europe (excl. Austria, incl. Turkey)	188,492	186,439	285,917	263,807	9,367	13,768
Asia	758,622	511,046	1,108,474	764,399	229,434	159,004
America	1,208,818	594,111	1,287,797	637,066	532,090	394,770
Subtotal	**3,147,115**	**2,302,746**	**4,129,926**	**3,044,149**	**844,333**	**668,760**
Reconciliation to consolidated figures	57,386	58,456	1,192,844	1,118,839	0	0
Consolidated total	**3,204,501**	**2,361,202**	**5,322,771**	**4,162,988**	**844,333**	**668,760**

The above amounts cover all segments of the Lenzing Group. Additional information on the segments is provided in the management report of the Lenzing Group as at December 31, 2021.

Notes on the Consolidated Income Statement

Note 5. Revenue

The breakdown of revenue is shown in the segment report (see note 4, in particular information on products and services as well as geographic regions).

Revenue results exclusively from contracts with customers in accordance with IFRS 15 (Revenue from Contracts with Customers). Revenue comprises all income generated by the typical business activities of the Lenzing Group.

Income is recognized at a point in time, and thus when ownership of the product has been transferred to the customer (i.e. with the transfer of risks), the amount of income and the related costs can be reliably determined and the economic benefits from the transaction will probably flow to the Group.

Since all performance obligations in the Lenzing Group have a term of a maximum of one year, the remaining performance obligations are not disclosed.

Contract liabilities are presented under other liabilities and consist of down payments received of EUR 14,526 thousand (December 31, 2020: EUR 20,918 thousand) and accruals for discounts and rebates of EUR 2,681 thousand (December 31, 2020: EUR 1,725 thousand) (see note 34). The amount of EUR 21,637 thousand included in contract liabilities as at December 31, 2020 has been recognized as revenue in 2021 (2020: EUR 18,569 thousand).

Note 6. Functional costs

Cost of sales

The cost of sales mainly relates to the cost of materials and other purchased manufacturing services, gains and losses from changes in the fair value of biological assets, personnel expenses, depreciation and amortization and other operating expenses, in particular expenses for maintenance and repair, other third-party services and expenses for waste disposal. The expenses for maintenance and repair amount to EUR 35,049 thousand (2020: EUR 28,987 thousand).

Selling expenses

Selling expenses mainly relate to personnel expenses and other operating expenses, particularly expenses for outbound freight as well as rental and leasing expenses.

Administrative expenses

Administrative expenses mainly relate to personnel expenses and other operating expenses, in particular legal, audit and consulting expenses.

Research and development expenses

Research and development expenses mainly relate to personnel expenses and other operating expenses, in particular filing and defense costs for patents and trademarks. Research and development expenses include amortization of intangible assets, depreciation of property, plant and equipment and of right-of-use assets relating to leases amounting to EUR 948 thousand (2020: EUR 687 thousand) and income from the release of investment grants amounting to EUR 7 thousand (2020: EUR 0 thousand). In the 2021 financial year, research and development expenses in the Lenzing Group according to the Frascati scheme of computation in the amount of EUR 31,625 thousand (2020: EUR 34,818 thousand) were incurred.

Note 7. Other operating income

Other operating income consists of the following:

Other operating income EUR '000

	2021	2020
Income from green energy bonus	20,030	17,771
Income from recharging of services and other products	14,785	15,815
Income from the release of deferred income for emission certificates and from subsidies	17,133	14,169
Rental income	5,812	5,390
Foreign currency gains	11,557	0
Insurance compensation	845	1,740
Sundry	7,866	4,260
Total	**78,026**	**59,145**

The prior-year amounts have been adjusted to the cost of sales method.

Note 8. Other operating expenses

Other operating expenses comprise the following:

Other operating expenses EUR '000

	2021	2020
Foreign exchange loss	0	7,521
Sundry	3,753	2,613
Total	**3,753**	**10,133**

The prior-year amounts have been adjusted to the cost of sales method.

Note 9. Cost of material and other purchased services

The cost of material and other purchased services comprises the following:

Cost of material and other purchased services EUR '000

	2021	2020
Material	1,017,914	770,254
Other purchased services	185,239	128,138
Total	**1,203,153**	**898,392**

The cost of material comprises primarily the input factors consumed, i.e. pulp (and wood for the internal production of pulp), key chemicals (caustic soda, carbon disulfide and sulfuric acid) and merchandise. The cost of purchased services is related mainly to the consumption of energy.

The cost of the raw material and supplies consumed during the year is based on the weighted average cost method.

Note 10. Personnel expenses

The following table shows the composition of personnel expenses:

Personnel expenses EUR '000

	2021	2020
Wages and salaries	351,119	264,381[1]
Expenses for severance payments and gratuity	5,253	7,195[1]
Retirement benefit expenses	8,224	7,342[1]
Statutory social security expenses	81,313	69,405
Other employee-related costs	6,708	5,287
Total	**452,617**	**353,609**

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).

In the 2021 financial year, government grants of EUR 245 thousand (2020: EUR 13,288 thousand) in connection with short-term work assistance of Austria related to COVID-19 were offset against personnel expenses and recognized in profit or loss. The main condition for short-time working assistance is the temporary reduction of working hours of certain employees. In the 2021 financial year, the Lenzing Group utilized such grants from January to March (2020: May to December).

The number of employees in the Lenzing Group is as follows:

Number of employees (headcount)

	2021	2020
Average	7,614	7,156
As at 31/12	7,958	7,358

The following table shows the number of employees in Lenzing AG and the Austrian subsidiaries of the Lenzing Group:

Average number of employees in Austria (headcount)

	2021	2020
Hourly workers	1,912	1,896
Salaried employees	1,514	1,423
Total	**3,426**	**3,319**

Note 11. Amortization of intangible assets, depreciation of property, plant and equipment and right-of-use assets

Amortization and depreciation include the following:

Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets EUR '000

	2021	2020
Amortization and depreciation	164,269	160,448
Impairment	0	0
Total	**164,269**	**160,448**

Impairment tests of intangible assets, property, plant and equipment and cash-generating units (CGUs)

If there is an indication of impairment in accordance with IAS 36, intangible assets and items of property, plant and equipment as well as cash-generating units (CGUs) are tested for impairment. A qualitative analysis is performed at the reporting dates for all consolidated financial statements and interim consolidated financial statements to determine whether there are any indications of impairment or any material year-on-year changes in impaired CGUs. This analysis is based on criteria defined by the management of Lenzing AG. Intangible assets, property, plant and equipment and right-of-use assets allocated to a CGU that includes goodwill are also tested during the annual impairment testing of goodwill. The CGUs in the Lenzing Group represent, above all, the individual production sites.

The Lenzing Group initially determines the recoverable amount based on the applicable fair value less costs of disposal. The Management and Supervisory Boards approve the budget and the medium-term plans for the next five years. These plans are the starting point for the cash flow projections on a post-tax basis to determine the fair value less costs of disposal. Based on the assumptions used in the previous year, a perpetual yield that includes a sustainable long-term growth rate is applied after the detailed planning period. The estimate for the sustainable long-term growth rate generally equals half of the inflation rate expected in the relevant country during the next few years, as projected by an international economic research agency. This value usually tends to offset general inflation. A growth-related retention of financial surpluses in the perpetual annuity is taken into consideration in the planning calculations. The planned/projected cash flows are discounted to their present value with a discounted cash flow method. Fair value measurement is classified in full as level 3 of the fair value hierarchy because key input factors (in particular, cash flows) cannot be observed on the market. The applied discount rate is calculated on an individual basis using the capital asset pricing model (CAPM) and represents a composite figure (weighted average cost of capital – WACC) that combines the average interest rate for debt and the anticipated return on equity employed. After-tax WACCs ranging from 6.0 percent to 7.1 percent were used in 2021 (2020 5.4 percent to 7.8 percent).

The WACCs were, for the most part, determined on the basis of externally available capital market data for comparable companies (in particular, to determine the risk premium). The planning and forecasts of free cash flows are based, above all, on internal and external assumptions for the expected development of selling prices and volumes (especially for fibers and cellulose) and the related costs (in particular, raw materials like cellulose, wood and energy plus labor and taxes), including the expected market environment and market positioning. Other input factors include anticipated investments and the changes in working capital. These internal assumptions are based on past experience, current operating results and the assessment of future developments. They are supplemented by external market assumptions such as sector-specific market studies and economic outlooks.

No impairments of CGUs in accordance with IAS 36 were recognized in the 2021 and 2020 financial years.

Against the backdrop of the COVID-19 crisis, the Lenzing Group reviewed all assumptions that are crucial to the impairment tests in accordance with the methods previously used. In the case of the cash-generating units (CGUs), the effects of the COVID-19 crisis were taken into consideration in the budgets required for the cash flow forecasts and the medium-term plans.

Impairment test of the CGU Fiber Site China

The carrying amounts of the intangible assets, property, plant and equipment and right-of-use assets of the CGU Fiber Site China impaired in previous years totaled EUR 57,081 thousand at December 31, 2021 (December 31, 2020: EUR 43,063). This amount includes accumulated impairment losses of EUR 13,586 thousand (December 31, 2020: EUR 15,850 thousand) from the previous impairment tests.

Due to an indication of impairment in accordance with IAS 36, the recoverable amount of the CGU Fiber Site China for the consolidated financial statements 2021 was determined. The recoverable amount showed sufficient coverage of the carrying amounts. The carrying amounts would increase (decrease) in particular if planned EBITDA or the weighted average cost of capital (WACC) decreases (increases). In the event of an increase (decrease) in planned EBITDA by 1 percent, the recoverable amount determined would increase (decrease) by EUR 3,953 thousand. If the weighted average cost of capital (WACC) decreases (increases) by 0.25 percent, the recoverable amount will increase by EUR 7,375 thousand or decrease by EUR 6,860 thousand.

Impairment test of the CGU Fiber Site Indonesia

Due to an indication of impairment in accordance with IAS 36, the recoverable amount of the CGU Fiber Site Indonesia was determined. The recoverable amount showed sufficient coverage of the carrying amounts. The carrying amounts would increase (decrease) in particular if planned EBITDA or the weighted average cost of capital (WACC) decreases (increases). In the event of an increase (decrease) in planned EBITDA by 1 percent, the recoverable amount determined would increase (decrease) by EUR 6,539 thousand. If the weighted average cost of capital (WACC) decreases (increases) by 0.25 percent, the recoverable amount will increase by EUR 14,112 thousand or decrease by EUR 13,175 thousand.

Impairment test of CGUs to which goodwill is allocated

Goodwill was allocated to the following segments/cash-generating units (CGUs) as at the reporting date:

Goodwill by segment/CGU EUR '000

	31/12/2021	31/12/2020
Segment Division Pulp		
CGU Pulp Site Czech Republic	10,599	10,060
Segment Divison Fiber		
Other CGUs	3,525	3,267
Total	**14,124**	**13,327**

The recoverable amount of the largest CGU with goodwill in 2021 – the CGU Pulp Site Czech Republic – was determined on the basis of fair value less costs of disposal. The measurement of fair value is classified in full under level 3 of the fair value hierarchy. The following individual assumptions from the most recent impairment tests were used for annual testing:

Assumptions for impairment testing of the largest CGU to which goodwill was allocated

	2021 financial year	2020 financial year
CGU Pulp Site Czech Republic		
Average annual operating margin in planning period	13.3%	20.1%
Long-term growth rate of perpetual yield	1.1%	1.3%
After-tax discount rate (WACC)	7.1%	7.8%

The detailed planning period for the CGU Pulp Site Czech Republic covers five years. The average revenue growth during this period equals 1.4 percent per year (2020: 3.2 percent per year).

The estimated fair value less costs of disposal of the CGU Pulp Site Czech Republic exceeds the carrying amount by EUR 78,558 thousand (2020: EUR 123,524 thousand). This estimate is considered appropriate, but corrections may be required if there are changes in the underlying assumptions or circumstances. The following table shows a sensitivity analysis with hypothetical scenarios for the key assumptions as well as the possible changes in value as at the reporting date which, if they occurred, would result in the recoverable amount equaling the carrying amount of the CGU plus goodwill.

A long-term growth rate of 1.1 percent to 1.3 percent (2020: 0.5 percent to 0.8 percent) was taken into account as perpetual yield for the other CGUs with goodwill.

Sensitivity analysis of assumptions for impairment testing

	Values relating to key assumptions	Change in values relating to key assumptions for which the recoverable amount would equal the carrying amount
CGU Pulp Site Czech Republic		
Operating margin	13.3%	minus 3.1 percentage points
After-tax discount rate (WACC)	7.1%	plus 3.0 percentage points

Sensitivity analysis of assumptions for impairment testing (previous year)

	Values relating to key assumptions	Change in values relating to key assumptions for which the recoverable amount would equal the carrying amount
CGU Pulp Site Czech Republic		
Operating margin	20.1%	minus 5.7 percentage points
After-tax discount rate (WACC)	7.8%	plus 4.4 percentage points

Note 12. Auditor's fees

The fees expensed for services provided by KPMG Austria GmbH, Linz, comprise the following:

Auditors' fees expensed EUR '000

2021	Lenzing AG	Subsidiaries	Total
Audit of the annual financial statements (incl. consolidated financial statements)	310	132	442
Other assurance services	152	1	152
Other services	173	0	173
Total	**635**	**133**	**768**

Auditors' fees expensed (previous year) EUR '000

2020	Lenzing AG	Subsidiaries	Total
Audit of the annual financial statements (incl. consolidated financial statements)	297	158	454
Other assurance services	418	1	418
Other services	195	0	195
Total	**909**	**158**	**1,068**

The fees for other assurance services consist chiefly of fees for the review of the consolidated half-year financial statements and in the 2020 financial year for the comfort letter related to a capital market issue.

Note 13. Income from investments accounted for using the equity method

The result of EUR minus 3,541 thousand (2020: EUR 5,674 thousand) corresponds to the Group's share of the current earnings of associates and joint ventures. The 2021 financial year includes the loss on the disposal of Hygiene Austria LP GmbH (HGA) in the amount of EUR minus 4,536 thousand (2020: EUR 0 thousand) (see note 22).

Note 14. Income from non-current and current financial assets

The income from non-current and current financial assets consists of the following items:

Income from non-current and current financial assets EUR '000

	2021	2020
Income from non-current and current financial assets		
Interest income from bank balances, originated loans and receivables	4,111	1,914
Interest income and income from the disposal of debt instruments measured at fair value through other comprehensive income	37	50
Income from dividends for equity instruments measured at fair value through other comprehensive income	960	829
Measurement of financial assets measured at fair value	796	0
Net foreign currency gains from financial assets	5,203	0
	11,106	**2,794**
Expenses from non-current and current financial assets		
Measurement and loss from disposal of financial assets at amortized cost	(2,021)	(1,400)
Measurement and loss from the disposal of financial assets at fair value through profit or loss	(1,066)	(100)
Loss from the diposal of debt instruments measured at fair value directly in equity	(138)	0
Net foreign currency losses from financial assets	0	(6,696)
	(3,225)	**(8,196)**
Total	**7,881**	**(5,402)**

Note 15. Financing costs

Financing costs comprise the following:

Financing costs

	2021	2020
Net foreign currency gains/losses from financial liabilities	(4,405)	6,391
Interest expense for bonds and private placements	(9,214)	(10,988)
Interest expense for bank loans, other interest and similar expenses	(34,418)	(15,710)[1]
Capitalized borrowing costs for property, plant and equipment and biological assets	26,008	8,429[1]
Total	**(22,029)**	**(11,878)**[1]

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).

Note 16. Income tax expense

This item includes current income tax expense as well as income/expense from deferred taxes (changes in deferred tax assets and deferred tax liabilities) and comprises the following:

Income tax expense by source EUR '000

	2021	2020
Current income tax expense		
Austria	15,893	5,947
Abroad	32,481	16,131
	48,374	**22,077**
Income/expense from deferred taxes	6,838	10,768
Total	**55,212**	**32,846**

Income tax expense by cause EUR '000

	2021	2020
Current income tax expense		
Tax expense for current year	51,018	20,549
Reduction due to the use of tax losses	(7,846)	(81)
Adjustment for prior-period income tax	5,203	1,609
	48,374	**22,077**
Income/expense from deferred taxes		
Recognition and reversal of temporary differences	712	18,795
Effects of changes in tax rates	849	41
Change in capitalized loss carryforwards	4,524	(6,724)
Effects of previously unrecognized temporary differences from prior periods	846	(1,329)
Changes in valuation adjustment to deferred tax assets (excl. loss carryforwards)	(93)	(15)
	6,838	**10,768**
Total	**55,212**	**32,846**

The item “Change in capitalized loss carryforwards” relates to the utilization of loss carryforwards in the amount of EUR 3,271 thousand (2020: EUR 61 thousand) and an adjustment to deferred tax assets for loss carryforwards not yet utilized amounting to EUR 1,253 thousand (2020: EUR minus 6,785 thousand).

The reconciliation of calculated income tax expense based on the Austrian corporate tax rate of 25 percent (December 31, 2020: 25 percent) to effective income tax expense is shown in the following table:

Tax reconciliation — EUR '000

	2021	2020
Earnings before tax (EBT)	**182,926**	**22,251**
Calculated income tax expense (25% of earnings before tax)	45,732	5,563
Deductible distribution of hybrid coupon	(7,188)	0
Tax-free income and tax allowances (particularly research allowance)	(2,055)	(2,348)
Non-deductible expenses, withholding taxes and similar permanent differences	2,313	2,398
Income from investments accounted for using the equity method	468	(1,418)
Effect of different tax rates	(5,374)	(2,304)
Changes in tax rates	849	41
Taxes from prior periods	6,049	280
Exchange rate differences resulting from the translation of deferred tax items from local into functional currency	7,902	10,414
Change in unrecognized deferred tax assets from loss carryforwards, tax credits and other temporary differences	6,637	18,309
Other	(121)	1,910
Effective income tax expense	**55,212**	**32,846**

As in the previous year, the ratio of effective income tax expense to earnings before tax is disproportionately high in the 2021 financial year. As in the previous year, the Group reports a relatively high level of reconciliation items arising from write-downs on tax assets (in particular from non-capitalized start-up losses) and from the translation of tax items from local to functional currency (in particular Indonesia, Brazil and Thailand). In addition, in the 2021 financial year a distribution to hybrid capital holders was realized that is tax deductible. For the item “Taxes from prior periods,” see the notes relating to write-downs in note 31.

The item “Changes in tax rates” mainly comprises a statutory tax rate increase in the UK. The corporate income tax rate in the UK will increase from 19 percent to 25 percent effective April 1, 2023. This resulted in an expense of EUR 941 thousand in the 2021 financial year from the measurement of the UK Group companies’ deferred tax assets and deferred tax liabilities.

The item “taxes from prior periods” includes a tax credit of EUR 747 thousand (2020: EUR 24 thousand) from the tax group with B&C Group (also see note 40).

Lenzing AG and the Austrian subsidiaries of the Lenzing Group are subject to an income tax rate of 25 percent (December 31, 2020: 25 percent). The income tax rates for foreign companies range from 11 percent to 34 percent (December 31, 2020: from 11 percent to 34 percent).

Note 17. Earnings per share

Earnings per share are calculated as follows:

Earnings per share — EUR '000

	2021	2020
Net profit for the year attributable to shareholders of Lenzing AG used in the calculation of earnings per share	110,346	6,277
Weighted average number of shares	26,550,000	26,550,000
	EUR	EUR
Diluted = basic	4.16	0.24

In the calculation of earnings per share, the share of the net profit for the year earmarked for hybrid capital holders of EUR 28,750 thousand (2020: EUR 1,890 thousand) was deducted from net profit for the year.

Notes to the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity

Note 18. Intangible assets

Development

Intangible assets developed as follows:

Development of intangible assets EUR '000

2021	Goodwill	Concessions, industrial property rights, licenses and similar rights	Internally generated intangible assets	Total
Cost				
As at 01/01/2021	86,199	24,494	23,128	**133,820**
Currency translation adjustment	6,886	255	0	**7,141**
Addition	0	2,495	6,182	**8,677**
Disposals	0	(28)	0	**(28)**
As at 31/12/2021	93,085	27,215	29,310	**149,610**
Accumulated amortization				
As at 01/01/2021	(72,872)	(18,057)	(13,223)	**(104,151)**
Currency translation adjustment	(6,089)	(112)	0	**(6,201)**
Amortization	0	(2,411)	(826)	**(3,237)**
Disposals	0	28	0	**28**
As at 31/12/2021	(78,960)	(20,552)	(14,049)	**(113,561)**
Carrying amount as at 01/01/2021	13,327	6,437	9,905	**29,669**
Carrying amount as at 31/12/2021	**14,124**	**6,663**	**15,261**	**36,049**

Development of intangible assets (previous year)

EUR '000

2020	Goodwill	Concessions, industrial property rights, licenses and similar rights	Internally generated intangible assets	Total
Cost				
As at 01/01/2020	93,867	22,939	21,704	**138,510**
Currency translation adjustment	(7,668)	(144)	0	**(7,812)**
Change in the scope of consolidation and disposal of other business areas	0	0	0	**0**
Addition	0	1,755	3,556	**5,311**
Disposals	0	(56)	(2,133)	**(2,189)**
As at 31/12/2020	86,199	24,494	23,128	**133,820**
Accumulated amortization				
As at 01/01/2020	(79,984)	(15,617)	(14,689)	**(110,290)**
Currency translation adjustment	7,112	37	0	**7,149**
Amortization	0	(2,534)	(666)	**(3,200)**
Disposals	0	56	2,133	**2,189**
As at 31/12/2020	(72,872)	(18,057)	(13,223)	**(104,151)**
Carrying amount as at 01/01/2020	13,883	7,322	7,015	**28,221**
Carrying amount as at 31/12/2020	**13,327**	**6,437**	**9,905**	**29,669**

Additions in the 2021 financial year include purchased intangible assets of EUR 2,495 thousand (2020: EUR 1,755 thousand) and internally generated intangible assets of EUR 6,182 thousand (2020: EUR 3,556 thousand) (mainly process and product developments). Development costs are recognized as intangible assets if the specific requirements pursuant to IAS 38 are met, in particular, as to whether future economic benefits can be generated.

The revaluation option was not exercised. Amortization is calculated according to the straight line method based on the estimated useful lives. The estimated useful lives of the major asset classes are as follows:

Useful lives for intangible assets

	Years
Software/computer programs	3 to 4
Licenses and other intangible assets	
Purchased	4 to 25
Internally generated	7 to 15

All items of intangible assets are tested for impairment in accordance with IAS 36 if there are any indications that these assets may be impaired (see note 11).

Note 19. Property, plant and equipment

Development

Property, plant and equipment developed as follows:

Development of property, plant and equipment EUR '000

2021	Land and buildings	Technical equipment and machinery, factory and office equipment	Down payments and assets under construction	Total
Cost				
As at 01/01/2021	641,066	2,975,353	762,018	**4,378,437**
Currency translation adjustment	20,411	74,888	93,090	**188,389**
Addition	28,877	53,793	755,696[1]	**838,366**
Disposals	(440)	(5,891)	0	**(6,331)**
Reclassifications	31,376	59,143	(90,519)	**0**
As at 31/12/2021	721,290	3,157,287	1,520,285	**5,398,862**
Accumulated depreciation				
As at 01/01/2021	(313,744)	(1,973,967)	(22,668)	**(2,310,379)**
Currency translation adjustment	(9,051)	(53,668)	(1,843)	**(64,562)**
Depreciation	(18,959)	(133,087)	0	**(152,046)**
Disposals	297	5,434	0	**5,730**
As at 31/12/2021	(341,457)	(2,155,288)	(24,511)	**(2,521,255)**
Carrying amount as at 01/01/2021	327,323	1,001,386	739,350	**2,068,059**
Carrying amount as at 31/12/2021	**379,833**	**1,001,999**	**1,495,774**	**2,877,606**

1) Additions include a decrease in advance payments of EUR 106,538 thousand.

Development of property, plant and equipment (previous year)

EUR '000

2020	Land and buildings	Technical equipment and machinery, factory and office equipment	Down payments and assets under construction	Total
Cost				
As at 01/01/2020[2]	629,761	2,919,356	287,345	**3,836,462**
Currency translation adjustment	(16,559)	(57,984)	(50,552)	**(125,095)**
Addition	17,425	72,345	607,011[1]	**696,780**
Disposals	(4,153)	(23,534)	(2,023)	**(29,710)**
Reclassifications	14,592	65,171	(79,763)	**0**
As at 31/12/2020[2]	641,066	2,975,353	762,018	**4,378,437**
Accumulated depreciation				
As at 01/01/2020[2]	(306,187)	(1,908,144)	(24,968)	**(2,239,298)**
Currency translation adjustment	6,076	40,313	2,300	**48,689**
Depreciation	(17,772)	(129,420)	0	**(147,192)**
Disposals	4,139	23,284	0	**27,423**
As at 31/12/2020[2]	(313,744)	(1,973,967)	(22,668)	**(2,310,379)**
Carrying amount as at 01/01/2020	323,574	1,011,211	262,378	**1,597,163**
Carrying amount as at 31/12/2020	**327,323**	**1,001,386**	**739,350**	**2,068,059**

1) The additions include an increase in advance payments of EUR 243,258 thousand.
2) The opening balances were adjusted for cost and accumulated depreciation.

Property, plant and equipment are measured at cost, including capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated according to the straight-line method based on the estimated useful lives. The estimated useful lives of the major asset classes are as follows:

Useful lives for property, plant and equipment

	Years
Land use rights	30 to 99
Buildings	10 to 50
Fiber production lines	10 to 15
Energy production plants	10 to 25
Other machinery	4 to 20
Vehicles	4 to 20
Office equipment and other fixtures and fittings	4 to 15
IT hardware	3 to 10

All items of property, plant and equipment are tested for impairment in accordance with IAS 36 if there are any indications that these assets may be impaired (see note 11).

Operating leases as a lessor

Operating leases are in place for land and buildings with acquisition cost of EUR 38,224 thousand as at December 31, 2021 (December 31, 2020 EUR 40,401 thousand). The carrying amount of this land and buildings is EUR 8,282 thousand as at December 31, 2021 (December 31, 2020 EUR 10,305 thousand). Depreciation of EUR 692 thousand was recognized on these assets in the 2021 financial year (2020: EUR 920 thousand). For further details on rental income from operating leases see note 21.

Capitalization of borrowing costs

Borrowing costs of EUR 21,166 thousand for property, plant and equipment were capitalized in 2021 (2020: EUR 3,981 thousand). The weighted average interest rate equaled 2.23 percent (2020: 1.1 percent).

The Lenzing Group defines qualifying assets as construction projects or other assets that require at least twelve months to be ready for their intended use or sale. The capitalization entries are recorded under "financing costs" and the respective asset account. All other borrowing costs are expenses in the period incurred and reported under financial result.

Note 20. Biological assets

Biological assets comprise standing trees of a plantation in Minas Gerais, Brazil, which are used as a raw material for pulp production. In accordance with IAS 41 (Agriculture), biological assets are presented at fair value in the consolidated statement of financial position. The plantation is recognized at level 3 of the fair value less estimated costs to sell at the harvest. It is assumed that fair values can be measured. The measurement of biological assets is monitored and reviewed by the Lenzing Group. The necessary market data are validated on the basis of the dual control principle.

The measurement is based on a discounted cash flow model on the basis of sustainable forest management plans, industry benchmarks for wood prices and delivery costs and taking into account the growth potential. The annual harvest from the projected tree growth is multiplied by wood prices, and the forestry and harvesting costs are deducted. The fair value of the plantation is measured as the present value of the harvest from one growth cycle on the basis of the productive forest area, taking into account environmental restrictions and other reservations. In particular, the calculated fair value would increase (decrease) if both the timber price and the timber volume were to increase (decrease). The calculated fair value would decrease (increase) if the discount rate were to increase (decrease).

Young standing timber less than one year old is considered an immature asset and is recognized at cost. When harvested, biological assets are transferred to the item inventories of the consolidated statement of financial position. Changes in the fair value of hedging instruments in relation to the foreign exchange risk are recognized in the income statement under cost of sales.

As at December 31, 2021, the plantation comprised approximately 40,115 hectares of eucalypt wood (December 31, 2020: 39,892 hectares) and 975 hectares of pine wood (December 31, 2020: 1,001 hectares). The wood is up to 13 years (December 31, 2020: 12 years) old. Wood amounting to EUR 2,163 thousand (December 31, 2020: EUR 2,486 thousand) is less than one year old and therefore considered an immature asset.

Biological assets developed as follows:

Development of biological assets EUR '000

	2021	2020
As at 01/01	84,254	0
Addition	0	103,109
Acquisition	1,469	105
Sales	(6,923)	(6,620)
Capitalized production costs	12,037	9,864
Change in the fair value	(2,001)	(12,943)
Currency translation adjustment	7,071	(9,226)
Other changes	(138)	(36)
As at 31/12	**95,767**	**84,254**

Gains and losses from the change in the fair value of biological assets of EUR 2,258 thousand (December 31, 2020 EUR minus 10,334 thousand) consisted of the regular remeasurement of EUR minus 2,001 thousand (December 31, 2020: EUR minus 12,943 thousand) and changes in the value of hedges related to the exchange rate risk of EUR 4,259 thousand (December 31, 2020: EUR 2,608 thousand). These are included in the cost of sales.

In October 2020, a fire occurred on the plantation. The fire resulted in a reduction of the selling price for the damaged wood. The devaluation taking into account insurance cover amounts to EUR 3,192 thousand and is included in the change in fair value.

The following assumptions were made:

Assumptions of level 3 input factors for biological assets

	31/12/2021	31/12/2020
Market price EUR/m³	8.16	7.70
Discount rate	5.48%	6.93%
Wood volume	11,725,725 m³	11,322,673 m³

A change in key input factors which cannot be observed on the market would have the following effects on the measurement of biological assets:

Sensitivity analysis of level 3 input factors for biological assets as at 31/12/2021 EUR '000

	Increase	Decrease
Change in the market price (+/- 1%)	952	(952)
Discount rate (+/- 1%)	(787)	837
Wood volume (+/- 5%)	4,967	(4,967)

Sensitivity analysis of level 3 input factors for biological assets as at 31/12/2020 (previous year) EUR '000

	Increase	Decrease
Change in the market price (+/- 1%)	798	(798)
Discount rate (+/- 1%)	(801)	850
Wood volume (+/- 5%)	4,514	(4,514)

Note 21. Right-of-use assets

The Lenzing Group as the lessee

The Lenzing Group has obligations from rental and lease agreements for property, plant and equipment, which are recognized as right-of-use-assets in the consolidated statement of financial position. The corresponding lease liabilities are reported as part of financial liabilities (see note 30).

The following table shows the development of right-of-use assets classified by type of asset:

Development of right-of-use assets EUR '000

2021	Land and buildings	Technical equipment and machinery, factory and office equipment	Total
Carrying amount as at 01/01	53,618	12,143	**65,761**
Addition	6,231	3,864	**10,095**
Disposals	(490)	0	**(490)**
Depreciation fiscal year	(4,449)	(4,538)	**(8,987)**
Currency translation adjustment	3,657	93	**3,749**
Carrying amount as at 31/12	**58,568**	**11,562**	**70,129**

Development of right-of-use assets EUR '000

2020	Land and buildings	Technical equipment and machinery, factory and office equipment	Total
Carrying amount as at 01/01	16,438	21,373	**37,811**
Addition	46,664	4,227	**50,891**
Disposals	(57)	(7,618)	**(7,675)**
Depreciation fiscal year	(4,456)	(5,601)	**(10,056)**
Currency translation adjustment	(4,971)	(239)	**(5,211)**
Carrying amount as at 31/12	**53,618**	**12,143**	**65,761**

In the 2021 financial year, right-of-use assets relating to leases amounting to EUR 4,014 thousand for building rentals, EUR 2,927 thousand for wagons and EUR 2,217 thousand from the index increase for the land use right were recognized.

Right-of-use assets of EUR 44,610 thousand were recognized in the 2020 financial year for the land on which the biological assets are located.

The terms and conditions of the main leases can be summarized as follows:

- **Land use rights**: The biological assets (see note 20) are located on land which is not owned by the Lenzing Group. Land use rights are in place for this land. The lease has a term of 30 years, with an option to extend the lease by 19 years after 30 years. This extension option was not taken into account in estimating the expected term of the lease because the use of the biological assets in 30 years is not sufficiently certain from today's perspective. Price adjustment clauses exist.

- **Office and storage premises:** The leases have a term of up to five years and some contracts have an indefinite term. Ordinary useful lives were applied to office and storage premises with indefinite useful lives where economic exit barriers exist. These leases do not include an option to purchase the office and storage premises at the end of the contract term. Some of the leases include extension options and price adjustment clauses.
- **Rail cars:** The leases have a term of up to ten years and can be canceled after a minimum period. Some of the leases have price adjustment clauses.
- **Wastewater treatment plant:** The Lenzing Group has concluded finance leases for an industrial primary clarifier and related expansion investments. The ownership of the plant, including the land, can be transferred to Lenzing AG after the agreements expire in exchange for the payment of a transfer fee. This lease has a term of up to 16 years.

Termination and extension options are taken into account when estimating the expected term of the leases if it is sufficiently certain that they will or will not be exercised. The Lenzing Group estimates that possible future cash outflows from extension options which were not taken into account in the measurement of the lease liability could result in an increase in the lease liability and the related future cash outflows by EUR 1,286 thousand (December 31, 2020: EUR 1,129 thousand).

The following expenses relating to leases were recognized in the consolidated income statement in the 2021 financial year.

Amounts recognized in profit or loss — EUR '000

	2021	2020
Expenses relating to short-term leases	8,492	4,426
Expenses relating to variable leases	5,992	11,003
Expenses relating to leases of low-value assets	229	61
Non-lease components	751	573
Rental and leasing expenses	**15,465**	**16,063**
Interest on lease liabilities = Financing costs	**5,581**	**5,330**

Short-term leases are leases with a term of less than one year. Where contracts have no term, leases are considered short-term leases if both parties have a right to terminate the contract, which can be exercised without the consent of the counterparty and no termination penalties or economic barriers exist. Leases for which only variable lease payments that are not coupled to an index or (interest) rate have been agreed are not capitalized as right-of-use assets.

Expenses relating to variable leases mainly include variable rental payments for warehouses based on monthly storage quantities.

Cash outflows for leases total EUR 28,592 thousand (2020: EUR 30,216 thousand). They include expenses relating to short-term and variable leases and to leases of low-value assets.

Expenses relating to the right-of-use assets and financing costs are fully cash-effective and included in cash flow from operating activities. The cash flows incurred in connection with the repayment of lease liabilities are explained in note 35.

All items of right-of-use assets are tested for impairment in accordance with IAS 36 if there are any indications that these assets may be impaired (see note 11).

The Lenzing Group as the lessor

The future undiscounted minimum lease payments during the non-cancellable term of the leases relate primarily to land and buildings and are as follows, classified by year:

Undiscounted annual minimum lease payments as lessor — EUR '000

	31/12/2021	31/12/2020
In the following year	3,486	3,440
In the following 1-2 years	3,239	3,145
In the following 2-3 years	3,164	3,145
In the following 3-4 years	3,164	3,073
In the following 4-5 years	3,164	3,073
Thereafter	3,562	4,702
Total	**19,780**	**20,579**

The most important lease involves land on which a recycling plant is operated. The lease payments are indexed. The lease was concluded for an indefinite term and can be canceled at the earliest as at December 31, 2029, subject to a six-year notice period.

Rental income for the 2021 financial year is shown in note 7.

The Lenzing Group classifies these leases as operating leases since the main risks and opportunities associated with ownership are retained.

Note 22. Investments accounted for using the equity method

Investments accounted for using the equity method comprise the following:

Carrying amounts of investments accounted for using the equity method EUR '000

	31/12/2021	31/12/2020
EQUI-Fibres Beteiligungsgesellschaft mbH (EFB)	4,777	4,137
Hygiene Austria LP GmbH (HGA)	0	4,536
LD Florestal S.A. (LDF)	15,092	15,595
Other associates	4,853	4,714
Other joint ventures	117	105
Total	**24,840**	**29,088**

The major investments accounted for using the equity method include, in particular, the investments in EQUI-Fibres Beteiligungsgesellschaft mbH (EFB), Kelheim, Germany, which is assigned to the Segment Division Fiber, and LD Florestal S.A. (LDF), Sao Paulo, Brazil, which is assigned to the Segment Division Pulp. For the strategic importance of the other investments accounted for using the equity method and their relationship with the Lenzing Group see note 40.

Investments accounted for using the equity method developed as follows:

Development of the carrying amounts of investments accounted for using the equity method EUR '000

2021	EFB	Other associates	HGA	LDF	Other joint ventures	Total
As at 01/01	4,137	4,714	4,536	15,595	106	29,088
Capital injection	0	0	0	0	0	0
Share in profit or loss of investments accounted for using the equity method	785	663	0	(461)	8	995
Other comprehensive income – remeasurement of defined benefit liability and other	105	0	0	0	0	105
Other comprehensive income – foreign currency translation differences arising during the year	0	116	0	(41)	3	79
Disposal of carrying amount	0	0	(4,536)	0	0	(4,536)
Distributions	(250)	(640)	0	0	0	(890)
As at 31/12	**4,777**	**4,853**	**0**	**15,092**	**117**	**24,840**

Development of the carrying amounts of investments accounted for using the equity method (previous year) EUR '000

2020	EFB	Other associates	HGA	LDF	Other joint ventures	Total
As at 01/01	2,250	4,936	0	21,929	100	29,215
Capital injection	0	0	1,670	0	0	1,670
Share in profit or loss of investments accounted for using the equity method	1,993	8	2,867	49	7	4,924
Other comprehensive income – remeasurement of defined benefit liability and other	(106)	0	0	0	0	(106)
Other comprehensive income – foreign currency translation differences arising during the year	0	(189)	0	(6,384)	(2)	(6,574)
Disposal of carrying amount	0	0	0	0	0	0
Distributions	0	(40)	0	0	0	(40)
As at 31/12	**4,137**	**4,714**	**4,536**	**15,595**	**106**	**29,088**

In March 2021, the interest in the joint venture Hygiene Austria LP GmbH, Wiener Neudorf, Austria, which was previously accounted for using the equity method, was divested. The disposal led to the deconsolidation of the interest. The divestiture incurred a loss of EUR 4,536 thousand. A cash purchase price of EUR 1 was paid. Additionally, a long-term performance-related purchase price component was agreed (earn-out). This earn-out depends on the company's future profitability and was set at EUR 0 thousand as at December 31, 2021. The loan granted to Hygiene Austria LP GmbH in the 2020 financial year was waived as part of the divestiture and a loss of EUR 2,000 thousand was recognized (see note 40). The Lenzing Group held 50.1 percent of the capital and voting rights of HGA as at December 31, 2020. The main activity of HGA, which is not publicly listed, was the production and sale of protective masks, in particular mouth-nose protective masks as well as FFP2 masks.

In the 2021 financial year, an impairment of EUR 0 thousand (2020: EUR 1,384 thousand) was recognized on the outstanding purchase price receivables and non-current loans due from the buyer of EFB (and its subsidiaries) (see note 39, credit risk). The carrying amounts of the outstanding purchase price receivables and non-current loans due from the buyer of EFB (and its subsidiaries) total EUR 10,678 thousand as at December 31, 2021 (December 31, 2020: EUR 10,678 thousand) and are reported under financial assets. They carry standard bank interest rates.

The Lenzing Group holds a lien on the remaining shares of EFB. In addition, there is a non-current earnings-related component of the purchase price, which is dependent on the company's future business development and is reported under other non-current assets at the discounted present value of EUR 4,087 thousand as at December 31, 2021 (December 31, 2020: EUR 4,087). Moreover, the buyer was granted a credit line of up to EUR 5,379 (December 31, 2020: EUR 8,622 thousand), which can be utilized up to December 31, 2025 at the latest in the event of adverse changes in the framework conditions for EFB on the market. The credit line had not been used as at December 31, 2021 and in the previous year as at December 31, 2020.

The Lenzing Group held 20 percent of capital and voting rights as at December 31, 2021 (December 31, 2020: 20 percent). The core business of EFB, which is not publicly listed, is the production and marketing of wood-based cellulosic fibers. The relations between the Lenzing Group and this company are described in note 40.

The following table provides summarized financial information on EFB in accordance with IFRS (100 percent):

Summarized financial information on EFB EUR '000

	31/12/2021	31/12/2020
Non-current assets	127,871	116,958
Current assets	81,282	67,628
Equity	61,336	58,137
Non-current liabilities	54,513	55,976
Current liabilities	93,303	70,474
	2021	**2020**
Revenue	151,231	127,610
Earnings before tax (EBT)	6,044	12,759
Total comprehensive income	4,450	9,434
Thereof net profit for the year	3,926	9,964
Thereof other comprehensive income	523	(531)

The reconciliation of equity to the carrying amount of the investment in EFB is as follows:

Reconciliation of equity to carrying amount of the investment in EFB EUR '000

	31/12/2021	31/12/2020
Equity	61,336	58,137
Thereof:		
Group's interest (20%; previous year: 20%)	12,267	11,627
Consolidation and other effects	(63)	(63)
Impairment	(7,427)	(7,427)
Carrying amount	**4,777**	**4,137**

The Lenzing Group held 50 percent of the capital and voting rights in LDF as at December 31, 2021 (December 31, 2020: 50 percent). The core business of LDF, which is not publicly listed, is granting rights of use. The relations between the Lenzing Group and this company are described in note 40.

The following table provides summarized financial information on LDF in accordance with IFRS (100 percent):

Summarized financial information on LDF EUR '000

	31/12/2021	31/12/2020
Non-current assets	78,404	73,344
Current assets	5,545	2,840
Equity	30,185	31,190
Non-current liabilities	51,647	43,941
Current liabilities	2,117	1,053
	2021	**2020**
Revenue[1]	4,946	5,041
Earnings before tax (EBT)	922	103
Total comprehensive income	922	103
Thereof net profit for the year	922	103
Thereof other comprehensive income	0	0

1) LDF's revenue consists of rental income in particular.

The reconciliation of equity to the carrying amount of the investment in LDF is as follows:

Reconciliation of equity to carrying amount of the investment in LDF EUR '000

	31/12/2021	31/12/2020
Equity	30,185	31,190
Thereof:		
Group's interest (50%; previous year: 50%)	15,092	15,595
Carrying amount	**15,092**	**15,595**

The investments in associates represent shares in companies in which the Lenzing Group can exert significant influence over financial and operating policies. Joint ventures are joint arrangements managed by the Lenzing Group together with one or more partners, whereby the Lenzing Group has rights to the net assets of the arrangement.

Note 23. Financial assets

Non-current financial assets comprise the following:

Non-current financial assets		EUR '000
	31/12/2021	31/12/2020
Non-current securities	19,423	16,367
Other equity investments	7,097	12,931
Originated loans	12,348	11,591
Total	**38,869**	**40,890**

Non-current securities are classified as follows:

Non-current securities by asset class		EUR '000
	Market value 31/12/2021	Market value 31/12/2020
Government bonds	0	3,162
Other securities and book-entry securities (primarily shares)	19,423	13,205
Total	**19,423**	**16,367**

The Lenzing Group has designated equity instruments of a fair value of EUR 19,899 thousand as measured at "fair value through other comprehensive income" as at December 31, 2021 (December 31, 2020: EUR 24,753 thousand). Non-current securities measured at fair value through other comprehensive income and other equity investments include shares in companies in which a share of less than 20 percent is held. The option to recognize these equity instruments at fair value through other comprehensive income was exercised based on the intent to hold these instruments in the long term. The other equity investments as at December 31, 2021 consist primarily of the investment in LP Beteiligungs & Management GmbH, Lenzing. Non-current securities primarily consist of Oberbank ordinary shares amounting to EUR 12,802 thousand (December 31, 2020: EUR 11,821 thousand). In the 2021 financial year there was a dividend payout of other investments and other securities, which amounted to EUR 960 thousand (December 31, 2020: EUR 829 thousand).

Current financial assets include the shares held in Spinnova OY, Jyväskylä, Finland, amounting to EUR 32.232 thousand, which were reclassified from other equity investments to current securities in the 2021 financial year (see note 37).

Note 24. Other non-current assets

Other non-current assets are classified as follows:

Other non-current assets		EUR '000
	31/12/2021	31/12/2020
Other non-current financial assets (particularly from derivatives and other financial receivables)	4,944	5,481
Other non-current non-financial assets (particularly from other taxes)	37,779	20,435
Total	**42,723**	**25,915**

Note 25. Inventories

Inventories include the following components:

Inventories		EUR '000
	31/12/2021	31/12/2020
Raw materials and supplies	274,152	191,803
Work in progress	8,974	5,576
Finished goods and merchandise	187,674	128,902
Advance payments made	6,156	3,089
Total	**476,956**	**329,370**

Raw materials and supplies consist primarily of wood for pulp production, pulp and chemicals for cellulosic fiber production and various incidentals. The cost of raw materials and supplies is calculated using the weighted average cost method. Finished goods and work in progress include cellulosic fibers, sodium sulfate, acetic acid and furfural.

Write-downs totaling EUR 16,841 thousand were recognized to inventories in 2021 (2020: EUR 8,689 thousand). The carrying amount of inventories measured at their net realizable value equaled EUR 186,751 thousand (December 31, 2020: EUR 118,706 thousand). Expenses for inventories, which are included in the cost of material totaled EUR 1,017,914 thousand (2020: EUR 770,254 thousand).

Note 26. Trade receivables

Trade receivables comprise the following:

Trade receivables		EUR '000
	31/12/2021	31/12/2020
Trade receivables (gross)	335,685	258,598
Bad debt provisions	(10,513)	(8,937)
Total	**325,172**	**249,662**

All trade receivables are classified as current assets. Additional information on trade receivables is provided in note 37 ("Factoring") and note 39 ("Credit risk").

Note 27. Other current assets

Other current assets comprise the following:

Other current assets		EUR '000
	31/12/2021	31/12/2020
Other current financial assets		
Derivatives not yet settled (open positions)	1,950	12,714
Recharging of maintenance services	5,825	6,795
Receivables from grant commitments	733	1,066
Sundry	6,074	8,518
Total	14,581	29,093
Other current non-financial assets		
Receivables from other taxes and duties	91,723	80,835
Advance payments made	6,255	4,204
Emission certificates	48,763	21,927
Prepaid expenses	7,294	8,979
Sundry	93	309
Total	154,129	116,254
Total	**168,710**	**145,347**

Note 28. Equity

Share capital and capital reserves

The share capital of Lenzing AG totaled EUR 27,574,071.43 as at December 31, 2021 (December 31, 2020: EUR 27,574,071.43) and is divided into 26,550,000 zero par value shares (December 31, 2020: 26,550,000 shares). The proportion of share capital attributable to one share equals roughly EUR 1.04. Each ordinary share represents an equal interest in capital and conveys the same rights and obligations, above all the right to a resolved dividend and the right to vote at the Annual General Meeting. The issue price of the shares is fully paid in. No other classes of shares have been issued.

The Annual General Meeting on April 12, 2018 authorized the Managing Board – while at the same time canceling the resolutions regarding this matter of the Annual General Meeting of April 22, 2015 – subject to the approval of the Supervisory Board, to increase share capital by up to EUR 13,787,034.68 through the issue of up to 13,274,999 zero par value shares ("authorized capital") – also in tranches – in exchange for cash and/or contributions in kind, within five years from entry in the commercial register. The proportion of authorized capital attributable to one share equals roughly EUR 1.04. This authorized capital was recorded in the commercial register on May 23, 2018.

In addition, a resolution of the Annual General Meeting on April 12, 2018 authorized the Managing Board – while at the same time canceling the resolutions regarding this matter of the Annual General Meeting of April 22, 2015 – to issue, subject to the approval of the Supervisory Board, convertible bonds by April 12, 2023 in one or several tranches that grant or provide for the subscription or conversion right or a subscription or conversion obligation for up to 13,274,999 shares of the company ("contingent capital"). They can be serviced through the contingent capital and/or treasury shares.

The Annual General Meeting on June 18, 2020 authorized the Managing Board – while at the same time canceling the resolutions regarding this matter of the Annual General Meeting of April 12, 2018 and subject to the approval of the Supervisory Board – to purchase treasury shares of the company for a period of 30 months starting on the day of the resolution. The treasury shares acquired by the company may not exceed 10 percent of the company's share capital. The equivalent to be paid for the repurchase must be within a range of +/-25 percent of the weighted average closing price of the last 20 stock exchange days prior to the start of the corresponding repurchasing program of the Lenzing share. The Managing Board was also authorized to withdraw repurchased treasury shares without any further resolution by the Annual General Meeting subject to the approval of the Supervisory Board (including the authorization of the Supervisory Board to adopt changes to the articles of association resulting from withdrawing the shares), or to resell them and to determine the conditions of sale. This authorization can be exercised in full, in part and in pursuit of one or several objectives by the company, by a subsidiary (Section 189a no. 7 of the Austrian Commercial Code) or by third parties for the company's account. In addition, the Management was authorized for a period of five years from the date of the resolution to adopt the sale of treasury shares in any manner permitted by law other than through the stock exchange or public offer, also excluding shareholders' repurchasing rights (subscription rights), and to determine the conditions of sale.

The Managing Board did not utilize the authorizations in place on or up to December 31, 2021 to increase share capital, issue convertible bonds or repurchase treasury shares during the 2021 financial year.

The capital reserves represent appropriated reserves of Lenzing AG that may only be used to offset an accumulated loss by Lenzing AG. These reserves were created from the inflow of funds received by Lenzing AG from shareholders in excess of share capital.

Other reserves

Other reserves include all accumulated other comprehensive income and consist of the foreign currency translation reserve, the reserve for financial assets measured at fair value through other comprehensive income, the hedging reserve and actuarial gains/losses.

The amounts attributable to the components of other comprehensive income in 2021 and 2020 include the following:

Other comprehensive income EUR '000

	2021			2020		
	Before tax	**Tax effect**	**After tax**	**Before tax**	**Tax effect**	**After tax**
Consolidated subsidiaries	107,394	(4,418)	102,976	(111,317)	3,520	(107,796)
Investments accounted for using the equity method	79	0	79	(6,574)	0	(6,574)
Foreign currency translation reserve	**107,473**	**(4,418)**	**103,055**	**(117,891)**	**3,520**	**(114,371)**
Financial assets measured at fair value through other comprehensive income	**33,014**	**(8,253)**	**24,760**	**(2,681)**	**670**	**(2,010)**
Consolidated subsidiaries	(20,164)	865	(19,299)	(114,950)	2,918	(112,032)
Hedging reserve	**(20,164)**	**865**	**(19,299)**	**(114,950)**	**2,918**	**(112,032)**
Consolidated subsidiaries	(1,691)	429	(1,262)	633	(403)	230
Investments accounted for using the equity method	105	0	105	(106)	0	(106)
Actuarial gains/losses	**(1,587)**	**429**	**(1,157)**	**527**	**(403)**	**124**
Total	**118,736**	**(11,377)**	**107,359**	**(234,995)**	**6,706**	**(228,289)**

The hedging reserve developed as follows:

Changes in the hedging reserve EUR '000

	2021	**2020**
Gains/losses recognized in the reporting period from the valuation of cash flow hedges		
From forward foreign exchange contracts	(25,474)	(112,750)
From other derivatives	2,137	(6,100)
	(23,337)	**(118,851)**
Reclassification to profit or loss of amounts relating to cash flow hedges		
From forward foreign exchange contracts	2,415	4,025
From other derivatives	758	(124)
	3,173	**3,901**
Total	**(20,164)**	**(114,950)**

The fair value changes recognized in the reporting period from the valuation of cash flow hedges are mostly related to the hedging of foreign currency transactions for the construction of assets and the hedging of revenue in foreign currencies.

The above amounts from the reclassification to profit or loss of cash flow hedges from forward foreign exchange contracts are reported primarily under revenue as part of earnings before interest and tax (EBIT). The above amounts from the reclassification to profit or loss of cash flow hedges from other derivatives are reported under financial result.

Retained earnings

Retained earnings comprise the following:

Retained earnings EUR '000

	31/12/2021	31/12/2020
Unappropriated revenue reserves of Lenzing AG under Austrian law (Austrian Commercial Code – öUGB)	730,772	738,076
Accumulated profits of Lenzing AG under Austrian law (Austrian Commercial Code – öUGB)	115,493	0
Retained earnings of the subsidiaries, including the effect of adjusting the financial statements of Lenzing AG and its subsidiaries from local regulations to IFRS	360,095	454,724
Total (excl. other reserves)	**1,206,359**	**1,192,800**

The unappropriated revenue reserves of Lenzing AG can be released at any time and distributed to shareholders as part of accumulated profits. Austrian law only permits the distribution of dividends from accumulated profits as stated in the approved annual financial statements of the parent company prepared in accordance with the Austrian Commercial Code.

The following dividends were approved by the Annual General Meeting and paid to the shareholders of Lenzing AG:

Dividends of Lenzing AG resolved and paid

	Total	Number of shares	Dividend per share
	EUR '000		EUR
Dividend for the financial year 2020 resolved at the Annual General Meeting on April 14, 2021	0	26,550,000	0.00
Dividend for the financial year 2019 resolved at the Annual General Meeting on June 18, 2020[1]	0	26,550,000	0.00

1) The proposed dividend payout of EUR 1.00 as published in the consolidated financial statements 2019 was reevaluated due to the COVID-19 crisis.

The Managing Board proposes the following use of accumulated profits for 2021 as stated in the annual financial statements of Lenzing AG, which were prepared in accordance with the Austrian Commercial Code:

Proposal on the appropriation of accumulated profits for 2021	**EUR '000**
Lenzing AG closed the 2021 financial year with profit under Austrian law (öUGB) of	157,320
the allocation to (unappropriated) revenue reserves of	(41,828)
results in accumulated profit of	**115,493**
The Managing Board proposes the following appropriation of the accumulated profit:	
Distribution of a EUR 4.35 dividend per share on eligible share capital of EUR 27,574,071.43 or 26,550,000 shares	115,493
Amount carried forward to new account	**0**

The dividend shown in the above proposal is subject to approval by the shareholders at the Annual General Meeting and is therefore still included in equity as at the reporting date.

Hybrid capital

In December 2020, a subordinated perpetual bond (hybrid capital) with a total volume of EUR 500,000 thousand and a coupon of 5.75 percent was issued. The hybrid capital has a perpetual tenor and can be called or re-deemed by Lenzing AG on December 7, 2025 at the earliest. Investors have no call rights. If the hybrid capital is not called, the hybrid capital will carry a changed interest rate from December 8, 2025 (then applicable 5-year swap rate plus a margin of 11.208 percent).

Interest will be due and payable in arrears on December 7 of each year unless Lenzing AG decides to defer such interest payment. Outstanding deferred interest must be paid under certain circumstances, in particular when the Annual General Meeting of Lenzing AG resolves to pay a dividend.

The bond meets the criteria for equity pursuant to IAS 32 (Financial Instruments: Presentation). Accordingly, coupons are presented as part of appropriation of profits in the consolidated income statement. The hybrid capital led to directly attributable transaction costs after tax of EUR 3,418 thousand, which were offset against equity.

Non-controlling interests

Non-controlling interests represent the investments held by third parties in consolidated group companies. The group companies with non-controlling interests are listed in note 43 under “Consolidated companies”. These are companies in which the Lenzing Group holds a share of less than 100 percent and which are not reported under puttable non-controlling interests.

Non-controlling interests in equity include LD Celulose S.A. (LDC), Sao Paulo, Brazil, which is assigned to the Segment Division Pulp. The non-controlling interests in LDC totaled EUR 174,719 thousand as at December 31, 2021 (December 31, 2020: EUR 133,283 thousand). As at December 31, 2021, non-controlling shareholders held 49.0 percent (December 31, 2020: 49.0 percent) of the capital and voting rights in LDC, which is not publicly listed. After the completion of the plant, the core business of LDC will consist of the production and sale of dissolving wood pulp.

The following table provides summarized financial information on LDC in accordance with IFRS (100 percent):

Summarized financial information on LDC EUR '000

	31/12/2021	31/12/2020
Non-current assets	1,147,458	524,283
Current assets	98,960	114,065
Equity	356,570	272,006
Thereof equity attributable to shareholders of Lenzing AG	181,851	138,723
Thereof equity attributable to non-controlling interests	174,719	133,283
Non-current liabilities	806,748	304,099
Current liabilities	83,099	62,243
	2021	**2020**
Revenue	10,586	6,000
Earnings before tax (EBT)	(19,971)	(16,077)
Total comprehensive income	52,568	(111,704)
Thereof net profit/loss for the year	(20,564)	(22,274)
Net profit/loss for the year attributable to shareholders of Lenzing AG	(10,488)	(11,359)
Net profit/loss for the year attributable to non-controlling interests	(10,076)	(10,914)
Thereof other comprehensive income	73,132	(89,430)
Other comprehensive income attributable to shareholders of Lenzing AG	37,297	(45,654)
Other comprehensive income attributable to non-controlling interests	35,835	(43,776)
Cash flow from operating activities	11,474	(15,118)
Cash flow from investing activities	(529,072)	(396,758)
Cash flow from financing activities	478,252	524,979
Change in cash and cash equivalents	(39,346)	107,682
Dividends paid to non-controlling interests	0	0

Non-controlling interests in equity include PT. South Pacific Viscose (SPV), Purwakarta, Indonesia, which is assigned to the Segment Division Fiber. The non-controlling interests in SPV totaled EUR 17,232 thousand as at December 31, 2021 (December 31, 2020: EUR 14,615 thousand). As at December 31, 2021, non-controlling shareholders held 8.13 percent (December 31, 2020: 11.92 percent) of the capital and voting rights in SPV, which is not publicly listed. The core business of SPV is the production and sale of wood-based cellulosic fibers.

The following table provides summarized financial information on SPV in accordance with IFRS (100 percent):

Summarized financial information on SPV EUR '000

	31/12/2021	31/12/2020
Non-current assets	221,551	208,333
Current assets	166,130	94,351
Equity	211,952	122,609
Thereof equity attributable to shareholders of Lenzing AG	194,720	107,994
Thereof equity attributable to non-controlling interests	17,232	14,615
Non-current liabilities	17,705	38,077
Current liabilities	158,025	141,997
	2021	**2020**
Revenue	417,124	225,360
Earnings before tax (EBT)	(19,395)	(66,025)
Total comprehensive income	(9,643)	(80,742)
Thereof net profit/loss for the year	(25,827)	(67,454)
Net profit/loss for the year attributable to shareholders of Lenzing AG	(24,375)	(59,414)
Net profit/loss for the year attributable to non-controlling interests	(1,452)	(8,041)
Thereof other comprehensive income	16,184	(13,288)
Other comprehensive income attributable to shareholders of Lenzing AG	14,831	(11,704)
Other comprehensive income attributable to non-controlling interests	1,353	(1,584)
Cash flow from operating activities	(71,743)	9,915
Cash flow from investing activities	(29,474)	(11,233)
Cash flow from financing activities	98,004	(920)
Change in cash and cash equivalents	(3,214)	(2,238)
Dividends paid to non-controlling interests	0	0

The following shares of other comprehensive income are attributable to non-controlling interests in the subsidiaries of Lenzing AG:

Other comprehensive income attributable to non-controlling interests	**EUR '000**	
	2021	**2020**
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability	(45)	6
Income tax relating to these components of other comprehensive income	10	(31)
Items that may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences arising during the year	13,533	(12,112)
Cash flow hedges – effective portion of changes in fair value recognized during the year and non-designated components	(6,858)	(49,404)
Income tax relating to these components of other comprehensive income	0	69
Other comprehensive income (net of tax)	**6,640**	**(61,472)**

Note 29. Government grants

The amount accrued under this item resulted primarily from grants for the promotion of investments in economically underdeveloped regions, for investments in environmental protection and for general investment support.

Investment grants are reported as liabilities and recognized in profit or loss on a straight-line basis over the useful life of the subsidized investments as "Income from the release of investment grants".

Government grants for cost reimbursements are recognized as other income in the period in which the related costs are incurred, unless the receipt of the grant is contingent on conditions that are not yet sufficiently likely to occur.

Government grants of EUR 12,755 thousand were recognized to profit or loss in 2021 (2020: EUR 12,752 thousand), resulting predominantly from promotion of research activities. Any conditions attached to the grants were fulfilled and repayment, in full or in part, is there-fore considered unlikely.

Government grants also included EUR 42,254 thousand of emission certificates as at December 31, 2021 (December 31, 2020: EU 18,048 thousand). In accordance with Directive 2003/87/EC of the European Parliament and the European Council on a system for trading greenhouse gas emission certificates, a total of 369,863 EU-emission certificates and 30,589 UK-emission certificates were allocated free of charge to the relevant companies in the Lenzing Group for 2021 through national allocation plans (2020: 393,758 EU-emission certificates and 34,808 UK-emission certificates).

Emission certificates are capitalized at fair value on the allocation date. The difference between the fair value and the purchase price paid by the company for the emission certificates is recorded under government grants. At the end of each reporting period, a provision is recognized for the certificates used up to that date. The amount of the provision is based on the recognized asset value of the certificates if they are covered by certificates held by the company at this reporting date. If the certificates used exceed the certificates held, the provision is based on the fair value of the certificates (to be purchased subsequently) as at the relevant reporting date. Future laws and commitments on emissions, especially in the countries of the Lenzing Group's production sites, could lead to further precautionary measures in the future.

In the 2021 financial year expenses for emission certificates amounted to EUR 6,557 thousand (2020: EUR 4,738 thousand).

Note 30. Financial liabilities

The following table shows the composition of financial liabilities as at December 31:

Financial liabilities	31/12/2021				31/12/2020			EUR '000
	Currency	Nominal value	Carrying amount	Average effective interest in %	Currency	Nominal value	Carrying amount	Average effective interest in %
Private placements								
Fixed interest	EUR	362,500	361,965	1.5	EUR	362,500	361,809	1.5
Floating rate interest	EUR	219,000	218,526	1.1	EUR	275,000	274,378	1.1
Floating rate interest[1]	USD	65,000	57,350	0.8	USD	65,000	52,927	0.8
			637,841				**689,114**	
Bank loans								
Loans:								
Fixed interest	EUR	428,809	428,809	1.0	EUR	328,500	328,500	0.8
Fixed interest	USD	91,457	69,287	2.8	USD	40,883	27,964	3.3
Floating rate interest	EUR	139,779	139,779	0.2	EUR	126,003	126,003	0.2
Floating rate interest[1]	USD	789,000	670,175	2.2	USD	284,000	209,540	2.7
Operating loans[2]:								
Floating rate interest	CNY	250,000	34,612	4.0	CNY	330,000	41,181	4.2
			1,342,661				**733,188**	
Lease liabilities								
Fixed interest	EUR	63,475	63,475	9.0	EUR	60,890	60,890	11.0
			63,475				**60,890**	
Loans from other lenders								
Fixed interest	EUR	8,622	8,622	0.7	EUR	6,720	6,720	0.7
Fixed and floating rate interest	EUR	33,813	33,813	0.6	EUR	38,572	38,572	0.6
Floating rate interest	USD	0	0	0.0	USD	3,303	2,690	3.7
Floating rate interest	BRL	93,279	14,748	3.9	BRL	135,529	21,318	2.1
			57,183				**69,300**	
Total			**2,101,161**				**1,552,492**	
Thereof current			120,125				105,616	
Thereof non-current			1,981,036				1,446,876	

1) The underlying contracts are linked to the USD-LIBOR reference interest rate as of the balance sheet date and have not yet been switched to an alternative reference interest rate.
2) Revolving credit agreements and overdrafts

In the 2012 financial year, the Lenzing Group issued private placements with an issue volume of EUR 200,000 thousand. The terms cover four and seven years with fixed and floating interest rates, respectively, as well as a term of ten years with fixed interest. The average term is approximately six years. The Lenzing Group repaid EUR 40,500 thousand of the existing private placements as scheduled in 2016. In the 2015 financial year, the Lenzing Group reached an agreement to refinance its private placements with a corresponding volume increase. Existing private placements of EUR 89,500 thousand were terminated and re-issued at extended terms. Additional private placements of EUR 60,500 thousand were also issued. Overall these transactions involved the issue of private placements totaling EUR 150,000 thousand, which have an average term of seven years. In the 2021 financial year EUR 56,000 thousand (2020: EUR 37,500 thousand) were repaid.

In the 2019 financial year, the Lenzing Group issued further private placements with an issue volume of EUR 375.000 thousand and USD 45.000 thousand. A term of 5 to 15 years with fixed and floating interest rates was agreed.

In the 2020 financial year, the Lenzing Group issued further private placements with an issue volume of EUR 114,000 thousand and TUSD 20,000 thousand. Terms of 5 to 7 years with fixed and floating interest rates were agreed.

In 2020, a loan of EUR 200,000 thousand was arranged with Oesterreichische Kontrollbank. A term of 3 to 7 years with fixed and floating interest rates was agreed.

In 2021, a loan of EUR 160,000 thousand was arranged with Oesterreichische Kontrollbank. A term of 2 to 7 years with fixed and floating interest rates was agreed.

The financing for the construction of the dissolving wood pulp plant in Brazil was secured in the form of loans in the 2020 financial year (volume in USD 1,147,200 thousand). As at December 31, 2021, EUR 739,462 thousand (December 31, 2020: EUR 237,504 thousand) of the loans were used. These liabilities are collateralized by pledged property, plant and equipment in the amount of EUR 9,558 thousand (December 31, 2020: EUR 2,091 thousand) and biological assets in the amount of EUR 95,767 thousand (December 31 2020: EUR 84,254 thousand). In addition, the shares in LD Celulose S.A., Sao Paulo, Brazil were pledged for the financing of the pulp mill. Details on the existing financial covenants are explained in note 36.

The next interest rate adjustment for the floating rate loans and partially fixed rate loans will take place within the next six months, depending on the loan agreement. The conditions for loans that can be utilized multiple times (revolving loans) are fixed for a certain period and generally carry floating interest rates.

Other loans primarily involve obligations to the Austrian fund for the promotion of research in industry ("Forschungsförderungsfonds der gewerblichen Wirtschaft") and the ERP fund as well as loans from non-controlling shareholders.

Note 31. Deferred taxes (deferred tax assets and liabilities) and current taxes

Deferred tax assets and liabilities relate to the following items on the statement of financial position:

Deferred tax assets — EUR '000

	31/12/2021	31/12/2020
Intangible assets and property, plant and equipment	3,291	6,316
Financial assets	3,745	4,384
Inventories	10,506	6,265
Other assets	1,604	1,192
Provisions	20,665	19,556
Investment grants	159	186
Lease liabilities	17,550	17,667
Other liabilities	11,594	25,181
Loss carryforwards	37,908	38,889
Gross deferred tax assets – before valuation adjustment	**107,022**	**119,635**
Valuation adjustment to deferred tax assets	(47,480)	(59,115)
Thereof relating to tax loss carryforwards	(32,671)	(29,734)
Gross deferred tax assets	**59,542**	**60,520**
Offsettable against deferred tax liabilities	(55,962)	(58,111)
Net deferred tax assets	**3,581**	**2,409**

Deferred tax liabilities — EUR '000

	31/12/2021	31/12/2020
Intangible assets and property, plant and equipment	71,179	62,139
Right-of-use assets	20,155	19,252
Biological assets	2,613	1,035
Financial assets	5,726	4,654
Inventories	464	597
Other assets	11,809	3,356
Special depreciation/amortization for tax purposes	2,632	3,041
Investment grants	348	428
Other liabilities	842	6,019
Gross deferred tax liabilities	**115,768**	**100,522**
Offsettable against deferred tax assets	(55,962)	(58,111)
Net deferred tax liabilities	**59,806**	**42,411**

Of the total gross deferred tax assets, EUR 22,501 thousand (December 31, 2020: EUR 16,109 thousand) are due within one year. Of the total gross deferred tax liabilities, EUR 12,416 thousand (December 31, 2020: EUR 6,480 thousand) are due within one year. The remaining amounts are due in more than one year.

Deferred taxes developed as follows:

Development of deferred taxes EUR '000

	2021	2020
As at 01/01	(40,001)	(34,931)
Recognized in profit or loss	(6,838)	(10,768)
Recognized in other comprehensive income	(7,857)	4,325
Currency translation adjustment	(1,530)	1,373
As at 31/12	**(56,226)**	**(40,001)**

The Group held tax loss carryforwards of EUR 166,812 thousand as at December 31, 2021 (December 31, 2020: EUR 166,162 thousand). The existing tax loss carryforwards can be utilized as follows:

Loss carryforwards (assessment basis) EUR '000

	31/12/2021	31/12/2020
Total	166,812	166,162
Thereof capitalized loss carryforwards	20,359	36,042
Thereof non-capitalized loss carryforwards	146,453	130,120
Possible expiration of non-capitalized loss carryforwards		
Within 1 year	141	0
Within 2 years	557	146
Within 3 years	27,875	3,341
Within 4 years	83,703	48,275
Within 5 years or longer	30,629	77,469
Unlimited carryforward	3,548	889

Net deferred tax assets of EUR 3,581 thousand were recognized as at December 31, 2021 (December 31, 2020: EUR 2,409 thousand), including EUR 25 thousand (December 31, 2020: EUR 18 thousand) in group companies that generated losses in the 2021 fiscal year or in the previous year. The tax losses in the group companies concerned derived mainly from one-off events which are not expected to recur in the future. Otherwise, deferred tax assets were recognized if sufficient taxable temporary differences were available.

Certain loss carryforwards were not capitalized because their usability is restricted. If all tax loss carryforwards could be utilized in full, the deferred tax assets on loss carryforwards would total EUR 37,908 thousand (December 31, 2020: EUR 38.889 thousand) instead of EUR 5,236 thousand (December 31, 2020: EUR 9,155 thousand).

The financial assets and other assets shown under deferred tax assets in the above table include amounts for outstanding partial write-downs to investments in accordance with Section 12 Para. 3 no. 2 of the Austrian Corporation Tax Act ("Siebentelabschreibung", the partial write-downs of investments over a period of seven years for tax purposes) corresponding to a measurement base of EUR 14,994 thousand (December 31, 2020: EUR 17,937 thousand). Partial write-downs of EUR 4,612 thousand were utilized for tax purposes in 2021 (2020: EUR 4,419 thousand).

Deferred tax liabilities were not recognized for temporary differences with a measurement base of EUR 474,481 thousand (December 31, 2020: EUR 446,410 thousand) in connection with investments in subsidiaries, joint ventures and associates and the related proportional share of net assets held by group companies because these differences are not expected to reverse in the foreseeable future.

The receivables from current taxes include prepayments made to foreign taxation authorities. These amounts are recognized when the recoverability is probable, while valuation adjustments are made in all other cases. The gross carrying amount of non-current receivables from current taxes as of December 31, 2021 amounts to EUR 21,819 thousand (December 31, 2020: EUR 15,496 thousand). Payments are sometimes uncertain, especially the timing of payments due to the sometimes long duration of proceedings. For this reason, as at December 31, 2021, write-downs of EUR 6,882 thousand were recognized (December 31, 2020: EUR 339 thousand).

Lenzing AG and the subsidiaries included in the group tax agreement are members of the tax group between B&C Holding Österreich GmbH, as the head of the group, and Lenzing AG and other subsidiaries of Lenzing AG, as group members, in accordance with Section 9 of the Austrian Corporation Tax Act. The tax equalization agreement was revised with effect from the 2021 financial year. This now also includes regulations concerning the interest barrier (Section 12a of the Austrian Corporation Tax Act [KStG]).

Group taxation includes the offset of taxable profits and losses between the group members. The deferred tax assets and deferred tax liabilities of the group members are also offset based on their joint tax assessment. Future tax liabilities from the offset of losses from foreign subsidiaries are recognized in the consolidated financial statements without discounting. The group and tax equalization agreement requires Lenzing AG to pay a tax allocation equal to the corporate income tax attributable to the taxable profit of the company and the subsidiaries included in the tax group. The tax allocation payable by Lenzing AG is reduced by any domestic and foreign withholding taxes deductible from the overall group result by the group parent and by any transferred minimum corporate income taxes.

The tax allocation to be paid by Lenzing AG is also reduced by any current losses/loss carryforwards caused by the group parent that can be offset against positive earnings of Lenzing AG's tax group in the assessment year. The tax allocation is reduced by 25 percent (2020: 25 percent) of the corporate tax rate (i.e. currently 6.25 percent; 2020: 6.25 percent) applicable to the current losses/loss carryforwards recorded by the head of the tax group that are offset against positive earnings in an assessment year for the head of the tax group. Tax losses recorded by Lenzing AG and the participating subsidiaries are kept on record and offset against future tax gains. An equalization payment is made as compensation for any losses that are not offset when the contract is terminated.

The Lenzing Group includes the effects of uncertain tax positions in the calculation of current and deferred taxes. Tax claims are recognized at the expected reimbursement amount in cases where the claim is sufficiently certain. The tax returns of the Lenzing Group's subsidiaries are reviewed regularly by the taxation authorities. Appropriate provisions have been recognized for possible future tax obligations based on a number of factors which include interpretations, commentaries and legal decisions relating to the respective tax jurisdiction and past experience. In addition, uncertain tax positions are evaluated on the basis of estimates and assumptions for future events. New information can become available in the future that leads the Group to change its assumptions regarding the appropriateness of tax positions. Any such changes will affect tax expense in the period in which they are identified.

The recoverability of deferred tax assets is generally based on the positive taxable results expected in the future – after the deduction of taxable temporary differences – in line with the forecasts approved by the Managing Board. These forecasts are also used for impairment testing (see note 11). The assessment of unused tax loss carryforwards and tax credits also involves the consideration of utilization requirements.

Note 32. Provisions

The Lenzing Group's provisions are classified as follows:

Provisions EUR '000

	Total		Thereof current		Thereof non-current	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Provisions for pensions and similar obligations						
Pensions and severance payments	102,220	103,669	6,945	6,750	95,275	96,919
Jubilee benefits	18,812	17,420	1,314	939	17,498	16,481
	121,032	**121,089**	**8,259**	**7,688**	**112,773**	**113,400**
Other provisions						
Anticipated losses and other risks	25,978	19,925	22,231	12,943	3,746	6,983
Emission certificates	6,508	4,362	6,508	4,362	0	0
Sundry	3,750	663	2,089	663	1,661	0
	36,236	**24,951**	**30,829**	**17,968**	**5,407**	**6,983**
Total	**157,268**	**146,040**	**39,088**	**25,657**	**118,180**	**120,383**

Provisions for pensions and similar obligations

Pensions and severance payments

The Lenzing Group has entered into obligations for pensions and severance payments from defined benefit plans, which are reported under provisions for pensions and severance payments, and from defined contribution plans.

Defined benefit plans (for pensions and severance payments)

The benefits resulting from the defined benefit plans for pensions and severance payments are dependent on the final salary or wage and the length of service. They do not require any contributions by employees.

The defined benefit pension plans are based on contractual obligations. The Lenzing Group's most important defined benefit pension plan is located in Austria. It applies to employees who joined the Group before January 1, 2000 and decided to remain in the plan. The claims generally arose after a vesting period of at least 10 or 15 service years. A retirement age of 58 to 63 years is assumed for the beneficiaries, depending on their gender. At present, the plan primarily covers employees who have already retired. Qualifying insurance policies were recognized as plan assets in some cases, while coverage for these obligations is also provided by securities that do not qualify as plan assets.

The defined benefit severance plans are based on statutory obligations and obligations under collective agreements. The Lenzing Group's most important defined benefit severance plan is located in Austria. This plan entitles employees whose employment relationship is governed by Austrian law and started before January 1, 2003 to a severance payment in specific cases, in particular when they reach the statutory retirement age and in the event of termination by the employer ("old severance payment system"). The amount of the severance payment depends on the employee's salary or wage at the termination of employment and on the length of the employment relationship. There are similar major defined benefit severance plans in Indonesia and the Czech Republic, which apply to all employees irrespective of when they joined the respective company. The defined benefit severance plans are not covered by assets, but are financed entirely through provisions.

The defined benefit pension and severance plans are principally connected with the following risks that influence the amount of the obligations to be recognized:

- **Investment risk**: A decline in the income from plan assets below the discount rate will result in a plan deficit and an increase in the obligations.
- **Interest rate risk**: A decrease in the discount rate due to lower bond interest rates on the capital market will result in an increase in the obligations.
- **Salary and pension trend**: An increase in the actual salary and pension trends over the expected future levels will result in an increase in the obligations.
- **Personnel turnover and departure risk**: A decline in the expected personnel turnover rates will result in an increase in the obligations.
- **Longevity risk**: An increase in the life expectancy of the beneficiaries will result in an increase in the obligations.

The Lenzing Group is also exposed to currency risks in connection with these plans.

The Lenzing Group takes various steps to reduce the risks from defined benefit plans. The related measures include, in particular, the external financing of defined benefit plans with plan assets or the coverage of obligations with securities that do not qualify as plan assets and the settlement of existing defined benefit plans with lump sum payments. In addition, pension and similar commitments are now only concluded as defined contribution commitments where possible and legally permissible.

The objectives of the investment policy are to create an optimal composition of plan assets and to ensure sufficient coverage for the existing claims of participating employees. The investment strategies (asset allocations) for the plan assets are contractually regulated. A reinsurance policy was concluded for part of the claims from the Austrian pension plan. It is reported as plan asset in the amount of EUR 2,598 thousand (December 31, 2020: EUR 2,730 thousand). This policy is a conventional life insurance policy which invests primarily in debt instruments that reflect the maturity profile of the underlying claims and are intended to maintain a high degree of investment security. The Lenzing Group makes no further contributions to this insurance policy.

The fair values of the abovementioned equity and debt instruments were based on price quotations on an active market. The plan assets do not include any financial instruments issued by or assets used by the Lenzing Group. The actual return on plan assets totaled EUR 152 thousand in 2021 (2020: EUR 149 thousand). The net interest expense from the defined benefit plans (expenses from the accrued interest on the obligations and the return on plan assets) is reported under financing costs.

The most important actuarial parameters applied to the defined benefit pension and severance plans are as follows:

Actuarial assumptions for defined benefit pension and severance plans p. a. in %

31/12/2021	Discount rate	Salary increase	Pension increase	Staff turnover deductions
Austria – pensions	0.9	2.5	0.0-3.0	0.0
Austria – severance payments	0.9	2.5	N/A	0.0
Indonesia	6.8	7.5	N/A	1.0-5.0
Czech Republic	0.9	4.0	N/A	1.3
31/12/2020				
Austria – pensions	0.7	2.3	0.0-3.0	0.0
Austria – severance payments	0.7	2.3	N/A	0.0
Indonesia	6.3	3.5-7.5	N/A	1.0-5.0
Czech Republic	0.7	3.6	N/A	1.0

The major obligations from the defined benefit plans are the obligations for pensions and severance payments in the Lenzing Group‘s Austrian companies. The discount rate for these obligations was derived from high-quality fixed-income corporate bonds with at least an AA rating based on an international actuary's standards. Bonds with significantly higher or lower interest rates than the other bonds in their risk class ("statistical outliers") were not included in the calculation. The currency and terms of the bonds used to derive the discount rate are based on the currency and expected terms of the obligations to be settled. The estimated salary and pension increases, which are also considered realistic for the future, were derived from the averages of recent years. Separate employee turnover rates were applied for each company depending on the composition of the workforce and the employees' length of service. The retirement age used for the calculation is based on the applicable legal regulations. Individual, country-specific assumptions were made for each of the other countries to determine the discount rate, salary increases, employee turnover rates and retirement age.

The parameters used to calculate the defined benefit pension plans in Austria included the biometric data from AVÖ 2018 P – the calculation base for pension insurance for salaried employees

The following biometric data and assumptions are used in other countries:

- Indonesia: Tabel Mortalita Indonesia (TMI 2019)
- Czech Republic: AVÖ 2018-P
- Other: No biometric assumptions were made because of the low number of beneficiaries.

The obligations (carrying amounts) from defined benefit pension and severance plans incl. restructuring measures reported in the consolidated statement of financial position comprise the following:

Development of defined benefit plans EUR '000

	Present value of pension and severance payment obligation (DBO)		Fair value of plan assets		Carrying amounts of defined benefit pension and severance plans	
	2021	2020	2021	2020	2021	2020
As at 01/01	106,398	113,621	2,730	2,863	103,669	110,757
Service cost						
Current service cost	3,777	4,066	0	0	3,777	4,066
Past service cost	0	0	0	0	0	0
Gain/loss on curtailments of plan	588	800	0	0	588	800
Net interest	1,590	1,979	18	26	1,572	1,953
Income and expenses from defined benefit plans recognized on the income statement	**5,955**	**6,845**	**18**	**26**	**5,936**	**6,819**
Remeasurement during the reporting period						
On the basis of demographic assumptions	(77)	366	0	0	(77)	366
On the basis of financial assumptions	(918)	515	0	0	(918)	515
On the basis of experience adjustments	2,821	(1,391)	0	0	2,821	(1,391)
On the basis of income from plan assets, excl. amounts included in interest income	0	0	134	124	(134)	(124)
Remeasurement of defined benefit plans included in other comprehensive income	**1,825**	**(509)**	**134**	**124**	**1,691**	**(633)**
Cash flows						
Payments made from the plan	(283)	(283)	(283)	(283)	0	0
Direct payments and contributions by the employer	(10,378)	(11,549)	0	0	(10,378)	(11,549)
Currency translation adjustment	1,302	(1,725)	0	0	1,302	(1,725)
Other reconciliation items	**(9,360)**	**(13,558)**	**(283)**	**(283)**	**(9,076)**	**(13,275)**
As at 31/12	**104,818**	**106,398**	**2,598**	**2,730**	**102,220**	**103,669**
Thereof pensions in Austria	23,413	25,336	2,598	2,730	20,815	22,607
Thereof severance payments in Austria	58,583	61,573	0	0	58,583	61,573
Thereof pensions and severance payments in other countries	22,822	19,489	0	0	22,822	19,489

Sensitivity analyses are performed to evaluate the risk of changes in the actuarial parameters used to measure the present value of the obligations from defined benefit plans. These sensitivity analyses show the effects on the present value of the obligations from hypothetical changes in key parameters that could have reasonably changed as at the reporting date. One parameter was changed for each analysis, while all other parameters were kept constant. The sensitivity analyses are based on the present values of the obligations as at the reporting date before the deduction of plan assets (gross obligation/DBO).

The sensitivities of the parameters as at the reporting dates are as follows:

Sensitivity analysis of the defined benefit pension and severance payment obligations

31/12/2021	Change in parameters (percentage points)	Decrease in parameter/ change in present value of obligation in EUR '000	Increase in parameter/ change in present value of obligation in EUR '000
Discount rate	1.0	9,703	(8,370)
Salary increase	1.0	(6,524)	7,395
Pension increase	1.0	(1,689)	1,915

Sensitivity analysis of the defined benefit pension and severance payment obligations (previous year)

31/12/2020	Change in parameters (percentage points)	Decrease in parameter/ change in present value of obligation in EUR '000	Increase in parameter/ change in present value of obligation in EUR '000
Discount rate	1.0	10,171	(8,748)
Salary increase	1.0	(6,660)	7,570
Pension increase	1.0	(1,908)	2,174

The above sensitivity analyses represent hypothetical changes based on assumptions. Actual deviations from these assumptions will result in other effects. In particular, the parameters changed individually for the analysis may actually correlate with each other. The deduction of plan assets will lead to a further reduction of the effects.

The Lenzing Group expects that in the following financial year, contributions of EUR 7,003 thousand (2020: EUR 6,488 thousand) will fall due for payment into the defined benefit plans.

The weighted average terms (durations) of the defined benefit pension and severance payment obligations in years are as follows:

Weighted average durations of the defined benefit pension and severance payment obligations Years

	31/12/2021	31/12/2020
Austria – pensions	9	9
Austria – severance payments	9-15	9-13
Indonesia	9	9
Czech Republic	10	10

Defined contribution plans (for pensions and severance payments)

The Lenzing Group makes payments to pension funds and similar external funds for defined contribution pension and severance plans. The most significant defined contribution pension and severance plans for the Lenzing Group are located in Austria ("new severance payment system" and individual contractual commitments).

The expenses for defined contribution plans are as follows:

Expenses for defined contribution plans EUR '000

	2021	2020
Austria – pensions	1,804	1,786
Austria – severance payments	2,340	2,266
Other countries	4,784	4,202
Total	**8,927**	**8,254**

Provisions for jubilee benefits

Collective agreements require Lenzing AG and certain subsidiaries, particularly in Austria and the Czech Republic, to pay jubilee benefits to employees who have been with the company for a certain length of time. In the Austrian companies employees have the option to convert the jubilee benefits into time credits. No assets were segregated from the company and no contributions were made to a pension fund or any other external fund to cover these obligations. The jubilee benefits do not require any contributions by employees.

The obligations from jubilee benefits for employees (long-service bonuses) are considered other long-term employee benefits under IFRS. The net interest expense from jubilee benefits (expenses from the accrued interest on the obligations) is recorded under financing costs. The discount rate applied to the Austrian obligations is similar to the discount rate used for the other defined benefit plans. Employee turnover rates were determined separately for each company depending on the composition of the workforce and employees' length of service. Individual, country-specific assumptions were made for the discount rate, employee turnover rates and salary increases in the other countries.

The main actuarial parameters applied to the obligations for jubilee benefits are as follows:

Actuarial assumptions for the jubilee benefit obligations p. a. in %

31/12/2021	Discount rate	Salary increase	Staff turnover deductions
Austria	1.1	2.5	0.0-6.8
Czech Republic	0.6	4.0	1.3
31/12/2020			
Austria	1.0	2.3	0.5-3.4
Czech Republic	0.3	3.6	1.0

The following table shows the development of the obligation (provision) for jubilee benefits:

Development of the jubilee benefit obligation (provision) **EUR '000**

	2021	2020
As at 01/01	17,420	18,117
Service cost		
Current service cost	1,212	1,164
Net interest	169	191
Remeasurement during the reporting period		
On the basis of demographic assumptions	(349)	(312)
On the basis of financial assumptions	327	461
On the basis of experience adjustments	1,451	(423)
Income and expenses from defined benefit plans recognized on the income statement	2,810	1,081
Cash flows		
Direct payments by employer	(1,422)	(1,777)
Currency translation adjustment	4	(1)
Other reconciliation items	(1,418)	(1,778)
As at 31/12	**18,812**	**17,420**

Other provisions and accruals

Other provisions and accruals developed as follows:

Development of other provisions EUR '000

2021	As at 01/01	Currency translation adjustment	Reclassi-fication	Utilization	Reversal	Addition	As at 31/12	Thereof current	Thereof non-current
Anticipated losses and other risks	19,925	0	0	0	(3,420)	9,472[1]	**25,978**	22,231	3,746
Emission certificates	4,362	7	0	(4,290)	0	6,429	**6,508**	6,508	0
Sundry	663	94	0	(35)	(99)	3,127	**3,750**	2,089	1,661
Total	**24,951**	**101**	**0**	**(4,326)**	**(3,519)**	**19,028**	**36,236**	**30,829**	**5,407**

Development of other provisions (previous year) EUR '000

2020	As at 01/01	Currency translation adjustment	Reclassi-fication	Utilization	Reversal	Addition	As at 31/12	Thereof current	Thereof non-current
Anticipated losses and other risks	8,874	0	0	(327)	(718)	12,097[1]	**19,925**	12,943	6,983
Emission certificates	4,058	0	0	(3,119)	0	3,423	**4,362**	4,362	0
Sundry	823	(58)	0	(252)	(261)	411	**663**	663	0
Total	**13,755**	**(58)**	**0**	**(3,699)**	**(979)**	**15,931**	**24,951**	**17,968**	**6,983**

1) Incl. accrued interest EUR 0 thousand (2020: EUR 144 thousand).

The measurement of provisions is based on past experience, current cost and price information and estimates/appraisals by internal and external experts. The assumptions underlying the provisions are reviewed regularly. The actual values may differ from these assumptions if general conditions develop in contrast to expectations as at the reporting date. Changes are recognized in profit or loss when better information is available and the premises are adjusted accordingly.

Other provisions for anticipated losses and other risks include, in particular, provisions for obligations from infrastructure services to be performed of EUR 4,553 thousand (December 31, 2020: EUR 7,973 thousand) and provisions for additional claims from procurement contracts of EUR 21,200 thousand (December 31, 2020: EUR 11,800 thousand) and for other onerous contracts. Other provisions for emission certificates comprise the equivalent value of the emission certificates used.

The other current provisions and accruals are expected to lead to an outflow of funds within the next twelve months. The outflow of funds arising from the long-term portion of other provisions is dependent on various factors (in particular, guarantee and warranty periods, contract terms and other events):

- The outflow of funds related to the other provisions for guarantees and warranties is expected within the next twelve months.
- The other provisions for anticipated losses and other risks are expected to lead to an outflow of funds as follows:

Expected outflow of funds in connection with other provisions (non-current) for anticipated losses and other risks (estimated as of the reporting date) EUR '000

	31/12/2021	31/12/2020
In the 2nd year	571	992
In the 3rd to 5th year	1,926	2,987
In the 6th to 10th year	1,250	3,004
Total	**3,746**	**6,983**

Note 33. Trade payables

All trade payables are classified as current assets.

Liabilities that are part of reverse factoring agreements are evaluated to determine whether the original trade payable must still be reported or whether it must be derecognized and a new financial liability recognized in accordance with the agreement. The decisive factor is whether the Lenzing Group was released from its original obligation. In cases where there was no release from the original obligation, the Lenzing Group evaluates whether the reverse factoring agreement has led to a new obligation that must be recognized in addition to the trade payable. If that is also not the case, a present value test is carried out to determine whether the reverse factoring agreement has resulted in significant changes to the contractual terms of the trade payable which lead to derecognition of the trade payable and the recognition of a new financial liability.

Suppliers of the Lenzing Group finance their trade receivables from the Lenzing Group with reverse factoring agreements. These suppliers can commission their banks to forward payment for the receivables at an earlier point in time. The present value test indicates that these agreements do not significantly change the contract terms (in particular payment terms and interest rates). The agreements do not lead to the reclassification of the involved trade payables to another class of liability under civil law or IFRS regulations from the Lenzing Group's perspective. Consequently, there are no changes to the presentation on the consolidated statement of financial position (under trade payables) or the consolidated statement of cash flows (under cash flow from operating activities). The potentially affected trade payables totaled EUR 126,693 thousand as at December 31, 2021 (December 31, 2020: EUR 54,294 thousand). The carrying amount of the potentially affected trade payables for which the suppliers have already received payments from the banks stands at EUR 119,902 thousand (December 31, 2020: EUR 45,405 thousand). As in the previous year, the Lenzing Group has not provided any collateral.

The liquidity risk of the reverse factoring agreements consists of a concentration since the reverse factoring agreements currently in place have been made with only one single financial institution, giving rise to the risk of a revocation of the reverse factoring agreement by this financial institution. The liabilities affected by these reverse factoring agreements are settled in accordance with the agreed due date. The related, estimated outflows are taken into account in liquidity planning. The Lenzing Group assesses the risk concentration with regard to sufficient financing sources as rather low because the risk spread of the Lenzing Group's financing over different financial institutions is maintained. Furthermore, the reverse factoring agreements include no material financing component and their discontinuation would therefore also not result in a significant increase in financing requirements. Liabilities relating to reverse factoring agreements amount to 6.0 percent as at the reporting date (December 31, 2020: 3.5 percent) relative to the group's total financial liabilities.

Information regarding the liquidity and foreign currency risk of the group exposure is presented in note 39.

Note 34. Other liabilities

Other non-current liabilities consist of the following:

Other non-current liabilities		**EUR '000**
	31/12/2021	**31/12/2020**
Other non-current financial liabilities (particularly from derivatives)	3,378	24,241
Non-current non-financial accruals for personnel expenses	2,045	1,523
Other non-current non-financial liabilities (particularly partial retirement obligations)	1,316	1,098
Total	**6,740**	**26,861**

Other current liabilities consist of the following:

Other current liabilities		**EUR '000**
	31/12/2021	**31/12/2020**
Other current financial liabilities		
Derivatives not yet settled (open positions)	25,027	44,018
Other accruals	32,898	22,418
Contract liabilities – accruals for discounts and rebates (see note 5)	2,681	1,725
Other current financial liabilities	4,863	6,405
	65,469	**74,566**
Other current non-financial liabilities		
Liabilities from other taxes	7,409	4,269
Wage and salary liabilities	6,644	6,742
Social security liabilities	6,776	6,304
Contract liabilities – down payments received (see note 5)	14,526	20,918
Accruals for personnel expenses	76,073	24,782
Deferred income and other	3,484	4,184
	114,913	**67,199**
Total	**180,382**	**141,765**

The accruals for personnel costs consist primarily of liabilities for short-term claims by active and former employees (in particular, for unused vacation and compensation time, overtime and performance bonuses).

Other accruals cover, above all, anticipated losses from revenue reductions/increases in expenses from transactions with customers and suppliers (in particular, discounts and rebates) and liabilities for the delivery of goods and the performance of services by third parties which have not yet been invoiced.

Notes to the Consolidated Statement of Cash Flows

Note 35. Disclosures on the Consolidated Statement of Cash Flows

Liquid funds represent cash and cash equivalents as shown on the statement of financial position. Cash and cash equivalents include cash in hand and cash at banks, demand deposits, checks and short-term time deposits as well as liquid current securities with a term of less than three months which are only subject to limited fluctuations in value (see note 37).

Other non-cash income/expenses in the 2021 financial year includes impairment losses to inventories as well as write-ups and impairment losses to financial assets and other non-current assets.

Other non-cash income/expenses also contain unrealized net exchange rate gains/losses and measurement effects from receivables.

Non-cash transactions from the acquisition of intangible assets and property, plant and equipment are not included in cash flow from investing activities for the current period. These transactions essentially involve outstanding payments to suppliers of EUR 16,180 thousand (2020: EUR 41,179 thousand).

Cash and cash equivalents also include bank accounts with negative balances in cases where netting agreements have been concluded (see note 37).

Reconciliation of financial liabilities EUR '000

2021		Private placements	Bank loans	Loans from other lenders	Lease liabilities	Subtotal other financial liabilities	Total
As at 01/01		689,114	733,188	69,300	60,890	863,378	**1,552,492**
Cash flows	Increase in financial liabilities	0	622,844	3,539	0	626,384	**626,384**
	Repayment of financial liabilities	(56,000)	(60,668)	(13,037)	(13,879)	(87,584)	**(143,584)**
Non-cash changes	Currency translation adjustment	4,422	44,360	120	828	45,308	**49,730**
	Discounting/accrued interest	305	2,936	(2,739)	5,581	5,778	**6,083**
	Additions to lease liabilities	0	0	0	10,095	10,095	**10,095**
	Other changes	0	0	0	(40)	(40)	**(40)**
As at 31/12		**637,841**	**1,342,661**	**57,183**	**63,475**	**1,463,320**	**2,101,161**

Reconciliation of financial liabilities (previous year) EUR '000

2020		Private placements	Bank loans	Loans from other lenders	Lease liabilities	Subtotal other financial liabilities	Total
As at 01/01		599,932	293,761	51,562	36,337	381,659	**981,591**
Cash flows	Increase in financial liabilities	131,691	547,656	56,621	0	604,277	**735,968**
	Repayment of financial liabilities	(37,500)	(97,984)	(31,921)	(14,787)	(144,691)	**(182,191)**
Non-cash changes	Currency translation adjustment	(5,293)	(10,433)	(7,051)	(10,191)	(27,674)	**(32,967)**
	Discounting/accrued interest	284	188	89	5,533	5,810	**6,094**
	Additions to lease liabilities	0	0	0	50,888	50,888	**50,888**
	Other changes	0	0	0	(6,891)	(6,891)	**(6,891)**
As at 31/12		**689,114**	**733,188**	**69,300**	**60,890**	**863,378**	**1,552,492**

Notes on Risk Management

Note 36. Capital risk management

General information

The overriding objective of equity and debt management in the Lenzing Group is to optimize the income, costs and assets of the individual operations/business units and of the Group as a whole in order to achieve and maintain sustainably strong economic performance and a sound balance sheet structure. An important role in this process is played by financial leverage capacity, the protection of sufficient liquidity at all times and a clear focus on key cash-related and performance indicators in line with the Group's strategic course and long-term goals. This protects the ability of the group companies to operate on a going concern basis. In addition, the authorized capital and contingent capital give Lenzing AG greater flexibility in raising additional equity in order to take advantage of future market opportunities.

The equity management strategy followed by the Lenzing Group is designed to ensure that Lenzing AG and the other group companies have an adequate equity base to meet local requirements. A couple of loan agreements with banks also include financial covenants, above all concerning the level of equity, the ratio of net financial debt to EBITDA and other financial indicators or financial criteria for the Group or individual or aggregated group companies. A breach of these financial covenants would allow the banks to demand early repayment of the financial liabilities in certain cases. These financial covenants are regularly monitored by the Global Treasury department and are considered in the determination of distributions by the involved group companies. All related capital requirements were met during the 2021 financial year.

Management uses an adjusted equity ratio for internal control purposes. Adjusted equity is calculated in accordance with IFRS and comprises equity as well as investment grants less the related deferred taxes. The adjusted equity ratio (= adjusted equity in relation to total assets) equaled 39.7 percent as at December 31, 2021 (December 31, 2020: 45.8 percent).

Adjusted equity is calculated as follows:

Adjusted equity EUR '000

	31/12/2021	31/12/2020
Equity	2,072,085	1,881,427
+ Government grants	57,857	34,062
- Proportional share of deferred taxes on government grants	(14,238)	(8,455)
Total	**2,115,704**	**1,907,034**

The dividend policy of Lenzing AG, as the parent company of the Lenzing Group, is based on the principles of continuity and a long-term focus in order to support the future development of the company, to distribute dividends to shareholders in line with the company's opportunity and risk situation, and to appropriately reflect the interests of all other stakeholders who are decisive for the company's success.

Net financial debt

The Supervisory Board and Managing Board of Lenzing AG regularly review the development of net financial debt because this indicator is an extremely important benchmark not only for the Group's management, but also for the financing banks. The ratio of net financial debt to EBITDA is particularly relevant. The continued optimal development of the Lenzing Group is only possible with convincing internal financing strength as the basis for increased debt capacity.

Interest-bearing financial liabilities are classified as follows:

Interest-bearing financial liabilities EUR '000

	31/12/2021	31/12/2020
Non-current financial liabilities	1,981,036	1,446,876
Current financial liabilities	120,125	105,616
Total	**2,101,161**	**1,552,492**

Liquid assets consist of the following:

Liquid assets EUR '000

	31/12/2021	31/12/2020
Cash and cash equivalents	1,113,279	1,069,998
Liquid bills of exchange (in trade receivables)	10,841	11,123
Total	**1,124,120**	**1,081,122**

Net financial debt in absolute terms and in relation to EBITDA (see note 4) is as follows:

Net financial debt (absolute) EUR '000

	31/12/2021	31/12/2020
Interest-bearing financial liabilities	2,101,161	1,552,492
- Liquid assets	(1,124,120)	(1,081,122)
Total	**977,041**	**471,370**

Net financial debt in relation to EBITDA EUR '000

	31/12/2021	31/12/2020
EBITDA	362,941	192,327[1]
Net financial debt / EBITDA	2.7	2.5[1]

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).

Note 37. Disclosures on financial instruments

Carrying amounts, fair values, measurement categories and measurement methods

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities for each class and each IFRS 9 category and reconciles this information to the appropriate line items on the statement of financial position. Other receivables (non-current and current) and other liabilities (non-current and current) as reported on the statement of financial position include financial instruments as well as non-financial assets and liabilities. Therefore, the “no financial instrument” column allows for a complete reconciliation with the line items on the statement of financial position. Lease liabilities which are to be considered financial liabilities but cannot be allocated to a measurement category in accordance with IFRS 9 are also reported in this column.

Carrying amounts, category, fair value and fair value hierarchy of financial instruments EUR '000

Financial assets as at 31/12/2021	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Debt instruments	At fair value through other comprehensive income: Equity instruments	At fair value through other comprehensive income: Cash flow hedges	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Originated loans	11,748	600					**12,348**	12,348	[1]
Non-current securities		6,622	0	12,802			**19,423**	19,423	Level 1
Other equity investments				7,097			**7,097**	7,097	Level 3
Current securities				32,232			**32,232**	32,232	Level 1
Financal assets (current and non-current)	**11,748**	**7,222**	**0**	**52,131**	**0**	**0**	**71,101**	**71,101**	
Trade receivables	**325,172**	**0**	**0**	**0**	**0**	**0**	**325,172**	**325,172**	[1]
Derivatives with a positive fair value (cash flow hedges)					1,841		**1,841**	1,841	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		109					**109**	109	Level 2
Other	13,488	4,087				191,908	**209,483**	209,483	Level 3
Other assets (current and non-current)	**13,488**	**4,196**	**0**	**0**	**1,841**	**191,908**	**211,433**	**211,433**	
Cash and cash equivalents	**769,764**	**343,515**	**0**	**0**	**0**	**0**	**1,113,279**	**1,113,279**	[1, 2]
Total	**1,120,172**	**354,933**	**0**	**52,131**	**1,841**	**191,908**	**1,720,984**	**1,720,984**	

Financial liabilities as at 31/12/2021	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Cash flow hedges/ Fair value hedges	At fair value through other comprehensive income: Retained earnings	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Private placements	637,841					**637,841**	638,850	Level 3
Liabilities to banks	1,342,661					**1,342,661**	1,384,544	Level 3
Liabilities to other lenders	57,183					**57,183**	56,920	Level 3
Lease liabilities					63,475	**63,475**	63,475	[1]
Financial liabilities	**2,037,686**	**0**	**0**	**0**	**63,475**	**2,101,161**	**2,143,788**	
Trade payables	**414,768**	**0**	**0**	**0**	**0**	**414,768**	**414,768**	[1]
Provisions (current)	**0**	**0**	**0**	**0**	**39,088**	**39,088**	**39,088**	[1]
Puttable non-controlling interests	**0**	**0**	**0**	**234,409**	**0**	**234,409**	**234,409**	Level 3
Derivatives with a negative fair value (cash flow hedges)			22,607			**22,607**	22,607	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		5,799				**5,799**	5,799	Level 2
Derivatives with a negative fair value (fair value hedges)			0			**0**	0	Level 3
Other	40,442				118,274	**158,716**	158,716	[1]
Other liabilities (current and non-current)	**40,442**	**5,799**	**22,607**	**0**	**118,274**	**187,122**	**187,122**	
Total	**2,492,896**	**5,799**	**22,607**	**234,409**	**220,837**	**2,976,549**	**3,019,176**	

1) The carrying amount approximates fair value.
2) Cash and cash equivalents include money market funds. These money market funds are allocated to the category "at fair value through profit or loss". The carrying amount of other cash and cash equivalents approximates fair value.

Carrying amounts, category, fair value and fair value hierarchy of financial instruments (previous year) EUR '000

Financial assets as at 31/12/2020	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Debt instruments	Equity instruments	Cash flow hedges	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Originated loans	11,591						**11,591**	11,591	[1]
Non-current securities		819	3,727	11,821			**16,367**	16,367	Level 1
Other equity investments				12,931			**12,931**	12,931	Level 3
Financal assets (current and non-current)	**11,591**	**819**	**3,727**	**24,753**	**0**	**0**	**40,890**	**40,890**	
Trade receivables	**249,662**	**0**	**0**	**0**	**0**	**0**	**249,662**	**249,662**	[1]
Derivatives with a positive fair value (cash flow hedges)					11,340		**11,340**	11,340	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		1,838					**1,838**	1,838	Level 2
Other	17,095	4,087				136,902	**158,084**	158,084	Level 3
Other assets (current and non-current)	**17,095**	**5,925**	**0**	**0**	**11,340**	**136,902**	**171,262**	**171,262**	
Cash and cash equivalents	**1,069,998**	**0**	**0**	**0**	**0**	**0**	**1,069,998**	**1,069,998**	[1]
Total	**1,348,346**	**6,744**	**3,727**	**24,753**	**11,340**	**136,902**	**1,531,812**	**1,531,812**	

Financial liabilities as at 31/12/2020	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Cash flow hedges/ Fair value hedges	Retained earnings	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Private placements	689,114					**689,114**	690,427	Level 3
Liabilities to banks	733,188					**733,188**	745,794	Level 3
Liabilities to other lenders	69,300					**69,300**	70,225	Level 3
Lease liabilities					60,890	**60,890**	60,890	[1]
Financial liabilities	**1,491,602**	**0**	**0**	**0**	**60,890**	**1,552,492**	**1,567,337**	
Trade payables	**195,200**	**0**	**0**	**0**	**0**	**195,200**	**195,200**	[1]
Provisions (current)	**0**	**0**	**0**	**0**	**25,657**	**25,657**	**25,657**	[1]
Puttable non-controlling interests	**0**	**0**	**0**	**140,341**	**0**	**140,341**	**140,341**	Level 3
Derivatives with a negative fair value (cash flow hedges)			61,353			**61,353**	61,353	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		1,358				**1,358**	1,358	Level 2
Derivatives with a negative fair value (fair value hedges)			5,548			**5,548**	5,548	Level 3
Other	30,548				69,820	**100,368**	100,368	[1]
Other liabilities (current and non-current)	**30,548**	**1,358**	**66,900**	**0**	**69,820**	**168,626**	**168,626**	
Total	**1,717,350**	**1,358**	**66,900**	**140,341**	**156,367**	**2,082,316**	**2,097,161**	

1) The carrying amount approximates fair value.

Depending on the classification/measurement category, financial instruments are subsequently measured at (amortized) cost or fair value. The Lenzing Group uses the following measurement categories: “at amortized cost”, “at fair value through profit or loss” and “at fair value through other comprehensive income”. The measurement category “at fair value through profit or loss” is solely used for financial assets that are mandatorily measured at fair value.

Cash and cash equivalents include money market funds in the amount of EUR 343,515 thousand (December 31, 2020: EUR 0 thousand). In assessing the classification of money market funds as cash equivalents, an assessment is undertaken to determine whether the fund meets the definition of cash equivalents. In particular, Lenzing AG examines whether regular and early callability may occur and whether the credit risk and interest rate risk are low. With regard to credit risk, the creditworthiness of the fund itself and of the instruments it contains is assessed. Interest rate risk is examined, in particular, using the fund’s Weighted Average Maturity (WAM). Money market funds are allocated to the category “at fair value through profit or loss”. The fair value is derived from the latest calculated value and is to be categorized in level 1 of the fair value hierarchy.

In the financial year under review, a reclassification was realized from equity instruments measured at fair value through other comprehensive income (level 3) to current securities (level 1). The reason for the reclassification is the initial public offering of the company Spinnova OY, Jyväskylä, Finland, on June 24, 2021. The interest held by Lenzing AG was converted into shares. As a consequence of the issue of the new shares, the previous interest of 6.8 percent was diluted and now amounts to 4.67 percent. The securities are measured at fair value and recognized directly in other comprehensive income due to the exercise of the corresponding option. This leads to an adjustment of the carrying amount of EUR 31,732 thousand.

The Lenzing Group accounts for reclassifications in the fair value hierarchy at the end of the reporting period in which the changes occur.

The measurement of financial instruments is monitored and reviewed by the Lenzing Group. The necessary market data are validated based on the dual control principle.

In light of the varying influencing factors, the fair values presented can only be regarded as indicators of the values that could actually be realized on the market.

The fair value of purchased bonds is derived from the respective current market prices and fluctuates, in particular, with changes in market interest rates and the credit standing of the issuers. The fair value of shares is derived from the current stock exchange prices. These securities are assigned to the category “at fair value through other comprehensive income”.

The fair value of investment funds is derived from the latest calculated value. These securities are assigned to the category “at fair value through profit or loss”.

The measurement of equity investments including derivatives designated as a hedge (fair value hedge) is classified “at fair value through other comprehensive income”. The fair value is determined on the basis of a market approach and is to be categorized in level 3 of the fair value hierarchy. The determined fair value of the equity investment would increase (decrease) in particular if the planned EBITDA increased (decreased). The determined fair value of the derivative has an inverse correlation to the abovementioned parameters.

The nominal value of fair value hedge derivatives amounts to EUR 14,120 thousand as at December 31, 2021 (December 31, 2020 : EUR 11,723 thousand). The change in value for the hedged item and the hedge, which was used to calculate ineffectiveness, amounts to EUR 0 thousand as at December 31, 2021 (December 31, 2020: EUR minus 5,547 thousand). No ineffectiveness was recognized through profit or loss in the current financial year or in the previous year. The risk management goal is to hedge the value of the investment against value fluctuations. The economic relationship for fair value hedge derivatives is ensured by the fact that the change in the value of the hedged item is offset by the change in the value of the hedge. A put/call option is used as a hedge. The hedge ratio is determined based on the nominal value. The hedging instruments run until December 31, 2021 and December 31, 2022.

The following tables show the development of the fair values of the equity investments and the associated derivatives of level 3:

Development of level 3 fair values of equity investments and related derivatives **EUR '000**

2021	Equity investments	Derivatives with a negative fair value (fair value hedges)
As at 01/01	12,931	(5,547)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	(5,334)	5,547
Transfer to Level 1	(500)	0
As at 31/12	**7,097**	**0**

Development of level 3 fair values of equity investments and related derivatives (previous year) **EUR '000**

2020	Equity investments	Derivatives with a negative fair value (fair value hedges)
As at 01/01	11,459	(3,026)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	1,472	(2,522)
As at 31/12	**12,931**	**(5,547)**

A change in key input factors which cannot be observed on the market would have the following effects on the measurement of the equity instruments and the associated derivatives:

Sensitivity analysis of level 3 input factors for equity investments and related derivatives EUR '000

	Other comprehensive income (net of tax)					
	Increase			Decrease		
	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total
EBITDA (+/- 5%) 31/12/2021	395	0	395	(395)	0	(395)
EBITDA (+/- 5%) 31/12/2020	805	(277)	528	(805)	277	(528)

Other financial assets from earn-out agreements are classified "at fair value through profit or loss". The fair value of these other financial assets is determined based on an income approach. It is to be categorized in level 3 of the fair value hierarchy. The measurement model is based on the planned EBITDA, the weighted average cost of capital (WACC) after tax and the repayment terms.

The determined fair value would increase (decrease) in particular if EBITDA increased (decreased). The determined fair value would decrease (increase) if the WACC after tax increased (decreased). The determined fair value would increase if the repayment were to be made two years earlier.

Development of level 3 fair values of other financial assets EUR '000

	2021	2020
As at 01/01	4,087	4,087
Gain/loss included in financial result	0	0
As at 31/12	**4,087**	**4,087**

A change in key input factors which cannot be observed on the market would have the following effects on other financial assets:

Sensitivity analysis of level 3 input factors for other financial assets EUR '000

	Financial result			
	31/12/2021		31/12/2020	
Other financial assets	Increase	Decrease	Increase	Decrease
EBITDA (+/- 5%)	133	(166)	133	(166)
Discount rate (WACC) after tax (+/- 1%)	(747)	926	(747)	926
Repayment 2 years earlier	395	n/a	395	n/a

The sensitivities are determined by conducting the measurements again using the changed parameters.

Puttable non-controlling interests

The Dexco-Group (formerly known as Duratex Group) has a put option and has the right to sell its shares if a change of control occurs regarding the owner of the Lenzing Group (change of control clause). This obligation is recognized under liabilities from puttable non-controlling interests. Puttable non-controlling interests are allocated to the category "at fair value through other comprehensive income". The fair value of these puttable non-controlling interests is determined based on the planned or projected cash flows less cost of disposal and net debt at the measurement date. The budget approved by the Management and Supervisory Boards and the medium-term plans are the starting point for the cash flow projections. After the detailed planning period of five years, a 25-year return based on a sustainable EBITDA margin is expected based on last year's assumptions. The planning period for the calculation of fair value is contractually limited to a maximum of 30 years. Cash flows are discounted to their present value with a discounted cash flow method. The applied discount rate is calculated on an individual basis using the capital asset pricing model (CAPM) and represents a composite figure (weighted average cost of capital – WACC) that combines the average interest rate for debt and the anticipated return on equity employed. An after-tax WACC of 8,1 percent (December 31, 2020: 8.0 percent) was used at the measurement date. Fair value measurement is classified in full as level 3 of the fair value hierarchy because key input factors (in particular, cash flows) cannot be observed on the market.

Development of level 3 fair values of puttable non-controlling interest EUR '000

	2021	2020
As at 01/01	140,341	0
Addition due to change in shareholding interest recognised directly in equity	0	89,366
Measurement of puttable non-controlling interest recognized directly in equity	94,068	50,975
As at 31/12	**234,409**	**140,341**

The determined fair value would increase (decrease) if the operating margin increased (decreased) or if the after-tax WACC decreased (increased). A change these unobservable input factors would have the following effects on the measurement of puttable non-controlling interests:

Sensitivity analysis of level 3 input factors for puttable non-controlling interest EUR '000

	Measurement result offset against retained earnings			
	31/12/2021		31/12/2020	
Puttable non-controlling interests	**Increase**	**Decrease**	**Increase**	**Decrease**
EBITDA (+/- 5%)	8,223	(8,223)	8,104	(8,104)
Discount rate (WACC) after tax (+/- 0.25%)	(17,492)	18,266	(14,637)	15,274

The sensitivities are determined by conducting the measurements again using the changed parameters.

The loan agreements, which were concluded for the construction of the dissolving wood pulp pant in Brazil (see note 30), include, at the project company level, financial covenants which refer in particular to the ratio of net financial debt to EBITDA and may trigger an obligation to repay the financial liabilities if the covenants are not met. At the Lenzing Group level, market restrictive covenants are in place. These financial covenants are regularly monitored by the Global Treasury department and are considered in the determination of distributions by the group companies involved. Lenzing AG and the joint venture partner have committed to a fixed debt/equity ratio of the project company (63/37) and guarantee the financial liabilities of the project company in the amount of their share in the capital. Lenzing AG therefore guarantees 51 percent. Due to the full consolidation, 100 percent of the project company's financial liabilities are included in the consolidated statement of financial position.

The fair values of the other financial liabilities are determined in accordance with generally accepted valuation methods based on the discounted cash flow method. The most important input factor is the discount rate, which incorporates the available market data (risk-free interest rates) and the credit standing of the Lenzing Group, which is not observable on the market. The fair values of the financial guarantee contracts represent the estimated expected default arising from the maximum possible payment obligation and the expected loss.

Derivative financial instruments and hedges

Derivatives are measured at fair value. Their fair value corresponds to the applicable market value, if available, or is calculated using standard methods based on the market data available at the measurement date (in particular exchange rates and interest rates). Currency and commodity forwards are measured at the respective forward rate or price at the reporting date. These forward rates or prices are based on the spot rates or prices and include forward premiums and discounts. The Group's own models are used to estimate the measurement. The measurement of derivatives also includes the counterparty risk (credit risk/counterparty risk/non-performance risk) in the form of discounts to the fair value that would be used by a market participant for pricing.

As a matter of principle, the Lenzing Group applies the hedge accounting rules defined by IFRS 9 to the following derivative financial instruments. The retrospective hedging effect or ineffectiveness is evaluated with the dollar-offset method, which compares the accumulated changes in the fair value of the hedged items with the accumulated changes in the fair value of the hedges in line with the compensation method.

The measurement of the hedged item is offset by the hedge and is therefore effective. Risks of ineffectiveness include the credit risk of a counterparty, a significant change in the credit risk of a contractual party in the hedging relationship or the change of time of payment of the hedged item, reduction of the total invoice amount or price of the hedged item. Risks are always hedged in their entirety. The hedging ratio for the hedged nominal values is 100 percent.

The critical terms of payment of the hedged items and hedging instruments (in particular, the nominal value and time of payment) are generally identical or offset one another ("critical terms match"). Therefore, the Managing Board considers the offsetting of value changes of the hedged items and hedging instrument resulting from changes in the exchange rate when forming a measurement unit as highly effective.

Cash flow hedge derivatives for currency risks

The Lenzing Group uses derivative financial instruments to hedge currency risks arising from investments and from the operating business. These derivative financial instruments serve to balance the variability of cash flows from future transactions. Hedges are determined in advance on the basis of the expected purchases and sales in the relevant foreign currency. In hedging future cash flows in foreign currencies (cash flow hedges), the Lenzing Group typically hedges the risk up to the time of the foreign currency payment. Hedge effectiveness is measured by grouping the hedged items and hedging instruments together in at least quarterly maturity ranges for each hedged risk. Cash flow hedges whose underlying hedged item was already recognized in profit or loss are used to hedge foreign currency receivables/liabilities that were recognized at the reporting date but do not impact cash until a later time.

Cash flow hedges were concluded during the 2020 financial year to hedge against the currency risk of highly probable additional capital contributions in a subsidiary. With the realization of the forward foreign exchange contracts, the amounts of the changes in value initially recognized in other comprehensive income were reclassified to the foreign currency translation reserves. As at December 31, 2021, EUR 850 thousand (December 31, 2020 EUR 24,018 thousand) were reclassified to the foreign currency translation reserve.

The nominal values and fair values of the cash flow hedges are as follows as at the reporting dates:

Nominal value, fair value and hedging period of cash flow hedge derivatives for currency risks

		31/12/2021						EUR '000
		Nominal value in '000	Positive fair value	Negative fair value	Net fair value	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffectiveness
Forward foreign exchange contracts								
CNY/CNH-sale / EUR-buy	CNY/CNH	1,084,600	450	(675)	(225)	12/2022	7.59	(3,200)
CNY/CNH-sale / GBP-buy	CNY/CNH	262,100	502	(391)	111	12/2022	8.86	(511)
EUR-buy / USD-sale	EUR	8,000	0	(246)	(246)	04/2022	1.17	(238)
BRL buy / EUR sale	BRL	155,000	0	(6,134)	(6,134)	06/2022	5.10	(6,134)
BRL buy / USD sale	BRL	288,000	56	(8,273)	(8,217)	07/2022	4.85	(8,217)
USD-buy / CNY-sale	USD	17,150	0	(47)	(47)	12/2022	6.49	(322)
EUR-buy / GBP-sale	EUR	1,000	0	(27)	(27)	05/2022	0.87	(28)
EUR-sale / GBP-buy	EUR	7,900	93	0	93	12/2022	0.86	103
USD-sale / CZK-buy	USD	113,200	387	(2,107)	(1,720)	12/2022	21.98	(2,238)
USD-sale / EUR-buy	USD	129,000	351	(1,286)	(936)	12/2022	1.14	(1,005)
IDR-buy / USD-sale	IDR	4,332,000	3	(43)	(40)	01/2022	14,440.00	3
Total			**1,841**	**(19,228)**	**(17,387)**			**(21,788)**

Fair value: + = receivable, – = liability from the Lenzing Group's perspective
The hedging period represents the period for the expected cash flows and their recognition in profit or loss.

Nominal value, fair value and hedging period of cash flow hedge derivatives for currency risks (previous year)

		31/12/2020						EUR '000
		Nominal value in '000	Positive fair value	Negative fair value	Net fair value	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffectiveness
Forward foreign exchange contracts								
CNY/CNH-sale / EUR-buy	CNY/CNH	435,800	231	0	231	09/2021	8.28	(704)
CNY/CNH-sale / GBP-buy	CNY/CNH	136,200	217	(298)	(81)	12/2021	9.28	(395)
CZK-buy / EUR-sale	CZK	171,800	110	(28)	82	10/2021	26.78	96
EUR-buy / USD-sale	EUR	19,000	1,210	0	1,210	04/2022	1.17	1,236
CNY/CNH-buy / GBP-sale	CNY/CNH	6,600	0	(19)	(19)	07/2021	8.92	(7)
BRL buy / EUR sale	BRL	185,000	0	(7,844)	(7,844)	06/2022	5.08	(7,834)
BRL buy / USD sale	BRL	1,340,101	0	(46,447)	(46,447)	07/2022	4.27	(46,457)
THB-buy / USD-sale	THB	2,674,308	1,258	0	1,258	04/2021	30.49	1,440
USD-buy / CNY-sale	USD	8,250	0	(437)	(437)	10/2021	7.04	(315)
EUR buy / BRL sale	EUR	20,000	8	0	8	03/2021	5.08	18
EUR-sale / GBP-buy	EUR	1,100	4	0	4	12/2021	0.91	6
USD-sale / CZK-buy	USD	82,800	5,883	0	5,883	12/2021	23.14	5,519
USD-sale / EUR-buy	USD	47,470	2,418	0	2,418	12/2021	1.16	2,460
Total			**11,340**	**(55,074)**	**(43,734)**			**(44,936)**

Fair value: + = receivable, – = liability from the Lenzing Group's perspective
The hedging period represents the period for the expected cash flows and their recognition in profit or loss.

The carrying amounts and the ineffectiveness of the hedged items (purchases and sales) designated as hedging instruments as of the balance sheet dates are as follows:

Disclosures on hedged items of cash flow hedge derivatives for currency risks – ineffectiveness EUR '000

	2021			2020		
Currency risks	**Change in fair value used to calculate ineffectiveness**	**Ineffectiveness**	**Line item in the income statement**	**Change in fair value used to calculate ineffectiveness**	**Ineffectiveness**	**Line item in the income statement**
Sales	(13,249)	0	Financial result	6,994	0	Financial result
Purchases	(8,538)	0	Financial result	(51,930)	0	Financial result
Total	**(21,788)**	**0**		**(44,936)**	**0**	

Cash flow hedge derivatives for combined interest rate/currency risks

The Lenzing Group deploys derivative financial instruments in order to hedge interest rate/currency risks arising from private placements denominated in US dollars. Hedges are utilized to offset the variability of interest and principal payments resulting from the hedged item.

The nominal values of the cash flow hedge derivatives as at December 31, 2021 amount to EUR 39,704 thousand and EUR 17,646 thousand (December 31 2020: EUR 40,861 thousand and EUR 18,160 thousand). The fair value of the cash flow hedge derivatives as at December 31, 2021 amounts to EUR minus 1,442 thousand (December 31, 2020: EUR minus 6,279 thousand). The contracts of the hedging instruments and the underlying hedged items are linked to the USD-LIBOR reference interest rate as of the balance sheet date and have not yet been switched to an alternative reference interest rate.

The change in fair value used to calculate ineffectiveness amounts to EUR minus 911 thousand (for the tranche of USD 20 mn) (December 31, 2020: EUR minus 1,890 thousand) and EUR minus 1,311 thousand (for the tranche of USD 45 mn) (December 31, 2020: EUR minus 4,258 thousand). The ineffective portion as at December 31, 2020 amounts to EUR 0 thousand (December 31, 2020: EUR 0 thousand). Over the term, the average fixed interest rate amounts to 0.75 percent and the average hedging rate amounts to 1.10 USD/EUR. The hedge expires in December 2024.

Cash flow hedge derivatives for interest rate risks

The Lenzing Group uses derivative financial instruments to hedge interest rate risks arising from loans taken out with variable interest rates. These hedges are used to offset the variability of cash flows from future interest payments resulting from the hedged item.

The nominal values of the cash flow hedge derivatives as at December 31, 2021 amount to EUR 418,211 thousand (December 31, 2020: EUR 0 thousand). The fair value of the hedge derivatives as at December 31 2021 amounts to EUR minus 1,937 thousand (December 31, 2020: EUR 0 thousand). The contracts of the hedging instruments and the underlying hedged items are linked to the USD-LIBOR reference interest rate as of the balance sheet date and have not yet been switched to an alternative reference interest rate.

The change in fair value used to calculate the ineffectiveness amounts to EUR minus 1,937 thousand (December 31, 2020: EUR 0 thousand). The ineffective portion as at December 31, 2021 amounts to EUR 0 thousand. The average fixed interest rate amounts to 1.83 percent over the term. The hedge expires in June 2029.

Hedging Reserve

The change in the hedging reserve is as follows:

Changes in the hedging reserve EUR '000

	2021			2020		
	Hedging reserve	Cost of hedging	Total	Hedging reserve	Cost of hedging	Total
Hedging reserve as at 01/01	(77,628)	4,101	(73,527)	2,764	2,386	5,150
Currency risks	(29,325)	3,850	(25,474)	(113,953)	1,203	(112,750)
Combined interest rate/currency risks	3,305	775	4,079	(6,105)	5	(6,100)
Interest rate risks	(1,942)	0	(1,942)	0	0	0
Cash flow hedges – changes in fair value recognized during the year	(27,962)	4,625	(23,337)	(120,058)	1,208	(118,851)
Currency risks	2,055	360	2,415	3,483	542	4,025
Reclassification to revenue	2,055	360	2,415	3,483	542	4,025
Currency risks	631	0	631	563	(35)	529
Reclassification to inventories	631	0	631	563	(35)	529
Currency risks	62,271	0	62,271	35,744	0	35,744
Reclassification to property, plant and equipment	62,271	0	62,271	35,744	0	35,744
Combined interest rate/currency risks	758	0	758	(124)	0	(124)
Reclassification to financial result	758	0	758	(124)	0	(124)
Hedging reserve as at 31/12	**(39,875)**	**9,086**	**(30,790)**	**(77,628)**	**4,101**	**(73,527)**

Offsetting financial assets and liabilities

The Lenzing Group has concluded a number of framework netting agreements (in particular, master netting arrangements). The amounts owed by each counterparty under such agreements on a single day in the same currency based on the total outstanding transactions are aggregated into a single net amount to be paid by one party to the other.

The following tables present information on offsetting financial assets and liabilities in the consolidated statement of financial position on the basis of framework netting agreements. The (gross) amounts presented in the "Financial assets" and "Financial liabilities" columns correspond to the (net) financial assets and liabilities recognized. The column "effect of framework netting agreements" shows the amounts which result from these types of agreements, but which do not meet the criteria for offsetting in the IFRS consolidated statement of financial position.

Offsetting of financial instruments EUR '000

Financial assets as at 31/12/2021	Financial assets (gross=net)	Effect of framework netting agreements	Net amounts
Other financial assets – derivative financial instruments with a positive fair value	1,950	(896)	1,054
Financial assets as at 31/12/2020			
Other financial assets – derivative financial instruments with a positive fair value	13,178	(2,331)	10,847

Offsetting of financial instruments EUR '000

Financial liabilities as at 31/12/2021	Financial liabilities (gross=net)	Effect of framework netting agreements	Net amounts
Other financial liabilities – derivative financial instruments with a negative fair value	28,406	(896)	27,509
Financial liabilities as at 31/12/2020			
Other financial liabilities – derivative financial instruments with a negative fair value	68,258	(2,331)	65,927

Transfer of financial assets (sale of receivables/factoring)

Factoring agreements are in place which require the banks to purchase certain trade receivables from the Lenzing Group for a revolving monthly nominal amount. The Lenzing Group is entitled to sell these receivables. The agreements have indefinite terms, whereby each party has the right to cancel the agreements with notice and allow them to expire. The factoring agreements had a maximum usable nominal volume of EUR 73,235 thousand as at December 31, 2021 (December 31, 2020 EUR 72,214 thousand). They have been suspended since the 2017 financial year.

Note 38. Net interest and net result from financial instruments and net foreign currency result

Net interest and net result

The following table shows the net interest and net result from financial instruments by class/measurement category in accordance with IFRS 9:

Net interest and net result from financial instruments EUR '000

2021	Interest income	Interest expense	Net interest	From subsequent measurement at fair value through profit or loss	From subsequent measurement at fair value through other comprehensive income	Measured at fair value through other comprehensive income and reclassified to profit or loss	From impairment/ reversal of an impairment loss	Result on disposal	Net result (total)
Financial assets measured at amortized cost	3,955	0	**3,955**	0	0	0	(1,255)	(2,000)	**700**
Financial assets measured at fair value through profit or loss	155	0	**155**	(206)	0	0	(66)	1	**(116)**
Equity instruments measured at fair value through other comprehensive income	960	0	**960**	0	32,926	0	0	0	**33,885**
Debt instruments measured at fair value through other comprehensive income	37	0	**37**	0	(36)	124	0	(138)	**(13)**
Financial liabilities measured at amortized cost	0	(39,443)	**(39,443)**	0	0	0	0	0	**(39,443)**
Total	**5,107**	**(39,443)**	**(34,336)**	**(206)**	**32,890**	**124**	**(1,321)**	**(2,137)**	**(4,987)**

Net interest and net result from financial instruments (previous year) EUR '000

2020	Interest income	Interest expense	Net interest	From subsequent measurement at fair value through profit or loss	From subsequent measurement at fair value through other comprehensive income	Measured at fair value through other comprehensive income and reclassified to profit or loss	From impairment/ reversal of an impairment loss	Result on disposal	Net result (total)
Financial assets measured at amortized cost	1,764	0	**1,764**	0	0	0	(1,443)	0	**321**
Financial assets measured at fair value through profit or loss	150	0	**150**	(34)	0	0	(66)	0	**50**
Equity instruments measured at fair value through other comprehensive income	829	0	**829**	0	(2,646)	0	0	0	**(1,817)**
Debt instruments measured at fair value through other comprehensive income	73	0	**73**	0	(34)	0	0	(23)	**16**
Financial liabilities measured at amortized cost	0	(22,521)	**(22,521)**	0	0	0	0	0	**(22,521)**
Total	**2,817**	**(22,521)**	**(19,704)**	**(34)**	**(2,680)**	**0**	**(1,509)**	**(23)**	**(23,950)**

The net result from financial instruments comprises the following: net interest (current interest income and expenses, including the amortization of premiums and discounts and dividends from companies not accounted for using the equity method), gains/losses on fair value measurement which are recognized in profit or loss or through other comprehensive income and the result of impairment losses (recognition and reversal of bad debt provisions/valuation adjustments) and on disposals. Income from equity and debt instruments measured at fair value through other comprehensive income includes gains/losses from remeasurement and from the reclassification of remeasurement gains/losses to profit or loss. Net result from financial instruments does not include exchange rate gains/losses (with the exception of financial instruments carried at fair value through profit or loss) or gains/losses from hedging instruments (cash flow hedges).

The change in the bad debt provisions for receivables measured at amortized cost is mainly recognized under "Selling expenses".

The component recognized directly in equity from the subsequent measurement of equity and debt instruments measured at fair value through other comprehensive income is reported under the "reserve for financial assets measured at fair value through other comprehensive income". The remaining components of the net result are included under "income from non-current and current financial assets" and in "financing costs".

Net foreign currency result

In other operating income/expenses are included net foreign currency gains/losses in the amount of EUR plus 11.557 thousand (2020: EUR minus 7,521 thousand), in income from non-current and current financial assets in the amount of EUR plus 5.203 thousand (2020: EUR minus 6.696 thousand), and in financing costs in the amount of EUR plus 4.405 thousand (2020: EUR plus 6.391 thousand).

Note 39. Financial risk management

As an international company, the Lenzing Group is exposed to financial and other market risks. A company-wide risk management system, which is regulated comprehensively in guidelines, has been implemented to identify and assess potential risks at an early stage. This system is designed to achieve maximum risk transparency and provide high-quality information by quantifying all risk categories, with a particular emphasis on risk concentration. The efficiency of group-wide risk management is evaluated and monitored on an ongoing basis by both the internal control system (ICS) and the internal audit department.

The financial risks arising from financial instruments – credit risk, liquidity risk, currency risk (above all with regard to the BRL, CNY, CZK, HKD, IDR, THB and USD), commodity price risk and interest rate risk – are classified as relevant risks for the Lenzing Group. Corresponding hedging measures are used to minimize these risks wherever possible. Acquired shares in external companies are considered long-term investments and, therefore, are not viewed as a relevant market price risk over the short- to medium-term.

Credit risk

Credit risk represents the risk of asset losses that may result from the failure of individual business partners to meet their contractual obligations. The credit risk from transactions involving the provision of goods and services (in particular, trade receivables) is secured to a substantial extent by credit insurance and bank security (guarantees, letters of credit, bills of exchange etc.). Outstanding receivables and customer limits are monitored on an ongoing basis. The credit risk from investments with banks (above all, cash and cash equivalents) and derivatives with a positive market value is reduced by only concluding transactions with counterparties that can demonstrate a sound credit rating.

Receivables are measured individually. Individual bad debt provisions are recognized for receivables if there are indications of credit impairment (individual measurement) and if they are not expected to be collectible in full. This applies especially when the debtor has significant financial difficulties, is in default or has delayed payments or when there is an increased probability that the debtor will enter bankruptcy and the involved receivable is not sufficiently collateralized. The expected loss is low because of the Lenzing Group's comprehensive receivables management (extensive collateralization with credit insurance and bankable security as well as continuous monitoring of accounts receivable and customer limits).

To determine the required impairment for trade receivables for which no individual bad debt provisions were recognized, the defaults of the past years were evaluated in the Lenzing Group. The analysis has shown that there is only an immaterial risk for receivables overdue for a certain period.

The loss ratios are based on historical default rates of the last nine years and are distinguished by companies and periods overdue. The COVID-19 crisis did not result in any significant changes in default rates during the financial year. The relevant development is continuously monitored by the management.

For non-current debt instruments assigned to the category "at fair value through other comprehensive income", originated loans and other financial assets (current and non-current), which are measured at amortized cost, as well as cash and cash equivalents, the calculation of impairment is based on the average default rates. The impairment is based on the default rate per rating for the respective financial instrument. A significant change in credit risk is identified based on the rating and default of payment. Regarding instruments with a low credit risk, the Lenzing Group assumes that the credit risk has not increased significantly since the first recognition. Consequently, the twelve month credit loss is always recognized for such instruments. Since the expected impairment is immaterial, no expected credit loss is recorded for these financial assets.

The reduced earning power and uncertainties, in particular due to a fire at a plant of the buyer of EFB in 2018 (including its subsidiaries), result in a higher default risk for the receivables from these companies. Therefore, the calculation of bad debt provisions for these originated loans was changed from the expected twelve month credit loss to lifetime expected credit loss in 2018. The lifetime expected credit loss was determined based on the difference between the contractual payments and all payments expected by the management in the future.

Trade receivables are considered defaulted when they are overdue for more than 270 days or when it is unlikely that the debtor can meet the obligations without the realization of collateral. This long period of time results from the fact that about 90 percent of trade receivables are insured by credit insurance.

Financial assets are only derecognized directly if the contractual rights to payments cease to exist (particularly in the event of bankruptcy). An impairment loss is reversed up to amortized cost if the reasons for its recognition no longer exist.

The Group considers the risk concentration in trade receivables to be rather low because its customers are based in various countries, operate in different sectors and are active on largely independent markets. A rather small amount of the receivables is overdue and not individually impaired (see table "aging of receivables" below). Important effects for a change in bad debt provisions include possible default of payment by major customers or a general increase of receivables at the reporting date. During the financial year there was no significant increase in defaults. Trade receivables increased as at December 31, 2021.

The bad debt provisions developed as follows:

Development and reconciliation of bad debt provisions EUR '000

	Lifetime expected credit loss (portfolio measurement)	Lifetime expected credit loss (individual measurement)
Trade receivables		
Bad debt provisions as at 01/01/2021	468	8,469
Transfer to "Lifetime expected credit loss"	0	(213)
Reversal	(98)	(224)
Addition	368	1,196
Currency translation adjustment	15	532
Bad debt provisions as at 31/12/2021	**753**	**9,760**

Development and reconciliation of bad debt provisions (previous year) EUR '000

	Lifetime expected credit loss (portfolio measurement)	Lifetime expected credit loss (individual measurement)
Trade receivables		
Bad debt provisions as at 01/01/2020	439	10,729
Transfer to "Lifetime expected credit loss"	0	(57)
Reversal	(240)	(2,114)
Addition	283	70
Currency translation adjustment	(14)	(158)
Bad debt provisions as at 31/12/2020	**468**	**8,469**

Lifetime expected credit loss (individual measurement) EUR '000

	2021	2020
Originated loans at amortized cost		
Bad debt provisions as at 01/01	6,145	4,755
Utilization		
Reversal	(601)	0
Addition	14	1,400
Currency translation adjustment	42	(10)
Bad debt provisions as at 31/12	**5,600**	**6,145**
Other financial assets (non-current and current)		
Bad debt provisions as at 01/01	648	581
Utilization	0	0
Addition	66	66
Bad debt provisions as at 31/12	**713**	**648**

The bad debt provisions for trade receivables include bad debt provisions of EUR 1,810 thousand (2020: EUR 650 thousand) for companies accounted for using the equity method.

The bad debt provisions for trade receivables are related primarily to bad debt provisions for overdue, uninsured receivables.

The carrying amount of the impaired receivables is as follows:

Aging and expected credit loss for trade receivables EUR '000

31/12/2021	Gross carrying amount	Expected credit loss
Not overdue	287,584	439
Overdue up to 30 days	29,249	167
Overdue for 31 to 90 days	5,541	56
Overdue for 91 to 365 days	418	58
Overdue for more than one year	32	32
Credit impaired receivables (individual measurement)	12,860	0
Total	**335,685**	**753**

Aging and expected credit loss for trade receivables (previous year) EUR '000

31/12/2020	Gross carrying amount	Expected credit loss
Not overdue	231,900	303
Overdue up to 30 days	15,338	102
Overdue for 31 to 90 days	1,435	15
Overdue for 91 to 365 days	248	13
Overdue for more than one year	35	35
Credit impaired receivables (individual measurement)	9,643	0
Total	**258,598**	**468**

Development of expected credit loss not including credit impaired financial assets EUR '000

As at 01/01/2020	439
Change	29
As at 31/12/2020 = 01/01/2021	468
Change	286
As at 31/12/2021	753

Aging of financial receivables EUR '000

	Originated loans	Other financial receivables (current and non-current)
Gross carrying amount as at 31/12/2021	17,948	20,239
Thereof at the reporting date:		
Not overdue	6,670	19,404
Thereof impaired	11,278	834

Aging of financial receivables (previous year) EUR '000

	Originated loans	Other financial receivables (current and non-current)
Gross carrying amount as at 31/12/2020	17,736	35,505
Thereof at the reporting date:		
Not overdue	5,913	30,366
Thereof impaired	11,823	5,139

Securities in the scope of the impairment provisions of IFRS 9 as well as cash and cash equivalents have a rating between AAA and BBB.

There are currently no doubts concerning the collectability of financial assets that are neither past due nor impaired.

The maximum exposure to credit risk from recognized financial assets is as follows:

Maximum exposure to credit risk from recognized financial assets EUR '000

	31/12/2021	31/12/2020
Carrying amount of asset financial instruments (see note 37)	1,529,076	1,394,910
Less risk reduction in relation to receivables due to		
Credit insurance received for trade receivables (not including deductibles)	(104,674)	(105,803)
Guarantees received for trade receivables	(35,600)	(4,597)
Total	**1,388,802**	**1,284,510**

The maximum exposure to credit risk from financial guarantee contracts and contingent liabilities is shown in note 42.

Liquidity risk

Liquidity risk represents the risk of not being able to obtain sufficient funds to settle incurred liabilities at all times. The management of liquidity risk has a high priority in the Lenzing Group. Corporate guidelines require uniform, proactive liquidity forecasts and medium-term planning throughout the entire Group. The Lenzing Group continuously monitors the risk of a possible liquidity shortage.

The Lenzing Group had liquid assets totaling EUR 1,124,120 thousand (December 31, 2020: EUR 1,081,122 thousand) in the form of cash and cash equivalents including money market funds and liquid bills of exchange (see note 36). Unused credit facilities of EUR 454,471 thousand were available as at December 31, 2021 (December 31, 2020: EUR 1,031,364 thousand) to finance necessary working capital and to cover any shortfalls caused by economic cycles. The medium- and long-term financing for the Lenzing Group is provided by equity and financial liabilities, in particular bonds, private placements and bank loans. Current financial liabilities can regularly be extended or refinanced with other lenders. Trade payables provide short-term financing for the goods and services purchased. The liabilities covered by reverse factoring agreements are settled in line with their agreed maturity, whereby the related cash outflows are included in liquidity planning. For this reason, the Group considers the concentration of risk with regard to sufficient financing sources as rather low.

The contractually agreed (undiscounted) interest and principal payments for primary financial liabilities (including financial guarantee contracts) are shown below:

Maturity analysis of non-derivative financial liabilities EUR '000

	Carrying amount as at 31/12/2021	Cash flows 2022	Cash flows 2023 to 2026	Cash flows from 2027
Private placements	637,841	80,641	550,691	29,234
Bank loans	1,342,661	63,715	1,052,698	379,378
Loans from other lenders	57,183	6,539	34,542	19,969
Lease liabilities	63,475	12,781	34,425	123,548
Trade payables	414,768	414,768	0	0
Puttable non-controlling interests	234,409	0	0	234,409
Other financial liabities[1]	40,442	40,442	0	0
Total	**2,790,781**	**618,886**	**1,672,357**	**786,539**
Thereof:				
Fixed interest		17,985	50,020	85,306
Fixed and floating rate interest		179	616	299
Floating rate interest		24,480	59,376	9,442
Repayment		576,243	1,562,345	691,492

1) The above includes the maximum possible payment obligations from financial guarantee contracts. The amounts are assumed to be due in the first year.

Maturity analysis of non-derivative financial liabilities (previous year) EUR '000

	Carrying amount as at 31/12/2020	Cash flows 2021	Cash flows 2022 to 2025	Cash flows from 2026
Private placements	689,114	8,585	448,508	274,658
Bank loans	733,188	103,352	640,482	57,643
Loans from other lenders	69,300	6,887	39,767	25,771
Lease liabilities	60,890	13,267	29,807	125,992
Trade payables	195,200	195,200	0	0
Puttable non-controlling interests	140,341	0	0	140,341
Other financial liabities[1]	30,548	30,548	0	0
Total	**1,918,581**	**357,839**	**1,158,564**	**624,404**
Thereof:				
Fixed interest		14,608	45,437	86,785
Fixed and floating rate interest		212	614	481
Floating rate interest		11,655	28,202	4,883
Repayment		331,365	1,084,311	532,255

1) The above includes the maximum possible payment obligations from financial guarantee contracts. The amounts are assumed to be due in the first year.

The above tables include all primary financial liabilities held at the reporting date, but exclude estimated future liabilities. Foreign currency amounts were translated with the spot exchange rate in effect at the reporting date. Floating rate interest payments were calculated according to the last interest rates set before the reporting date. Financial liabilities that are repayable at any time are always assigned to the earliest time period.

The contractually agreed (undiscounted) interest and principal payments for derivative financial instruments are as follows:

Maturity analysis of derivative financial instruments EUR '000

	Carrying amount as at 31/12/2021	Cash flows 2022	Cash flows 2023 to 2026	Cash flows from 2027
Currency, combined interest rate/currency and interest rate derivatives				
Derivatives with a positive fair value (cash flow hedges)	1,841	1,841	0	0
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	109	109	0	0
Positive fair value	**1,950**	**1,950**	**0**	**0**
Derivatives with a negative fair value (cash flow hedges)	(22,607)	(19,228)	(1,442)	(1,937)
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	(5,799)	(5,799)	0	0
Negative fair value	**(28,406)**	**(25,027)**	**(1,442)**	**(1,937)**
Total	**(26,456)**	**(23,077)**	**(1,442)**	**(1,937)**

Cash flows consist solely of principal and do not include any interest components.
Fair value: + = receivable, - = liability from the Lenzing Group's perspective

Maturity analysis of derivative financial instruments (previous year) EUR '000

	Carrying amount as at 31/12/2020	Cash flows 2021	Cash flows 2022 to 2025	Cash flows from 2026
Currency, combined interest rate/currency and interest rate derivatives				
Derivatives with a positive fair value (cash flow hedges)	11,340	10,876	465	0
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	1,838	1,838	0	0
Positive fair value	**13,178**	**12,714**	**465**	**0**
Derivatives with a negative fair value (cash flow hedges)	(61,353)	(42,660)	(18,693)	0
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	(1,358)	(1,358)	0	0
Negative fair value	**(62,711)**	**(44,018)**	**(18,693)**	**0**
Total	**(49,532)**	**(31,304)**	**(18,228)**	**0**

Cash flows consist solely of principal and do not include any interest components.
Fair value: + = receivable, - = liability from the Lenzing Group's perspective

Currency risk

Cash flows from capital expenditures and the operating business as well as investments and financing in foreign currencies expose the member companies of the Lenzing Group to currency risks. Risks from foreign currencies are hedged as far as possible if they influence the Group's cash flows. In the operating business, the individual group companies are exposed to currency risk in connection with planned incoming and outgoing payments outside their functional currency. Forward foreign exchange contracts, which are recognized at fair value, are used to hedge the exchange rate risk from foreign currency positions arising from expected future transactions in foreign currencies by group companies.

For companies with the same functional currency, the respective net foreign currency exposures are calculated for the following sales year as part of the budgeting process. Foreign currency purchases and sales are aggregated into separate groups for each currency. Approximately 62 percent of the budgeted net exposure for the following financial year was hedged for EUR/USD, the dominant currency pair in the Lenzing Group, as at December 31, 2021 (December 31, 2020: approximately 73 percent). The CNY also plays an important role. The resulting risk concentration at the reporting date can be seen in the following tables (especially the tables on "sensitivity analysis and risk exposure for foreign currency risks").

Translation risk is also regularly assessed and monitored at the Group level. Translation risk represents the risk arising from the consolidation of foreign investments whose functional currency is not the euro. The greatest risk exposure here is in relation to the US dollar.

Commodity risk

The gas price risk is hedged physically through supply contracts. The group is also subject to the usual market price risks in connection with its business activities (especially relating to wood, chemicals, pulp and energy) which are not hedged with derivatives or financial instruments, but protected through other measures (above all, long-term and short-term supply contracts with various suppliers).

Interest rate risk

The Lenzing Group is exposed to interest rate risk through its business-related financing and investing activities. Interest rate risks arise through potential changes in the market interest rate. They can lead to a change in the fair value of fixed rate financial instruments and to fluctuations in the cash flows from interest payments for floating rate financial instruments. Interest rate risks and the resulting risk concentrations are managed by monitoring and adjusting the composition of fixed rate and floating rate primary financial instruments on an ongoing basis and by the selective use of derivative financial instruments. The level of the resulting risk concentration as of the balance sheet date is presented in the following tables (see section "Sensitivity analysis and exposure for interest rate risks").

Sensitivity analysis and exposure for currency risks

The Lenzing Group uses the following assumptions for its sensitivity analysis:

- The sensitivity of profit or loss is based on the receivables and liabilities recognized by the group companies which are denominated in a currency other than the functional currency of the relevant company and the open derivatives from cash flow hedges for currency risks in cases where the hedged item was already recognized in profit or loss as at the reporting date. The carrying amounts of the receivables and liabilities, respectively the nominal values of the derivatives, correspond to the exposure. The individual exposures are presented consistently in relation to the US dollar and euro for the aggregation to the Group's exposure.
- The sensitivity of other comprehensive income as at the reporting date is based on the open derivatives from cash flow hedges for currency risks in cases where the hedged item has not yet been recognized in profit or loss. The nominal value of the open derivatives corresponds to the exposure.

The following tables show the sensitivities and exposure for currency risk as at the reporting dates:

Sensitivity analysis and risk exposure for foreign currency risks (EUR) **EUR '000**

	31/12/2021			31/12/2020		
	Group exposure in relation to EUR	Sensitivity to 10% devaluation of the EUR	Sensitivity to 10% revaluation of the EUR	Group exposure in relation to EUR	Sensitivity to 10% devaluation of the EUR	Sensitivity to 10% revaluation of the EUR
EUR-USD	380,790	31,589	(25,846)	326,704	25,842	(21,144)
EUR-GBP	1,533	136	(111)	(2,918)	(243)	199
EUR-CNY/CNH	65,576	5,465	(4,471)	9,222	769	(629)
EUR-CZK	(2,826)	(243)	199	(3,625)	(322)	264
EUR-HKD	(5,814)	(480)	393	(2,962)	(242)	198
Sensitivity of net profit or loss after tax (through receivables and payables)	**439,259**	**36,466**	**(29,836)**		**25,804**	**(21,112)**
Sensitivity of other comprehensive income after tax (through cash flow hedge derivatives)		(15,690)	12,843		(1,368)	1,120
Sensitivity of equity		**20,776**	**(16,993)**		**24,435**	**(19,993)**

Group exposure: + receivable, – liability; sensitivity: + increase in profit/other comprehensive income, - decrease in profit/other comprehensive income

Sensitivity analysis and risk exposure for foreign currency risks (USD/GBP) **EUR '000**

	31/12/2021			31/12/2020		
	Group exposure in relation to USD/GBP	Sensitivity to 10% devaluation of the USD/GBP	Sensitivity to 10% revaluation of the USD/GBP	Group exposure in relation to USD/GBP	Sensitivity to 10% devaluation of the USD/GBP	Sensitivity to 10% revaluation of the USD/GBP
USD-IDR	(13,177)	(1,142)	934	(5,104)	(442)	362
USD-GBP	(3,926)	(353)	289	(3,668)	(295)	242
USD-CNY/CNH	17,766	1,481	(1,212)	7,224	724	(593)
USD-CZK	(14,914)	(1,342)	1,098	(4,942)	(445)	364
USD-THB	809	72	(59)	(207,766)	(18,468)	15,110
USD-BRL	61,525	4,512	(3,692)	(53,303)	(3,909)	3,198
GBP-CNY/CNH	6,081	547	(448)	9,594	1,062	(869)
Sensitivity of net profit or loss after tax (through receivables and payables)	**54,164**	**3,775**	**(3,088)**		**(21,773)**	**17,815**
Sensitivity of other comprehensive income after tax (through cash flow hedge derivatives)		(12,202)	11,947		9,938	(8,085)
Sensitivity of equity		**(8,427)**	**8,858**		**(11,835)**	**9,730**

Group exposure: + receivable, – liability; sensitivity: + increase in profit/other comprehensive income, - decrease in profit/other comprehensive income

Sensitivity analysis and exposure for interest rate risks

The following tables show the exposure for interest rate risks at the reporting dates in the form of the carrying amounts of interest-bearing primary financial instruments:

Risk exposure for interest rate risks **EUR '000**

	31/12/2021				
	Fixed interest	**Fixed and floating rate interest**	**Floating rate interest**	**No interest**	**Total**
Cash and cash equivalents	0	0	1,113,279	0	1,113,279
Financial assets	42	0	11,278	59,780	71,101
Financial liabilities	(932,158)	(33,813)	(1,135,190)	0	(2,101,161)
Net risk position	**(932,116)**	**(33,813)**	**(10,633)**	**59,780**	**(916,782)**
Effects from derivative instruments (hedging)	(57,350)	0	57,350	0	0
Net risk position after hedging effect	**(989,465)**	**(33,813)**	**46,717**	**59,780**	**(916,782)**

+ Receivables, - Liabilities

Risk exposure for interest rate risks (previous year) **EUR '000**

	31/12/2020				
	Fixed interest	**Fixed and floating rate interest**	**Floating rate interest**	**No interest**	**Total**
Cash and cash equivalents	0	0	1,069,998	0	1,069,998
Financial assets[1]	46	0	10,678	30,166	40,890
Financial liabilities	(785,884)	(38,572)	(728,037)	0	(1,552,492)
Net risk position	**(785,838)**	**(38,572)**	**352,640**	**30,166**	**(441,604)**
Effects from derivative instruments (hedging)	(52,927)	0	52,927	0	0
Net risk position after hedging effect	**(838,765)**	**(38,572)**	**405,567**	**30,166**	**(441,604)**

+ Receivables, - Liabilities
1) Includes, among others, the GF 82 wholesale fund whose income is distributed or reinvested.

Sensitivity analyses are performed for the interest rate risks arising from floating rate financial instruments and from the fluctuation in the market values of cash flow hedge derivatives. They show the effects of hypothetical changes in interest rates on profit or loss, other comprehensive income and equity.

The Lenzing Group uses the following assumptions in its analysis of the interest rate risk arising from floating rate financial instruments:

- The sensitivity analysis includes all floating rate primary and derivative financial instruments as at the reporting date.
- The exposure corresponds to the carrying amount of the floating rate financial instruments.

The sensitivities and exposure for the interest rate risks arising from floating rate financial instruments are as follows as at the reporting dates:

Sensitivity analysis for interest rate risks from variable-rate primary and derivative financial instruments **EUR '000**

31/12/2021	Net risk position after hedging effect	Sensitivity to a 100 bp increase in the interest rate level	Sensitivity to a 100 bp decrease in the interest rate level[1]
Sensitivity of net profit or loss after tax	46,717	(5,331)	3,689[2]
31/12/2020			
Sensitivity of net profit or loss after tax	405,567	2,980	(5,043)[2]

1) A reduction in the basis points results in a proportional decrease in the sensitivity.
2) The evaluation is based on the assumption that negative interest rates are paid on cash and cash equivalents. The evaluation does not include liabilities for which no negative interest is calculated.

The Lenzing Group bases the sensitivity analysis for the interest rate risk from the fluctuation in market values of cash flow hedge derivatives for interest rate risks on the following assumptions:

- The sensitivity of other comprehensive income as at the reporting date is based on the open derivative from cash flow hedges for interest rate risks in cases where the hedged item has not yet been recognized in profit or loss.
- The exposure corresponds to the nominal value of the derivative amount of EUR 418,211 thousand (December 31, 2020: EUR 0 thousand).

An increase in the interest rate level by 1 percentage point would lead to an increase in other comprehensive income (after taxes) of EUR 9,543 thousand (December 31, 2020: EUR 0 thousand). A decrease in the interest rate level by 1 percentage point would lead to a reduction in other comprehensive income (after taxes) of EUR 9,532 thousand (December 31, 2020: EUR 0 thousand). The interest rate sensitivity has no effect on profit or loss, as the measurement of interest rate derivatives is recognized in the hedging reserve with no effect on profit or loss.

The Lenzing Group holds financial instruments that are linked to an IBOR reference interest rate and must be replaced as part of the IBOR reform. Until December 31, 2021, the previous reference interest rate, the Euro Overnight Index Average (EONIA), relating to affected financial liabilities was adjusted to the Euro Short-Term Rate (€STR) reference interest rate. The changeover of the USD-LIBOR reference interest rate relating to affected financial liabilities and corresponding cash flow hedge derivatives for combined interest rate/currency risks and for interest rate risks to an alternative reference interest rate has already begun. The Lenzing Group is monitoring the transition to alternative reference interest rates and is managing the resultant risks.

Additional information on financial risk management and financial instruments is provided in the risk report of the Lenzing Group's management report as at December 31, 2021.

Disclosures on Related Parties and Executive Bodies

Note 40. Related party disclosures

Overview

Related parties of the Lenzing Group include, in particular, the member companies of the B&C Group together with its subsidiaries, joint ventures and associates and its corporate bodies (executive board/management and supervisory board, where applicable) as well as close relatives of the members of the corporate bodies and companies under their influence (see note 1 "Description of the company and its business activities" and note 41). The amounts and transactions between Lenzing AG and its consolidated subsidiaries are eliminated through consolidation and are not discussed further in this section.

B&C Privatstiftung is managed by a board of trustees. No member of the Managing Board of Lenzing AG is a member of this board of trustees or the management/Managing Board of a subsidiary of B&C Privatstiftung, with the exception of subsidiaries of the Lenzing Group. The Lenzing Group has no influence over the business activities of B&C Privatstiftung.

The members of the corporate bodies of Lenzing AG (in particular, the Supervisory Board) and the above-mentioned entities are, in some cases, also members of the corporate bodies or shareholders of other companies with which Lenzing AG maintains ordinary business relationships. The Lenzing Group maintains ordinary business relationships with banks that involve financing, investing and derivatives.

Relationship with related companies

In connection with the tax group established with B&C Group (see note 31), the Lenzing Group recognized a tax credit of EUR 747 thousand through profit or loss in 2021 (2020: EUR 24 thousand). Contractual obligations resulted in the payment or advance payment of tax allocations totaling EUR 15,285 thousand in 2021 (2020: EUR 19,196 thousand). The Lenzing Group recognized a liability of EUR 28,000 thousand towards B&C Group from the tax allocation, after the deduction of advance payments, as at December 31, 2021 (December 31, 2020: receivable EUR 4,568 thousand). The tax loss of EUR 0 thousand (December 31, 2020: EUR 3,256 thousand) was recognized under deferred tax assets. Income tax expense of EUR 17,268 thousand was recognized in 2021 as a result of the tax allocation to B&C Group (2020: EUR 1,229 thousand).

Relationships with companies accounted for using the equity method and their material subsidiaries

Transactions with companies accounted for using the equity method and their material subsidiaries relate primarily to:

Material relationships with companies accounted for using the equity method

EQUI-Fibres Beteiligungsgesellschaft mbH and its subsidiaries (EFB)	Distribution of fibers, delivery of pulp, loan assignment
Lenzing Papier GmbH (LPP)	Provision of infrastructure and administrative services
RVL Reststoffverwertung Lenzing GmbH (RVL)	Operation of a recycling plant and purchase of the generated steam; letting of land
Hygiene Austria LP GmbH (HGA), the shares were sold in March 2021	Supply of raw materials, provision of services, loan receivable, guarantee given and purchasing of protective masks
Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck (GSG)	Provision of infrastructure and administrative services
PT. Pura Golden Lion (PGL)	Loan liability
Wood Paskov s.r.o. (LWP)	Purchase of wood
LD Florestal S.A. (LDF)	Land use rights, loan liability

The scope of material transactions and the outstanding balances with companies accounted for using the equity method and their major subsidiaries are as follows:

Relationships with companies accounted for using the equity method and their material subsidiaries EUR '000

2021	EFB	Other associates	LDF	Other joint ventures	Total
Goods and services provided	48,186	13,669	0	12,102	73,957
Goods and services received	0	99	0	12,414	12,513
Receivables as at 31/12	13,059	2,705	368	5	16,137
Liabilities as at 31/12	0	0	14,748	42	14,790

Relationships with companies accounted for using the equity method and their material subsidiaries (previous year) EUR '000

2020	EFB	Other associates	LDF	Other joint ventures	Total
Goods and services provided	36,737	8,009	0	11,630	56,376
Goods and services received	5	90	0	12,122	12,216
Receivables as at 31/12	10,842	909	0	9	11,760
Liabilities as at 31/12	0	2,696	21,318	19	24,032

Bad debt provisions of EUR 1,160 thousand for trade receivables from companies accounted for using the equity method were recognized to profit or loss as expense in 2021 (2020: EUR 2,100 thousand income).

Kelheim Fibers GmbH, Kelheim, Germany, a subsidiary of the equity-accounted investee EQUI-Fibres Beteiligungsgesellschaft mbH, Kelheim, Germany, received a long-term, unsecured loan of EUR 5,000 thousand from Lenzing AG in 2017. The interest reflects standard bank rates.

Hygiene Austria LP GmbH received a long-term, unsecured loan of EUR 2,000 thousand from Lenzing AG in the 2020 financial year. The interest reflects standard bank rates. In the 2021 financial year, this loan was waived as part of the divestiture of Hygiene Austria LP GmbH. Lenzing AG guaranteed up to a maximum of EUR 1,000 thousand to a supplier of Hygiene Austria LP GmbH until the divestiture of Hygiene Austria LP GmbH.

LD Florestal S.A., issued an unsecured loan of EUR 27,913 thousand to the fully consolidated subsidiary LD Celulose S.A. in 2019, which carries standard bank interest rates. EUR 14.748 thousand of the loan were drawn down as at December 31, 2021 (December 31, 2020: EUR 21,318 thousand). In addition, LD Florestal S.A. granted LD Celulose S.A. a land use right in the 2020 financial year. The carrying amount of the resulting lease liability amounts to EUR 36,941 thousand as at December 31, 2021 (December 31, 2020: EUR 39,620 thousand).

There were no major transactions with the other non-consolidated subsidiaries in 2020 and 2021.

Relationships with members of the Managing Board and Supervisory Board of Lenzing AG

The remuneration expensed for key management personnel, which comprises the active members of the Managing Board and Supervisory Board of Lenzing AG, in line with their functions is summarized below (including changes in provisions):

Remuneration for key management personnel (expensed) EUR '000

	2021	2020
Remuneration for the Managing Board		
Basic salary	2,541	2,377
Benefits in kind and other benefits (in particular use of company vehicles)	60	56
Short-term variable performance bonus (short-term incentive; STI)	2,035	0
Extraordinary remuneration (special bonuses)	1,880	120
Short-term employee benefits	**6,516**	**2,553**
Long-term variable performance bonus (long-term incentive; LTI)	139	947
Extraordinary remuneration (special bonuses)	0	100
Other long-term employee benefits	**139**	**1,047**
Contributions to multiemployer pension fund	285	289
Post-employment benefits	**285**	**289**
Compensation for non-competition clauses and one-off gratuity	2,280	0
Termination benefits	**2,280**	**0**
Remuneration for the Managing Board	**9,219**	**3,889**
Remuneration for the Supervisory Board		
Short-term employee benefits	907	864
Total	**10,126**	**4,754**

The benchmark for the long-term bonus component of the members of the Managing Board (long-term incentive/LTI) consists of selected key indicators of the Lenzing Group, each over a three-year calculation period. In addition, the company's capital market performance is assessed in comparison with a group of selected listed companies during these periods.

The employee representatives on the Supervisory Board who were delegated by the Works Council are entitled to regular compensation (wage or salary plus severance and jubilee benefits) under their employment contracts in addition to the compensation for their activity on the Supervisory Board (in particular attendance fees). This compensation represents appropriate remuneration for their role/activities performed in the company.

In line with customary market and corporate practice, Lenzing AG also grants additional benefits, which are considered non-cash benefits, to the members of the Managing Board, selected senior executives and Supervisory Board members. One example of such benefits is insurance coverage (D&O, accident, legal protection etc.), whereby the costs are carried by the Lenzing Group. The insurers receive total premium payments, i.e. there is no specific allocation to the Managing Board and the Supervisory Board. In addition, the members of the Managing Board and selected senior executives are provided with company vehicles. The members of the Managing Board and the Supervisory Board are also reimbursed for certain costs incurred, above all travel expenses. The principles of the remuneration system for the Managing Board and the Supervisory Board are described in detail and disclosed in the 2021 remuneration report of the Lenzing Group.

The members of the Managing Board and Supervisory Board received no advances, loans or guarantees. The Lenzing Group has not entered into any contingencies on behalf of the Managing Board or Supervisory Board.

Post-employment benefits of EUR 12 thousand were recognized for former members of the Managing Board of Lenzing AG or their surviving dependents in the form of income on the income statement and allocations to other comprehensive income (2020: EUR 607 thousand in the form of expenses). The present value of the pension provision recognized in this context, after deduction of the fair value of plan assets (net obligation), amounted to EUR 6,512 thousand as at December 31, 2021 (December 31, 2020: EUR 7,285 thousand).

Note 41. Executive Bodies

Members of the Supervisory Board

- Peter Edelmann
  Chairman
- Patrick Prügger
  Deputy Chairman (since April 14, 2021)
- Stefan Fida
  Deputy Chairman (since April 14, 2021)
- Helmut Bernkopf
- Christian Bruch
- Markus Fürst (since April 14, 2021)
- Franz Gasselsberger
- Melody Harris-Jensbach (since June 18, 2020)
- Cord Prinzhorn (April 14, 2021 up to November 3, 2021)
- Astrid Skala-Kuhmann

- Veit Sorger
  Deputy Chairman (up to April 14, 2021)
- Felix Fremerey (up to June 18, 2020)

Appointed by the Works Council

- Johann Schernberger
  Chairman of the Group Works Council
  Chairman of the Works Committee (up to January 18, 2021)
  Chairman of the Works Council for Waged Employees
- Helmut Kirchmair
  Chairman of the Works Committee (since January 18, 2021)
  Deputy Chairman of the Works Council for Waged Employees
- Georg Liftinger
  Deputy Chairman of the Works Committee
  Chairman of the Works Council for Salaried Employees
- Herbert Brauneis
  Deputy Chairman of the Works Council for Waged Employees
- Daniela Födinger
  Deputy Chairwoman of the Works Council for Salaried Employees

Members of the Managing Board

- Cord Prinzhorn
  Chairman of the Managing Board (since November 4, 2021)
- Thomas Obendrauf
  Chief Financial Officer
- Robert van de Kerkhof
  Member of the Managing Board
- Stephan Sielaff
  Member of the Managing Board (since March 1, 2020)
- Christian Skilich
  Member of the Managing Board (since June 1, 2020)

- Stefan Doboczky
  Chairman of the Managing Board (up to September 30, 2021)

Other Disclosures

Note 42. Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

The Lenzing Group has entered into contingent liabilities of EUR 4,905 thousand (December 31, 2020: EUR 5,484 thousand), above all to secure claims related to the sale of certain equity investments and claims by suppliers, for possible default on sold receivables (also see note 37 “Factoring“) and for claims by third parties outside the Group. Less important contingent liabilities involve granted retentions. The reported amounts represent the maximum payment obligation from the viewpoint of the Lenzing Group, and there is only a limited potential for recoveries.

The Lenzing Group provides committed credit lines of EUR 5,379 thousand (December 31, 2020: EUR 8,622 thousand) to third parties. These credit lines were not used as at December 31, 2021 and December 31, 2020 (also see note 22).

Bank guarantees of EUR 51,703 thousand (December 31, 2020: EUR 56,021 thousand) are in place for future equity injections of Lenzing AG for LD Celulose S.A. from 2021 to 2022. These bank guarantees were not drawn as at December 31, 2021 and December 31, 2020.

The Lenzing Group carries obligations for severance payments and anniversary benefits for former employees of certain sold equity investments up to the amount of the notional claims at the sale date. Provisions were recognized for these obligations as at the reporting date at an amount equal to their present value calculated in accordance with actuarial principles. Lenzing AG, in particular, has also assumed liabilities to secure third-party claims against consolidated companies; these claims are considered unlikely to be realized. The Managing Board is not aware of any other financial obligations with a significant impact on the financial position and financial performance of the Group.

The obligations arising from outstanding orders for intangible assets and property, plant and equipment amounted to EUR 248,062 thousand as at December 31, 2021 (December 31, 2020: EUR 354,390 thousand). The Lenzing Group has long-term purchase obligations related to raw material supplies, in particular for wood, pulp, chemicals and energy.

A lawsuit was filed in a US court against Lenzing AG for unspecified damages in connection with a former investment. Lenzing AG has rejected these claims. The management does not consider of damages to be probable.

As an international corporation, the Lenzing Group is exposed to a variety of legal and other risks. These risks are related, above all, to product defects, competition and antitrust law, patent law, tax law, employees and environmental protection (in particular, for environmental damage at production locations and climate risks). It is impossible to predict the outcome of pending or future legal proceedings, and rulings by the courts or government agencies or settlement agreements can lead to expenses that are not fully covered by insurance which could have a material impact on the group’s future financial position and financial performance. Additional information is provided in the risk report of the Lenzing Group’s management report as at December 31, 2021.

Note 43. Group companies

In addition to Lenzing AG, the Lenzing Group includes the following companies (list of group companies in accordance with Section 245a Para. 1 in conjunction with Section 265 Para. 2 of the Austrian Commercial Code):

Group companies		31/12/2021		31/12/2020	
	Currency	Share capital	Share in %	Share capital	Share in %
Consolidated companies					
Avit Investments Limited, Providenciales, Turks and Caicos	USD	-	-	2,201,000	100.00
Beech Investment s.r.o., Zlaté Moravce, Slovakia	EUR	6,639	100.00	6,639	100.00
BZL – Bildungszentrum Lenzing GmbH, Lenzing, Austria	EUR	43,604	75.00	43,604	75.00
LD Celulose S.A., Indianopolis, Brazil	BRL	2,278,921,980	51.00	2,078,154,000	51.00
Lenzing Biocel Paskov a.s., Paskov, Czech Republic	CZK	280,000,000	100.00	280,000,000	100.00
Lenzing E-commerce (Shanghai) Co., Ltd., Shanghai, China	CNY	11,869,055	100.00	9,002,120	100.00
Lenzing Elyaf Anonim Şirketi, Istanbul, Turkey	TRY	3,500,000	100.00	3,500,000	100.00
Lenzing Fibers (Shanghai) Co., Ltd., Shanghai, China	USD	200,000	100.00	200,000	100.00
Lenzing Fibers GmbH, Heiligenkreuz, Austria	EUR	363,364	100.00	363,364	100.00
Lenzing Fibers Grimsby Limited, Grimsby, UK	GBP	1	100.00	1	100.00
Lenzing Fibers Holding GmbH, Lenzing, Austria	EUR	35,000	100.00	35,000	100.00
Lenzing Fibers (Hongkong) Ltd., Hong Kong, China	HKD	30,300,000	100.00	26,100,000	100.00
Lenzing Fibers Inc., Axis, USA	USD	10	100.00	10	100.00
Lenzing Fibers India Private Limited, Coimbatore, India	INR	25,464,000	100.00	3,500,000	100.00
Lenzing Fibers Ltd., Manchester, UK	GBP	1	100.00	1	100.00
Lenzing Global Finance GmbH, Munich, Germany	EUR	25,000	100.00	25,000	100.00
Lenzing Holding GmbH, Lenzing, Austria	EUR	35,000	100.00	35,000	100.00
Lenzing Korea Yuhan Hoesa, Seoul, Republic of Korea	KRW	280,000,000	100.00	280,000,000	100.00
Lenzing Land Holding LLC., Dover, USA	USD	10,000	100.00	10,000	100.00
Lenzing Modi Fibers India Private Limited, Mumbai, India	INR	1,187,241,341	96.52	1,180,051,090	96.50
Lenzing (Nanjing) Fibers Co., Ltd., Nanjing, China	USD	117,440,000	100.00	108,440,000	100.00
Lenzing Singapore Pte. Ltd., Singapore, Republic of Singapore	EUR	1,000,000	100.00	1,000,000	100.00
Lenzing Taiwan Fibers Ltd., Taipei, Taiwan	TWD	5,300,000	100.00	5,300,000	100.00
Lenzing (Thailand) Co., Ltd., Prachinburi, Thailand	THB	4,000,000,000	100.00	2,884,000,000	100.00
Nanjing Fabor Waste Water Treatment Co., Ltd, Nanjing, China[1]	CNY	-	-	120,000,000	100.00
Penique S.A., Panama, Panama	USD	-	-	5,000	100.00
PT. South Pacific Viscose, Purwakarta, Indonesia[2]	IDR	106,275,869,000	95.12	72,500,000,000	92.85
Pulp Trading GmbH, Lenzing, Austria	EUR	40,000	100.00	40,000	100.00
Reality Paskov s.r.o., Paskov, Czech Republic	CZK	900,000	100.00	900,000	100.00
Wasserreinhaltungsverband Lenzing – Lenzing AG, Lenzing, Austria[3]	EUR	0	Membership	0	Membership
Companies accounted for using the equity method					
Associates					
EQUI-Fibres Beteiligungsgesellschaft mbH, Kelheim, Germany	EUR	2,000,000	20.00	2,000,000	20.00
Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck, Lenzing, Austria[4]	EUR	1,155,336	99.90	1,155,336	99.90
Lenzing Papier GmbH, Lenzing, Austria	EUR	35,000	40.00	35,000	40.00
PT. Pura Golden Lion, Jakarta, Indonesia	IDR	2,500,000,000	40.00	2,500,000,000	40.00
Joint ventures					
Hygiene Austria LP GmbH, Wiener Neudorf	EUR	-	-	35,000	50.10
LD Florestal S.A., Indianopolis, Brazil	BRL	177,452,357	50.00	177,452,357	50.00
RVL Reststoffverwertung Lenzing GmbH, Lenzing, Austria	EUR	36,336	50.00	36,336	50.00
Wood Paskov s.r.o., Paskov, Czech Republic	CZK	2,000,000	50.00	2,000,000	50.00

Comments:
1) In the 2021 financial year, the interest in Nanjing Fabor Waste Water Treatment Co., Ltd, Nanjing, China, was merged with Lenzing (Nanjing) Fibers Co., Ltd, Nanjing, China.
2) The share held directly by the Lenzing Group equals 91.87 percent (December 31, 2020: 88.08 percent). A further 8.13 percent of the shares are held indirectly via PT. Pura Golden Lion, Jakarta, Indonesia, an associate of the Lenzing Group. The total calculated share therefore equals 95.12 percent.
3) The Lenzing Group participates through a membership. It holds 50 percent of the voting rights and can appoint half of the Managing Board members. Since all assets are attributable to the respective landowner under company law, the entity is notionally a separate company (a so-called “silo structure”). Assets located on the Lenzing Group’s land are therefore included in the consolidation.
4) This investment is not included in the consolidated financial statements as a subsidiary, even though the Lenzing Group holds 99.9 percent of the voting rights in the company. In light of the given circumstances, the Lenzing Group does not control this company because its power is limited and because the returns hardly vary or can hardly be influenced by the Lenzing Group. Significant influence is exercised by the Lenzing Group over the financial and operating policies of this company, in particular through representation on management bodies and participation in decision-making processes.

Note 44. Significant events after the end of the reporting period

On January 20, 2022, a gradual reduction in the corporate tax rate in Austria from 25 percent to 23 percent with effect from January 1, 2023 was approved. This reduction does not affect current or deferred taxes recognized as at December 31, 2021. However, this change will reduce the group's future effective tax burden accordingly. If the modified tax rates had been applied for the calculation of deferred taxes as at December 31, 2021, deferred tax liabilities would have decreased by EUR 2,708 thousand (see note 31).

Military clashes between Russia and Ukraine have arisen since February 24, 2022. The Lenzing Group has no investments, other assets or other significant business relationships in either of these countries. For this reason, the consolidated financial statements of the Lenzing Group as of December 31, 2021 are not affected.

Other than that, the Lenzing Group is not aware of any significant events occurring after the reporting date on December 31, 2021 which would have resulted in a different presentation of its financial position and financial performance.

Note 45. Authorization of the consolidated financial statements

These consolidated financial statements were approved on March 1, 2022 (consolidated financial statements as at December 31, 2020: March 8, 2021) by the Managing Board for review by the Supervisory Board, presentation to the Annual General Meeting and subsequent publication. The Supervisory Board may require changes to the consolidated financial statements as part of its review.

Lenzing, March 1, 2022
Lenzing Aktiengesellschaft

The Managing Board

Cord Prinzhorn
Chairman of the Managing Board

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

Auditor’s Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Lenzing Aktiengesellschaft, Lenzing, Austria, and its subsidiaries (the Group), which comprise the consolidated Statement of Financial Position as at 31 December 2021, and the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 (“AP Regulation”) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities” section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor’s report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

Impairment of Cash-Generating Units (“CGU”) “Fiber Site China” and “Fiber Site Indonesia”
Refer to note 11

Risk for the financial statements
In the financial year 2021 Lenzing Aktiengesellschaft asessed that there is an indication, that the cash-generating units "Fiber Site China" and "Fiber Site Indonesia" may be impaired. The estimated recoverable amounts (impairment test) of both cash-generating units exceeded their carrying amounts.

The measurement of the recoverable amount of cash-generating units in accordance with IAS 36 requires assumptions and estimates, such as the estimated future cash flows, as well as the determination of the applicable discount rate.

There is a risk that inappropriate assumptions and estimates used to measure the recoverable amount could have a significant impact on the recoverable amount and therefore the carrying amounts of the cash-generating units in the consolidated statement of financial position, as well as the operating result in the consolidated income statement.

Our response
We assessed the impairment tests carried out by the company with support of our internal valuation experts as follows:

- To assess the adequacy of the cash flow projections used by management to measure recoverable amount, we have evaluated managements planning process and discussed the assumptions for growth rates and operating results with management. Additionally, we have compared these cash flow projections with the most recent budget approved by the supervisory board as well as the mid-term planning approved by the managing board.
- To assess managements historical planning accuracy we have compared actual financial figures with prior years cash flow projections.
- Our internal valuation experts have assessed the methodology used for impairment testing for compliance with the applicable standards. Our experts furthermore compared the assumptions, on which the determination of capital cost rates were based, with market- and industry-specific reference values and verified the mathematical accuracy of the calculation.
- Additionally, we have verified whether the descriptions in the notes to the financial statements on impairment testing of the CGUs "Fiber Site China" and "Fiber Site Indonesia" were appropriate.

Valuation of puttable non-controlling interests
Refer to note 3 and note 37

Risk for the Consolidated Financial Statements
The minority shareholder of LD Cellulose S.A, Sao Paulo, Brazil, has an option to sell its non-controlling interests to Lenzing Aktiengesellschaft upon the occurrence of contractually agreed events. As of December 31, 2021, Lenzing Aktiengesellschaft recognized a liability at a fair value of EUR 234,409 thousand for these puttable non-controlling interests. Subsequent measurement of the liability is carried out using the present access method via retained earnings.

The fair value of the liability for the puttable non-controlling interests is determined in accordance with the contractual agreement with the minority shareholder according to a discounted cash flow method. This requires assumptions and estimates, such as estimating future cash flows and determining the discount rate to be applied.

There is a risk for the consolidated financial statements that inappropriate assumptions and estimates could have a significant impact on the fair value and thus the valuation of the liability for the puttable non-controlling interests in the consolidated statement of financial position and equity.

Our response
We assessed the valuation of puttable non-controlling interests as follows:

- We assessed whether the chosen valuation model is consistent with the contractual agreements for determining the option exercise price.
- In order to assess the appropriateness of the cash flows used in the valuation model, we gained an understanding of the planning process and discussed the assumptions about growth rates and operating results with management.
- We compared the planning data assumed in the valuation model with the current budget figures approved by the Management Board and the Supervisory Board and the medium-term plan.
- Our internal valuation experts assessed the adequacy of the valuation model and verified the mathematical accuracy. Our experts compared the determined country and maturity-specific capital costs with market and industry-specific benchmarks.
- Finally, we assessed whether the explanations on the determination of the fair value for the liability for puttable non-controlling interests in the consolidated financial statements are appropriate.

Other information
Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report, and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on April 14, 2021 and were appointed by the supervisory board on April 27, 2021 to audit the financial statements of Company for the financial year ending on December 31, 2021.

We have been auditors of the Company, without interruption, since the consolidated financial statements as at December 31, 2017.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner on this engagement is Ms Gabriele Lehner.

Linz, March 01, 2022

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Gabriele Lehner

Austrian Chartered Accountant

This report is a translation of the original report in German, which is solely valid. The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

Declaration of the Managing Board

Declaration of the Managing Board according to Section 124 (1) No. 3 of the Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements of the Lenzing Group as at December 31, 2021 that were prepared in accordance with the applicable accounting standards pursuant to International Financial Reporting Standards (IFRSs) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Lenzing Group and that the group management report gives a true and fair view of the development and performance of the business and the position of the Lenzing Group, together with a description of the principal risks and uncertainties the Lenzing Group faces.

Lenzing, March 1, 2022
Lenzing Aktiengesellschaft

The Managing Board

Cord Prinzhorn
Chairman of the Managing Board

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

Lenzing Group Five-Year Overview

Key earnings and profitability figures

EUR mn	2021	2020	2019	2018	2017
Revenue	2,194.6	1,632.6	2,105.2	2,176.0	2,259.4
EBITDA (earnings before interest, tax, depreciation and amortization)	362.9	192.3[1]	329.9[1]	382.7[1]	504.6[1]
EBITDA margin	16.5%	11.8%[1]	15.7%[1]	17.6%[1]	22.3%[1]
EBIT (earnings before interest and tax)	200.6	33.9[1]	165.3[1]	238.3[1]	373.1[1]
EBIT margin	9.1%	2.1%[1]	7.9%[1]	11.0%[1]	16.5%[1]
EBT (earnings before tax)	182.9	22.3	163.8	199.1	357.4
Net profit/loss for the year	127.7	(10.6)	114.9	148.2	281.7
Earnings per share in EUR	4.16	0.24	4.63	5.61	10.47
ROCE (return on capital employed)	5.4%	(0.5) %[1]	5.4%[1]	10.3%	18.7%[1]
ROE (return on equity)	9.1%	1.3%	10.5%	12.9%	24.5%
ROI (return on investment)	4.2%	0.9%[1]	5.7%[1]	9.3%	14.6%[1]

Key cash flow figures

EUR mn	2021	2020	2019	2018	2017
Gross cash flow	372.0	126.8	294.0	304.0	418.7
Cash flow from operating activities	394.0	48.9	244.6	280.0	271.1
Free cash flow	(445.5)	(614.8)	0.8	23.5	32.6
CAPEX	844.3	668.8	244.0	257.6	238.8
Liquid assets as at 31/12	1,124.1	1,081.1	581.0	254.4	315.8
Unused credit facilities as at 31/12	454.5	1,031.4	266.6	341.6	213.8

Key balance sheet figures

EUR mn as at 31/12	2021	2020	2019	2018	2017
Total assets	5,322.8	4,163.0	3,121.1	2,630.9	2,497.3
Adjusted equity	2,115.7	1,907.0	1,559.3	1,553.0	1,527.7
Adjusted equity ratio	39.7%	45.8%	50.0%	59.0%	61.2%
Net financial debt	977.0	471.4	400.6	219.4	66.8
Net financial debt / EBITDA	2.7	2.1[1]	0.7[1]	0.2[1]	0.0[1]
Net debt	1,079.3	575.0	511.4	322.8	172.2
Net gearing	46.2%	24.7%	25.7%	14.1%	4.4%
Trading working capital	387.4	383.8	403.5	444.4	414.4
Trading working capital to annualized group revenue	16.0%	21.9%	20.7%	20.6%	19.4%

Key stock market figures

EUR	2021	2020	2019	2018	2017
Market capitalization in mn as at 31/12	3,239.1	2,198.3	2,198.3	2,109.4	2,810.3
Share price as at 31/12	122.00	82.80	82.80	79.45	105.85
Dividend per share	4.35[2]	0.00	0.00	5.00	5.00

Employees

Employees	2021	2020	2019	2018	2017
Number (headcount) as at 31/12	7,958	7,358	7,036	6,839	6,488

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).
2) On the basis of proposed distribution of profits.

The above financial indicators are derived primarily from the IFRS consolidated financial statements of the Lenzing Group. 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 consolidated financial statements of the Lenzing Group. Rounding differences can occur in the presentation of rounded amounts and percentage rates.

Financial calendar

Publication of financial calendar 2022 (acc. to Prime market regulation)

	Date
Financial results 2021	Thu., 10.03.2022
Record date “Annual General Meeting”	Sat., 16.04.2022
78th Annual General Meeting	Tue., 26.04.2022
Quotation Ex-Dividend	Thu., 28.04.2022
Record Date “Dividends”	Mon., 02.05.2022
Dividend distribution	Tue., 03.05.2022
Results 1st quarter 2022	Wed., 04.05.2022
Half-year results 2022	Wed., 03.08.2022
Results 3rd quarter 2022	Thu., 03.11.2022

Notes

Glossary

B

Biobased
Biobased products are those that originate partially or completely from renewable resources. These products can be either biodegradable or non-biodegradable.

Biodiversity
This is the variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part. This includes diversity within species, between species and of ecosystems.

Biodegradable
The property of a substance or material to be degraded by microorganisms (bacteria, fungi, etc.) to water and carbon dioxide (CO_2) and to be absorbed by the environment. Test methods specify a fixed time under defined conditions of temperature, oxygen and humidity, and a certain percentage of degradation.

Biorefinery products
Products from a biorefinery, from renewable raw materials.

Bioenergy
Bioenergy is energy derived from biomass. The term refers to various forms of energy, including heat and electricity. Also, the biomass that contains this energy can be referred to as bioenergy. The main sources of bioenergy are renewable resources.

Biorefinery
A biorefinery is a facility for sustainable processing of biomass into a spectrum of marketable biobased biorefinery products and bioenergy.

Blockchain
Blockchains are forgery-proof, distributed data structures in which transactions are recorded in the time sequence, traceable, unchangeable and without a central instance linked in a peer-to-peer network. The blockchain technology enables digital traceability of TENCEL™ branded fibers and the corresponding wood sources across each production and distribution step. The technology also allows consumers to verify the garment composition and the underlying textile supply chain.

C

Carbon footprint
A carbon footprint is the sum of greenhouse gas emissions and greenhouse gas removals of a product system or an organization, expressed as a carbon dioxide equivalent.

Cellulose
The raw material for pulp production. Cellulose is a component of all plants. The cellulose content of wood is about 40 percent.

Co-product
By-products recovered during fiber production.

D

Decarbonization
Decarbonization denotes the declining average carbon intensity (CO_2 emission per unit of a product) over time. Products can be, for example, (primary) energy, gross domestic product, or any units produced by a company.

Dissolving wood pulp
A special kind of pulp with distinct characteristics which is used to manufacture viscose, modal and lyocell fibers and other cellulose-based products; this grade of pulp is characterized by a higher alpha cellulosic content and high purity.

E

ESG – Environmental, social and governance standards
Environmental, social and governance (ESG) refers to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business.

F

FSC®
The Forest Stewardship Council® (FSC) is an international non-profit organization for wood certification.

Furfural
A clear yellowish liquid with a characteristic scent of almonds. During viscose fiber production, beech wood is cooked and furfural is released in a double distillation process.

G

Greenhouse gas emissions
Emissions of gases which contribute to global warming by absorbing infrared radiation, thereby heating the atmosphere. The main contributors are carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O).

I

Integration
All stages of fiber production are concentrated at one and the same site, from wood, the raw material, to pulp and fiber production.

L

Lyocell fibers
Lyocell fiber is the latest generation of wood-based cellulosic fibers. The generic fiber name is lyocell, the branded products from Lenzing are marketed as TENCEL™ and VEOCEL™ fibers.

M

Modal fibers
Modal is a viscose fiber refined under modified viscose production conditions and spinning conditions. It is characterized by a particular softness and is the preferred fiber for high-quality underwear and similar products. The fibers have improved use characteristics such as tenacity, dimensional stability, and so forth. Lenzing markets these fibers under TENCEL™ Modal.

N

Nonwovens

Nonwoven materials, fleece. Nonwovens made from Lenzing fibers are used for sanitary, medical, and cosmetics applications.

P

PEFC

The Programme for the Endorsement of Forest Certification Schemes (PEFC) is an international non-profit organization for wood certification.

Pre-consumer

Pre-consumer upcycling is the reclamation of waste materials that were created during the manufacturing process prior to their delivery to a consumer (such as cotton scraps from garment making).

Post-consumer

A product made from post-consumer material is made from waste that has been used and disposed of by a consumer (such as used clothing).

S

Science-based targets

Targets adopted by companies to reduce greenhouse gas emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2 °C compared to pre-industrial temperatures, as described in the Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

sCore TEN

The name of the Lenzing Group's corporate strategy stands for a steady focus on performance (scoring) and the strengthening of the core business (core) as well as for long-term growth with specialty fibers like TENCEL™ and VEOCEL™.

Stakeholders

All internal and external persons or groups affected directly or indirectly by business activities currently or in the future. Standard fibers Standard LENZING™ fibers for textile applications (viscose, modal, lyocell) and standard LENZING™ fibers for nonwoven applications (viscose, lyocell) are fibers that are not designated as specialties.

Standard fibers

LENZING™ standard fibers for textile applications (viscose, modal and lyocell fibers) and LENZING™ standard fibers for nonwoven applications (viscose and lyocell fibers) are fibers that are not designated as specialties.

V

Viscose fibers

Regenerated cellulosic fibers produced from raw materials of plant origin (e.g. wood) using the viscose process.

X

Xylose

Wood sugar, component of thick liquor and base material for xylitol (sweetener that inhibits tooth decay)

Financial glossary

A

Adjusted equity

Equity including non-current and current government grants less the proportional share of deferred taxes on these government grants.

Adjusted equity ratio

Ratio of adjusted equity to total assets in percent.

C

CAPEX

Capital expenditures; i.e. acquisition of intangible assets, property, plant and equipment and biological assets as per consolidated statement of cash flows.

Capital employed

Total assets minus the following: non-interest-bearing debt, cash and cash equivalents, current securities, investments accounted for using the equity method and financial assets.

E

Earnings per share

The share of net profit/loss for the year attributable to the shareholders of Lenzing AG divided by the weighted average number of issued shares, calculated according to IFRS (IAS 33 Earnings per Share); the precise derivation can be found under note 17 in the notes to the consolidated financial statements.

EBIT (earnings before interest and tax)

Earnings before interest and tax, or operating result; the precise derivation can be found in the consolidated income statement.

EBIT margin

EBIT as a percent of revenue; represents the return on sales (ROS).

EBITDA (earnings before interest, tax, depreciation and amortization)

Operating result before interest, tax, depreciation on property, plant and equipment and right-of-use assets and amortization of intangible assets and before income from the release of investment grants.

EBITDA margin

EBITDA as a percent of revenue.

EBT (earnings before tax)

Profit/loss for the year before income tax expense. The precise derivation can be found in the consolidated income statement.

Equity

The equity item aggregates the equity instruments as defined by IFRS. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. This represents the funds provided to the entity by its owners.

F

Free cash flow
Cash flow from operating activities less cash flow from investing activities and net cash inflow from the sale and disposal of subsidiaries and other business areas plus acquisition of financial assets and investments accounted for using the equity method less proceeds from the sale/repayment of financial assets. Free cash flow corresponds to the readily available cash flow.

G

Gross cash flow
Gross cash flow equals cash flow from operating activities before change in working capital; the precise derivation can be found in the consolidated statement of cash flows.

I

IAS
Abbreviation for International Accounting Standard(s), which are internationally recognized accounting rules.

IFRS
Abbreviation for International Financial Reporting Standard(s), which are internationally recognized accounting rules.

L

Liquid assets
Cash and cash equivalents plus liquid securities and liquid bills of exchange.

Liquid funds
Cash and cash equivalents plus current securities.

M

Market capitalization
Weighted average number of shares multiplied by the share price as at the reporting date.

N

Net financial debt
Interest-bearing financial liabilities (= non-current and current financial liabilities) less liquid assets.

Net financial debt/EBITDA
Net financial debt as a percent of EBITDA.

Net gearing
Net financial debt as a percent of adjusted equity.

Net profit/loss for the year
Profit/loss after tax; net profit/loss. The precise derivation can be found in the consolidated income statement.

Non-interest-bearing debt
Trade payables plus the following: puttable non-controlling interests, other liabilities, current tax liabilities, deferred tax liabilities and the proportional share of deferred taxes on government grants as well as provisions (excluding post-employment benefits).

NOPAT
Net operating profit after tax; operating result (EBIT) less the proportional share of current income tax expense.

P

Post-employment benefits
Provisions for pensions and severance payments.

R

ROCE (return on capital employed)
NOPAT as a percent of average capital employed (average from January 1 and December 31).

ROE (Return on equity)
EBT (earnings before tax) as a percent of average adjusted equity (average from January 1 and December 31).

ROI (Return on investment)
EBIT (earnings before tax) as a percent of average total assets (average from January 1 and December 31).

T

Total assets
Total of non-current and current assets or the total of equity and non-current and current liabilities. The precise derivation can be found in the consolidated statement of financial position.

Trading working capital
Inventories plus trade receivables less trade payables.

Trading working capital to annualized group revenue
Trading working capital as a percent of the latest reported quarterly group revenue x 4.

W

Working capital
Net current assets. Inventories plus trade receivables and other non-current and current assets less current provisions, trade payables and other non-current and current liabilities.

Imprint

Copyright and published by

Lenzing Aktiengesellschaft

4860 Lenzing, Österreich

www.lenzing.com

Concept and edited by

GW+Co (www.gilmarwendt.com),
Lenzing Group

Layout and graphic design

nexxar GmbH (www.nexxar.com)

Text pages 23-49, 58-138

Produced in-house using FIRE.sys

Photographs by

Foto Tschank GmbH; fotoVoyager by Getty; stockstudioX via Getty; Getty Images; Jack & Jones; Lambertt/shutterstock.com; LD Celulose/Drohne; LD Celulose/Flávio Pasqua; LD Celulose/Lucas Capra; LD Celulose/MMC; Leander Nardin/Stocksy United; Lenzing AG/Aaron Henry; Lenzing AG/Base Creative; Lenzing AG/Richard Cordero; Lenzing AG/Titi Hidayatun; Lenzing AG/Florian Heubrandner; Lenzing AG/Susanne Kurz; Lenzing AG/Christian Leopold; Lenzing AG/Karl Michalski; Lenzing AG/Franz Neumayr; Lenzing AG/Markus Renner; Lenzing AG/MMC; Lenzing AG/Ny Studio; Lenzing AG/YC Shek; Lenzing AG/Lee Jian Shen; Lenzing AG/Burasith Songwit; Lenzing AG/Tawan Studio; Lenzing AG/Kevin Wong; Lenzing AG/Michael M. Vogl; Lenzing (Nanjing) Fibers Co., Ltd.; Lenzing (Nanjing) Fibers Co., Ltd./Nanjing Yuzhixiang Trading Co., Ltd. ; New York Times/Alexander C. Welsh; Orange Fiber; Osman; Photo by Ed Us on Unsplash; Sarah Lalone/Stocksy United; Samuel Lee; Södra Skogsägarna/NY