Lenzing

Innovative by nature

Advancing Circularity

and the people making it happen

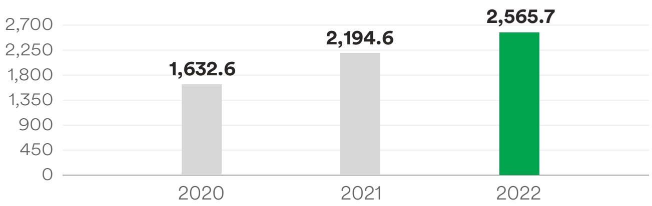
Annual Report
2022

Lenzing Group

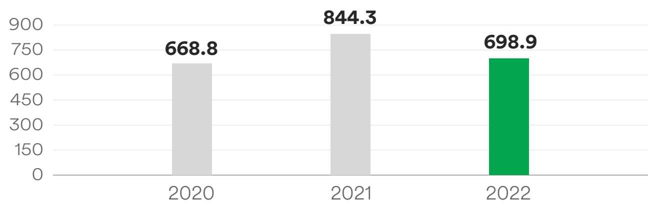
Overview of the Lenzing Group

Selected indicators of the Lenzing Group[1]

Revenue in EUR mn

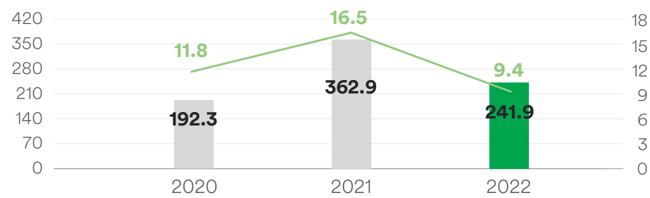


Investments (CAPEX) in EUR mn



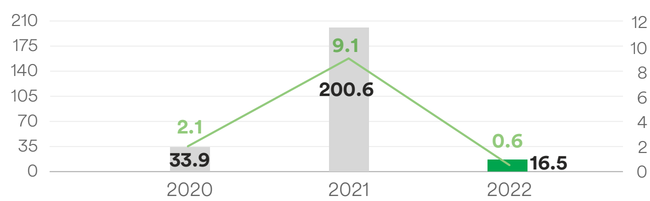
EBITDA in EUR mn

EBITDA margin in %

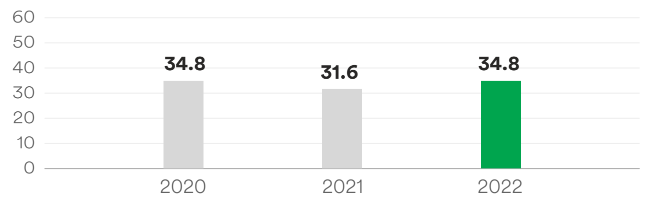


EBIT in EUR mn

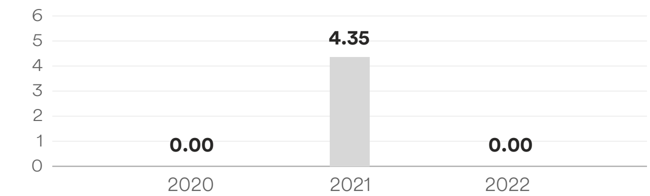
EBIT margin in %



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 to global textile and nonwoven manufacturers and drives many new technological developments. The Lenzing Group's high-quality fibers form the basis for a variety of textile applications ranging from elegant clothing to versatile denims and high-performance sports clothing. Thanks to their 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.

Selected indicators of the Lenzing Group

Key earnings and profitability figures

EUR mn	2022	2021	Change
Revenue	2,565.7	2,194.6	16.9%
EBITDA (earnings before interest, tax, depreciation and amortization)	241.9	362.9	(33.3)%
EBITDA margin	9.4%	16.5%	
EBIT (earnings before interest and tax)	16.5	200.6	(91.8)%
EBIT margin	0.6%	9.1%	
EBT (earnings before tax)	(10.1)	182.9	n/a
Net profit/loss for the year	(37.2)	127.7	n/a
Earnings per share in EUR	(2.75)	4.16	n/a
ROCE (return on capital employed)	2.0%	5.4%	
ROE (return on equity)	(0.5)%	9.1%	
ROI (return on investment)	0.3%	4.2%	

Key cash flow figures

EUR mn	2022	2021	Change
Gross cash flow	244.8	372.0	(34.2)%
Cash flow from operating activities	(43.2)	394.0	n/a
Free cash flow	(740.7)	(445.5)	66.3%
CAPEX	698.9	844.3	(17.2)%
Liquid assets as at 31/12	453.3	1,124.1	(59.7)%
Unused credit facilities as at 31/12	232.3	454.5	(48.9)%

Key balance sheet figures

EUR mn as at 31/12	2022	2021	Change
Total assets	5,525.0	5,322.8	3.8%
Adjusted equity	2,088.6	2,115.7	(1.3)%
Adjusted equity ratio	37.8%	39.7%	
Net financial debt	1,869.0	977.0	91.3%
Net financial debt / EBITDA	7.7	2.7	187.0%
Net debt	1,946.6	1,079.3	80.4%
Net gearing	89.5%	46.2%	
Trading working capital	570.7	387.4	47.3%
Trading working capital to annualized group revenue	24.0%	16.0%	

Key stock market figures

EUR	2022	2021	Change
Market capitalization in mn as at 31/12	1,454.9	3,239.1	(55.1)%
Share price as at 31/12	54.80	122.00	(55.1)%
Dividend per share	0.00	4.35	(100.0)%

Employees

	2022	2021	Change
Number (headcount) as at 31/12	8,301	7,958	4.3%

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.

Advancing Circularity

and the people making it happen

Driving the circular economy forward is not always easy, but our ambition is unwavering. Despite the challenges of a rapidly changing economy and environment, we remain focused on our planet's future. We are climate pioneers who think and act sustainably so that we can contribute to a better future by the choices we make today.

We remain committed to changing the world from a linear to a circular economy, and we choose to embrace the circular economy at every opportunity – through greater transparency, improved infrastructure and greener energy sources.

All of this requires us to innovate and collaborate. It takes good leadership and partnerships. It takes investment and the scaling of new technologies, while at the same time we are committed to the well-being of the people who are driving this development.

We are a global community working toward a common goal – greater protection for nature, economic benefits for us, and the prospect of a better life for generations to come.

Advancing Circularity

In our online Annual Report 2022, we tell how we are driving the industry's transformation from linear to circular even in challenging times. In three multimedia stories, we put a special emphasis on the people making this happen.

Learn more

Content

We have the ambition to change the world in a positive way. This is what clearly distinguishes us and givesmeaning to what we do.

Letter from the CEO
→ Page 7

Revenue 2022

+16.9 %

Management Report 2022
→ Page 22

Highlights 2022

With the opening of the lyocell plant in Thailand (see image) and the start-up of the pulp mill in Brazil, Lenzing is pleased to announce the successful implementation of its largest investment program in the company's history.

January
- TENCEL™ celebrates 30 years of sustainable fiber innovation

February
- Young Scientist Award: Lenzing awards research projects for fair and sustainable fashion

March
- Lenzing opens the world's largest lyocell fiber production plant in Thailand
- Strong operating result in 2021 – annual report presented in digital form for the first time
- Stephan Sielaff becomes the new Chairman of Lenzing Group's Managing Board

April
- "Linear to Circular": Online Sustainability Report 2021 presented
- Lenzing starts up the world's largest dissolving wood pulp mill in Brazil
- ÖGUT Environmental Award: Lenzing once again honored as a champion of the circular economy
- Lenzing presents "Tree Climate" fabric collection for sustainable outdoor clothing

May
- Circular economy and traceability: Lenzing partners with Belgian textile manufacturer UTEXBEL

June
- 25 years of success and one million tonnes of sustainably produced lyocell fibers: Heiligenkreuz site celebrates two important anniversaries
- Lenzing partners with the "Together for Sustainability" initiative to create global sustainable supply chains
- New corporate strategy and ambitious financial targets: Lenzing builds on strong, profitable growth and its transformation into a champion of the circular economy
- Minimum EUR 4.50 per share from 2024 onwards: Lenzing changes dividend policy
- Carbon neutral fiber portfolio for the protective clothing and workwear segments expanded

July
- Partnership with Red Points start-up in the fight against counterfeiting
- TENCEL™ Luxe on growth track due to booming eco-couture trend

August
- Lenzing reports significant revenue growth and solid earnings for the first half-year
- Site in Indonesia expands green power portfolio

September
- Power supply contract signed with green electricity producer Enery und Energie Steiermark
- Lenzing also switches to green electricity at its Chinese site
- Highest score in EcoVadis CSR rating – Lenzing ranks among top one percent in its industry
- Lenzing joins the UN Global Compact sustainability initiative

October
- Largest ground-mounted photovoltaic system in Upper Austria goes into operation
- EU project CISUTAC: Lenzing strengthens ambitions in textile recycling
- Special award from the Financial Times for climate-smart pulp project in Brazil

November
- Nico Reiner appointed as new Chief Financial Officer
- Lenzing takes first place in the globally renowned "Hot Button Ranking" in 2022

December
- Promoting the circular economy in the fashion industry: Supply agreement signed with textile-to-textile recycling company Renewcell
- Sustainability champion: Lenzing receives triple "A" again from CDP

Letter from the CEO

Dear Reader,

It is an extraordinary year that we look back on in this report. A year full of contrasts: not only characterized by unspeakable humanitarian suffering and economic turmoil as a consequence of the Russian invasion of Ukraine, which has since had an impact on all regions of the world and has also had a negative effect on Lenzing as well as the entire manufacturing industry, but also by outstanding successes that certainly fill me with pride as Chairman of Lenzing's Managing Board.

Let me start with some remarks about our business performance. The increase in costs for energy and raw materials that started in the first quarter, and the slump in demand over the course of the third quarter, had a significant negative impact on Lenzing's revenue and earnings trends in the 2022 financial year. Revenue grew by 16.9 percent year-on-year to reach EUR 2.57 billion solely thanks to higher fiber prices, while EBITDA decreased by 33.3 percent to EUR 241.9 mn.

Lenzing's Managing Board responded to this earnings trend at an early stage and launched a reorganization and cost-cutting program, which had already made initial contributions to earnings by the end of 2022 and will reduce the cost base by EUR 70 mn per year once it has been implemented in full.

However, we will not only adjust our cost base structurally. Our goal is one of continuous development and improvement in order to emerge stronger from this crisis. As a consequence, we are scrutinizing our processes in all organizational areas and we are looking at where we can improve in order to be able to benefit very quickly from the future market recovery. This crisis is likely to be with us longer than it was at the start of the pandemic. Nevertheless, we can look ahead with great confidence, as the need for sustainable innovations in the world continues unabated and demand for environmentally responsible fibers for the textile and nonwovens industries will continue to expand.

We have the ambition to change the world in a positive way. This is what clearly distinguishes us from other companies and gives meaning to what we do. "Advance our world with better choices" – this is our bold purpose statement, which we developed together with our employees in 2022.

We have also further developed our strategy and, following the successful implementation of our investment projects in Thailand and Brazil, we will continue to focus on profitable growth with our specialties. We will continue to promote recycling and thereby make a valuable contribution to the transformation of the textile and apparel industry from a linear to a circular economy model. We remain a champion of sustainability – recent top scores from CDP, EcoVadis, MSCI and other respected environmental organizations and rating agencies confirm this – and we aim to, and will also become, a champion of the circular economy.

In addition to our operating targets, we have also set ourselves ambitious financial targets: we aim to grow our EBITDA to a level of EUR 1 billion by 2027, which presupposes a return on capital employed of over 12 percent and a normal economic environment. This is a "sound barrier" which we will be meticulously working towards in the coming years.

An essential part of our Lenzing Purpose and our corporate strategy "Better Growth" is that we are not satisfied with just reducing negative impacts. Rather, we aim to create even more positive benefits, such as by also contributing to the further improvement of diversity and gender equality within the company, as well as biodiversity. We also made further progress on climate targets by switching to renewable electricity supplies at two further plants. The introduction of social clauses in supplier contracts represents a further consistent step towards strengthening our pioneering role.

I would also like to take this opportunity to mention, in particular, the successful investment projects that we have either implemented or significantly advanced this year, starting with the opening of the world's largest lyocell plant in Thailand. The new state-of-the-art plant will enable us to better serve growing demand for environmentally responsible lyocell fibers under the TENCEL™ and VEOCEL™ brands. In the future, we will be able to supply the pulp required for the production of these fibers from our mill in Brazil, which we also successfully started up this year. Despite numerous challenges, both projects were completed on time and within budget, and we are very much on target with the volumes sold. As Lenzing employees, we have every right to be proud of this.

Moreover, we are continuing to invest in our existing production sites in order to adapt our product mix to customer needs and to further improve our environmental footprint. In China, following the imminent conversion of a production line, we are able to offer locally produced TENCEL™ modal fibers to our customers for the first time. In Indonesia, we are well on the way to retooling existing production capacities in order to be able to offer significantly better LENZING™ ECOVERO™ viscose fibers in the future.

All investment projects are also paving the way towards achieving our climate targets. We have set ourselves the goal of halving our carbon emissions by 2030 and achieving carbon neutral production by 2050. These targets were recognized by the Science Based Targets Initiative in 2019. We can already operate the two plants in Thailand and Brazil on a carbon neutral basis. In Brazil, we can even feed a considerable share of the surplus energy into the public grid.

The topic of energy has engaged us this year as seldom before, and we too, like many industrial companies, were forced to move faster along our path and make ourselves even more independent of external energy, particularly at our European sites. I am all the more pleased that we commissioned the largest photovoltaic plant in the state of Upper Austria at our headquarters in Lenzing in 2022.

On behalf of the Lenzing Managing Board, I would also like to take this opportunity to thank you, valued investors and dear customers and partners. I am aware that turbulent times like these are always associated with new and unexpected challenges. For this reason, I appreciate all the more that you trust in our strategy and in our sustainable and innovative products.

We have also further improved our award-winning reporting for the benefit of our readers, and optimized the digital solutions available. You can expect a detailed insight into the company's position as well as its activities and achievements in the area of sustainable development. With all this in mind, this year we placed a special focus on people whose commitment made a positive contribution to Lenzing's successful performance in 2022 and thereby also drove the necessary transformation of the textile and nonwovens industries from a linear to a circular economy model.

Let me emphasize once again that in turbulent times we have set the right course. I am firmly convinced that at Lenzing we are excellently positioned to meet growing demand worldwide for sustainable and consequently future-viable solutions. We will undoubtedly continue to develop into a champion of the circular economy and assume a pioneering role in this context.

Finally, I wish you enjoyable reading of our financial and non-financial reports and trust that you find them interesting and inspiring.

Yours sincerely,

Stephan Sielaff

Report of the Supervisory Board

To the 79th Annual General Meeting

Dear shareholders,

The year 2022 was a very eventful year for Lenzing Aktiengesellschaft, with some high points and low points. Despite difficult circumstances during the years of the COVID-19 pandemic, the major strategic projects in Thailand and Brazil were successfully completed. Our choice of partners and excellent project management, as well as our selection of employees, executives, specialists and contractors, have proven successful, so that these major projects have been implemented very successfully despite the difficult pandemic situation. Both projects have started up successfully, are on schedule for commercial ramp-up and thereby form cornerstones of the Group's long-term strategy. The challenging situation for the textile value chain at the start of the year as a consequence of logistics constraints and rising costs was further exacerbated by the outbreak of the Russia-Ukraine war. Especially in Europe, we saw unprecedented cost increases for energy and energy-intensive raw materials. The resultant inflationary pressures and concerns about a recession also weighed on demand over the course of the year. In this very difficult situation for the company, the Management Board responded quickly and in the second half of the year approved a reorganization and cost-cutting program designed to stabilize competitiveness and profitability. Despite this difficult situation, Lenzing is adhering firmly to its long-term strategy. This was revised again in 2022 and targets were set for the further time horizon up until 2027.

Lenzing achieved a major success in the context of its long-term sustainability strategy. Lenzing was one of 12 companies worldwide to achieve a "Triple A" rating from the non-profit environmental organization CDP. This award makes us 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.

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 as well as 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.

Supervisory Board meetings

The Supervisory Board of Lenzing AG met five times during the reporting year. At these meetings, the Managing Board reported on business performance as well as on 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, especially in the first half of the year, as well as the trend in energy prices and costs due to the Russia-Ukraine war, communication with the Managing Board intensified once again and steps to mitigate the effects of these multiple crises on Lenzing's business were implemented continuously and evaluated in close coordination with the Managing Board. The central topics of the meetings included business trends, price trends and the cost situation, as well as the Group's strategic further development including an update on the Group strategy and long-term goals, the sustainability strategy and ESG issues, research and development priorities, digitalization, personnel measures, financing measures, and the discussion and approval of the budget for the 2022 financial year. A further focus was on supporting the Managing Board in the development of a reorganization and cost-saving program, which was initiated in the second half of the year and is expected to make a full contribution to earnings by the end of 2023.

In order to lend the necessary weight to Lenzing's sustainability efforts, qualitative ESG objectives were included in the Managing Board targets for the first time on the basis of the remuneration policy approved in 2021. Now ESG KPIs can also be included in the evaluation of the Managing Board members' long-term, performance-based 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 26, 2022, Astrid Skala-Kuhmann and Patrick Prügger were re-elected to the Supervisory Board. Peter Edelmann stepped down from the Supervisory Board at his own request as of the end of the Annual General Meeting on April 26, 2022. We would like to thank Peter Edelmann for more than four years of trusting and constructive guidance and direction, and wish him all the best for his future path in life.

Stephan Sielaff was appointed Chief Executive Officer of Lenzing AG with effect as of April 1, 2022. Thomas Obendrauf stepped from the Managing Board of Lenzing AG with effect as of May 31, 2022. We would like to thank Thomas Obendrauf for his extraordinary work for Lenzing over the past six years. Dr. Nico Reiner was recruited to succeed him as CFO and joined the Managing Board team on January 1, 2023. We wish him every success in this task.

Committee meetings

The Remuneration Committee established by the Supervisory Board met eight times during the reporting year and dealt primarily with performance evaluation and goal setting for the Managing Board members as well as general remuneration topics relating to the Managing Board. The Nomination Committee convened for four meetings in the reporting year. These meetings mainly dealt with personnel development measures and succession planning issues, the appointment of Stephan Sielaff as CEO and the search for a successor to Thomas Obendrauf as CFO. The committee discussed nominations to the Supervisory Board and submitted corresponding nominations for approval. The Audit Committee convened for three 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 (AktG), 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 plenary Supervisory Board. The Hygiene Austria Committee, which had been established in 2021 in order to fully clarify the related matter, met once in the reporting year and was dissolved at the constituent meeting of the Supervisory Board on April 26, 2022. External teams of experts from the various specialist areas of forensics, corporate law, criminal law, as well as 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 four times in the reporting year and dealt with the ongoing support, consulting and controlling for the two large-scale projects for the 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. Following the successful completion of these large-scale projects, the committee was dissolved as of September 30, 2022.

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 related 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 (UGB) as of December 31, 2022, 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 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 2023 financial year. The Supervisory Board formally approved the management report and the Corporate Governance Report after its review, and adopted the separate annual financial statements for 2022 in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act (AktG). Furthermore, the Supervisory Board declared its approval of the consolidated financial statements and the Group management report in accordance with Sections 244 and 245a UGB. In accordance with Section 96 Paras. 1 and 2 AktG, the Supervisory Board reported that a separate non-financial report (Sustainability Report) had been prepared and audited. The Supervisory Board concurs with the recommendation by the Audit Committee and will consequently submit a proposal to the 79th Annual General Meeting for the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the annual financial statements for the 2023 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 acknowledgment to the Managing Board and all employees of Lenzing AG for their outstanding commitment. Thanks to their personal commitment, Lenzing Aktiengesellschaft overcame the special challenges caused by COVID-19 and the Russia-Ukraine war and continued to implement the Group's strategy with undiminished energy. 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 8, 2023

Cord Prinzhorn,
Chairman of the Supervisory Board

CHAPTER

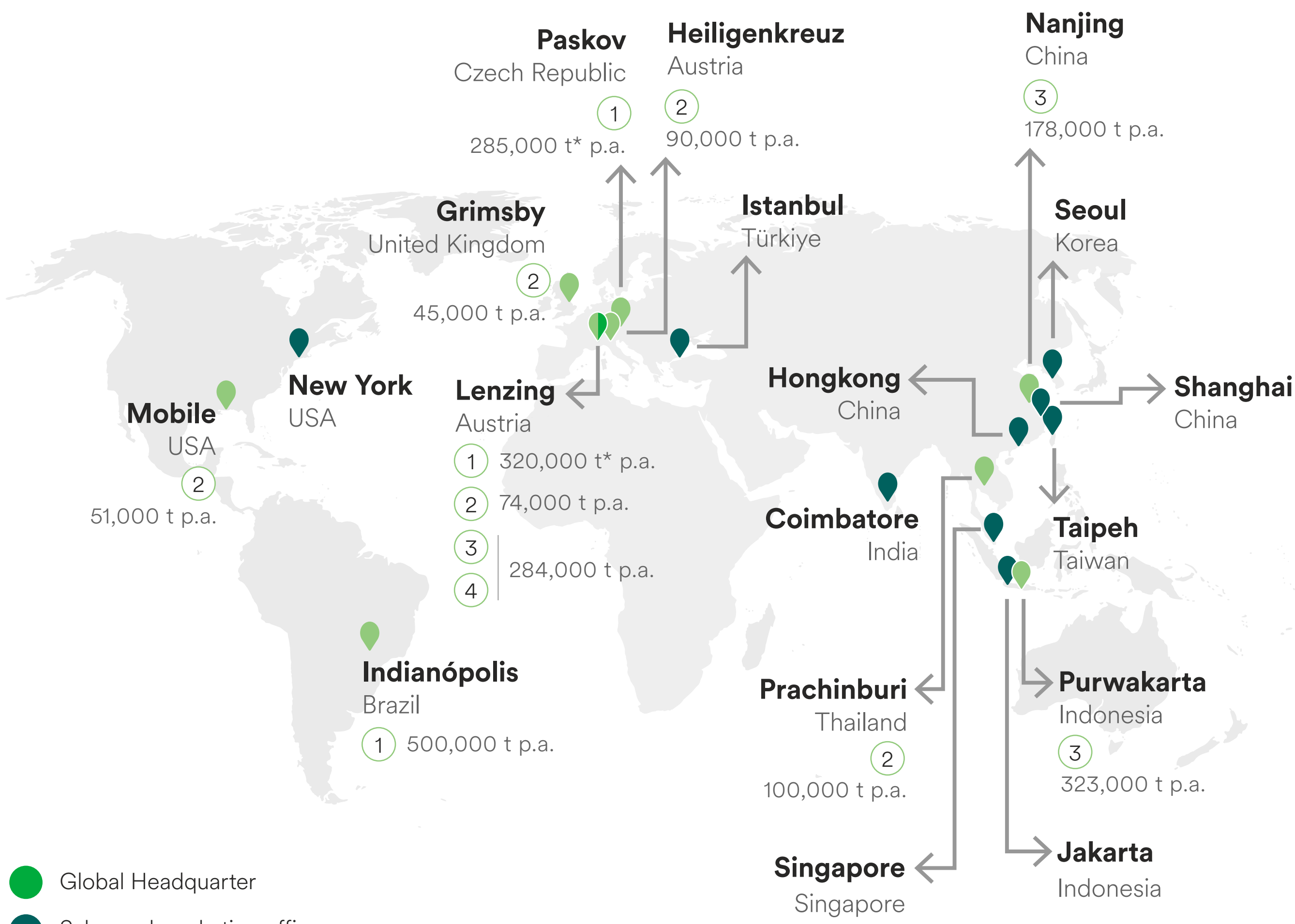
1/4

The Company 2022

Content

Lenzing Group locations

Numbers = Nominal capacities as at December 31, 2022



- Global Headquarter
- Sales and marketing office
- Production site
  - 1 Dissolving wood pulp
  - 2 Lyocell fiber
  - 3 Viscose fiber
  - 4 Modal fiber

* Air-dry

The Lenzing Group strategy

The corporate strategy that we have been implementing since 2015 has proved to be very successful. Our focus on specialty fibers has enabled us to overcome difficult market conditions. As we have grown and evolved as a company over the years, we needed to ensure that we could maintain this momentum within an industry that has also changed. From this position of strength, we have reviewed and further developed our strategic alignment up to 2030 and defined our new "Better Growth" strategy on this basis. This strategy focuses on ensuring that we continue to play a leading role in sustainable specialty fibers within a volatile economic environment. As a company, we aim both to be successful in business and to make a positive contribution to our world. This approach is reflected in our "Better Growth" corporate strategy.

Lenzing anticipates strong growth in demand for environmentally responsible fibers from the textile and clothing industries as well as from the hygiene and medical sectors. Our strategy aims to better serve growing demand for our fibers marketed under the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands.

We have identified four strategic driving factors that set a clear path to the future. These strategic drivers strengthen Lenzing's differentiation and competitiveness and help us achieve better growth in all market segments.

Sustainability

We aim for more sustainable systems and processes in everything we do. We will focus our efforts on increasing our recycling capacity and on reducing our carbon footprint where we can have the greatest impact and stand out the most. We will reduce emissions at our production sites by switching to cleaner energy sources and by installing more energy-efficient equipment. We will also link linear supply chains that end in textile waste in order to create a cycle.

Innovation

We are leading industry change by continuing to bring innovations to the market and by managing innovation as a key value driver. Our long-standing culture of innovation underpins our profitable growth and sustainability agenda by advancing the development of new products, applications, processes and techniques. These smart solutions are playing a part in the industry's shift towards a more sustainable future for our planet – a future that brings us closer to our corporate mission.

Excellence

We are getting a little better every day. Excellence in everything we do not only adds value but also creates the resilience that enables our business to thrive in a volatile market. Our relentless pursuit of excellence extends to all operational, commercial and global functional units and works to create value across all activities, projects and products. A vigorous drive for continuous improvement – through greater efficiency, quality and safety – also gives us the flexibility to face challenging times with confidence.

Premiumization

We develop premium products and premium services with customer needs at the center, in order to meet market requirements at the highest level. As an industry leader in the production of innovative, carbon-neutral fibers, we will continue to invest in our market share with differentiated premium brands and to work on greater transparency and traceability along the value chain, thereby making Lenzing a sought-after partner.

Lenzing 2027

Our four strategic drivers will accelerate our profitable growth and enable us to move with greater certainty towards the strong financial targets we have set for 2027.

- As a sustainably growing, globally leading company, we will grow our EBITDA to a level of EUR 1 billion.
- Through our determination to create value, we will increase our return on invested capital to 12 percent.
- On our path to climate neutrality, we will reduce carbon emissions per tonne of the fiber and dissolving wood pulp we produce by 50 percent compared to 2017.
- As a champion of premium cellulosic fibers and a circular business model, we will expand our share of sustainable premium fibers to over 60 percent.

Further information on the “Better Growth” corporate strategy can be found on the Lenzing website at https://www.lenzing.com/lenzing-group/strategy.

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.

As part of our "Naturally Positive" sustainability strategy, we follow three strategic principles: 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 Lenzing Group's stakeholders, 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 that have been 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:

Sustainability Report 2022

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 Lenzing Group's brand promise ("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 "Better Growth" 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 premium textile brand and is suitable for a wide range of special applications. The claim "Feel good with a natural touch" conveys the value of the TENCEL™ brand offering. All specialties 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 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 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 differentiation.

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 stand for a smarter solution from natural origins, 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.

Lenzing

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.

Tencel™

Feels so right

Veocel™

Purely for you

LENZING™

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. Lenzing Group viscose fibers 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 2022 online at:

Sustainability Report 2022

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 its first carbon neutral lyocell fibers for nonwovens under the VEOCEL™ brand in 2021. The new fibers are certified by ClimatePartner according to the Greenhouse Gas Protocol – the world's leading framework for measuring greenhouse gas emissions.

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 conventional 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 technology 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.

“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 are also found in food retailing and, as a consequence, in the consumer area.

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

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Management Report 2022

Content

General Market Environment

Global economy[1]

The development of vaccines against Sars-CoV-2 gave the global economy a promising start to 2022. As recently as January, the International Monetary Fund was expecting growth of 4.4 percent (2021: 6.2 %). The war in Ukraine, the European energy crisis and high inflation in many parts of the world, as well as China's zero-Covid policy, subsequently had a significant negative impact on global economic activity. Consumer confidence initially touched long-term lows in Europe and the USA, and subsequently also in China, and has been recovering only slowly since then.

The IMF downgraded its growth forecasts several times over the course of the year. According to the latest calculations, global growth is expected to reach 3.4 percent in 2022. At 2 percent (2021: 5.9 %), growth in the USA was higher than that of the Eurozone at 3.5 percent (2021: 5.3 %). Chinese economic growth slowed to 3 percent (2021: 8.4 %), particularly due to pandemic-related restrictions. For 2023, the IMF expects the global economy to expand by 2.9 percent, thereby reflecting the multiple ongoing crises.

Global fiber market[2]

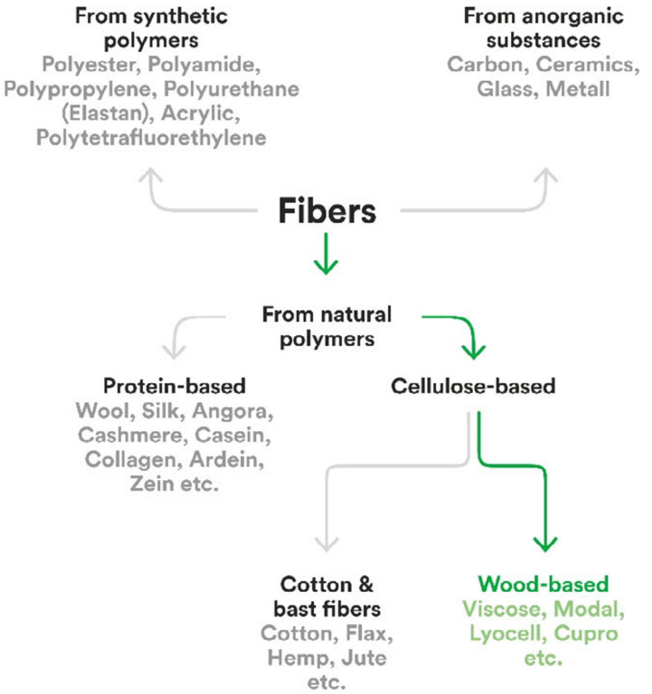
Recovery in first half, slump towards end of year, production hardly changed

Sentiment in the textile and nonwovens industry deteriorated abruptly in the third quarter of 2022, and satisfaction with the business situation continued to touch new historic lows throughout the rest of the year.[3] In the latter part of the year, the outlook brightened somewhat, although market participants remained concerned about subdued demand.

According to preliminary calculations, global retail sales of apparel in 2022 were 8 percent higher than in the previous year, and 5 percent higher than in the pre-crisis year 2019. As in previous years, major regional differences were apparent: in the USA, sales continued to perform well, increasing by 7 percent compared to the previous year and by 16 percent compared to pre-crisis levels. In Europe, too, sales recovered significantly after the previous year, which was dominated by COVID-19, to a level that was more than 20 percent above the previous year's level as well as 4 percent above the pre-crisis level. However, sales in both regions weakened towards the end of 2022. In China, apparel sales decreased due to the large-scale lockdowns in the second quarter and towards the end of 2022, and were down by 7 percent year-on-year and by 5 percent compared to pre-crisis levels. Given the positive outlook at the start of the year and in order to avoid supply shortages, many retailers had accumulated high levels of stocks of apparel and textiles in response to supply chain constraints. Combined with growing economic uncertainties in the third quarter, this led to a slump in demand along the textile value chain.

Demand for medical and hygiene products and associated demand for nonwoven fibers normalized after the pandemic had increasingly receded into the background in many regions.

Fibers on the world market



Production levels in the world fiber market are expected to have increased by 1 percent to 119 mn tonnes in 2022, according to initial estimates. Cotton production increased by 5 percent to 25.2 mn tonnes in 2021/2022, according to preliminary estimates. This is mainly due to an expansion of cultivation areas. Demand rose slightly by 1 percent to 25.7 mn tonnes. Cotton stocks decreased as a consequence, but remained above pre-crisis levels both in absolute terms and in terms of the stocks-to-use ratio.

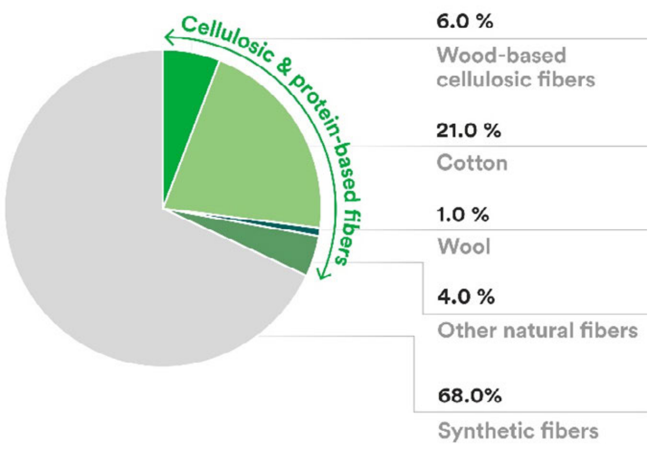
Production of wood-based cellulosic fibers in 2022 reduced slightly by 1 percent to 7.3 mn tonnes, just below the record year of 2021, mainly due to diminishing demand in the fourth quarter. In contrast, global production of lyocell fibers increased significantly.

Production volumes of synthetic polymer fibers were unchanged at 80.9 mn tonnes, according to initial estimates.

[1] Source: IMF, World Economic Outlook, January 2023
[2] All production-related figures in this section were updated from the initial estimates published in the Annual Report 2021.
Sources: ICAC, IWF, Cotton Outlook, CCFG, FAO

[3] Source: ITMF, 18th Global Textile Industry Survey, January 2023

Global fiber production 2021[1]
by type of fiber in percent (basis = 119 mn tons)



Staple fiber prices fluctuate strongly

Staple fiber markets in 2022 were characterized by rising prices in the first half of the year and a significant decrease in demand and prices in the second half, with high volatility throughout.

Cotton prices were extremely volatile during the year. The Cotlook A index reached a long-term high of 173 US cents per pound in May – in the wake of rising commodity prices and loose monetary policy. In the third quarter, the more restrictive monetary policy pursued by many central banks and weakening demand led to lower prices, as was also the case on global commodity markets. This trend continued in the fourth quarter. For the year, cotton prices slipped 22 percent to 99 US cents per pound. By historical standards, however, they remain at an elevated level.

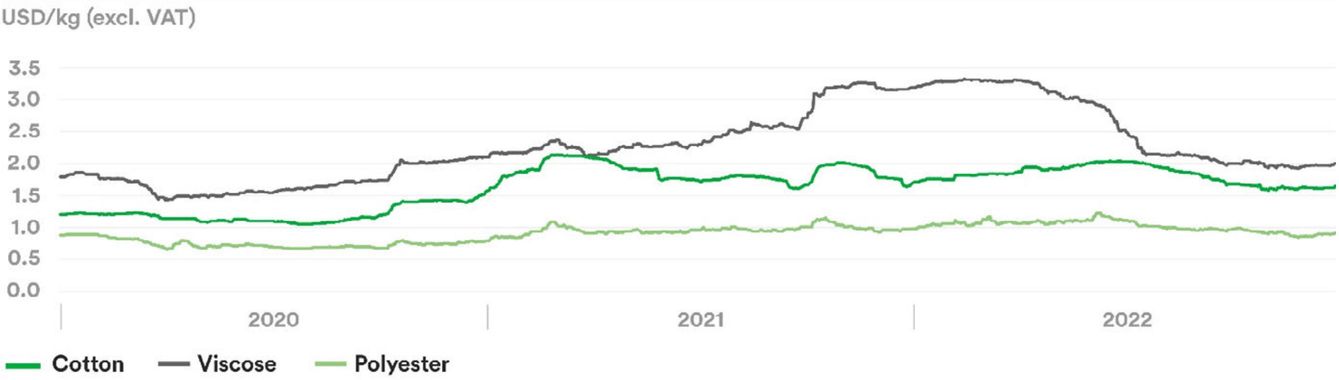
The price of polyester staple fiber in China hardly changed year-on-year, increasing by 2 percent to RMB 7,175 at the end of December. During the year, the price followed the interim increase in crude oil prices and reached a high of RMB 9,295 per tonne in June. From the third quarter onwards, falling crude oil prices led to lower prices.

Viscose prices in China recorded a steady increase in the first half of the year, peaking at RMB 15,400 per tonne in June. In the second half of the year, prices came under increasing pressure due to falling demand. In anticipation of further price decreases, yarn spinners held back on purchases and stocks continued to rise. Only after slow reopening steps in China and a reduction in production volumes in December did a slight stabilization emerge. Despite the largely negative price trend in the second half of the year, prices for conventional viscose recorded a 7 percent increase to RMB 12,800 per tonne in the year under review. In 2022, high costs for dissolving wood pulp and chemicals proved to be particularly burdensome for viscose producers that are not backward integrated. In Europe, the increase in production costs was greater than in China due to the significant rise in energy and raw material costs.

Prices for wood-based specialty fibers such as those of the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands reflected a positive trend until the third quarter, but were unable to avoid the negative market trend in the further course of the year.

The Chinese import price for dissolving wood pulp, the key raw material for the production of wood-based cellulosic fibers, was 1 percent below the previous year's level at USD 900 per tonne as of the end of December. However, due to supply-side issues, the price rose to reach a multi-year high of USD 1,220 per tonne at the end of August. Particularly in the fourth quarter, the price dropped again significantly in an environment of expanding supply and falling demand. Chinese paper pulp prices maintained their high level for a longer period, mainly reflecting ongoing supply shortages. Prices at the end of 2022 were 44 percent higher than a year earlier. The premium for dissolving wood pulp compared to paper pulp touched a long-term low in the year under review.

Staple fiber prices – Development in China[2]



[1] Sources: ICAC, Cotton Outlook, CIRFS, TFY, Lenzing Estimates

[2] Sources: CCFG, CCA

The Development of Business in the Lenzing Group

In 2022, the Lenzing Group, like most of European manufacturing industry, was increasingly affected by extreme developments in global energy and raw material markets. The market environment deteriorated significantly in the third and fourth quarters, and worsening consumer sentiment placed an additional burden on Lenzing's business growth.

In the year under review, revenue increased by 16.9 percent year-on-year to reach EUR 2.57 bn. This growth is primarily due to higher fiber prices, with currency effects supporting this price trend. The volume of fiber sold decreased, while the volume of pulp sold was up.

In addition to lower demand, the earnings trend particularly reflects higher energy and raw material costs. Earnings before interest, tax, depreciation and amortization (EBITDA) decreased by 33.3 percent year-on-year to EUR 241.9 mn in 2022. The EBITDA margin was down from 16.5 to 9.4 percent. Earnings before interest and tax (EBIT) amounted to EUR 16.5 mn (compared to EUR 200.6 mn in 2021) and the EBIT margin stood at 0.6 percent (compared to 9.1 percent in 2021). Earnings before tax (EBT) amounted to minus EUR 10.1 mn (compared with EUR 182.9 mn in 2021).

Given this trend and the significant deterioration in the market environment, Lenzing launched a reorganization and cost reduction program in the third quarter. Implementation of the program is proceeding according to plan and is expected to save at least EUR 70 mn in costs per year once fully implemented.

The tax expense of EUR 27.2 mn (compared with EUR 55.2 mn in 2021) is influenced by currency effects due to the translation of tax items from the local to the functional currency and by the valuation allowance of tax assets of individual Group companies.

High level of investment activities

Gross cash flow decreased by 34.2 percent to EUR 244.8 mn in 2022, mainly due to the negative earnings trend. Cash flow from operating activities amounted to minus EUR 43.2 mn (compared with EUR 394 mn in 2021) due to the higher level of working capital. Measures initiated in the fourth quarter of 2022 had mitigated the increase in working capital by the end of the year. Free cash flow amounted to minus EUR 740.7 mn (compared with minus EUR 445.5 mn in 2021), which is particularly due to the high level of investment activities in connection with the key projects in Thailand and Brazil. Capital expenditure on intangible assets, property, plant and equipment and biological assets (CAPEX) amounted to EUR 698.9 mn in the year under review. Although this represents a year-on-year decrease of 17.2 percent, it is still one of the highest figures in the company's history. Cash and cash equivalents decreased by 59.7 percent compared to December 31, 2021, to EUR 453.3 mn at the end of December 2022.

Total assets increased by 3.8 percent compared with December 31, 2021, to EUR 5.53 bn as of the end of 2022. The most significant changes relate to the increase in property, plant and equipment due to investment activities and the associated increase in financial liabilities.

Adjusted equity decreased by 1.3 percent to EUR 2.09 bn, reflecting the operating profit trend. As a consequence, the adjusted equity ratio stands at 37.8 percent. Net financial debt amounted to EUR 1.87 bn at the end of 2022 (compared to EUR 977 mn as of December 31, 2021). This increase was due in particular to the financing of the pulp project in Brazil. As a consequence, net gearing rose to 89 percent as of the reporting date (compared with 46.2 percent as of December 31, 2021). Trading working capital rose by 47.3 percent to EUR 570.7 mn, mainly reflecting an increase in inventories of EUR 235.6 mn due to higher manufacturing costs and the start-up of the new plants in Thailand and Brazil, as well as an offsetting positive effect of EUR 38 mn from the factoring program.

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

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

			Change	
	2022	2021	Absolute	Relative
Revenue	**2,565.7**	**2,194.6**	**371.1**	**16.9%**
Cost of sales	(2,162.6)	(1,692.8)	(469.8)	27.8%
Gross profit	**403.1**	**501.9**	**(98.7)**	**(19.7)%**
Other operating income	73.1	78.0	(4.9)	(6.3)%
Selling expenses	(286.7)	(234.0)	(52.8)	22.6%
Administrative expenses	(137.2)	(117.5)	(19.6)	16.7%
Research and development expenses	(29.2)	(24.0)	(5.2)	21.8%
Other operating expenses	(6.6)	(3.8)	(2.9)	77.1%
EBIT	**16.5**	**200.6**	**(184.2)**	**(91.8)%**
Financial result	(26.5)	(17.7)	(8.8)	49.9%
EBT	**(10.1)**	**182.9**	**(193.0)**	**n/a**
Income tax expense	(27.2)	(55.2)	28.0	(50.8)%
Net profit/loss for the year	**(37.2)**	**127.7**	**(165.0)**	**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 was according to the nature of expense method. The complete consolidated income statement is presented in the consolidated financial statements.

The Development of Business in the Divisions

The management of the Lenzing Group's business is divided into the two divisions "Fiber" and "Pulp".

In 2022, the Lenzing Group's investment activities continued to focus on the expansion of the Group's internal dissolving wood pulp production, raising the share of specialty fibers, and implementing the climate targets in line with the corporate strategy.

Significant changes to the Lenzing Managing Board were also approved during the reporting year. As of April 1, 2022, Stephan Sielaff succeeded Cord Prinzhorn as CEO, who had taken over as interim CEO in the fourth quarter of 2021. The Managing Board was reduced to four people at the same time. Nico Reiner was appointed as the new Chief Financial Officer with effect as of January 1, 2023. Thomas Obendrauf informed the Supervisory Board in March of the reporting year that he would not be available for a further extension of his contract. Until Nico Reiner joined the company, Stephan Sielaff performed the duties of CFO on an interim basis, while Thomas Obendrauf assisted the company in an advisory capacity. In this context, the Managing Board mandate of Chief Pulp Officer Christian Skilich was extended early by a further three years until May 31, 2026.

In addition, a comprehensive review of the corporate strategy was conducted. As a consequence, Lenzing will continue its profitable growth path following the successful implementation of the two key projects in Thailand and Brazil, sharpen its focus on sustainable and high-quality premium fibers for textiles and nonwovens and, in parallel, further advance the transition from a linear to a circular economy model. Lenzing also adjusted its financial targets based on this further development of the corporate strategy and, assuming a healthy economic environment, will significantly increase its EBITDA to over EUR 1 billion by 2027, with a ROCE of over 12 percent.[1]

Fiber Division

The Fiber 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. With the opening of the lyocell plant in Thailand and the investments in existing production sites, Lenzing will generate 100 percent of its fiber sales from the business with wood-based, biodegradable specialty fibers under the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands.

Lenzing is currently investing more than EUR 200 mn in production sites in China and in Indonesia in order to convert existing capacities for conventional viscose into capacities for environmentally responsible specialty fibers. In Nanjing, Lenzing is about to successfully convert a line to TENCEL™ modal fibers. As part of the substantial investments at the Indonesian site in Purwakarta, Lenzing is creating additional capacity for LENZING™ ECOVERO™ fibers. The site will thereby become a pure specialty viscose supplier before the end of 2023.

In addition to the new lyocell plant in Thailand, which operates on a carbon neutral basis, 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 positioning of its product brands, the Lenzing Group has been sending a strong message to consumers since 2018. With TENCEL™ und LENZING™ ECOVERO™ as overarching brands for all specialty products in the textile segment, VEOCEL™ as the overarching brand for all specialty nonwoven products, and LENZING™ for all industrial applications, the company showcases its strengths in a targeted manner. Lenzing also enhanced its brands' visibility in 2022 through targeted communication measures. The TENCEL™ brand remains the fastest growing ingredient brand in the textile and apparel industry and has already reached second place in the global awareness ranking.

The external revenue of the Fiber Division reached a level of EUR 2.09 bn in 2022, 64.9 percent of which was attributable to textile fibers and 35.1 percent to fibers for nonwovens and special applications. Fiber sale volumes decreased to approximately 814,000 tonnes (down from approximately 909,000 tonnes in 2021) due to the significant deterioration in the market environment, particularly during the third and fourth quarters. The share of specialty fibers in fiber revenues increased to 73.7 percent (from 72.5 % in 2021). The division's earnings (EBITDA) amounted to EUR 32.9 mn, while the operating result (EBIT) amounted to minus EUR 92.8 mn.

Textile fibers

A very difficult environment determined the market for textile fibers in the second half of 2022. In the first half of the year, demand for wood-based specialty fibers of the TENCEL™ and LENZING™ ECOVERO™ brands still performed very well. It was still possible to pass on rising production costs to customers for the most part, although these had a negative impact on performance from the first quarter onwards. The lockdown in Shanghai imposed in March presented further supply chain challenges in China.

Global fiber demand then slowed substantially in July due to the worsening consumer climate, the uncertain market outlook and high stock levels along the textile value chain. Accordingly, demand for Lenzing fibers also decreased in the second half of the year and was significantly below the level of the first half.

In this very difficult market environment, Lenzing continued to extend its pioneering role in sustainability, innovation and transparency in the textile sector. With the presentation of the carbon-

[1] Adjusted for major plants under construction and in the start-up phase

neutral fibers of the LENZING™ FR brand, for example, Lenzing expanded its carbon-neutral fiber portfolio for the protective and workwear segments. Lenzing received the ITMF Award 2022 from the International Textile Manufacturers Federation (ITMF) for its resource-conserving Indigo Color technology, which has been deployed in the production of TENCEL™ modal fibers specifically for denim fabrics since 2021. In addition, the company achieved a real milestone in the production of ecologically responsible viscose with 300,000 tonnes of LENZING™ ECOVERO™ brand fibers.

The TENCEL™ Luxe filament yarn business continued to perform successfully in 2022. The interest of designers and brands in haute couture, in the luxury and premium segment as well as in the classic apparel segment, is growing constantly. The innovative lyocell filament yarn also received several awards in the year under review, including an ISPO Award and PETA India Awards in two categories.

Lenzing also continued to enhance the awareness and visibility of its TENCEL™ and LENZING™ ECOVERO™ brands with a series of global campaigns and initiatives. The TENCEL™ brand has been supporting customers and partners in the textile and apparel industry with sustainable fiber innovations since 1992. In 2022, Lenzing launched customer and employee activities in various regions to mark the brand anniversary under the motto "Feel Good Fibers Since 1992". In the first six months, the campaign reached more than 110 mn consumers worldwide.

The success of the TENCEL™ brand is also reflected in its collaboration with more than 650 brand partners, including international brands such as Aramis, Calzedonia, Intimissimi, Levi's, Marc O'Polo, Timberland and Vogue, as well as aspirational brands such as BN3TH, Calla The Label, Indian Terrain, Mother of Pearl, Muun and Taneira.

Lenzing and the TENCEL™ brand once again enjoyed very positive international attention at the 2022 Oscars. Together with the organization RCGD Global (formerly Red Carpet Green Dress™), three customized dresses made from TENCEL™ Lyocell fibers and TENCEL™ Luxe filaments were presented to a world audience. This was followed in December by the TENCEL™ brand's collaboration with RCGD Global at the movie premiere of "Avatar: The Way of Water". To date, the collaboration with RCGD Global has generated more than 2.1 bn impressions via social media and public relations.

Nonwoven fibers

The nonwoven fibers sector is an important strategic pillar of the Lenzing Group and is being continuously expanded. In the year under review, Lenzing intensified its development activities in hygiene as well as in technical applications in order to expand the application area of its lyocell and viscose fibers and to drive new sustainable innovations in the nonwovens industry. To this end, Lenzing worked intensively with customers and partners along the value chain at its Nonwovens Innovation Center in 2022.

Consumer awareness of responsibly produced materials made from renewable raw materials is growing steadily. This global consumer trend towards less plastic and more environmentally responsible and carbon-neutral products, coupled with laws and guidelines promoting environmental sustainability, further support Lenzing's growth in this area.

Lenzing recorded solid business growth in nonwoven fibers in the first half of 2022, but faced significantly higher energy and raw material costs in the second half of the year. These could only be passed on to the market with a delay. Overall, demand was stable, while revenue increased significantly thanks to higher fiber prices.

After introducing the first carbon-neutral cellulose fibers to the global nonwovens market last year, Lenzing supported Finnish nonwovens manufacturer Suominen in developing and marketing the first carbon-neutral nonwoven fabric made exclusively from VEOCEL™ fibers. With the Naif brand, Lenzing also gained another co-branding partner for its carbon-neutral VEOCEL™ fibers in baby wipes.

Lenzing also further enhanced the awareness and visibility of its VEOCEL™ brand during the reporting year. The number of licensed products quadrupled year-on-year and the network of co-branding partners and social media engagement was significantly expanded. Following the successful #ItsInOurHands campaign, which aimed to raise consumer awareness of the use of biodegradable wet wipes, the new global VEOCEL™ "Cares for the Future" campaign underscores the brand's mission to promote a sustainable future for future generations. With a focus on "Cares for Forests", it highlighted the importance of sustainable raw materials sourcing. At the end of 2022, Lenzing also launched "Cares for the Climate", a social media campaign that educates consumers in Europe, the USA and Asia about reducing carbon emissions and ecologically responsible solutions and supports them in purchasing their products.

Fibers for special applications

Thanks to their special properties, Lenzing's wood-based cellulosic fibers are also deployed in a wide range of technical specialty applications. Applications range from industrial high-temperature insulation materials to biodegradable, flushable disposable wipes. Further applications include synthetic leather substrates with high moisture management properties, sustainable packaging materials, materials to maximize the safety of rechargeable batteries, and filter media with enhanced separating properties.

Co-products of fiber production

At the sites where it produces viscose or modal fibers, Lenzing produces LENZING™ sodium sulfate as a co-product, among others. This is used in the detergent and glass industries and for the production of food and animal feed. In the year under review, sales volumes decreased slightly in line with fiber production.

Pulp Division

The Pulp Division comprises all Lenzing Group business activities from wood procurement through to the production of dissolving wood pulp and biorefinery products. In addition to the production activities in Paskov (Czech Republic) and Lenzing, the focus of the division in 2022 was on the start-up and ramp-up of the pulp mill in Brazil. Despite the challenges posed by the pandemic, this investment project – the largest in the company's history – was completed on time and within budget. Lenzing holds 51 percent of the joint venture LD Celulose, which was established for the construction of the plant.

The new pulp mill, which is the world's largest of its kind with a nominal capacity of 500,000 tonnes per year, strengthens Lenzing's self-sufficiency in dissolving wood pulp and thereby also its growth in the specialty fibers area in line with the company's strategy. It is also one of the most productive and energy-efficient plants in the world and feeds surplus electricity into the public grid as renewable energy. To provide the biomass, LD Celulose 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 forest area when completed.[1] These plantations operate in full accordance with the Lenzing's guidelines and high standards for wood and pulp sourcing.

In October, the pulp project of Lenzing and LD Celulose was awarded a special prize in the category "Transformative Solutions for Climate Change" at the Transformational Business Award 2022, an award endowed by the Financial Times and the International Finance Corporation (IFC), a member of the World Bank Group.

In line with the corporate strategy that it has further developed, Lenzing will further strengthen the topic of recycling and thereby accelerate the transformation of the textile and nonwovens industries from a linear to a circular economy model. 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. Since 2021, Lenzing has been working with Swedish pulp producer Södra to jointly develop new processes for the recycling of used textiles. The two companies are planning to expand their capacities to recover pulp from waste textiles. The aim is to be able to recycle approximately 25,000 tonnes of used textiles per year by 2025. In order to accelerate the transformation, Lenzing signed a multi-year supply agreement with Swedish recycling pioneer Renewcell in the year under review. The agreement is for a period of five years and includes the purchase of 80,000 to 100,000 tonnes of Circulose® brand 100 percent recycled textile pulp.

The Pulp Division's external revenue reached a level of EUR 466.9 mn in 2022. Divisional earnings (EBITDA) amounted to EUR 310 mn, and operating earnings (EBIT) stood at EUR 221.1 mn.

Wood

The negative trends in energy markets due to the Ukraine war also had a significant impact on the wood market. Higher demand for firewood, pellets and forest biomass significantly limited the availability of industrial wood, which also caused prices to rise sharply.

It was not until the end of the year under review that prices began to stabilize slightly.

The Lenzing Group's current procurement strategy entailing long-term master agreements achieved a good stabilizing effect on volumes and prices. As a consequnce, Lenzing was able to supply its pulp sites in Lenzing (Austria) and Paskov (Czech Republic) with sufficient wood during the reporting period.

In 2022, audits 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.[2]

Biorefinery

Pulp

The Pulp Division supplies the Lenzing Group's fiber production sites with high-quality dissolving wood pulp and operates its own fiber pulp plants at the Lenzing, Paskov and Indianópolis (Brazil) sites. The new pulp mill in Brazil was successfully started up in 2022. The ramp-up of production took place as expected by the end of 2022. The extent of self-sufficiency thereby increased to more than 75 percent and Lenzing also established itself as a structural supplier in the global pulp market. Most of the dissolving wood pulp sourced externally is purchased on the basis of long-term contracts. A total of approximately 790,000 tonnes of dissolving wood pulp was produced at Lenzing's pulp plants in 2022.

The price of imported hardwood-based dissolving wood pulp in China increased by 6 percent in 2022 to an average of around USD 1,045 per tonne. This year-on-year price increase was particularly due to high demand in the first half of the year, capacity shortages and continuing problems along the supply chain.

Biorefinery products

In addition to dissolving wood 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.

Lenzing continued to benefit from the trend towards greater sustainability and regional supply chains in 2022. A lifecycle analysis performed by the research institute Quantis confirmed that the carbon footprint of LENZING™ Acetic Acid Biobased is more than 85 percent smaller than that of comparable products based on fossil resources.

Revenues generated with the biorefinery products LENZING™ Acetic Acid Biobased and LENZING™ Furfural Biobased performed well, in line with the general price trend. High energy prices also led to an increase in prices and demand for LENZING™ Magnesium Lignosulphonate Biobased. Lenzing thereby strengthened a further pillar of its product portfolio in the year under review.

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

With its biorefinery concept at its Lenzing, Paskov and Indianópolis sites, Lenzing is one of the pioneers of fiber and pulp production that is as self-sufficient in energy as possible, and is continuously working to enhance energy efficiency at its other production sites.

[1] FSC license code: FSC-C175509, FSC-C165948

[2] License code: FSC-C041246 and PEFC/06-33-92

Lenzing is preparing itself as optimally as possible for a situation of long-term higher energy prices and acute energy shortages. In the year under review, intensive efforts were made to replenish energy stocks. Lenzing is a company with an international footprint and is consequently partly able to offset certain local challenges globally, albeit at higher cost. The current cost and supply situation has the greatest impact on the Central European sites, especially the Heiligenkreuz site (Austria), where work is currently underway on a sustainable energy concept.

In Europe, energy prices in 2022 continued to rise significantly from the previous year's already historic price level. Price trends in Europe particularly reflect the gas shortage caused by Russia, which led the gas price on the spot market to rise by 168 percent year-on-year to an average of EUR 123.4 per MWh amid extreme volatility in some cases. Preparations for the winter characterized injection activities in the summer of 2022 and caused the gas price to rise at times to as high as EUR 236 per MWh on a monthly average.

Electricity prices trended similarly to gas prices, partly because summer renewables output was weaker than in previous years. The price increase for electricity amounted to 145 percent year-on-year.

The gas shortage in Europe led to high imports of liquefied gas, which in turn had to be replaced by coal elsewhere. As a consequence, the price of coal also increased by 139 percent year-on-year.

Prices for carbon certificates and crude oil rose by 52 percent and 40 percent respectively year-on-year.

The Lenzing Group's procurement strategy for the main cost components, electricity and gas, is based largely on procurement via the spot market. Price increases on global energy markets consequently also led to a significant increase in the company's energy costs in 2022.

The energy plants at the Lenzing site operated predominantly in normal mode during the reporting period. In October, Lenzing opened the largest open-space photovoltaic system in the state of Upper Austria on an area of 55,000 m². In addition, several rooftop systems were installed. The total output of the PV systems amounts to more than 7 MWp. Lenzing also signed an electricity supply contract with green power producer Enery and Energie Steiermark to finance a photovoltaic system in the Deutschlandsberg district. Once commissioned, the electricity generated will be harnessed to supply the fiber and pulp plant at the Lenzing site from the fourth quarter of 2023. The system's output will amount to 5.5 MWp. With the continuous expansion of renewable energies, Lenzing is making itself less dependent on global energy markets and is continuing to reduce its carbon emissions in line with its strategic targets.

The power plants in Paskov were also running in normal operation. Surplus energy was fed into the public power grid.

Based on a lower price level and with significantly reduced price volatility, North American energy prices followed the international trend. At the Mobile site (USA), prices increased by 53 percent (natural gas) and by 20 percent (electricity) compared with the previous year.

The plants in Purwakarta (Indonesia) were operated with high availability and were further optimized. The price of coal increased by 50 percent year-on-year, with the price falling by 9 percent in the second half of the year compared with the first half. The grid electricity price in the year under review was 14 percent higher on average than in the previous year. Lenzing has been sourcing green electricity from renewable sources at its Indonesian site since July of last year.

Steam costs at the Nanjing site (China) followed the rising coal price and were 25 percent above the previous year's level. The grid electricity price was 27 percent higher. The switchover in energy production from coal to natural gas, which is intended to reduce carbon emissions, was successfully progressed further in 2022.

In the first half of 2022, the lyocell plant at the Prachinburi site (Thailand) was commissioned. Electricity and steam prices have since been at a similar level to those at the Nanjing site. The new site in Thailand will be operated on a carbon-neutral basis.

Other raw materials

The sharp rise in energy prices due the pandemic and the Ukraine war also led to supply shortages and significant price increases on global commodity markets.

Caustic soda

Caustic soda is used in the production of dissolving wood pulp and is also an important primary product for the production of viscose and modal fibers. It arises as a byproduct from chlorine production. Prices for caustic soda increased several times over during the reporting year and reached a new record level worldwide. The reason for this is a stable high level of demand coupled with supply shortages due high energy prices and diminishing demand for chlorine.

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 rose significantly in the first half of 2022 and also reached new record levels. This was mainly due to higher demand and lower production volumes due to the pandemic – with temporary negative effects on market availability. In the second half of 2022, sulfur demand decreased significantly and prices subsequently stabilized.

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 5 mn in 2022. The result (EBITDA) amounted to minus EUR 100.3 mn, while the operating result (EBIT) stood at minus EUR 111.2 mn.

The Lenzing share

The performance of the Lenzing share price reflected the general negative market environment in the 2022 financial year. The Lenzing share started the 2022 stock market year at a price of EUR 120.00, reached its high for the year of EUR 133.00 in January and its low for the year of EUR 45.35 on October 19. At the end of the reporting year, the Lenzing share was trading at a level of EUR 54.80. This corresponds to a decrease in the share price of minus 54.3 percent compared with the start of the year. Vienna's benchmark ATX index ended the year 19.1 percent down compared with the start of the year.

For the 2021 financial year, a dividend of EUR 4.35 was paid out during the reporting year. The Managing Board of Lenzing has also decided to adjust the dividend policy. Starting in the 2023 financial year (to be paid in 2024), Lenzing plans to pay a per-share dividend for the year of at least EUR 4.50 (adjusted for inflation). The dividend will be paid subject to specific dividend proposals by the Managing and Supervisory boards. These proposals may diverge from the new dividend policy if this is appropriate under the then prevailing circumstances and will be subject to the decision of the Annual General Meeting.

Research and Development

The Research & Development division plays a central role in the Lenzing Group's research and development activities. As of the end of 2022, a total of 218 people were employed in this area (2021: 222). However, most of the development work is conducted in collaboration with various areas of the company as well as with external partners. Research and development expenditures calculated according to the Frascati method (after the deduction of grants) amounted to EUR 34.8 mn (compared with EUR 31.6 mn in 2021). As of the end of 2022, Lenzing held 1,574 patents and patent applications (from 182 patent families) in 53 countries.

Focus areas in 2022

Sustainability with a special focus on recycling and the circular economy is not only a core value in Lenzing's strategy, but also a guiding principle for innovation and product development. As a consequence, almost all development projects contain significant aspects relating to environmental sustainability. In both product and process development, the R&D function is continuously working on solutions that further support the ambitious goal of carbon neutrality by 2050. These include projects to close production cycles and reduce wastewater, as well as to enhance energy efficiency and reduce carbon emissions.

The topic of textile recycling and the transformation of the textile business model from a linear to a circular economy model formed a further focus of Lenzing's research and development activities in 2022. During the year under review, intensive work was again carried out with Swedish pulp producer Södra with the joint objective of developing a process for recycling used textiles and setting up a pilot plant. At the same time, the developments of the REFIBRA™ and Eco Cycle technologies were also further advanced. Lenzing's recycling and circular economy activities were awarded the prestigious environmental prize of the Austrian Society for Environment and Technology (ÖGUT) in the "World without Waste" category in 2022.

In addition to recycling used textiles, Lenzing is also increasingly involved in evaluating further cellulose sources as raw material alternatives – including residual materials from the agricultural and food sectors. After the presentation of a TENCEL™ Limited Edition together with Orange Fiber 2021, Lenzing followed up with a TENCEL™ Limited Edition with hemp as an alternative pulp source in the reporting year. Hemp is considered an extremely sustainable fiber and an alternative to many conventional textile fibers. This was the first time that hemp-based pulp was processed into lyocell fibers in Lenzing's environmentally responsible lyocell manufacturing process. These formed the basis for the world's first biodegradable stretch denim fabric from Candiani Denim.

Lenzing also expanded its range of sustainable specialty fibers for the textile and nonwovens industries during the year under review. The deployment of hydrophobic fibers in hygiene products enabled the production of biodegradable prototypes for hygiene applications. In the wipes sector, the trend towards 100 percent cellulosic products was supported at several levels.

The new matte TENCEL™ lyocell fibers are specifically designed to diffuse light and reduce shine in denim applications. By combining functionality and aesthetics, matte lyocell fibers enhance the versatility of denim designs while reducing the environmental footprint of the resultant fabrics and garments. Produced in the resource-conserving lyocell process, the new fibers offer all the comfort benefits of classic TENCEL™ lyocell fibers and give dark, indigo-dyed, fabrics a deep and reduced-gloss appearance.

TENCEL™ modal fibers with Indigo Color technology continued to establish themselves as an environmentally responsible fiber alternative in the denim segment during the year under review. For this, they were awarded the Sustainability and Innovation Prize at the ITMF Annual Conference in Davos, Switzerland. In the new technology, the indigo pigment is incorporated directly into the TENCEL™ modal fibers in a single-stage spin dyeing process. This process provides better color fastness than conventional indigo dyeing. Compared to conventional indigo yarns, the production of TENCEL™ modal fibers with Indigo Color technology saves approximately 99 percent electricity and water, 80 percent chemicals and 100 percent thermal energy, thereby significantly reducing the environmental footprint of denim products.

The two projects for the forward integration of the lyocell process, TENCEL™ Luxe and LENZING™ Web Technology, combine Lenzing's process and product development. Both projects were successfully continued in the reporting year. Two pilot plants are available for the development and production of the first commercial volumes of the TENCEL™ Luxe brand cellulose filament. In 2022, the process was further developed and application areas were opened up. These range from haute couture to denim and active wear, with a number of these developments that were carried out together with partners also winning awards, such as the ISPO Award 2022 for newly developed elastane-free stretch fibers based on TENCEL™ Luxe filaments.

LENZING™ Web Technology produces cellulosic nonwovens directly from textile pulp. This technology has now been successfully combined with the pulp wet laying process, enabling nonwovens with up to 60 percent recycled content to be produced with a simultaneous reduction in specific energy requirements. LENZING™ Web Technology is used in the market for hygiene and wipe applications as well as in technical applications.

Know-how transfer and cross-learning within the Lenzing Group form an essential part of the activities of the R&D laboratory and pilot plant teams, which also played a central role in the start-up of the two key projects in Thailand and Brazil. The in-house development of new or more accurate analytical methods, the development of new measurement procedures and the transfer of these within the production areas also form key R&D tasks.

Innovation centers and collaborations
Collaborations form an essential part of R&D activities, both within and outside the Lenzing Group. Intensive communication is conducted with the application and innovation centers in Hong Kong and Purwakarta. Together with customers, new applications for textile fibers are developed on site. Lenzing is thereby intensifying its global cooperation with partners along the value chain. New innovative applications for sustainably produced nonwoven fibers are being developed at the Nonwovens Development Center at Hof University of Applied Sciences (Germany).

In order to create structures in the textile and apparel industry and thereby develop a holistic solution for the circular economy, Lenzing is pursuing further activities beyond its cooperation with Södra. Lenzing is a partner in the Horizon Europe project CISUTAC (Circular and Sustainable Textile and Clothing) as well as in the Austrian project EnzATex, both of which deal with the recycling of textiles.

Lenzing is also driving developments in the area of digitalization as part of cooperative projects. In 2022, the FFG-funded REWAI project (Reducing Energy and Waste using AI) started with Pro²Future, University of Linz and Graz University of Technology as partners. The aim is to develop a method for predicting fiber quality based on existing sensor data (over the entire production process). This is intended to identify necessary process changes at an early stage and avoid inferior quality.

In addition to cooperating on specific issues, Lenzing also engages in activities designed to raise awareness and give greater visibility to the topics of sustainability and the circular economy in particular. In 2022, young researcher scientists were honored for the first time with the Lenzing Young Scientist Award for excellent research work in the categories of fashion and the circular economy, textile recycling and the innovative use of bio-based fibers by the Lenzing Group. The goal was to support students and create a platform for networking with the textile industry. Bachelor's and Master's students presented their work to a jury of renowned industry experts. The three winning projects were awarded prize money of EUR 5,000 each at the 61st Global Fiber Conference in Dornbirn.

Firstly, membership and active participation in various initiatives and networks serves to position topics more broadly, especially in the area of sustainability, and to jointly drive them forward. Secondly, this approach often leads to specific projects such as the EPNOE (European Polysaccharide Network of Excellence) and the RCI (Renewable Carbon Initiative), where Lenzing is a founding member in each case.

Investments

The Lenzing Group's investment activities in 2022 continued to focus on the expansion of the Group's internal dissolving wood pulp production, raising the share of specialty fibers, and implementing the climate targets in line with the corporate strategy.

Capital expenditure on intangible assets, on property, plant and equipment and on biological assets (CAPEX) decreased by 17.2 percent to EUR 698.9 mn. The continued high level of investment volume primarily reflects the completion of the pulp project in Brazil.

The new pulp mill, which has a nominal capacity of 500,000 tonnes per year, strengthens Lenzing's self-sufficiency in dissolving wood pulp and consequently also its growth in the specialty fibers area in line with the company's strategy. It is also one of the most productive and energy-efficient plants in the world and feeds surplus electricity into the public grid as renewable energy. Commissioning started to schedule in the first half of the year. The ramp-up phase was completed at the end of 2022 and the first volumes produced were successfully placed in the market. Lenzing holds 51 percent of the joint venture LD Celulose, which was established for the construction of the plant. The construction costs for this investment project – the largest in Lenzing's corporate history – amount to USD 1.38 bn. The financing was 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, the world's largest lyocell production plant was opened in the first quarter of 2022. This will enable Lenzing to significantly increase its share of specialties and even better serve structurally growing demand for TENCEL™ brand lyocell fibers. Despite the pandemic-related challenges, the project was completed on time and within the planned budget, and the quantities produced to date have been successfully placed in the market. With a nominal capacity of 100,000 tonnes per year, the production plant is the largest of its kind in the world. The investment volume amounted to around EUR 400 mn.

Lenzing is currently investing more than EUR 200 mn in China and Indonesia to convert existing capacity for conventional viscose into capacity for environmentally responsible specialty fibers. In Nanjing, Lenzing is working on converting a line to modal fiber production. The product portfolio of the Chinese site will thereby consist entirely of specialty fibers. In Purwakarta, Lenzing is creating additional capacity for LENZING™ ECOVERO™ brand fibers. The Indonesian site will thereby become a pure specialty viscose supplier in 2023.

As part of these investments, both sites will be gradually converted to renewable energy. In the third quarter of 2022, conversion to green power was realized in China and in Indonesia. Both the new lyocell plant in Thailand, which will be operated on a carbon-neutral basis, and the investments in existing sites will help Lenzing achieve its ambitious climate targets. Lenzing aims to halve its carbon emissions by 2030 and achieve net zero by 2050.

In order to increase its independence from global energy markets and further reduce carbon emissions, Lenzing is also focusing to an even gretaer extent on electricity generated from renewable energies in Austria. During the reporting year, Lenzing commissioned several photovoltaic plants at its site in Upper Austria and signed a long-term electricity supply contract to finance a further plant.

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 Better Growth 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 outbreak of war in Ukraine at the beginning of 2022 abruptly interrupted the supposed return to a "new normal" after the COVID-19 pandemic, and subsequently led to a series of new global crises. The International Monetary Fund forecasts growth in global gross domestic product of 3.4 percent for 2022.

In particular, unprecedented shortages and associated increases in the cost of raw materials and energy had a significant impact on the global risk environment in 2022. As a consequence, the Lenzing Group was directly affected by the massive increase in energy costs in 2022, especially at its European production sites. The significant increase in chemical and logistics costs deriving from the rise in energy costs, as well as shortages in this area, placed an additional burden on the Lenzing Group's business result in 2022.

Global inflation as well as China's zero-Covid policy have massively affected the global textile and apparel industry.

Risks such as supply chain interruptions, cyberattacks and the consequences of climate change are becoming increasingly significant.

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

Lenzing risk outlook for 2023

Rising volatility in many areas increases the global risk of polycrises and is affecting the Lenzing Group to varying degrees.

For 2023, the IMF forecasts global economic growth of 2.9 percent. Global inflation is expected to decrease from 8.8 percent in 2022 to 6.6 percent in 2023, and to 4.3 percent in 2024, according to the IMF.

Risks for the operating result arise in particular from diminishing demand on the world fiber market and associated low fiber prices, as well as from price fluctuations for important raw materials and energy. High inflation and the resultant rising interest rates pose an additional risk for future financing. Growing demand for sustainable solutions in the world is adding to the pressure on the conventional viscose segment.

As a consequence, the company continues to regard itself as very well positioned with its adapted strategy and its focus on sustainable growth deriving from specialty fibers.

The Group's own supplies of dissolving wood pulp are secured in the long term thanks to continuous capacity expansions, in particular the successful start-up of the pulp mill in Brazil in 2022, and sufficient market supply.

Following historic highs in prices for energy, raw materials and logistics in the first half of the year, signs of a slight decrease in prices in these segments emerged at the end of the financial year under review. From today's perspective, these markets are expected to remain highly volatile.

As far as currencies are concerned, the US dollar fluctuated against the euro within a range of around 15 percent, while the Chinese yuan fluctuated against the euro in a range of around 7 percent. A depreciation of the two currencies would have a negative impact on Lenzing's open currency volumes. The liquidity risk is estimated to be moderate for 2023, although rising interest rates may have a negative impact on earnings.

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

Non-operational risks such as cyber and compliance risks and the associated potential reputational damage are of increasing relevance for Lenzing. Risks due to "green claims" as well as challenges in sustainable recruitment, not least due to demographic change, are also playing an increasingly important role in this context. Lenzing continuously counteracts these risks with Group-wide standards and training as well as its global organizational structure.

Risk management

The main purpose of risk management in the Lenzing Group is to safeguard and strengthen the company through an adequate, objective and transparent assessment of financial, operational and strategic risks, including those related to ESG issues. 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 uses an established, company-wide risk management process that ensures the central coordination of risks and their monitoring in a comprehensive risk management system for the entire Group. Together with the operating units, significant risks are identified and assessed and then communicated and transparently presented to the Managing Board and to other managers. Proactive analysis of potential risks or near misses is just as much the aim of risk management as the task of actively controlling risks and evaluating appropriate measures with the business units concerned. In connection with climate change, risk management has also been identifying and assessing climate-related risks and opportunities as well as their short-, medium- and long-term effects on the Lenzing Group since 2020, and deriving appropriate mitigation measures. This takes into account the requirements of the TCFD (Task Force on Climate-Related Financial Disclosures) as well as the EU Taxonomy and associated future obligations to report climate-related opportunities and risks.

Risk management strategy

The Lenzing Group pursues a multi-step approach to risk management:

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

The Central Risk Management Department conducts semiannual risk discussions with a five-year time horizon with all production locations and functional units. Long-term opportunities and risks 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. All 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 planned EBITDA, and the range of potential deviations from the respective budget is determined. Lenzing uses simulation software for this purpose, which also calculates other KPIs such as Value at Risk and a risk-adjusted ROCE. Risks that cannot be measured in monetary terms are recorded qualitatively.

Risk reduction

Depending on the impact on the company, efforts are made to avoid, minimize or transfer risks through appropriate measures or, in certain cases and if necessary and reasonable, to intentionally assume them.

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 and comfirmed by KPMG Austria GmbH pursuant to Rule 83 of the Austrian Corporate Governance Code (ACGC) as part of a special audit with limited assurance 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, the aim is to further expand the company's role as a leader in sustainability and the circular economy in the fiber sector. Lenzing fibers also offer a differentiating feature in the conventional 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

The Lenzing Group generates around 40 percent of its fiber revenues with a mid-double-digit number of customers. Customer concentration in the pulp sector is comparatively higher than in the fiber sector. 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. Potential 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 cellulose 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 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.

[1] Committee of Sponsoring Organizations of the Treadway Commission

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 climate 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, among other measures. 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, Lenzing surveyed material issues in relation to its sustainably oriented business model in 2021 using a multi-stage and holistic approach. Relevant opportunities and risks are assigned to each ESG topic area, which are integrated in the Enterprise Risk Management System and successively taken into account 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 ecotaxes.

For Lenzing, wood is the most important natural resource for the production of its biodegradable cellulose fibers. Despite sustainable sourcing policies and backward-integrated production, a risk exists that wood prices will rise further due to climate change, increasing global demand for biomass, and alternative land use.

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, sustainability and the circular economy lie at the core of Lenzing's 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 lie in the area of both physical as well as mental long-term health and safety of employees and society, which Lenzing is increasingly countering in the HR area with its own department for "Social Sustainability".

In the area of corporate governance (Governance), risks such as cyberattacks (see "IT risks") as well as poor compliance with corporate governance and resulting risks are 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 cellulose 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 Code of Conduct for Suppliers. 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 selected 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.

Operating risks, environmental risks and risks relating to climate change

The production of wood-based cellulose 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 and its goals.

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 35 to 38 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 placing additional demands on Lenzing in terms of 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 hamper 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 potentially 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.

Risks relating to major projects

The Lenzing Group is continuously expanding its capacities in numerous projects. Major projects entail the inherent risk of cost and time overruns, which Lenzing counters with a standardized planning process, consistent project management, ongoing cost controls as well as insurance solutions and risk transfer. In addition to the ongoing risk management process, Monte Carlo simulations are used for projects of this size to model the sensitivity of the key financial indicators.

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 (partnerships 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 again 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 Managing Board is responsible for establishing and implementing the Lenzing Group's internal control system.

The Lenzing Group's organizational structure and processes form the main basis for the control environment and the internal control system. In the area of organizational structure, competencies and responsibilities are clearly assigned at the Group's various management and hierarchical levels. In addition to the Austrian sites, this includes 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.

The company's process organization is characterized by a highly developed and extensive set of rules. This creates an adequate basis for a strong control 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 and are responsible for the local application of the global rules. They 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 Corporate 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 certain 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 certain legal regulations and internal guidelines as well as the prevention of related violations. The Legal, Intellectual Property & Compliance Department reports directly to the Lenzing Group CEO. The CMS evaluates compliance-relevant risks in the narrower sense, analyzes deviations from standards and, if necessary, takes measures to reduce them ("prevent, detect, respond"). In addition, the Compliance Department draws up guidelines relevant to compliance (such as anti-bribery and anti-corruption directives as well as antitrust directives) and organizes worldwide training for employees on these matters. The department also supports specialist departments responsible for compliance with other legal and internal company regulations. 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). The individual audits are conducted on the basis of the audit plan approved by the Lenzing Managing Board. The audit reports also include, among other items, recommendations and actions that are followed up by the Audit Department. 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. A semi-annual risk report is prepared. 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 in the further development of Lenzing's risk management 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 at the balance sheet date and is divided into 26,550,000 no-par-value shares. B&C Group is the majority shareholder with an interest in the voting rights of 52.25 percent. Goldman Sachs Group, Inc. holds 6.97 percent of the shares. The free float amounts to approximately 41 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 April 26, 2022 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 nos. 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 realized 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).

Outlook

The war in Ukraine and the more restrictive monetary policy pursued by many central banks in order to combat inflation will continue to have a negative effect on global economic activity. The easing of China's zero-Covid policy could be a catalyst for a faster-than-expected recovery. However, the IMF warns that risks remain high overall and forecasts growth of 2.9 percent for 2023.

The currency environment is expected to remain volatile in the regions relevant to Lenzing.

This challenging market environment is continuing to weigh on the consumer climate and on sentiment in the industries relevant to Lenzing. The outlook has recently brightened somewhat and stocks along the value chain have begun to normalize. However, subdued demand continues to cause concern among market participants.

In the market for cotton, which acts as a lead indicator, stock levels have reduced recently, but remain above pre-Covid levels. Signs of a decrease in stocks in the current 2022/2023 harvest season are emerging.

Significantly higher prices on energy and raw material markets are continuing to make the market environment very challenging.

Earnings visibility remains limited overall.

Structurally, Lenzing continues to anticipate growth in demand for environmentally responsible fibers for the textile and clothing industry as well as for the hygiene and medical sectors. As a consequence, Lenzing is very well positioned with its "Better Growth" strategy, and will continue to push ahead with growth in its specialties area as well as with its sustainability goals, including the transformation from a linear to a circular economy model.

Taking into consideration the aforementioned factors and assuming a significant market recovery in the second half of the year, for 2023 the Lenzing Group anticipates EBITDA to be significantly higher than in the previous year.

Lenzing, March 1, 2023
Lenzing Aktiengesellschaft

The Managing Board

Stephan Sielaff
Chief Executive Officer

Nico Reiner
Chief Financial Officer

Robert van de Kerkhof
Chief Commercial Officer Fiber

Christian Skilich
Chief Pulp Officer

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 "Lenzing Group Five-Year Overview". 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	2022	2021	2020	2019	2018
Earnings before interest and tax (EBIT)	16.5	200.6	33.9[1]	165.3[1]	238.3[1]
+ Amortization of intangible assets and depreciation of property, plant and equipment, right-of-use assets and depletion of biological assets	227.6	164.3	160.4	167.0	147.2
- Income from the release of investment grants	(2.1)	(1.9)	(2.0)	(2.4)	(2.8)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**241.9**	**362.9**	**192.3[1]**	**329.9[1]**	**382.7[1]**

EUR mn	2022	2021	2020	2019	2018
Earnings before interest, tax, depreciation and amortization (EBITDA)	241.9	362.9	192.3[1]	329.9[1]	382.7[1]
/ Revenue	2,565.7	2,194.6	1,632.6	2,105.2	2,176.0
EBITDA margin	**9.4%**	**16.5%**	**11.8%[1]**	**15.7%[1]**	**17.6%[1]**

EUR mn	2022	2021	2020	2019	2018
Earnings before interest and tax (EBIT)	16.5	200.6	33.9[1]	165.3[1]	238.3[1]
/ Revenue	2,565.7	2,194.6	1,632.6	2,105.2	2,176.0
EBIT margin	**0.6%**	**9.1%**	**2.1%[1]**	**7.9%[1]**	**11.0%[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, 2022).

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	2022	2021	2020	2019	2018
Cash flow from operating activities	(43.2)	394.0	48.9	244.6	280.0
- Cash flow from investing activities	(687.4)	(841.3)	(666.2)	(254.7)	(261.8)
- Net inflow from the sale and disposal of subsidiaries and other business areas	0.0	0.0	0.0	0.0	(0.1)
+ Acquisition of financial assets and investments accounted for using the equity method	0.3	7.3	4.1	15.6	8.0
- Proceeds from the sale/repayment of financial assets	(10.4)	(5.6)	(1.5)	(4.7)	(2.6)
Free cash flow	**(740.7)**	**(445.5)**	**(614.8)**	**0.8**	**23.5**

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	2022	2021	2020	2019	2018
Cash and cash equivalents	446.9	1,113.3	1,070.0	571.5	243.9
+ Liquid bills of exchange (in trade receivables)	6.4	10.8	11.1	9.5	10.5
Liquid assets	**453.3**	**1,124.1**	**1,081.1**	**581.0**	**254.4**

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	2022	2021	2020	2019	2018
Inventories	712.5	477.0	329.4	395.7	396.5
+ Trade receivables	293.6	325.2	249.7	251.4	299.6
- Trade payables	(435.4)	(414.8)	(195.2)	(243.6)	(251.7)
Trading working capital	**570.7**	**387.4**	**383.8**	**403.5**	**444.4**

EUR mn	2022	2021	2020	2019	2018
Latest reported quarterly group revenue (= 4th quarter respectively)	595.5	606.1	437.7	487.3	539.8
x 4 (= annualized group revenue)	2,382.2	2,424.5	1,750.9	1,949.3	2,159.1
Trading working capital to annualized group revenue	**24.0%**	**16.0%**	**21.9%**	**20.7%**	**20.6%**

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	2022	2021	2020	2019	2018
Equity	2,025.9	2,072.1	1,881.4	1,537.9	1,533.9
+ Non-current government grants	15.0	13.7	14.2	15.4	16.9
+ Current government grants	67.7	44.2	19.9	13.1	8.4
- Proportional share of deferred taxes on government grants	(20.0)	(14.2)	(8.5)	(7.1)	(6.3)
Adjusted equity	**2,088.6**	**2,115.7**	**1,907.0**	**1,559.3**	**1,553.0**
/ Total assets	5,525.0	5,322.8	4,163.0	3,121.1	2,630.9
Adjusted equity ratio	**37.8%**	**39.7%**	**45.8%**	**50.0%**	**59.0%**

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	2022	2021	2020	2019	2018
Current financial liabilities	250.3	120.1	105.6	129.6	166.2
+ Non-current financial liabilities	2,071.9	1,981.0	1,446.9	852.0	307.6
- Liquid assets	(453.3)	(1,124.1)	(1,081.1)	(581.0)	(254.4)
Net financial debt	**1,869.0**	**977.0**	**471.4**	**400.6**	**219.4**
/ Earnings before interest, tax, depreciation and amortization (EBITDA)	241.9	362.9	192.3[1]	329.9[1]	382.7[1]
Net financial debt / EBITDA	**7.7**	**2.7**	**2.5[1]**	**1.2[1]**	**0.6[1]**

EUR mn as at 31/12	2022	2021	2020	2019	2018
Net financial debt	1,869.0	977.0	471.4	400.6	219.4
/ Adjusted equity	2,088.6	2,115.7	1,907.0	1,559.3	1,553.0
Net gearing	**89.5%**	**46.2%**	**24.7%**	**25.7%**	**14.1%**

EUR mn as at 31/12	2022	2021	2020	2019	2018
Net financial debt	1,869.0	977.0	471.4	400.6	219.4
+ Provisions for severance payments and pensions	77.6	102.2	103.7	110.8	103.4
Net debt	**1,946.6**	**1,079.3**	**575.0**	**511.4**	**322.8**

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, 2022).

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	2022	2021	2020	2019	2018
Earnings before interest and tax (EBIT)	16.5	200.6	33.9[1]	165.3[1]	238.3[1]
- Proportional share of current income tax expense (on EBIT)	54.8	(52.0)	(45.1)[1]	(60.7)	(57.8)
Earnings before interest and tax (EBIT) less proportional share of current income tax expense (NOPAT)	**71.2**	**148.6**	**(11.2)[1]**	**104.7[1]**	**180.6[1]**
/ Average capital employed	3,541.8	2,766.5	2,216.2	1,922.7	1,750.3
ROCE (return on capital employed)	**2.0%**	**5.4%**	**(0.5) %[1]**	**5.4%[1]**	**10.3%**
Proportional share of current income tax expense (on EBIT)	54.8	(52.0)	(45.1)[1]	(60.7)	(57.8)
Proportional share of other current tax expense	(87.6)	3.7	23.0[1]	0.0	3.5
Current income tax expense	**(32.8)**	**(48.4)**	**(22.1)**	**(60.7)**	**(54.3)**

EUR mn as at 31/12	2022	2021	2020	2019	2018
Total assets	5,525.0	5,322.8	4,163.0	3,121.1	2,630.9
- Trade payables	(435.4)	(414.8)	(195.2)	(243.6)	(251.7)
- Non-current puttable non-controlling interests	(266.1)	(234.4)	(140.3)	0.0	0.0
- Other non-current liabilities	(3.6)	(6.7)	(26.9)	(5.5)[2]	(5.3)[2]
- Other current liabilities	(133.0)	(180.4)	(141.8)	(118.8)[2]	(141.0)[2]
- Current tax liabilities	(27.9)	(38.3)	(2.4)	(20.7)	(10.4)
- Deferred tax liabilities	(70.2)	(59.8)	(42.4)	(41.9)	(50.4)
- Proportional share of deferred taxes on government grants	(20.0)	(14.2)	(8.5)	(7.1)	(6.3)
- Current provisions	(66.3)	(39.1)	(25.7)	(14.4)[2]	(13.8)[2]
- Non-current provisions	(91.5)	(118.2)	(120.4)	(128.3)[2]	(125.4)[2]
+ Provisions for severance payments and pensions	77.6	102.2	103.7	110.8	103.4
- Cash and cash equivalents	(446.9)	(1,113.3)	(1,070.0)	(571.5)	(243.9)
- Investments accounted for using the equity method	(26.5)	(24.8)	(29.1)	(29.2)	(13.4)
- Financial assets	(41.4)	(71.1)	(40.9)	(41.8)	(36.7)
As at 31/12	**3,973.8**	**3,109.9**	**2,423.2**	**2,009.1**	**1,836.3**
As at 01/01	**3,109.9**	**2,423.2**	**2,009.1**	**1,836.3**	**1,664.4**
Average capital employed	**3,541.8**	**2,766.5**	**2,216.2**	**1,922.7**	**1,750.3**

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, 2022).
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	2022	2021	2020	2019	2018
Adjusted equity 31/12	2,088.6	2,115.7	1,907.0	1,559.3	1,553.0
Adjusted equity 01/01	2,115.7	1,907.0	1,559.3	1,553.0	1,527.7
Average adjusted equity	**2,102.2**	**2,011.4**	**1,733.2**	**1,556.1**	**1,540.3**

EUR mn	2022	2021	2020	2019	2018
Earnings before tax (EBT)	(10.1)	182.9	22.3	163.8	199.1
/ Average adjusted equity	2,102.2	2,011.4	1,733.2	1,556.1	1,540.3
ROE (return on equity)	**(0.5)%**	**9.1%**	**1.3%**	**10.5%**	**12.9%**

EUR mn as at 31/12	2022	2021	2020	2019	2018
Total assets 31/12	5,525.0	5,322.8	4,163.0	3,121.1	2,630.9
Total assets 01/01	5,322.8	4,163.0	3,121.1	2,630.9	2,497.3
Average total assets	**5,423.9**	**4,742.9**	**3,642.0**	**2,876.0**	**2,564.1**

EUR mn	2022	2021	2020	2019	2018
Earnings before interest and tax (EBIT)	16.5	200.6	33.9[1]	165.3[1]	238.3[1]
/ Average total assets	5,423.9	4,742.9	3,642.0	2,876.0	2,564.1
ROI (return on investment)	**0.3%**	**4.2%**	**0.9%[1]**	**5.7%[1]**	**9.3%**

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, 2022).

CHAPTER

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Corporate Governance Report 2022

Content

Group Corporate Governance Report 2022

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 that are significant in this context.

The goal of the code is to ensure the responsible management and controlling of companies and corporate groups based on sustainable and long-term value creation. 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 passed a unanimous resolution to adhere to the ACCG in full. The current version of the code (January 2021) is available on the Internet at 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.

This 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/investors/corporate-governance.

The Corporate Bodies of Lenzing AG

The division of responsibilities among the members of Lenzing's Managing Board during the 2022 financial year was as follows:

Managing Board

Stephan Helmut Sielaff (born 1966)
- Chairman of the Managing Board, Chief Executive Officer (since April 1, 2022)
- Chief Financial Officer a. i. (since June 1, 2022)
- First appointed: March 1, 2020
- Current term of office ends: March 31, 2025

Responsibilities: Corporate Strategy and M&A, Corporate Human Resources, Corporate Communication, Investor Relations, Global Legal, IP & Compliance, Corporate Office, Digital Innovation, Research & Development, Operations Lyocell Standard, Operations Lyocell Specialities, Operations Viscose/Modal, Global QESH, Performance Improvement & Technology

CFO responsibilities a. i.: Finance Fibers, Finance Pulp, Corporate Controlling, Global Information Technology, Corporate Accounting & Tax, Lenzing Business Service, Business Process Management, Corporate 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: Global Textiles Business, Global Nonwovens Business, Global BU Noble Fibers, Fiber Marketing & Branding, Fiber Commercial Operations, Fiber Technical Marketing & Development, Corporate Sustainability, Global Supply Chain (Global Supply Planning Fiber, Fiber Sales, Inventory & Operational Planning, Global Logistics)

Supervisory board functions at other companies: none

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

Christian Skilich (born 1968)
- Member of the Managing Board, Pulp & Wood
- First appointed: June 1, 2020
- Current term of office ends: May 31, 2026

Responsibilities: Operations & Technology Pulp, Purchasing Wood, Commercial Affairs Pulp, Commercial Affairs Biorefinery- & Co-Products, Pulp Expansion, Site LDC, Site Lenzing, Global Engineering, Global Purchasing, Global Energy Strategy & Supply

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: **Lenzing** Biocel Paskov a.s., LD Celulose S.A., Pulp Trading GmbH

Upon Thomas Obendrauf's resignation as Chief Financial Officer, his duties were assumed on an interim basis by Stephan Helmut Sielaff until January 1, 2023. At the Supervisory Board meeting of Lenzing Aktiengesellschaft on September 21, 2022, Dr. Nico Reiner was appointed as a new member of the Managing Board (Chief Financial Officer) for a period of three years as of January 1, 2023.

Former Managing Board members

Thomas Cord Prinzhorn (born 1972)

- Chairman of the Managing Board, Chief Executive Officer
- First appointed: November 4, 2021

Mr. Thomas Cord Prinzhorn resigned from the Managing Board with effect from April 1, 2022, and has moved to the Supervisory Board of Lenzing Aktiengesellschaft.

Supervisory board functions at other companies (as of April 1, 2022): none

Thomas Obendrauf (born 1970)

- Member of the Managing Board, Chief Financial Officer
- First appointed: March 1, 2016

Mr. Thomas Obendrauf stepped down from the Managing Board with effect as of May 31, 2022.

Supervisory board functions at other companies (as of May 31, 2022): none

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. Business is allocated among the individual members of the Managing Board in accordance with a business distribution plan that is appended to the rules of procedure. The rules of procedure also regulate collaboration within the Managing Board. Furthermore, the Managing Board is required to comply in full with the rules of the Austrian Code of Corporate Governance.

Supervisory Board

Composition

Thomas Cord Prinzhorn (born 1972)

- First appointed: April 14, 2021
- Since April 26, 2022: Chair
- Current term of office ends: until the Annual General Meeting that passes resolutions relating the 2024 financial year; Mr. Thomas Cord Prinzhorn has suspended his mandate with his appointment to the Managing Board as of November 4, 2021 pursuant to Section 90 (2) of the Austrian Stock Corporation Act (AktG) and has returned to the Supervisory Board since April 26, 2022

Supervisory board functions at other companies: none

Peter Edelmann (born 1959)

- First appointed: April 12, 2018
- Since April 17, 2019: Chair
- Current term of office ends: Peter Edelmann stepped down from the Supervisory Board at the end of the Annual General Meeting on April 26, 2022

Supervisory board functions at other companies: Orcan Energy AG

Stefan Fida (born 1979)

- First appointed: April 17, 2019
- Since April 14, 2021: Deputy Chair
- 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

Dr. 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: Chairman of the Administrative Board of Siemens Gamesa Renewable Energy S.A. (since November 17, 2022)

Dr. Markus Fürst (born 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

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: none

Patrick Prügger (born 1975)

- First appointed: March 29, 2011
- 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: AMAG Austria Metall AG (Deputy Chairman) until April 20, 2022

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 2025 financial year

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

Supervisory Board members delegated by the Works Council:

Johann Schernberger (born 1964)
- First appointed: 2001

Georg Liftinger (born 1961)
- First appointed: 2008

Daniela Födinger (born 1964)
- First appointed: 2014

Helmut Kirchmair (born 1968)
- First appointed: 2015

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 2022 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 every quarter. Five 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 Group's strategic development, ongoing and planned expansion projects, research and development focus areas, personnel measures and organizational development, as well as the discussion and approval of the budget for the 2023 financial year and medium-term planning for the 2024 to 2027 period.

The Supervisory Board of Lenzing AG appointed six committees from among its members in the 2022 financial year (C-Rules 34 and 39 of the ACCG):

Audit Committee
The Audit Committee fulfils the responsibilities defined by Section 92 Para. 4a of the Austrian Stock Corporation Act (AktG). Accordingly, it is responsible, in particular, 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 auditor's independence 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 three times in the 2022 financial year. Meetings covered the reports and work of the auditor, compliance and sustainability reporting, as well as internal audit reports and the Risk Report.

Members: Patrick Prügger (Chair, financial expert), Peter Edelmann (until April 26, 2022), Thomas Cord Prinzhorn (since April 26, 2022), Dr. Franz Gasselsberger, Dr. Markus Fürst, Johann Schernberger, Georg Liftinger

Nomination Committee

The Supervisory Board has formed a Nomination Committee. This committee 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 2022 financial year, four meetings of the Nomination Committee were held. These dealt in particular with issues of succession planning on the Managing Board, especially for the CEO and CFO, succession planning for the Supervisory Board, and talent management.

Members: Peter Edelmann (Chair until April 26, 2022), Thomas Cord Prinzhorn (Chairman since April 26, 2022), Dr. Astrid Skala-Kuhmann, Dr. Stefan Fida, Dr. Markus Fürst, 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. Eight meetings of the Remuneration Committee were held in the 2022 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 2022, and the conclusion, adjustment, and termination of employment contracts with members of the Managing Board.

Members: Peter Edelmann (Chair until April 26, 2022), Thomas Cord Prinzhorn (Chair since April 26, 2022), Dr. Markus Fürst (until April 26, 2022), Dr. Stefan Fida, Dr. Astrid Skala-Kuhmann (until April 26, 2022)

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. No meeting was held in the 2022 financial year.

Members: Peter Edelmann (Chair until April 26, 2022), Thomas Cord Prinzhorn (Chair since April 26, 2022), Dr. Markus Fürst, 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 four times in the 2022 financial year. The Committee for Large CapEx Projects was dissolved at the 324th Supervisory Board meeting on September 21, 2022, with effect as of September 30, 2022.

Members: Peter Edelmann (Chair until April 26, 2022), Thomas Cord Prinzhorn (Chair since April 26, 2022) Dr. 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 met once in the 2022 financial year. The committee was dissolved at the 322nd meeting of the Supervisory Board on April 26, 2022.

Members: Peter Edelmann (Chair), 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. At 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 2022 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 Supervisory Board's control function over the Managing Board as well as the Managing Board's compliance with obligations 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 on the Managing and Supervisory boards and in key management positions (L-Rule 60 ACCG)

Lenzing endeavors to create a diverse and inclusive environment to which people feel they belong and where they can perform successfully, regardless of characteristics such as gender, race, age, ethnicity, cultural background, language, etc. Based on the gender diversity analysis conducted in 2021 and the results of this analysis, HR managers were specifically trained on the topic of diversity during the past financial year. The company is currently working on implementing Employee Resource Groups in order to address topics such as Women@Work and ethnicity, together with committed and interested employees.

Astrid Skala-Kuhmann, Melody Harris-Jensbach and Daniela Födinger are members of the Supervisory Board. The following positions are held by women: Vice President Global Nonwovens Business, Vice President Operations Pulp, Senior Director Corporate People Development, Vice President Corporate Accounting & Tax, Director Global Technical Marketing, Head of Circularity Initiative, Site Director Operations Pulp Czech Republic, Senior Director Commercial Affairs Biorefinery & Co-Products. One of the nine production sites – Lenzing Biocel Paskov – has been managed by a woman since 2019.

"Modern working conditions" are defined as a focus in the strategic HR orientation. Among other issues, work-life balance represents a key issue in this context. This is implemented according to location and country-specific needs.

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 balance in relation to both technical and diversity factors, 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 2022. 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 entire 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

Stephan Sielaff
Chief Executive Officer

Dr. Nico Reiner
Chief Financial Officer

Robert van de Kerkhof
Chief Commercial Officer Fiber

Christian Skilich
Chief Pulp Officer

CHAPTER

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Consolidated Financial Statements

2022

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Lenzing AG

Consolidated Income Statement

for the period from January 1 to December 31, 2022

EUR '000

	Note	2022	2021
Revenue	(5)	2,565,692	2,194,624
Cost of sales	(6)	(2,162,561)	(1,692,760)
Gross profit		**403,131**	**501,864**
Other operating income	(7)	73,096	78,026
Selling expenses	(6)	(286,747)	(233,981)
Administrative expenses	(6)	(137,164)	(117,547)
Research and development expenses	(6)	(29,214)	(23,993)
Other operating expenses	(8)	(6,649)	(3,753)
Earnings before interest and tax (EBIT)[1]		**16,453**	**200,615**
Income from investments accounted for using the equity method	(13)	(222)	(3,541)
Income from non-current and current financial assets	(14)	10,208	7,881
Financing costs	(15)	(36,498)	(22,029)
Financial result		**(26,512)**	**(17,689)**
Earnings before tax (EBT)		**(10,059)**	**182,926**
Income tax expense	(16)	(27,182)	(55,212)
Net profit/loss for the year		**(37,241)**	**127,714**
Attributable to:			
Shareholders of Lenzing AG		(73,086)	110,346
Non-controlling interests		7,095	(11,382)
Share planned for hybrid capital owners	(17)	28,750	28,750
Earnings per share		EUR	EUR
Diluted = basic	(17)	(2.75)	4.16

1) EBIT: Operating result, resp. earnings before interest and tax.

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31, 2022

EUR '000

	Note	2022	2021
Net profit/loss for the year		(37,241)	127,714
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(31)	11,655	(1,691)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the period	(27)	(16,830)	32,926
Income tax relating to these components of other comprehensive income	(27)	937	(7,802)
Investments accounted for using the equity method – share of other comprehensive income (net of tax)	(22)	641	105
		(3,597)	23,537
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences arising during the period	(27)	62,412	107,394
Financial assets measured at fair value through other comprehensive income (debt instruments) – net fair value gain/loss on remeasurement recognized during the period	(27)	0	(36)
Financial assets measured at fair value through other comprehensive income (debt instruments) – reclassification of amounts relating to financial assets disposed during the period	(27)	0	124
Cash flow hedges – effective portion of changes in fair value recognized during the period and non-designated components	(36)	41,260	(23,337)
Cash flow hedges – reclassification to profit or loss	(36)	21,453	3,173
Income tax relating to these components of other comprehensive income	(27)	(21,535)	(3,575)
Investments accounted for using the equity method – share of other comprehensive income (net of tax)	(27)	2,064	79
		105,654	83,822
Other comprehensive income (net of tax)		102,057	107,359
Total comprehensive income		64,817	235,073
Attributable to:			
Shareholders of Lenzing AG		4,385	211,065
Non-controlling interests		31,682	(4,743)
Share planned for hybrid capital owners		28,750	28,750

Consolidated Statement of Financial Position

as at December 31, 2022

EUR '000

Assets	Note	31/12/2022	31/12/2021
Intangible assets	(18)	43,825	36,049
Property, plant and equipment	(19)	3,413,106	2,877,606
Biological assets	(20)	127,735	95,767
Right-of-use assets	(21)	72,761	70,129
Investments accounted for using the equity method	(22)	26,483	24,840
Financial assets	(23)	28,969	38,869
Deferred tax assets	(30)	1,716	3,581
Current tax assets	(30)	15,904	14,937
Other assets	(26)	123,135	42,723
Non-current assets		**3,853,634**	**3,204,501**
Inventories	(24)	712,522	476,956
Trade receivables	(25)	293,611	325,172
Current tax assets	(30)	5,210	1,921
Other assets	(26)	200,758	168,710
Financial assets	(23)	12,395	32,232
Cash and cash equivalents	(34)	446,873	1,113,279
Current assets		**1,671,368**	**2,118,270**
Total assets		**5,525,002**	**5,322,771**

Equity and liabilities	Note	31/12/2022	31/12/2021
Share capital		27,574	27,574
Capital reserves		133,919	133,919
Hybrid capital		496,582	496,582
Other reserves		90,161	15,134
Retained earnings		991,702	1,206,359
Equity attributable to shareholders of Lenzing AG		**1,739,938**	**1,879,568**
Non-controlling interests		285,957	192,517
Equity	(27)	**2,025,895**	**2,072,085**
Financial liabilities	(29)	2,071,948	1,981,036
Government grants	(28)	15,034	13,688
Deferred tax liabilities	(30)	70,240	59,806
Provisions	(31)	91,547	118,180
Puttable non-controlling interests	(36)	266,085	234,409
Other liabilities	(33)	3,615	6,740
Non-current liabilities		**2,518,469**	**2,413,860**
Financial liabilities	(29)	250,282	120,125
Trade payables	(32)	435,433	414,768
Government grants	(28)	67,741	44,168
Current tax liabilities		27,883	38,293
Provisions	(31)	66,295	39,088
Other liabilities	(33)	133,005	180,382
Current liabilities		**980,638**	**836,826**
Total equity and liabilities		**5,525,002**	**5,322,771**

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31, 2022

	Note	Share capital	Capital reserves	Hybrid capital	
					Foreign currency translation reserve
As at 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	(3,27)	0	0	0	0
Increase in capital	(27)	0	0	0	0
Measurement of puttable non-controlling interest recognized directly in equity	(36)	0	0	0	0
Dividends paid (including hybrid coupon)		0	0	0	0
Transactions with equity holders		0	0	0	0
As at 31/12/2021 = 01/01/2022		27,574	133,919	496,582	48,452
Net profit/loss for the year as per consolidated income statement		0	0	0	0
Other comprehensive income (net of tax)		0	0	0	49,064
Total comprehensive income		0	0	0	49,064
Hedging gains and losses and cost of hedging transferred to the cost of non-current assets and cost of inventory		0	0	0	0
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	(36)	0	0	0	0
Increase in capital	(27)	0	0	0	0
Measurement of puttable non-controlling interest recognized directly in equity	(36)	0	0	0	0
Dividends paid (including hybrid coupon)	(27)	0	0	0	0
Transactions with equity holders		0	0	0	0
As at 31/12/2022	**(27)**	**27,574**	**133,919**	**496,582**	**97,517**

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				
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**
0	0	0	(44,336)	(44,336)	7,095	**(37,241)**
(12,216)	32,113	8,509	0	77,471	24,587	**102,057**
(12,216)	32,113	8,509	(44,336)	33,135	31,682	**64,817**
0	3,153	0	0	3,153	4,476	**7,629**
(5,597)	0	0	5,597	0	0	**0**
0	0	0	0	0	57,432	**57,432**
0	0	0	(31,676)	(31,676)	0	**(31,676)**
0	0	0	(144,243)	(144,243)	(150)	**(144,393)**
0	0	0	(175,918)	(175,918)	57,282	**(118,636)**
15,635	**16,473**	**(39,463)**	**991,702**	1,739,938	**285,957**	**2,025,895**

Consolidated Statement of Cash Flows

for the period from January 1 to December 31, 2022

EUR '000

		Note	2022	2021
Net profit/loss for the year			**(37,241)**	**127,714**
+	Amortization of intangible assets and depreciation of property, plant and equipment, right-of-use assets and depletion of biological assets	(11)	227,589	164,269
+/–	Change in the fair value of biological assets	(20)	(17,009)	(2,258)
–	Income from the release of investment grants		(2,126)	(1,944)
+/–	Change in non-current provisions		(13,162)	(4,908)
–/+	Income / expenses from deferred taxes		(5,579)	6,838
+/–	Change in current tax assets and liabilities		(15,495)	42,727
+/–	Income from investments accounted for using the equity method		1,062	4,431
–/+	Other non-cash income / expenses	(34)	106,743	35,128
Gross cash flow			**244,783**	**371,999**
+/–	Change in inventories		(295,952)	(144,902)
+/–	Change in receivables		10,581	(75,115)
+/–	Change in liabilities		(2,657)	242,049
Change in working capital			**(288,028)**	**22,032**
Cash flow from operating activities			**(43,246)**	**394,030**
–	Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)		(698,894)	(844,333)
–	Acquisition of financial assets and investments accounted for using the equity method		(303)	(7,328)
+	Proceeds from the sale of intangible assets, property, plant and equipment and biological assets		1,443	4,810
+	Proceeds from the sale/repayment of financial assets and the sale of investments accounted for using the equity method		10,368	5,567
Cash flow from investing activities			**(687,387)**	**(841,285)**
+	Capital injections to consolidated companies by non-controlling interests		56,673	15,577
–	Dividends paid (including hybrid coupon)	(27)	(144,393)	(28,925)
+	Investment grants		1,469	1,095
+	Increase in other financial liabilities	(34)	258,907	626,384
–	Repayment of bonds and private placements	(34)	(72,000)	(56,000)
–	Repayment of other financial liabilities	(34)	(46,601)	(87,584)
Cash flow from financing activities			**54,056**	**470,548**
Total change in liquid funds			**(676,576)**	**23,293**
Liquid funds at the beginning of the year			1,113,279	1,069,998
Currency translation adjustment relating to liquid funds			10,170	19,987
Liquid funds at the end of the year			**446,873**	**1,113,279**
Additional information on payments in the cash flow from operating activities:				
Interest payments received			10,756	3,963
Interest payments made			74,631	34,315
Income taxes paid			48,474	9,087
Distributions received from investments accounted for using the equity method			840	890

Notes to the Consolidated Financial Statements

as at December 31, 2022

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, 2022 is the B&C Group, which directly and indirectly holds an investment of 52,25 percent (December 31, 2021: 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, 2022 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.

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.

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, property, plant and equipment and right-of-use assets (see note 11): determination of the recoverable amount in connection with impairment testing as defined in IAS 36 (impairment).
- Property, plant and equipment (see note 19): Assessment of the time at which newly constructed production sites are available in working condition for their intended use.
- Biological assets (see note 20): determination of fair value less costs to sell.
- Receivables under factoring agreements (see note 36, section “Transfer of financial assets (sale of receivables/factoring)”): assessment of the requirements for derecognition as defined in IFRS 9.
- Cash and cash equivalents (see note 36): Assessing the classification of money market funds as cash equivalents.
- Financial instruments (see note 36 and 38): determination of fair values and expected credit losses.
- Provisions (see note 31): 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 36): determination of fair value less costs to sell.
- Deferred taxes and receivables from current taxes (see note 30): 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 32): assessment of the requirements for derecognition as defined in IFRS 9 (financial instruments).
- Full consolidation and equity method (see note 3, note 36, and note 42): 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): Assessment of the valuation of the receivables from the partial disposal and the interest 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.

Impact of the COVID-19 crisis and the Ukraine crisis on the annual results and on estimation uncertainties and judgments

The war in Ukraine, China’s zero-Covid policy and the rise in inflation in many countries had a significant impact on the global economy in the 2022 financial year. The Lenzing Group recorded significant price increases on both the sales and procurement sides, driven by sharp rises in energy, raw material and logistics costs. The current uncertainties in relation to European natural gas supplies currently affect only one production site to a significant extent. Other sites have natural gas sources independent of Russian production, or already operate largely self-sufficiently in terms of energy. In order to secure supplies of energy and raw materials to the European fiber production sites, both short- and medium-term physical and financial hedges were implemented, and medium- and long-term strategies to switch to alternative energy supplies were initiated. Problems in global supply chains, which have been exacerbated in some cases by the crisis, were countered by targeted measures.

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. Based on a secured liquidity situation and a continued strong position in the markets relevant for Lenzing, the management has made the assessment that the Group has sufficient resources at the time of the approval of the consolidated financial statements to continue to operate in the foreseeable future. As a consequence, the consolidated financial statements have been prepared on a going concern basis.

Additional information on the effects of the COVID-19 and Ukraine crises and the measures taken by the Lenzing Group can be found in the Group management report.

The COVID-19 crisis and the Ukraine crisis have an impact on the IFRS consolidated financial statements, particularly on assumptions, estimates and judgments. In preparing the consolidated financial statements, the Managing Board has taken into consideration developments in connection with the COVID-19 crisis and the Ukraine crisis. The uncertain supply situation, sharply higher prices on energy and raw material markets, ongoing supply chain disruptions, and changes in interest rates and exchange rates mainly affect the following items of the consolidated financial statements:

- The fair value measurement of assets and liabilities (particularly biological assets, financial instruments and puttable non-controlling interests) (see notes 21 and 36).
- The determination and recognition of currency translation effects in the income statement and in equity (see note 37).
- Impairment testing of cash-generating units (see note 11, section "Impairment tests of intangible assets, property, plant and equipment, right-of-use assets and cash-generating units (CGUs)").

Impact of climate change on estimation uncertainties and judgments

The textile and apparel industry is resource-intensive. 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. The Lenzing Group aims to halve its carbon emissions by 2030 and achieve net zero by 2050. Innovation, sustainability and the circular economy lie at the core of Lenzing's corporate strategy. The implementation of climate targets in line with the corporate strategy was one of the focus areas of the Lenzing Group's investment activities in the 2022 financial year. In this context, the Lenzing Group is continuously working on utilizing raw materials more efficiently, improving production processes and developing a process for recycling used textiles. As the implementation of the climate targets is being pursued despite the current negative impact on global economic activity of the war in Ukraine, the European energy crisis and high inflation in large parts of the world, as well as China's zero-Covid policy, current developments and measures relating to climate change and sustainability do not lead to fundamentally different assumptions and estimates in relation to useful lives or the recoverability of non-current assets. The Managing Board estimates the potential impact of climate-related opportunities and risks on the IFRS consolidated financial statements as follows:

- Useful lives of assets (see Note 19): The Lenzing Group has evaluated the extent to which the useful lives of property, plant and equipment could be affected by climate-related risks. In particular, an assessment was made as to whether, on the basis of existing and announced legal and regulatory requirements, the potential pollution from individual industrial plants (for example, by exceeding emission limits) poses a risk for the granting of operating permits. No influence of external or internal obligations on useful lives was derived.
- Impairment of assets (see note 11, section "Impairment tests of intangible assets, property, plant and equipment, right-of-use assets and cash-generating units (CGUs)"): The short- and medium-term financial planning and consequently the impairment tests are based on the sustainable strategy and the sustainable business model. The short- and medium-term financial plans of the individual CGUs take appropriate account of assumptions regarding climate-related factors in capital expenditure programs (CAPEX), technologies and production processes for achieving the Group's internal climate targets, and the ecologically sustainable product mix based upon these.
- Provisions and contingent liabilities (see notes 31 and 41): In the 2022 financial year, no new obligations arose in the Lenzing Group from the violation of climate protection laws and/or climate regulations that would have required the formation of a provision or the disclosure of a contingent liability.

Note 2. Changes in accounting policies

The accounting policies applied by the Lenzing Group in 2022 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 2022 financial year:

Standards/interpretations		Publication by the IASB	Mandatory application according to IASB for financial years from	Adopted by the EU as at 31/12/2022
IFRS 3	References to the Conceptual Framework	14/05/2020	01/01/2022	yes
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

The new or amended standards and interpretations applicable as of January 1, 2022 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, 2022:

Standards/interpretations		Publication by the IASB	Mandatory application according to IASB for financial years from	Adopted by the EU as at 31/12/2022
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 16	Lease Liability in a Sale and Leaseback	22/09/2022	01/01/2024	no
IFRS 17	Insurance Contracts	18/05/2017	01/01/2023	yes
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	09/12/2021	01/01/2023	yes
IAS 1	Classification of liabilities as current or non-current	23/01/2020	01/01/2024	no
IAS 1	Classification of debt with covenants as current or non-current	31/10/2022	01/01/2024	no
IAS 1	Disclosure of Accounting Policies	12/02/2021	01/01/2023	yes
IAS 8	Definition of Accounting Estimates	12/02/2021	01/01/2023	yes
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	07/05/2021	01/01/2023	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 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

No voluntary changes to accounting policies were applied in the 2022 financial year.

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)			

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, 2022.

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

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

	2022		2021	
	Full-consolidation	Equity	Full-consolidation	Equity
As at 01/01	**28**	**7**	**31**	**8**
Merged during the year	(1)	0	(1)	0
Deconsolidated during the year	0	0	(2)	(1)
As at 31/12	**27**	**7**	**28**	**7**
Thereof in Austria	7	3	7	3
Thereof abroad	20	4	21	4

A list of the group companies as at December 31, 2022 is provided in note 42. The most important group companies produce and market wood-based cellulosic fibers (Segment Division Fiber) and, in some cases, pulp (Segment Division Pulp).

In January 2022, the subsidiary Reality Paskov s.r.o., Paskov, Czech Republic, was merged with Lenzing Biocel Paskov a.s., Paskov, Czech Republic.

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.

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".

Lenzing AG holds a majority interest of 51 percent and thereby controls LD Celulose S.A., Indianópolis, Brazil. The Dexco Group holds a 49 percent interest in LD Celulose S.A. and a put option to sell its shares (puttable non-controlling interests). Lenzing AG applies the present access method for the accounting of the 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 additionally a financial liability for puttable non-controlling interests is recognized (see note 36). The initial recognition and subsequent measurement of the liability is at fair value through retained earnings (not affecting net income).

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 functional currency is the currency of the primary economic environment in which the respective company operates. With the exception of the subsidiaries mentioned below, the functional currency is the currency of the country or region where the subsidiary is located. The US dollar is the functional currency for LD Celulose S.A., Indianópolis, Brazil, Lenzing (Thailand) Co., Ltd, Prachinburi, Thailand, Lenzing Singapore Pte. Ltd, Singapore, Republic of Singapore, and PT. South Pacific Viscose, Purwakarta, Indonesia.

The following key exchange rates were used for translation into the reporting currency:

Exchange rates for key currencies

			2022		2021	
Unit		Currency	End of the year	Average	End of the year	Average
1 EUR	USD	US Dollar	1.0666	1.0539	1.1334	1.1835
1 EUR	GBP	British Pound	0.8869	0.8526	0.8393	0.8600
1 EUR	CZK	Czech Koruna	24.1160	24.5602	24.9170	25.6468
1 EUR	CNY	Renminbi Yuan	7.3582	7.0801	7.2230	7.6340
1 EUR	BRL	Brazilian Real	5.6386	5.4432	6.3734	6.3814

Note 4. Segment report

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.

The reportable segments are the “Division Fiber”, “Division Pulp” 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 EUR '000

2022	Division Fiber	Division Pulp	Others	Segment total	Reconciliation	Group
Revenue from external customers	2,093,762	466,900	5,029	**2,565,692**	0	**2,565,692**
Inter-segment revenue	11,017	485,134	0	**496,151**	(496,151)	**0**
Total revenue	**2,104,779**	**952,035**	**5,029**	**3,061,843**	**(496,151)**	**2,565,692**
EBITDA (segment result)	32,923	309,968	(100,305)	**242,587**	(671)	**241,916**
EBIT	(92,752)	221,134	(111,241)	**17,142**	(689)	**16,453**
Amortization of intangible assets and depreciation of property, plant and equipment, right-of-use assets and depletion of biological assets	127,209	89,237	11,125	**227,571**	18	**227,589**
Income from investments accounted for using the equity method	(1,198)	(4,126)	5,102	**(222)**	0	**(222)**
Other material non-cash income and expenses	62,602	(18,605)	17,859	**61,857**	0	**61,857**
Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)	246,188	437,182	7,061	**690,432**	8,462	**698,894**
EBITDA margin[1]	1.6 %	32.6 %	n/a	**7.9 %**	-	**9.4 %**
EBIT margin[2]	(4.4)%	23.2 %	n/a	**0.6 %**	-	**0.6 %**

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

EUR '000

2021	Division Fiber	Division Pulp	Others	Segment total	Recon-ciliation	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, right-of-use assets and depletion of biological 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%	n/a	**13.7%**	-	**16.5%**
EBIT margin[2]	5.6%	21.6%	n/a	**7.6%**	-	**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).

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

The performance of the segments and the Group is measured by EBITDA (earnings before interest, tax, amortization of intangible assets, depreciation on property, plant and equipment, right-of-use assets and depletion of biological 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

	2022	2021
Earnings before interest and tax (EBIT)	16,453	200,615
Amortization of intangible assets and depreciation of property, plant and equipment, right-of-use assets and depletion of biological assets	227,589	164,269
Income from the release of investment grants	(2,126)	(1,944)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**241,916**	**362,941**
Segment amortization and depreciation	(227,571)	(164,242)
Consolidation	(18)	(27)
Income from the release of investment grants	2,126	1,944
Earnings before interest and tax (EBIT)	**16,453**	**200,615**
Financial result	(26,512)	(17,689)
Earnings before tax (EBT)	**(10,059)**	**182,926**

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 EUR '000

	2022	2021
Wood-based cellulosic fibers	2,013,761	1,833,623
Co-products of fiber production	55,917	52,811
Mechanical and plant engineering, engineering services and others	24,084	17,890
Division Fiber	**2,093,762**	**1,904,323**
Pulp	272,065	162,176
Biorefinery-products and energy	160,323	94,412
Wood and other	34,512	27,590
Division Pulp	**466,900**	**284,177**
Others	5,029	6,124
Revenue as per consolidated income statement	**2,565,692**	**2,194,624**

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

	2022	2021
Austria	132,345	83,866
Europe (excl. Austria, incl. Turkey)	744,880	635,420
Asia	1,433,169	1,286,462
America	239,718	177,760
Rest of the world	15,580	11,115
Revenue as per consolidated income statement	**2,565,692**	**2,194,624**

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	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Austria	983,437	991,183	1,614,939	1,447,738	79,625	73,442
Europe (excl. Austria, incl. Turkey)	195,879	188,492	345,322	285,917	20,415	9,367
Asia	954,894	758,622	1,244,721	1,108,474	195,520	229,434
America	1,672,835	1,208,818	1,808,954	1,287,797	403,336	532,090
Subtotal	**3,807,045**	**3,147,115**	**5,013,937**	**4,129,926**	**698,894**	**844,333**
Reconciliation to consolidated figures	46,589	57,386	511,065	1,192,844	0	0
Consolidated total	**3,853,634**	**3,204,501**	**5,525,002**	**5,322,771**	**698,894**	**844,333**

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, 2022.

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 12,298 thousand (December 31, 2021: EUR 14,526 thousand) and accruals for discounts and rebates of EUR 2,976 thousand (December 31, 2021: EUR 2,681 thousand) (see note 33). The amount of EUR 16,330 thousand included in contract liabilities as at December 31, 2021 has been recognized as revenue in 2022 (2021: EUR 21,637 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 52,894 thousand (2021: EUR 35,049 thousand) and for maintenance material and cleaning to EUR 105,855 thousand (2021: EUR 103,630 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 right-of-use assets, and depletion of biological assets amounting to EUR 4,206 thousand (2021: EUR 948 thousand) and income from the release of investment grants amounting to EUR 177 thousand (2021: EUR 7 thousand). In the 2022 financial year, research and development expenses in the Lenzing Group according to the Frascati scheme of computation in the amount of EUR 34,817 thousand (2021: EUR 31,625 thousand) were incurred.

Note 7. Other operating income

Other operating income consists of the following:

Other operating income — EUR '000

	2022	2021
Income from green energy bonus	13,623	20,030
Income from recharging of services and other products	15,042	14,785
Income from the release of deferred income for emission certificates and from subsidies	23,406	17,133
Rental income	5,645	5,812
Foreign currency gains	4,922	11,557
Sundry	10,457	8,710
Total	**73,096**	**78,026**

Note 8. Other operating expenses

The other operating expenses are EUR 6,649 thousand (2021: EUR 3,753 thousand) and mainly relate to losses from the disposal of property, plant and equipment.

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

	2022	2021
Material	1,434,476	1,017,914
Other purchased services	305,207	185,239
Total	**1,739,683**	**1,203,153**

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

	2022	2021
Wages and salaries	332,366	351,119
Expenses for severance payments and gratuity	21,145	5,253
Retirement benefit expenses	8,759	8,224
Statutory social security expenses	85,104	81,313
Other employee-related costs	9,700	6,708
Total	**457,074**	**452,617**

In the 2022 financial year, government grants of EUR 975 thousand (2021: EUR 245 thousand) in connection with short-term work assistance of Austria 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 2022 financial year, the Lenzing Group utilized such grants from October to December (2021: January to March).

Severance payment expense chiefly includes expenses for the statutory obligations of Lenzing AG subsidiaries towards their employees, as well as voluntary severance payments and indemnities in the course of restructuring. (see Note 31)

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

Number of employees (headcount)

	2022	2021
Average	8,205	7,614
As at 31/12	8,301	7,958

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)

	2022	2021
Hourly workers	1,939	1,912
Salaried employees	1,618	1,514
Total	**3,556**	**3,426**

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

Amortization of intangible assets and depreciation of property, plant and equipment, right-of-use assets and depletion of biological assets include the following:

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

	2022	2021
Amortization and depreciation	205,882	164,269
Depletion	21,707	0
Total	**227,589**	**164,269**

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

If there is an indication of impairment in accordance with IAS 36, intangible assets, property, plant and equipment and right-of-use assets 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 budget and the medium-term plans for the next five years are approved by the Management Board and acknowledged by the Supervisory Board.. 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. As a matter of principle, the management prepares planning accounts over a detailed planning period of five years. If the steady state is not already achieved at the end of the five-year detailed planning period, this period will be extended until a steady state of cash flows can be assumed. Subsequently, a perpetuity growth rate reflecting 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 7.6 percent to 9.4 percent were used in 2022 (2021 6.0 percent to 7.1 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 2022 and 2021 financial years.

Due to capital markets trends, the fair value of the equity reduced to below its carrying amount in the fourth quarter of 2022, triggering an indication of impairment for all cash-generating units. The current uncertainties (such as the Covid-19 crisis, the Ukraine war, distortions in energy markets, demand trend for fibers) particularly affect the cash-generating units CGU Fiber Site China, CGU Fiber Site Indonesia and CGU Fiber Site Heiligenkreuz. All assumptions material to the impairment tests were reviewed and the expected effects were reflected in the budgets required for the cash flow forecasts and the medium-term planning. WACCs (weighted average costs of capital) reflected the more exacerbated situation on the capital markets.

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 59,159 thousand at December 31, 2022 (December 31, 2021: EUR 57,081). This amount includes accumulated impairment losses of EUR 9,386 thousand (December 31, 2021: EUR 13,586 thousand) from the previous impairment tests.

The deterioration of the market environment has led to substantial losses for the Fiber Site China CGU. As the Lenzing Group is currently investing in China to convert existing capacities for conventional viscose into capacities for environmentally responsible specialty fibers (conversion of one line to the production of modal fibers), the site is expected to perform well in the future. In addition, the China site was converted to green power as part of these investments. 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 3,431 thousand. If the weighted average cost of capital (WACC) decreases (increases) by 0.25 percentage points, the recoverable amount will increase by EUR 5,779 thousand or decrease by EUR 5,459 thousand.

Impairment test of the CGU Fiber Site Indonesia

The CGU Fiber Site Indonesia, as the previous viscose site, was significantly affected by the negative trend in the market environment and also reported substantial losses. As the Lenzing Group is currently investing in Indonesia in order to convert existing capacity for conventional viscose into capacity for environmentally responsible specialty fibers, the site is expected to perform well in the future. In Purwakarta, Lenzing is creating additional capacity for LENZING™ ECOVERO™ brand fibers. The Indonesian site will thereby become a pure specialty viscose supplier in 2023. In addition, the Indonesia site was converted to green power as part of these investments. 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 6,154 thousand. If the weighted average cost of capital (WACC) decreases (increases) by 0.25 percentage points, the recoverable amount will increase by EUR 11,166 thousand or decrease by EUR 10,625 thousand.

Impairment test of the CGU Fiber Site Heiligenkreuz

The CGU Fiber Site Heiligenkreuz is significantly affected by the distortions in energy markets in Europe and consequently reports significant losses in the 2022 financial year. In response to these distortions, work is currently underway on a sustainable energy concept, which has been taken into consideration in the planning. 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 5,310 thousand. If the weighted average cost of capital (WACC) decreases (increases) by 0.25 percentage points, the recoverable amount will increase by EUR 12,273 thousand or decrease by EUR 11,540 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

	31/12/2022	31/12/2021
Segment Division Pulp		
CGU Pulp Site Czech Republic	10,951	10,599
Segment Divison Fiber		
Other CGUs	3,499	3,525
Total	**14,450**	**14,124**

The recoverable amount of the largest CGU with goodwill in 2022 – 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

	2022 financial year	2021 financial year
CGU Pulp Site Czech Republic		
Average annual operating margin in planning period	11.8 %	13.3 %
Long-term growth rate of perpetual yield	2.0 %	1.1 %
After-tax discount rate (WACC)	9.4 %	7.1 %

The average revenue growth of the Pulp Site Czech Republic during the detailed planning period equals 2.2 percent per year (2021: 1.4 percent per year).

The estimated fair value less costs of disposal of the CGU Pulp Site Czech Republic exceeds the carrying amount by EUR 33,504 thousand (2021: EUR 78,558 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 1.2 percent to 1.8 percent (2021: 1.1 percent to 1.3 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	11.8 %	minus 0.9 percentage points
After-tax discount rate (WACC)	9.4 %	plus 0.7 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	13.3 %	minus 3.1 percentage points
After-tax discount rate (WACC)	7.1 %	plus 3.0 percentage points

Note 12. Auditors' fees

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

Auditors' fees expensed EUR '000

2022	Lenzing AG	Subsidiaries	Total
Audit of the annual financial statements (incl. consolidated financial statements)	385	140	525
Other assurance services	199	0	199
Other services	162	0	162
Total	**747**	**140**	**886**

Auditors' fees expensed (previous year) 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**

The fees for other assurance services consist chiefly of fees for the review of the consolidated half-year financial statements.

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

The result of EUR minus 222 thousand (2021: EUR minus 3,541 thousand) corresponds to the Group's share of the current earnings of associates and joint ventures. The 2021 financial year included the write-off and the result of disposal of Hygiene Austria LP GmbH (HGA), the interest in which was divested in the 2021 financial year, in the amount of EUR minus 4,536 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

	2022	2021
Income from non-current and current financial assets		
Interest income from bank balances, originated loans and receivables	10,907	4,111
Interest income and income from the disposal of debt instruments measured at fair value through other comprehensive income	0	37
Income from dividends for equity instruments measured at fair value through other comprehensive income	140	960
Measurement of financial assets measured at fair value	600	796
Net foreign currency gains from financial assets	3,567	5,203
	15,215	**11,106**
Expenses from non-current and current financial assets		
Measurement and loss from disposal of financial assets at amortized cost	(3,605)	(2,021)
Measurement and loss from the disposal of financial assets at fair value through profit or loss	(1,401)	(1,066)
Loss from the disposal of debt instruments measured at fair value through other comprehensive income	0	(138)
	(5,007)	**(3,225)**
Total	**10,208**	**7,881**

Note 15. Financing costs

Financing costs comprise the following:

Financing costs EUR '000

	2022	2021
Net foreign currency gains/losses from financial liabilities	(3,341)	(4,405)
Interest expense for private placements	(9,189)	(9,214)
Interest expense for bank loans, other interest and similar expenses	(63,530)	(34,418)
Capitalized borrowing costs for property, plant and equipment and biological assets	39,562	26,008
Total	**(36,498)**	**(22,029)**

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

	2022	2021
Current income tax expense		
Austria	14,847	15,893
Abroad	17,914	32,481
	32,761	**48,374**
Income/expense from deferred taxes	(5,579)	6,838
Total	**27,182**	**55,212**

Income tax expense by cause EUR '000

	2022	2021
Current income tax expense		
Tax expense for current year	44,464	51,018
Reduction due to the use of tax losses	(6,647)	(7,846)
Adjustment for prior-period income tax	(5,056)	5,203
	32,761	**48,374**
Income/expense from deferred taxes		
Recognition and reversal of temporary differences	1,939	712
Effects of changes in tax rates	(2,598)	849
Change in capitalized loss carryforwards	(5,778)	4,524
Effects of previously unrecognized temporary differences from prior periods	102	846
Changes in valuation adjustment to deferred tax assets (excl. loss carryforwards)	756	(93)
	(5,579)	**6,838**
Total	**27,182**	**55,212**

The item "Change in capitalized loss carryforwards" relates to the utilization of loss carryforwards in the amount of EUR 566 thousand (2021: EUR 3,271 thousand) and an adjustment to deferred tax assets for loss carryforwards not yet utilized amounting to EUR minus 6,344 thousand (2021: EUR plus 1,253 thousand).

The reconciliation of calculated income tax expense based on the Austrian corporate tax rate of 25 percent (December 31, 2021: 25 percent) to effective income tax expense is shown in the following table:

Tax reconciliation EUR '000

	2022	2021
Earnings before tax (EBT)	(10,059)	182,926
Calculated income tax expense (25 % of earnings before tax)	(2,515)	45,732
Deductible distribution of hybrid coupon	(7,188)	(7,188)
Tax-free income and tax allowances (particularly research allowance)	(2,086)	(2,055)
Non-deductible expenses, withholding taxes and similar permanent differences	8,722	2,313
Income from investments accounted for using the equity method	56	468
Effect of different tax rates	5,847	(5,374)
Changes in tax rates	(5,111)	849
Taxes from prior periods	(4,954)	6,049
Exchange rate differences resulting from the translation of tax items from local into functional currency	(1,282)	7,902
Change in unrecognized deferred tax assets from loss carryforwards, tax credits and other temporary differences	34,345	6,637
Other	1,347	(121)
Effective income tax expense	**27,182**	**55,212**

As in the previous year, the ratio of effective income tax expense to earnings before tax is disproportionately high in the 2022 financial year. The Group reports a high level of reconciliation items arising from write-downs on tax assets (in particular from non-capitalized losses) (in particular Indonesia, China and Thailand). In addition, as in the 2021 financial year a distribution to hybrid capital holders was realized that is tax deductible.

The "Changes in tax rates" item in the 2022 financial year mainly comprises a statutory tax rate reduction in Austria. The income tax rate in Austria will be gradually reduced from 25 percent to 24 percent with effect from January 1, 2023, and from 24 percent to 23 percent with effect from January 1, 2024. This resulted in income of EUR 5,224 thousand in the 2022 financial year from the measurement of the Austrian Group companies' deferred tax assets and deferred tax liabilities. In the 2021 financial year, the "Changes in tax rates" item mainly comprised 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 "Taxes from prior periods" item includes a tax credit of EUR 2,660 thousand (2021: EUR 747 thousand) from the tax group with B&C Group (also see note 39).

Lenzing AG and the Austrian subsidiaries of the Lenzing Group are subject to an income tax rate of 25 percent (December 31, 2021: 25 percent). The income tax rates for foreign companies range from 11 percent to 34 percent (December 31, 2021: from 11 percent to 34 percent).

In December 2021, the OECD published its model rules for a global minimum tax regime. The minimum taxation regime is intended to ensure that corporate groups with worldwide sales of at least EUR 750,000 thousand are subject to an effective tax burden of at least 15 percent in those countries where they operate. The OECD agreement is expected to lead to changes in the corporate tax rates of a number of countries in the coming years. The resultant effects on the measurement of tax assets and liabilities depend on the nature and timing of the legislative changes in the individual countries.

Note 17. Earnings per share

Earnings per share are calculated as follows:

Earnings per share — EUR '000

	2022	2021
Net profit/loss for the year attributable to shareholders of Lenzing AG used in the calculation of earnings per share	(73,086)	110,346
Weighted average number of shares	26,550,000	26,550,000
	EUR	EUR
Diluted = basic	(2.75)	4.16

Earnings per share are calculated by dividing the share of net income/loss for the year attributable to shareholders of Lenzing AG, reduced by the share of hybrid capital holders amounting EUR 28,750 thousand (2021: EUR 28,750 thousand) by the weighted average number of shares outstanding during 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

2022	Goodwill	Concessions, industrial property rights, licenses and similar rights	Internally generated intangible assets	Total
Cost				
As at 01/01/2022	93,085	27,215	29,310	**149,610**
Currency translation adjustment	5,271	100	0	**5,371**
Addition	0	3,506	7,351	**10,857**
Disposals	0	(863)	(97)	**(960)**
As at 31/12/2022	98,356	29,959	36,564	**164,879**
Accumulated amortization				
As at 01/01/2022	(78,960)	(20,552)	(14,049)	**(113,561)**
Currency translation adjustment	(4,945)	(39)	0	**(4,984)**
Amortization	0	(2,472)	(912)	**(3,385)**
Disposals	0	860	16	**876**
As at 31/12/2022	(83,906)	(22,203)	(14,945)	**(121,054)**
Carrying amount as at 01/01/2022	14,124	6,663	15,261	**36,049**
Carrying amount as at 31/12/2022	**14,450**	**7,756**	**21,619**	**43,825**

Development of intangible assets (previous year) **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**

Additions in the 2022 financial year include purchased intangible assets of EUR 3,506 thousand (2021: EUR 2,495 thousand) and internally generated intangible assets of EUR 7,351 thousand (2021: EUR 6,182 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 7
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).

The amortization of concessions, industrial property rights, licenses, similar rights and internally generated intangible assets is presented in the cost of sales, selling expenses, administrative expenses as well as research and development expenses.

Note 19. Property, plant and equipment

Development

Property, plant and equipment developed as follows:

Development of property, plant and equipment EUR '000

2022	Land and buildings	Technical equipment and machinery, factory and office equipment	Down payments and assets under construction	Total
Cost				
As at 01/01/2022	721,290	3,157,287	1,520,285	5,398,862
Currency translation adjustment	17,246	22,553	87,255	127,054
Addition	131,460	455,365	46,259[1]	633,083
Disposals	(1,620)	(44,317)	(2,444)	(48,381)
Reclassifications	279,453	960,267	(1,239,721)	0
As at 31/12/2022	1,147,829	4,551,155	411,633	6,110,618
Accumulated depreciation				
As at 01/01/2022	(341,457)	(2,155,288)	(24,511)	(2,521,255)
Currency translation adjustment	(2,653)	(22,590)	(1,186)	(26,429)
Depreciation	(29,735)	(163,289)	0	(193,024)
Disposals	1,413	41,785	0	43,197
As at 31/12/2022	(372,433)	(2,299,382)	(25,697)	(2,697,512)
Carrying amount as at 01/01/2022	379,833	1,001,999	1,495,774	2,877,606
Carrying amount as at 31/12/2022	**775,396**	**2,251,773**	**385,936**	**3,413,106**

1) Additions include a year-on-year decrease in advance payments of EUR 4,283 thousand.

Development of property, plant and equipment (previous year)

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 year-on-year decrease in advance payments of EUR 106,538 thousand.

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 50
Buildings	10 to 50
Fiber production lines	5 to 15
Energy production plants	4 to 25
Other machinery	4 to 20
Vehicles	4 to 20
Office equipment and other fixtures and fittings	2 to 10
IT hardware	2 to 7

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 38,350 thousand as at December 31, 2022 (December 31, 2021 EUR 38,224 thousand). The carrying amount of this land and buildings is EUR 7,819 thousand as at December 31, 2022 (December 31, 2021 EUR 8,282 thousand). Depreciation of EUR 694 thousand was recognized on these assets in the 2022 financial year (2021: EUR 692 thousand). For further details on rental income from operating leases see note 21.

Capitalization of borrowing costs

Borrowing costs of EUR 33,316 thousand for property, plant and equipment were capitalized in 2022 (2021: EUR 21,166 thousand). The weighted average interest rate equaled 3.14 percent (2021: 2.23 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. A wood price based on a multi-year average of industry benchmarks is used for the valuation. 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, 2022, the plantation comprised approximately 40,669 hectares of eucalypt wood (December 31, 2021: 40,115 hectares) and 899 hectares of pine wood (December 31, 2021: 975 hectares). The wood is up to 14 years (December 31, 2021: 13 years) old. Wood amounting to EUR 5,540 thousand (December 31, 2021: EUR 2,163 thousand) is less than one year old and therefore considered an immature asset.

Biological assets developed as follows:

Development of biological assets EUR '000

	2022	2021
As at 01/01	95,767	84,254
Acquisition	4,602	1,469
Sales	0	(6,923)
Capitalized production costs	21,902	12,037
Depletion	(21,707)	0
Change in the fair value	20,268	(2,001)
Currency translation adjustment	6,904	7,071
Other changes	0	(138)
As at 31/12	**127,735**	**95,767**

Gains and losses from the change in the fair value of biological assets of EUR 17,009 thousand (December 31, 2021 EUR 2,258 thousand) consisted of the regular remeasurement of EUR 20,268 thousand (December 31, 2021: EUR minus 2,001 thousand) and changes in the value of hedges related to the exchange rate risk of EUR minus 3,259 thousand (December 31, 2021: EUR 4,259 thousand). These are included in the cost of sales.

The following assumptions were made:

Assumptions of level 3 input factors for biological assets

	31/12/2022	31/12/2021
Market price EUR/m³	11.94	8.16
Discount rate	7.96 %	5.48 %
Wood volume m³	11,821,960	11,725,725

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 31/12/2022 EUR '000

	Increase	Decrease
Change in the market price (+/- 1 %)	1,375	(1,375)
Discount rate (+/- 1 %)	(368)	390
Wood volume (+/- 5 %)	6,880	(6,880)

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

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

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 29).

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

Development of right-of-use assets EUR '000

2022	Land and buildings	Technical equipment and machinery, factory and office equipment	Total
Carrying amount as at 01/01	58,568	11,562	**70,129**
Addition	5,540	8,649	**14,189**
Disposals	(3,844)	(1,343)	**(5,187)**
Depreciation fiscal year	(4,743)	(4,730)	**(9,473)**
Currency translation adjustment	3,077	25	**3,103**
Carrying amount as at 31/12	**58,598**	**14,163**	**72,761**

Development of right-of-use assets (previous year) 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**

In the 2022 financial year, right-of-use assets amounting to EUR 4,861 thousand from the index increase for land use rights, EUR 4,213 thousand for machinery, EUR 3,894 thousand for forklifts, cars and other vehicles, and EUR 434 thousand for rail cars were recognized. The disposals mainly relate to right-of-use assets amounting to EUR 3,788 thousand for warehouse premises and EUR 1,269 thousand for rail cars.

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 rail cars and EUR 2,217 thousand from the index increase for the land use rights were recognized.

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 1,189 thousand (December 31, 2021: EUR 1,286 thousand).

The following expenses relating to leases were recognized in the consolidated income statement in the 2022 financial year.

Expenses from leases EUR '000

	2022	2021
Expenses relating to short-term leases	10,853	8,492
Expenses relating to variable leases	10,796	5,992
Expenses relating to leases of low-value assets	690	229
Non-lease components	793	751
Rental and leasing expenses	**23,132**	**15,465**
Interest on lease liabilities = Financing costs	**6,766**	**5,581**

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.

In order to achieve its climate targets and hedge against fluctuating prices, the Lenzing Group has concluded several long-term power purchase agreements for electricity generated from renewable energy sources. As the payments are entirely variable and no favorable purchase options exist, they are included in the variable lease payments.

Cash outflows for leases total EUR 36,983 thousand (2021: EUR 28,592 thousand). They include expenses relating to short-term and variable leases and to leases of low-value assets.

The rental and leasing expenses 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 34.

All 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

	31/12/2022	31/12/2021
In the following year	3,730	3,486
In the following 1 to 2 years	3,380	3,239
In the following 2 to 3 years	3,380	3,164
In the following 3 to 4 years	3,380	3,164
In the following 4 to 5 years	3,380	3,164
Thereafter	2,442	3,562
Total	**19,692**	**19,780**

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 2022 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

	31/12/2022	31/12/2021
EQUI-Fibres Beteiligungsgesellschaft mbH (EFB)	4,193	4,777
Lenzing Papier GmbH (LPP)	4,270	0
Other associates	4,813	4,853
LD Florestal S.A. (LDF)	13,079	15,092
Other joint ventures	127	117
Total	**26,483**	**24,840**

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, Lenzing Papier GmbH (LPP), which is assigned to the Segment “Others” and LD Florestal S.A. (LDF), Indianópolis, 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 39.

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

2022	EFB	LPP	Other associates	HGA	LDF	Other joint ventures	Total
As at 01/01	4,777	0	4,853	0	15,092	117	24,840
Result from remeasurement of investments accounted for using the equity method	(913)	0	0	0	0	0	(913)
Share in profit or loss of investments accounted for using the equity method	(286)	5,062	40	0	(4,134)	8	691
Other comprehensive income – remeasurement of defined benefit liability	633	8	0	0	0	0	641
Other comprehensive income – foreign currency translation differences arising during the year and other	(18)	0	(40)	0	2,120	2	2,064
Disposal of carrying amount	0	0	0	0	0	0	0
Distributions	0	(800)	(40)	0	0	0	(840)
As at 31/12	**4,193**	**4,270**	**4,813**	**0**	**13,079**	**127**	**26,483**

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

2021	EFB	LPP	Other associates	HGA	LDF	Other joint ventures	Total
As at 01/01	4,137	0	4,714	4,536	15,595	106	29,088
Share in profit or loss of investments accounted for using the equity method	785	600	63	0	(461)	8	995
Other comprehensive income – remeasurement of defined benefit liability and other	105	0	0	0	0	0	105
Other comprehensive income – foreign currency translation differences arising during the year	0	0	116	0	(41)	3	79
Disposal of carrying amount	0	0	0	(4,536)	0	0	(4,536)
Distributions	(250)	(600)	(40)	0	0	0	(890)
As at 31/12	**4,777**	**0**	**4,853**	**0**	**15,092**	**117**	**24,840**

The Lenzing Group recognizes both, measurement effects and the results from investments accounted for using the equity method, together in income from investments accounted for using the equity method.

In the 2022 financial year, an impairment of EUR 3,114 thousand (2021: EUR 0 thousand) was recognized on the outstanding purchase price receivables and non-current loans due from the buyer of EFB (and its subsidiaries) (see note 38, 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 7,564 thousand as at December 31, 2022 (December 31, 2021: EUR 10,678 thousand) and are reported under financial assets. They carry standard bank interest rates.

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, 2022 (December 31, 2021: EUR 0 thousand). 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 39). 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.

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, 2022 (December 31, 2021: EUR 4,087). Moreover, the buyer was granted a credit line of up to EUR 3,091 (December 31, 2021: EUR 5,379 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, 2022 and in the previous year as at December 31, 2021.

The Lenzing Group held 20 percent of capital and voting rights as at December 31, 2022 (December 31, 2021: 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 39.

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

Summarized financial information on EFB EUR '000

	31/12/2022	31/12/2021
Non-current assets	143,479	127,871
Current assets	88,324	81,282
Equity	62,981	61,336
Non-current liabilities	59,294	54,513
Current liabilities	109,529	93,303
	2022	**2021**
Revenue	193,240	151,231
Earnings before tax (EBT)	(383)	6,044
Total comprehensive income	1,644	4,450
Thereof net profit/loss for the year	(1,431)	3,926
Thereof other comprehensive income	3,075	523

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

	31/12/2022	31/12/2021
Equity	62,981	61,336
Thereof:		
Group's interest (20 %; previous year: 20 %)	12,596	12,267
Consolidation and other effects	(63)	(63)
Impairment	(8,340)	(7,427)
Carrying amount	**4,193**	**4,777**

The Lenzing Group held 40 percent of capital and voting rights in LPP as at December 31, 2022 (December 31, 2021: 40 percent). The core business of LPP, which is not publicly listed, is the production of cellulose-based products, in particular paper. The relations between the Lenzing Group and this company are described in note 39.

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

Summarized financial information on LPP — EUR '000

	31/12/2022	31/12/2021
Non-current assets	10,103	10,832
Current assets	34,103	25,312
Equity	21,206	10,530
Non-current liabilities	5,601	6,861
Current liabilities	17,399	18,753
	2022	**2021**
Revenue	126,864	82,281
Earnings before tax (EBT)	16,916	2,588
Total comprehensive income	12,676	1,950
Thereof net profit for the year	12,655	2,588
Thereof other comprehensive income	21	(638)

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

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

	31/12/2022	31/12/2021
Equity	21,206	10,530
Thereof:		
Group's interest (40 %; previous year: 40 %)	8,482	4,212
Consolidation and other effects	(112)	(112)
Impairment	(4,100)	(4,100)
Carrying amount	**4,270**	**0**

The Lenzing Group held 50 percent of the capital and voting rights in LDF as at December 31, 2022 (December 31, 2021: 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 39.

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

Summarized financial information on LDF — EUR '000

	31/12/2022	31/12/2021
Non-current assets	92,275	78,404
Current assets	2,712	5,545
Equity	26,157	30,185
Non-current liabilities	66,999	51,647
Current liabilities	1,830	2,117
	2022	**2021**
Revenue[1]	6,466	4,946
Earnings before tax (EBT)	(8,126)	922
Total comprehensive income	(4,028)	(1,004)
Thereof net loss for the year	(8,267)	(922)
Thereof other comprehensive income	4,240	(82)

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

	31/12/2022	31/12/2021
Equity	26,157	30,185
Thereof:		
Group's interest (50 %; previous year: 50 %)	13,079	15,092
Carrying amount	**13,079**	**15,092**

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

	31/12/2022	31/12/2021
Non-current securities	20,554	19,423
Other equity investments	12	7,097
Originated loans	8,403	12,348
Total	**28,969**	**38,869**

The Lenzing Group has designated equity instruments of a fair value of EUR 14,369 thousand as measured at "fair value through other comprehensive income" as at December 31, 2022 (December 31, 2021: EUR 19,899 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.

Non-current securities primarily consist of Oberbank ordinary shares amounting to EUR 14,356 thousand (December 31, 2021: EUR 12,802 thousand). In the 2022 financial year there was a dividend payout of other investments and other securities, which amounted to EUR 140 thousand (December 31, 2021: EUR 960 thousand). The other equity investments as at December 31, 2021 consisted primarily of the investment in LP Beteiligungs & Management GmbH, Lenzing. In the 2022 financial year, the interest in LP Beteiligungs & Management GmbH, Lenzing, was divested at a fair value of EUR 7,700 thousand. The realized gain of EUR 6,650 thousand was already included in other comprehensive income and was reclassified to retained earnings net of taxes of EUR 1,662 thousand.

Current financial assets include the shares held in Spinnova OY, Jyväskylä, Finland, amounting to EUR 12,395 thousand (December 31, 2021: EUR 32,232 thousand), which were reclassified from other equity investments to current securities in the 2021 financial year (see note 36). In the 2022 financial year, a partial disposal of the shares in Spinnova OY, Jyväskylä, Finland, was realized at fair value of EUR 837 thousand. The realized gain of EUR 812 thousand was already included in other comprehensive income and was reclassified to retained earnings net of taxes of EUR 203 thousand.

Note 24. Inventories

Inventories include the following components:

Inventories EUR '000

	31/12/2022	31/12/2021
Raw materials and supplies	373,272	274,152
Work in progress	22,542	8,974
Finished goods and merchandise	312,493	187,674
Advance payments made	4,215	6,156
Total	**712,522**	**476,956**

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, co-products of fiber production, pulp and biorefinery-products.

Write-downs totaling EUR 84,180 thousand were recognized to inventories in 2022 (2021: EUR 16,841 thousand). The carrying amount of inventories measured at their net realizable value equaled EUR 320,235 thousand (December 31, 2021: EUR 186,751 thousand). Expenses for inventories, which are included in the cost of material totaled EUR 1,434,476 thousand (2021: EUR 1,017,914 thousand).

Note 25. Trade receivables

Trade receivables comprise the following:

Trade receivables EUR '000

	31/12/2022	31/12/2021
Trade receivables (gross)	301,543	335,685
Bad debt provisions	(7,932)	(10,513)
Total	**293,611**	**325,172**

All trade receivables are classified as current assets. For further information on trade receivables, please refer to note 36 (section "Transfer of financial assets (sale of receivables/factoring)") and note 38 (section "Credit risk").

Note 26. Other assets

Other non-current assets comprise the following:

Other non-current assets EUR '000

	31/12/2022	31/12/2021
Other non-current financial assets (particularly from derivatives and other financial receivables)	47,992	4,944
Other non-current non-financial assets (particularly from other taxes)	75,143	37,779
Total	**123,135**	**42,723**

Other current assets comprise the following:

Other current assets — EUR '000

	31/12/2022	31/12/2021
Other current financial assets		
Derivatives not yet settled (open positions)	14,090	1,950
Recharging of maintenance services	10,354	5,825
Receivables from grant commitments	673	733
Sundry	20,425	6,074
Total	45,542	14,581
Other current non-financial assets		
Receivables from other taxes and duties	63,091	91,723
Advance payments made	4,391	6,255
Emission certificates	78,219	48,763
Prepaid expenses	9,205	7,294
Sundry	311	93
Total	155,216	154,129
Total	**200,758**	**168,710**

Note 27. Equity

Share capital and capital reserves

The share capital of Lenzing AG totaled EUR 27,574,071.43 as at December 31, 2022 (December 31, 2021: EUR 27,574,071.43) and is divided into 26,550,000 zero par value shares (December 31, 2021: 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 April 26, 2022 authorized the Managing Board – while at the same time canceling the resolutions regarding this matter of the Annual General Meeting of June 18, 2020 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, with the consent of the Supervisory Board, 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, 2022 to increase share capital, issue convertible bonds or repurchase treasury shares during the 2022 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 2022 and 2021 include the following:

Other comprehensive income EUR '000

	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Consolidated subsidiaries	62,412	(3,423)	58,988	107,394	(4,418)	102,976
Investments accounted for using the equity method	2,082	0	2,082	79	0	79
Foreign currency translation reserve	**64,494**	**(3,423)**	**61,070**	**107,473**	**(4,418)**	**103,055**
Financial assets measured at fair value through other comprehensive income	**(16,830)**	**4,614**	**(12,216)**	**33,014**	**(8,253)**	**24,760**
Consolidated subsidiaries	62,713	(18,112)	44,602	(20,164)	865	(19,299)
Investments accounted for using the equity method	(18)	0	(18)	0	0	0
Hedging reserve	**62,696**	**(18,112)**	**44,584**	**(20,164)**	**865**	**(19,299)**
Consolidated subsidiaries	11,655	(3,677)	7,978	(1,691)	429	(1,262)
Investments accounted for using the equity method	641	0	641	105	0	105
Actuarial gains/losses	**12,296**	**(3,677)**	**8,619**	**(1,587)**	**429**	**(1,157)**
Total	**122,655**	**(20,598)**	**102,057**	**118,736**	**(11,377)**	**107,359**

The hedging reserve developed as follows:

Changes in the hedging reserve EUR '000

	2022	2021
Gains/losses recognized in the reporting period from the valuation of cash flow hedges		
From gas swaps	823	0
From forward foreign exchange contracts	(6,150)	(25,474)
From interest rate- and currency-interest rate swaps	46,569	2,137
	41,242	**(23,337)**
Reclassification to profit or loss of amounts relating to cash flow hedges		
From gas swaps	(6,332)	0
From forward foreign exchange contracts	27,217	2,415
From interest rate- and currency-interest rate swaps	568	758
	21,453	**3,173**
Total	**62,696**	**(20,164)**

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

Retained earnings

Retained earnings comprise the following:

Retained earnings EUR '000

	31/12/2022	31/12/2021
Unappropriated revenue reserves of Lenzing AG under Austrian law (Austrian Commercial Code – öUGB)	845,822	730,772
Accumulated profits of Lenzing AG under Austrian law (Austrian Commercial Code – öUGB)	0	115,493
Retained earnings of the subsidiaries, including the effect of adjusting the financial statements of Lenzing AG and its subsidiaries from local regulations to IFRS	145,879	360,095
Total (excl. other reserves)	**991,702**	**1,206,359**

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 2021 resolved at the Annual General Meeting on April 26, 2022 (payment as of May 3, 2022)	115,493	26,550,000	4.35
Dividend for the financial year 2020 resolved at the Annual General Meeting on April 14, 2021	0	26,550,000	0.00

The profit for the year according to the Austrian Commercial Code (UGB) for the 2022 financial year of Lenzing AG is to be appropriated as follows:

Appropriation of the 2022 net profit EUR '000

Lenzing AG closed the 2022 financial year with profit under Austrian law (öUGB) of	65,919
The allocation to (unappropriated) revenue reserves of	(65,919)
results in accumulated profit of	**0**

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.

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 42 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), Indianópolis, Brazil, which is assigned to the Segment Division Pulp. The non-controlling interests in LDC totaled EUR 274,985 thousand as at December 31, 2022 (December 31, 2021: EUR 174,719 thousand). As at December 31, 2022, non-controlling shareholders held 49.0 percent (December 31, 2021: 49.0 percent) of the capital and voting rights in LDC, which is not publicly listed. The core business of LDC isf 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

	31/12/2022	31/12/2021
Non-current assets	1,607,380	1,147,458
Current assets	131,267	98,960
Equity	561,194	356,570
Thereof equity attributable to shareholders of Lenzing AG	286,209	181,851
Thereof equity attributable to non-controlling interests	274,985	174,719
Non-current liabilities	1,029,994	806,748
Current liabilities	147,459	83,099
	2022	**2021**
Revenue	164,269	10,586
Earnings before tax (EBT)	39,964	(19,971)
Total comprehensive income	78,395	52,568
Thereof net profit/loss for the year	30,857	(20,564)
Net profit/loss for the year attributable to shareholders of Lenzing AG	15,737	(10,488)
Net profit/loss for the year attributable to non-controlling interests	15,120	(10,076)
Thereof other comprehensive income	47,538	73,132
Other comprehensive income attributable to shareholders of Lenzing AG	24,244	37,297
Other comprehensive income attributable to non-controlling interests	23,294	35,835
Cash flow from operating activities	(27,007)	11,474
Cash flow from investing activities	(337,928)	(529,072)
Cash flow from financing activities	324,319	478,252
Change in cash and cash equivalents	(40,616)	(39,346)
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 10,329 thousand as at December 31, 2022 (December 31, 2021: EUR 17,232 thousand). As at December 31, 2022, non-controlling shareholders held 8.13 percent (December 31, 2021: 8.13 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

	31/12/2022	31/12/2021
Non-current assets	312,391	221,551
Current assets	126,365	166,130
Equity	127,043	211,952
Thereof equity attributable to shareholders of Lenzing AG	116,714	194,720
Thereof equity attributable to non-controlling interests	10,329	17,232
Non-current liabilities	121,872	17,705
Current liabilities	189,841	158,025
	2022	**2021**
Revenue	436,995	417,124
Earnings before tax (EBT)	(102,121)	(19,395)
Total comprehensive income	(85,591)	(9,643)
Thereof net loss for the year	(101,481)	(25,827)
Net loss for the year attributable to shareholders of Lenzing AG	(93,230)	(24,375)
Net loss for the year attributable to non-controlling interests	(8,250)	(1,452)
Thereof other comprehensive income	15,889	16,184
Other comprehensive income attributable to shareholders of Lenzing AG	14,598	14,831
Other comprehensive income attributable to non-controlling interests	1,292	1,353
Cash flow from operating activities	(12,757)	(71,743)
Cash flow from investing activities	(98,821)	(29,474)
Cash flow from financing activities	123,791	98,004
Change in cash and cash equivalents	12,212	(3,214)
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**
	2022	**2021**
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability	142	(45)
Income tax relating to these components of other comprehensive income	(32)	10
Items that may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences arising during the year	12,006	13,533
Cash flow hedges – effective portion of changes in fair value recognized during the year and non-designated components	18,793	(6,858)
Income tax relating to these components of other comprehensive income	(6,322)	0
Other comprehensive income (net of tax)	**24,587**	**6,640**

Note 28. Government grants

The amount accrued under this item resulted primarily from grants 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 16,445 thousand were recognized to profit or loss in 2022 (2021: EUR 12,755 thousand), resulting predominantly from promotion of research activities and qualification measures for employees. 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 65,893 thousand of emission certificates as at December 31, 2022 (December 31, 2021: EUR 42,254 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 375,634 EU-emission certificates and 23,794 UK-emission certificates were allocated free of charge to the relevant companies in the Lenzing Group for 2022 through national allocation plans (2021: 369,863 EU-emission certificates and 30,589 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 2022 financial year expenses for emission certificates amounted to EUR 14,999 thousand (2021: EUR 6,557 thousand).

Note 29. Financial liabilities

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

Financial liabilities	31/12/2022				31/12/2021			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	290,500	290,110	1.5	EUR	362,500	361,965	1.5
Floating rate interest	EUR	219,000	218,640	1.2	EUR	219,000	218,526	1.1
Floating rate interest[1]	USD	65,000	60,941	0.8	USD	65,000	57,350	0.8
			569,691				**637,841**	
Bank loans								
Loans:								
Fixed interest	EUR	428,809	428,809	1.1	EUR	428,809	428,809	1.0
Fixed interest	USD	140,602	111,972	3.0	USD	91,457	69,287	2.8
Floating rate interest	EUR	140,412	139,586	0.8	EUR	139,779	139,779	0.2
Floating rate interest[1]	USD	1,000,000	911,729	4.1	USD	789,000	670,175	2.2
Operating loans[2]:								
Floating rate interest	IDR	156,333,686	9,463	9.8	IDR	0	0	0.0
Floating rate interest	CNY	250,000	33,976	3.7	CNY	250,000	34,612	4.0
Floating rate interest	USD	4,876	4,572	7.2	USD	0	0	0.0
			1,640,106				**1,342,661**	
Lease liabilities								
Fixed interest	EUR	69,590	69,590	10.2	EUR	63,475	63,475	9.0
			69,590				**63,475**	
Loans from other lenders								
Fixed interest	EUR	10,603	10,603	0.7	EUR	8,622	8,622	0.7
Fixed and floating rate interest	EUR	30,005	30,005	0.6	EUR	33,813	33,813	0.6
Floating rate interest	BRL	12,445	2,236	10.4	BRL	93,279	14,748	3.9
			42,843				**57,183**	
Total			**2,322,230**				**2,101,161**	
Thereof current			250,282				120,125	
Thereof non-current			2,071,948				1,981,036	

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 4 and 7 years with fixed and floating interest rates, respectively, as well as a term of 10 years with fixed interest. The average term is approximately 6 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 7 years. In the 2022 financial year EUR 72,000 thousand (2021: EUR 56,000 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 USD 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, 2022, EUR 1,023,700 thousand (December 31, 2021: EUR 739,462 thousand) of the loans were used. These liabilities are collateralized by pledged property, plant and equipment in the amount of EUR 34,922 thousand (December 31, 2021: EUR 9,558 thousand) and biological assets in the amount of EUR 127,735 thousand (December 31 2021: EUR 95,767 thousand). In addition, the shares in LD Celulose S.A., Indianópolis, 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 30. 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

	31/12/2022	31/12/2021
Intangible assets and property, plant and equipment	1,936	3,291
Financial assets	2,664	3,745
Inventories	17,010	10,506
Other assets	1,254	1,604
Provisions	13,331	20,665
Investment grants	135	159
Lease liabilities	20,007	17,550
Other liabilities	14,835	11,594
Loss carryforwards	73,941	37,908
Gross deferred tax assets – before valuation adjustment	**145,114**	**107,022**
Valuation adjustment to deferred tax assets	(78,512)	(47,480)
Thereof relating to tax loss carryforwards	(62,989)	(32,671)
Gross deferred tax assets	**66,602**	**59,542**
Offsettable against deferred tax liabilities	(64,887)	(55,962)
Net deferred tax assets	**1,716**	**3,581**

Deferred tax liabilities EUR '000

	31/12/2022	31/12/2021
Intangible assets and property, plant and equipment	76,354	71,179
Right-of-use assets	21,407	20,155
Biological assets	6,229	2,613
Financial assets	12,278	5,726
Inventories	109	464
Other assets	16,144	11,809
Special depreciation/amortization for tax purposes	0	2,632
Investment grants	265	348
Other liabilities	2,340	842
Gross deferred tax liabilities	**135,127**	**115,768**
Offsettable against deferred tax assets	(64,887)	(55,962)
Net deferred tax liabilities	**70,240**	**59,806**

Of the total gross deferred tax assets, EUR 34,254 thousand (December 31, 2021: EUR 22,501 thousand) are due within one year. Of the total gross deferred tax liabilities, EUR 4,937 thousand (December 31, 2021: EUR 12,416 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

	2022	2021
As at 01/01	(56,226)	(40,001)
Recognized in profit or loss	5,579	(6,838)
Recognized in other comprehensive income	(18,347)	(7,857)
Currency translation adjustment	469	(1,530)
As at 31/12	**(68,525)**	**(56,226)**

The Group held tax loss carryforwards of EUR 333,554 thousand as at December 31, 2022 (December 31, 2021: EUR 166,812 thousand). The existing tax loss carryforwards can be utilized as follows:

Loss carryforwards (assessment basis) EUR '000

	31/12/2022	31/12/2021
Total	333,554	166,812
Thereof capitalized loss carryforwards	46,644	20,359
Thereof non-capitalized loss carryforwards	286,910	146,453
Possible expiration of non-capitalized loss carryforwards		
Within 1 year	572	141
Within 2 years	26,820	557
Within 3 years	80,394	27,875
Within 4 years	43,195	83,703
Within 5 years or longer	135,913	30,629
Unlimited carryforward	16	3,548

Net deferred tax assets of EUR 1,716 thousand were recognized as at December 31, 2022 (December 31, 2021: EUR 3,581 thousand), including EUR 0 thousand (December 31, 2021: EUR 25 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 73,941 thousand (December 31, 2021: EUR 37,908 thousand) instead of EUR 10,952 thousand (December 31, 2021: EUR 5,236 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 11,090 thousand (December 31, 2021: EUR 14,994 thousand). Partial write-downs of EUR 3,905 thousand were utilized for tax purposes in 2022 (2021: EUR 4,612 thousand).

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

Deferred tax liabilities were not recognized for temporary differences with a measurement base of EUR 507,985 thousand (December 31, 2021: EUR 474,481 thousand) in connection with investments in subsidiaries, joint ventures and associates and the related proportional share of net assets held by group companies because the Lenzing Group is able to control the timing of the reversal of the temporary difference and 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 at December 31, 2022 amounts to EUR 21,155 thousand (December 31, 2021: EUR 21,819 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, 2022, write-downs of EUR 5,250 thousand were recognized (December 31, 2021: EUR 6,882 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 (2021: 25 percent) of the corporate tax rate (i.e. currently 6.25 percent; 2021: 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.

Note 31. Provisions

The Lenzing Group's provisions are classified as follows:

Provisions | **EUR '000**

	Total		Thereof current		Thereof non-current	
	31/12/2022	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
Provisions for pensions and similar obligations						
Pensions and severance payments	77,646	102,220	7,149	6,945	70,497	95,275
Jubilee benefits	14,899	18,812	936	1,314	13,963	17,498
	92,544	**121,032**	**8,084**	**8,259**	**84,460**	**112,773**
Other provisions						
Restructuring measures	21,125	0	21,125	0	0	0
Anticipated losses and other risks	23,545	25,978	23,545	22,231	0	3,746
Emission certificates	12,493	6,508	12,493	6,508	0	0
Sundry	8,134	3,750	1,047	2,089	7,087	1,661
	65,297	**36,236**	**58,210**	**30,829**	**7,087**	**5,407**
Total	**157,841**	**157,268**	**66,295**	**39,088**	**91,547**	**118,180**

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.

In the 2022 financial year, parts of provisions for accrued defined benefit severance plans were reclassified to other provisions for restructuring measures (see the section "Other 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 2,469 thousand (December 31, 2021: EUR 2,598 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 aforementioned 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 155 thousand in 2022 (2021: EUR 152 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 %

31/12/2022	**Discount rate**	**Salary increase**	**Pension increase**	**Staff turnover deductions**
Austria – pensions	4.1	3.0	0.0-3.0	0.0
Austria – severance payments	4.1	3.0	N/A	0.0
Indonesia	7.0	7.5	N/A	1.0-5.0
Czech Republic	3.5	4.2	N/A	1.6
31/12/2021				
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

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	
	2022	2021	2022	2021	2022	2021
As at 01/01	104,818	106,398	2,598	2,730	102,220	103,669
Service cost						
Current service cost	2,694	3,777	0	0	2,694	3,777
Past service cost	0	0	0	0	0	0
Gain/loss on curtailments of plan	671	588	0	0	671	588
Net interest	1,957	1,590	22	18	1,935	1,572
Income and expenses from defined benefit plans recognized on the income statement	**5,322**	**5,955**	**22**	**18**	**5,300**	**5,936**
Remeasurement during the reporting period						
On the basis of demographic assumptions	(35)	(77)	0	0	(35)	(77)
On the basis of financial assumptions	(19,177)	(918)	0	0	(19,177)	(918)
On the basis of experience adjustments	7,690	2,821	0	0	7,690	2,821
On the basis of income from plan assets, excl. amounts included in interest income	0	0	133	134	(133)	(134)
Remeasurement of defined benefit plans included in other comprehensive income	**(11,522)**	**1,825**	**133**	**134**	**(11,655)**	**1,691**
Cash flows						
Payments made from the plan	(283)	(283)	(283)	(283)	0	0
Direct payments and contributions by the employer	(12,238)	(10,378)	0	0	(12,238)	(10,378)
Currency translation adjustment	(250)	1,302	0	0	(250)	1,302
Other reconciliation items	**(12,771)**	**(9,360)**	**(283)**	**(283)**	**(12,488)**	**(9,076)**
As at 31/12	**85,847**	**104,818**	**2,469**	**2,598**	**83,377**	**102,220**
Thereof pensions in Austria	18,214	23,413	2,469	2,598	15,744	20,815
Thereof severance payments in Austria	42,636	58,583	0	0	42,636	58,583
Thereof pensions and severance payments in other countries	19,265	22,822	0	0	19,265	22,822
Thereof restructuring measures	5,732	0	0	0	5,732	0

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) and before reclassification to other provisions for restructuring measures.

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

Sensitivity analysis of the defined benefit pension and severance payment obligations

31/12/2022	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	6,542	(5,760)
Salary increase	1.0	(4,714)	5,263
Pension increase	1.0	(1,084)	1,203

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

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

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 and of the amount reclassified to other provisions for restructuring will lead to a further reduction of the effects.

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

	31/12/2022	31/12/2021
Austria – pensions	7	9
Austria – severance payments	7-11	9-15
Indonesia	7	9
Czech Republic	8	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

	2022	2021
Austria – pensions	2,098	1,804
Austria – severance payments	2,927	2,340
Other countries	5,557	4,784
Total	**10,581**	**8,927**

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 %

31/12/2022	Discount rate	Salary increase	Staff turnover deductions
Austria	4.2	3.0	0.0-7.7
Czech Republic	3.4	4.2	1.6
31/12/2021			
Austria	1.1	2.5	0.0-6.8
Czech Republic	0.6	4.0	1.3

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

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

	2022	2021
As at 01/01	18,812	17,420
Service cost		
Current service cost	1,234	1,212
Net interest	201	169
Remeasurement during the reporting period		
On the basis of demographic assumptions	2	(349)
On the basis of financial assumptions	(5,078)	327
On the basis of experience adjustments	1,235	1,451
Income and expenses from defined benefit plans recognized on the income statement	(2,406)	2,810
Cash flows		
Direct payments by employer	(1,508)	(1,422)
Currency translation adjustment	1	4
Other reconciliation items	(1,507)	(1,418)
As at 31/12	**14,899**	**18,812**

Other provisions

Other provisions developed as follows:

Development of other provisions EUR '000

2022	As at 01/01	Currency translation adjustment	Reclassi-fication	Utilization	Reversal	Addition	As at 31/12	Thereof current	Thereof non-current
Restructuring measures	0	0	5,732	0	0	15,394	**21,125**	21,125	0
Anticipated losses and other risks	25,978	0	0	0	(7,977)	5,544	**23,545**	23,545	0
Emission certificates	6,508	14	0	(10,742)	0	16,713	**12,493**	12,493	0
Sundry	3,750	102	0	(370)	(39)	4,691	**8,134**	1,047	7,087
Total	**36,236**	**116**	**5,732**	**(11,112)**	**(8,016)**	**42,342**	**65,297**	**58,210**	**7,087**

Development of other provisions (previous year) 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	**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**

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 restructuring measures relate, in particular, to provisions due to the reduction in personnel as part of the reorganization and cost optimization program. All Lenzing Group sites worldwide are affected by the staff reduction, of which 200 employees are expected to be at the Lenzing site. The provisions were formed particularly for resultant severance payments and termination benefits. In this context, previously formed provisions (in particular from the regular severance payment provision; see the section "Defined benefit plans") in the amount of EUR 5,732 thousand (2021: EUR 0 thousand) were utilized and are now reported in provisions for restructuring measures. The remaining amount of the necessary provisions of EUR 15,394 thousand was allocated mainly to personnel expenses. The total provisions of EUR 21,125 thousand are expected to be fully utilized within the next 12 months.

Other provisions for anticipated losses and other risks include, in particular, provisions for onerous procurement contracts of EUR 23,300 thousand (December 31, 2021: EUR 21,200 thousand), provisions for obligations from infrastructure services to be performed of EUR 0 thousand (December 31, 2021: EUR 4,553 thousand) and for other onerous contracts. Other provisions for emission certificates comprise the equivalent value of the emission certificates used.

Miscellaneous other provisions mainly relate to obligations for litigation in the amount of EUR 3,940 thousand (December 31, 2021: EUR 0 thousand) and include, in particular, provisions for legal defense costs in connection with a lawsuit in which, among other matters, Lenzing AG is being sued for damages (see note 41). The anticipated cash outflow is expected in the 2024 financial year.

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 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**

	31/12/2022	31/12/2021
In the 2nd year	0	571
In the 3rd to 5th year	0	1,926
In the 6th to 10th year	0	1,250
Total	**0**	**3,746**

Note 32. 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 116,391 thousand as at December 31, 2022 (December 31, 2021: EUR 126,693 thousand). The carrying amount of the potentially affected trade payables for which the suppliers have already received payments from the banks stands at EUR 87,881 thousand (December 31, 2021: EUR 119,902 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 5.0 percent as at the reporting date (December 31, 2021: 6.0 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 38.

Note 33. Other liabilities

Other non-current liabilities consist of the following:

Other non-current liabilities EUR '000

	31/12/2022	31/12/2021
Other non-current financial liabilities (particularly from derivatives)	0	3,378
Non-current non-financial accruals for personnel expenses	609	2,045
Other non-current non-financial liabilities (particularly partial retirement obligations)	3,006	1,316
Total	**3,615**	**6,740**

Other current liabilities consist of the following:

Other current liabilities EUR '000

	31/12/2022	31/12/2021
Other current financial liabilities		
Derivatives not yet settled (open positions)	8,981	25,027
Other accruals	34,113	32,898
Contract liabilities – accruals for discounts and rebates (see note 5)	2,976	2,681
Other current financial liabilities	26,264	4,863
	72,333	**65,469**
Other current non-financial liabilities		
Liabilities from other taxes	6,315	7,409
Wage and salary liabilities	9,102	6,644
Social security liabilities	7,116	6,776
Contract liabilities – down payments received (see note 5)	12,298	14,526
Accruals for personnel expenses	24,134	76,073
Deferred income and other	1,706	3,484
	60,671	**114,913**
Total	**133,005**	**180,382**

The other accruals mainly cover liabilities for the delivery of goods and the performance of services by third parties which have not yet been invoiced.

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).

Note 34. 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 of December 31, 2021, cash and cash equivalents also included liquid current securities with a term of less than three months that are subject to only minor value fluctuations (see note 36).

Other non-cash income/expenses in the 2022 financial year include impairment losses on inventories as well as write-ups and impairment losses on 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.

Cash flows from investing activities (purchases of intangible assets, property, plant and equipment and biological assets (CAPEX)) are adjusted either for payments not yet rendered to suppliers in the current period, or for payments rendered to suppliers for payables from prior periods. In the 2022 financial year, these are mainly payments to suppliers of payables from prior periods in the amount of EUR 28,458 thousand (2021: payments not yet made to suppliers in the current period in the amount of EUR 16,180 thousand).

Reconciliation of financial liabilities EUR '000

2022		Private placements	Bank loans	Loans from other lenders	Lease liabilities	Subtotal other financial liabilities	Total
As at 01/01		637,841	1,342,661	57,183	63,475	1,463,320	**2,101,161**
Cash flows	Increase in financial liabilities	0	255,777	3,130	0	258,907	**258,907**
	Repayment of financial liabilities	(72,000)	(10,871)	(21,085)	(14,644)	(46,601)	**(118,601)**
Non-cash changes	Currency translation adjustment	3,592	47,440	2,611	4,989	55,040	**58,631**
	Discounting/accrued interest	258	5,099	1,004	7,025	13,128	**13,386**
	Additions to lease liabilities	0	0	0	14,191	14,191	**14,191**
	Other changes	0	0	0	(5,446)	(5,446)	**(5,446)**
As at 31/12		**569,691**	**1,640,106**	**42,843**	**69,590**	**1,752,539**	**2,322,230**

Reconciliation of financial liabilities (previous year) 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**

Notes on Risk Management

Note 35. Capital risk management

General information

The overriding objective of equity and debt management in the Lenzing Group is to optimize the income, expenditures 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. For further informations to the financial convenants details see Note 36.

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 37.8 percent as at December 31, 2022 (December 31, 2021: 39.7 percent).

Adjusted equity is calculated as follows:

Adjusted equity EUR '000

	31/12/2022	31/12/2021
Equity	2,025,895	2,072,085
+ Government grants	82,774	57,857
- Proportional share of deferred taxes on government grants	(20,045)	(14,238)
Total	**2,088,625**	**2,115,704**

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

	31/12/2022	31/12/2021
Non-current financial liabilities	2,071,948	1,981,036
Current financial liabilities	250,282	120,125
Total	**2,322,230**	**2,101,161**

Liquid assets consist of the following:

Liquid assets EUR '000

	31/12/2022	31/12/2021
Cash and cash equivalents	446,873	1,113,279
Liquid bills of exchange (in trade receivables)	6,393	10,841
Total	**453,265**	**1,124,120**

Net financial debt in absolute terms and in relation to EBITDA (see note 4) is as follows:

Net financial debt (absolute) EUR '000

	31/12/2022	31/12/2021
Interest-bearing financial liabilities	2,322,230	2,101,161
- Liquid assets	(453,265)	(1,124,120)
Total	**1,868,965**	**977,041**

Net financial debt in relation to EBITDA EUR '000

	31/12/2022	31/12/2021
EBITDA	241,916	362,941
Net financial debt / EBITDA	7.7	2.7

Note 36. 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 31/12/2022	Carrying amount: At amortized cost	At fair value through profit or loss	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	8,403					**8,403**	8,403	[1]
Non-current securities		6,198	14,356			**20,554**	20,554	Level 1
Other equity investments			12			**12**	12	[1]
Current securities			12,395			**12,395**	12,395	Level 1
Financal assets (current and non-current)	**8,403**	**6,198**	**26,763**	**0**	**0**	**41,363**	**41,363**	
Trade receivables	**293,611**	**0**	**0**	**0**	**0**	**293,611**	**293,611**	[1]
Derivatives with a positive fair value (cash flow hedges)				55,494		**55,494**	55,494	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		1,673				**1,673**	1,673	Level 2
Other	32,279	4,087			230,359	**266,726**	36,366	Level 3
Other assets (current and non-current)	**32,279**	**5,761**	**0**	**55,494**	**230,359**	**323,893**	**93,534**	
Cash and cash equivalents	**446,873**	**0**	**0**	**0**	**0**	**446,873**	**446,873**	[1]
Total	**781,165**	**11,958**	**26,763**	**55,494**	**230,359**	**1,105,740**	**875,380**	

Financial liabilities as at 31/12/2022	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	569,691					**569,691**	542,894	Level 3
Liabilities to banks	1,640,106					**1,640,106**	1,640,731	Level 3
Liabilities to other lenders	42,843					**42,843**	37,635	Level 3
Lease liabilities					69,590	**69,590**		
Financial liabilities	**2,252,641**	**0**	**0**	**0**	**69,590**	**2,322,230**	**2,221,259**	
Trade payables	**435,433**	**0**	**0**	**0**	**0**	**435,433**	**435,433**	[1]
Provisions (current)	**0**	**0**	**0**	**0**	**66,295**	**66,295**		
Puttable non-controlling interests	**0**	**0**	**0**	**266,085**	**0**	**266,085**	**266,085**	Level 3
Derivatives with a negative fair value (cash flow hedges)			7,602			**7,602**	7,602	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		1,380				**1,380**	1,380	Level 2
Other	63,352				64,286	**127,638**	63,352	[1]
Other liabilities (current and non-current)	**63,352**	**1,380**	**7,602**	**0**	**64,286**	**136,619**	**72,333**	
Total	**2,751,425**	**1,380**	**7,602**	**266,085**	**200,170**	**3,226,662**	**2,995,111**	

1) The carrying amount approximates fair value.

Carrying amounts, category, fair value and fair value hierarchy of financial instruments (previous year) EUR '000

Financial assets as at 31/12/2021	Carrying amount: At amortized cost	At fair value through profit or loss	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	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**	**52,131**	**0**	**0**	**71,101**	**71,101**	
Trade receivables	**325,172**	**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**	17,575	Level 3
Other assets (current and non-current)	**13,488**	**4,196**	**0**	**1,841**	**191,908**	**211,433**	**19,525**	
Cash and cash equivalents	**769,764**	**343,515**	**0**	**0**	**0**	**1,113,279**	**1,113,279**	[1, 2]
Total	**1,120,172**	**354,933**	**52,131**	**1,841**	**191,908**	**1,720,984**	**1,529,076**	

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**		
Financial liabilities	**2,037,686**	**0**	**0**	**0**	**63,475**	**2,101,161**	**2,080,313**	
Trade payables	**414,768**	**0**	**0**	**0**	**0**	**414,768**	**414,768**	[1]
Provisions (current)	**0**	**0**	**0**	**0**	**39,088**	**39,088**		
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
Other	40,442				118,274	**158,716**	40,442	[1]
Other liabilities (current and non-current)	**40,442**	**5,799**	**22,607**	**0**	**118,274**	**187,122**	**68,848**	
Total	**2,492,896**	**5,799**	**22,607**	**234,409**	**220,837**	**2,976,549**	**2,798,339**	

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.

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.

As at December 31, 2021 cash and cash equivalents included money market funds in the amount of EUR 343,515 thousand. In the financial year 2022 the money market funds were divested at fair value. 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 2021, 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 was 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. This lead to an adjustment of the carrying amount of EUR 31,732 thousand. In the 2022 financial year, a partial disposal of the shares in Spinnova OY, Jyväskylä, Finland was realized (see note 23). The securities are measured at fair value, measurement is recognized directly in other comprehensive income due to the exercise of the corresponding option.

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 other equity investments including derivatives designated as a hedge (fair value hedge) are classified as “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.

In the 2022 financial year, the interest in LP Beteiligungs & Management GmbH, Lenzing, was divested at fair value (see note 23). The fair value of the fair value hedge derivatives as at December 31 amounted to 2021 EUR 0 thousand and the nominal values of the fair value hedge derivatives amounted to EUR 14,120 thousand. The change in value for the hedged item and hedging instrument used to calculate ineffectiveness as at December 31, 2021 amounted to EUR 0 thousand. In the 2021 financial year, no ineffective portions were recognized in profit or loss. The risk management objective was to hedge the value of the investment against value fluctuations. The economic relationship for fair value hedge derivatives was 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 was used as a hedge. The hedge ratio was determined based on the nominal value.

The following tables show the development of the fair values of the equity investments and the associated derivatives of level 3:

Reconciliation of level 3 fair values of equity investments **EUR '000**

	2022	2021
As at 01/01	7,097	12,931
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	615	(5,334)
Disposal through sale	(7,700)	0
Transfer to Level 1	0	(500)
As at 31/12	**12**	**7,097**

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

	2022	2021
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			
	31/12/2022		31/12/2021	
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 approved by the Management 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 8.8 percent (December 31, 2021: 8.1 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

	2022	2021
As at 01/01	234,409	140,341
Measurement of puttable non-controlling interest recognized directly in equity	31,676	94,068
As at 31/12	**266,085**	**234,409**

The determined fair value would increase (decrease) if the operating margin increased (decreased) or if the after-tax WACC decreased (increased). A change of 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			
	31/12/2022		31/12/2021	
Puttable non-controlling interests	**Increase**	**Decrease**	**Increase**	**Decrease**
EBITDA (+/- 1 %)	9,032	(9,032)	8,223	(8,223)
Discount rate (WACC) after tax (+/- 0.25 %)	(16,450)	17,017	(17,492)	18,266

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 29), include, at the company level and group level financial covenants which refer in particular to the ratio of net financial debt to EBITDA and other financial criterias and may trigger an obligation to repay the financial liabilities if the covenants are not met. These financial covenants are regularly monitored by the Global Treasury department and are considered in the determination of distributions by the group companies involved. All financial convenants were met during 2022. 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. The 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 67 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, when forming a measurement unit, the Managing Board considers the offsetting of value changes of the hedged items and of the hedging instrument resulting from changes of the hedged risk 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 reserve. As at December 31, 2022, EUR 1,525 thousand (December 31, 2021: EUR 850 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

		31/12/2022						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 ineffective-ness
Forward foreign exchange contracts								
CNY/CNH-sale / EUR-buy	CNY/CNH	605,100	3,060	0	3,060	12/2023	7.23	1,220
CNY/CNH-sale / GBP-buy	CNY/CNH	159,000	634	(215)	419	12/2023	8.18	5
BRL buy / USD sale	BRL	150,736	12	(1,543)	(1,532)	09/2023	5.41	73
EUR-sale / GBP-buy	EUR	1,200	0	(46)	(46)	03/2023	0.86	(46)
USD-sale / CZK-buy	USD	118,100	7,202	(42)	7,161	12/2023	24.19	6,578
USD-sale / EUR-buy	USD	35,600	1,509	(287)	1,222	12/2023	1.06	1,309
Total			**12,416**	**(2,132)**	**10,284**			**9,140**

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)

		31/12/2021						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 ineffective-ness
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.

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**

	2022			2021		
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	9,067	0	Financial result	(13,249)	0	Financial result
Purchases	73	0	Financial result	(8,538)	0	Financial result
Total	**9,140**	**0**		**(21,788)**	**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, 2022 amount to EUR 42,190 thousand and EUR 18,751 thousand (December 31 2021: EUR 39,704 thousand and EUR 17,646 thousand). The fair value of the cash flow hedge derivatives as at December 31, 2022 amounts to EUR 5,724 thousand (December 31, 2021: EUR minus 1,442 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 1,805 thousand (for the tranche of USD 20 mn) (December 31, 2021: EUR minus 911 thousand) and EUR 4,049 thousand (for the tranche of USD 45 mn) (December 31, 2021: EUR minus 1,311 thousand). The ineffective portion as at December 31, 2022 amounts to EUR 0 thousand (December 31, 2021: 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 were entered into in the 2021 financial year and 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, 2022 amount to EUR 444,403 thousand (December 31, 2021: EUR 418,211 thousand). The fair value of the hedge derivatives as at December 31, 2022 amounts to EUR 37,354 thousand (December 31, 2021: EUR minus 1,937 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 37,354 thousand (December 31, 2021: EUR minus 1,937 thousand). The ineffective portion as at December 31, 2022 amounts to EUR 0 thousand (December 31, 2021: EUR 0 thousand). The average fixed interest rate amounts to 1.83 percent over the term. The hedge expires in June 2029.

Cash flow hedge derivatives for commodity price risks

In addition to physical purchase contracts, the Lenzing Group deploys derivative financial instruments in order to hedge against gas price risks. These hedges were entered into in the 2022 financial year and are used to offset the variability of cash flows from future gas price payments deriving from the hedged item.

The nominal values of cash flow hedge derivatives used to hedge against gas price risks as at December 31, 2022 amount to 160,850 MWh (December 31, 2021: 0 MWh). The fair value of the cash flow hedge derivatives as at December 31, 2022 amounts to EUR minus 5,469 thousand (December 31, 2021: EUR 0 thousand).

The change in fair value used to calculate the ineffectiveness amounts to EUR minus 5,469 thousand (December 31, 2021: EUR 0 thousand). The ineffective portion as at December 31, 2022 amounts to EUR 0 thousand (December 31, 2021: EUR 0 thousand). The average hedging rate over the term amounts to EUR 97.17. The hedge expires in December 2023.

Hedging Reserve

The change in the hedging reserve is as follows:

Changes in the hedging reserve EUR '000

	2022			2021		
	Hedging reserve	Cost of hedging	Total	Hedging reserve	Cost of hedging	Total
Hedging reserve as at 01/01	(39,658)	9,086	(30,573)	(77,411)	4,101	(73,310)
Currency risks	(7,293)	1,144	(6,150)	(29,325)	3,850	(25,474)
Combined interest rate/currency risks	6,689	(5)	6,684	3,305	775	4,079
Interest rate risks	39,886	0	39,886	(1,942)	0	(1,942)
Commodity price risks	841	0	841	0	0	0
Cash flow hedges – changes in fair value recognized during the year	**40,122**	**1,138**	**41,260**	**(27,962)**	**4,625**	**(23,337)**
Currency risks	26,774	444	27,217	2,055	360	2,415
Commodity price risks	(6,332)	0	(6,332)	0	0	0
Reclassification to earnings before interest and tax (EBIT)	**20,442**	**444**	**20,885**	**2,055**	**360**	**2,415**
Currency risks	(1,938)	(4)	(1,941)	631	0	631
Reclassification to inventories	**(1,938)**	**(4)**	**(1,941)**	**631**	**0**	**631**
Currency risks	9,073	112	9,185	62,271	0	62,271
Reclassification to property, plant and equipment	**9,073**	**112**	**9,185**	**62,271**	**0**	**62,271**
Combined interest rate/currency risks	568	0	568	758	0	758
Reclassification to financial result	**568**	**0**	**568**	**758**	**0**	**758**
Hedging reserve as at 31/12	**28,609**	**10,776**	**39,385**	**(39,658)**	**9,086**	**(30,573)**

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 in the statement of financial position. 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 31/12/2022	Financial assets (gross=net)	Effect of framework netting agreements	Net amounts
Other financial assets – derivative financial instruments with a positive fair value	57,167	(1,681)	55,486
Financial assets as at 31/12/2021			
Other financial assets – derivative financial instruments with a positive fair value	1,950	(896)	1,054

Offsetting of financial instruments EUR '000

Financial liabilities as at 31/12/2022	Financial liabilities (gross=net)	Effect of framework netting agreements	Net amounts
Other financial liabilities – derivative financial instruments with a negative fair value	8,981	(1,681)	7,300
Financial liabilities as at 31/12/2021			
Other financial liabilities – derivative financial instruments with a negative fair value	28,406	(896)	27,509

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. Factoring agreements that have been inactive since 2017 were utilized again in the 2022 financial year. As at December 31, 2022, the factoring agreements have a maximum usable nominal volume totaling EUR 60,000 thousand (December 31, 2021: EUR 73,235 thousand).

For sold receivables, an advance payment on the purchase price of 90 percent is made and the del credere risk is assumed by the factor bank. As at December 31, 2022, receivables under the factoring agreements totaling EUR 57,149 thousand (December 31, 2021: EUR 0 thousand) were sold and derecognized from the Lenzing Group's consolidated statement of financial position. As at December 31, 2022, the unadvanced amount was recognized under other current assets (financial) in the amount of EUR 5,715 thousand (December 31, 2021: EUR 0 thousand). The fair values correspond approximately to the stated carrying amounts, as especially the remaining terms of the respective receivables are also categorized as current.

From the Lenzing Group's perspective, the non-prepaid amount stated above corresponds to the theoretical maximum credit-risk-related loss for the assumption of the default liability. The fair value of this default liability amounts to EUR 34 thousand as at December 31, 2022 (December 31, 2021: EUR 0 thousand). For the obligations assumed and risks arising from the factoring agreements, EUR 152 thousand other current liabilities (financial) were recognized as at December 31, 2022 (December 31, 2021: EUR 0 thousand). In the 2022 financial year, service fees amounting to EUR 152 thousand were expensed (2021: EUR 0 thousand) in the other operating expenses. Since the start of the agreement, a cumulative amount of EUR 491 thousand has been expensed. At the time of the transfer of the receivables, a total of EUR 315 thousand was expensed.

Payments received from customers in the period between the last advance and December 31 are deferred in other current liabilities (financial).

Note 37. 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

2022	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	10,859	0	**10,859**	0	0	0	(2,883)	0	**7,976**
Financial assets measured at fair value through profit or loss	48	0	**48**	(775)	0	0	(26)	0	**(753)**
Equity instruments measured at fair value through other comprehensive income	140	0	**140**	0	(16,830)	0	0	0	**(16,690)**
Debt instruments measured at fair value through other comprehensive income	0	0	**0**	0	0	0	0	0	**0**
Financial liabilities measured at amortized cost	0	(68,302)	**(68,302)**	0	0	0	0	0	**(68,302)**
Total	**11,047**	**(68,302)**	**(57,255)**	**(775)**	**(16,830)**	**0**	**(2,909)**	**0**	**(77,769)**

Net interest and net result from financial instruments (previous year) 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)**

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), commitment fees and 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 "income from non-current and current financial assets".

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

Net foreign currency gains/losses are included in other operating income/expenses in the amount of EUR plus 4,922 thousand (2021: EUR plus 11,557 thousand), in income from non-current and current financial assets in the amount of EUR plus 3,567 thousand (2021: EUR plus 5,203 thousand), and in financing costs in the amount of EUR minus 3,341 thousand (2021: EUR plus 4,405 thousand).

Note 38. 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 in part 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 and the Ukraine 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 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 decreased as at December 31, 2022.

The bad debt provisions developed as follows:

Development and reconciliation of bad debt provisions EUR '000

2022	Lifetime expected credit loss (portfolio measurement)	Lifetime expected credit loss (individual measurement)
Trade receivables		
Bad debt provisions as at 01/01	753	9,760
Utilization	0	(2,180)
Reversal	(470)	(107)
Addition	34	194
Currency translation adjustment	11	(63)
Bad debt provisions as at 31/12	**328**	**7,605**

Development and reconciliation of bad debt provisions (previous year) EUR '000

2021	Lifetime expected credit loss (portfolio measurement)	Lifetime expected credit loss (individual measurement)
Trade receivables		
Bad debt provisions as at 01/01	468	8,469
Utilization	0	(213)
Reversal	(98)	(224)
Addition	368	1,196
Currency translation adjustment	15	532
Bad debt provisions as at 31/12	**753**	**9,760**

Lifetime expected credit loss (individual measurement) EUR '000

	2022	2021
Originated loans at amortized cost		
Bad debt provisions as at 01/01	5,600	6,145
Reversal	(600)	(601)
Addition	3,235	14
Currency translation adjustment	(1)	42
Bad debt provisions as at 31/12	**8,234**	**5,600**
Other financial assets (non-current and current)		
Bad debt provisions as at 01/01	713	648
Reversal	(66)	0
Addition	561	66
Bad debt provisions as at 31/12	**1,209**	**713**

The bad debt provisions for trade receivables include bad debt provisions of EUR 1,720 thousand (2021: EUR 1,810 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

31/12/2022	Gross carrying amount	Expected credit loss
Not overdue	275,436	243
Overdue up to 30 days	13,491	53
Overdue for 31 to 90 days	1,608	4
Overdue for 91 to 365 days	828	15
Overdue for more than one year	13	13
Credit impaired receivables (individual measurement)	10,169	7,605
Total	**301,543**	**7,932**

Aging and expected credit loss for trade receivables (previous year) 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	9,760
Total	**335,685**	**10,513**

Aging of financial receivables EUR '000

2022	Originated loans	Other financial receivables (current and non-current)
Gross carrying amount as at 31/12	16,636	94,742
Thereof not overdue	838	93,534
Thereof impaired	15,798	1,209

Aging of financial receivables (previous year) EUR '000

2021	Originated loans	Other financial receivables (current and non-current)
Gross carrying amount as at 31/12	17,948	20,239
Thereof not overdue	6,670	19,404
Thereof impaired	11,278	834

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

	31/12/2022	31/12/2021
Carrying amount of asset financial instruments (see note 36)	875,380	1,529,076
Less risk reduction in relation to receivables due to		
Credit insurance received for trade receivables (not including deductibles)	(102,865)	(104,674)
Guarantees received for trade receivables	(18,507)	(35,600)
Total	**754,009**	**1,388,802**

The maximum exposure to credit risk from financial guarantee contracts and contingent liabilities is shown in note 41.

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 453,265 thousand (December 31, 2021: EUR 1,124,120 thousand) in the form of cash and cash equivalents including money market funds and liquid bills of exchange (see note 35). Unused credit facilities of EUR 232,276 thousand were available as at December 31, 2022 (December 31, 2021: EUR 454,471 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 to be of minor importance.

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 31/12/2022	Cash flows 2023	Cash flows 2024 to 2027	Cash flows from 2028
Private placements	569,691	15,926	574,811	29,191
Bank loans	1,640,106	331,371	1,221,991	447,287
Loans from other lenders	42,843	5,102	24,996	14,210
Lease liabilities	69,590	13,453	38,173	147,170
Trade payables	435,433	435,433	0	0
Puttable non-controlling interests	266,085	0	0	266,085
Other financial liabities[1]	63,352	63,352	0	0
Total	**3,087,100**	**864,636**	**1,859,971**	**903,943**
Thereof:				
Fixed interest		20,397	56,553	105,137
Fixed and floating rate interest		150	606	160
Floating rate interest		91,821	186,000	33,762
Repayment		752,268	1,616,813	764,884

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 31/12/2021	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.

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 31/12/2022	Cash flows 2023	Cash flows 2024 to 2027	Cash flows from 2028
Currency, combined currency/interest rate and interest rate derivatives and commodity derivatives				
Derivatives with a positive fair value (cash flow hedges)	55,494	12,416	5,724	37,354
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	1,673	1,673	0	0
Positive fair value	57,167	14,090	5,724	37,354
Derivatives with a negative fair value (cash flow hedges)	(7,602)	(7,602)	0	0
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	(1,380)	(1,380)	0	0
Negative fair value	(8,981)	(8,981)	0	0
Total	**48,186**	**5,109**	**5,724**	**37,354**

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 31/12/2021	Cash flows 2022	Cash flows 2023 to 2026	Cash flows from 2027
Currency, combined currency/interest rate 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

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 34 percent of the budgeted net exposure for the following financial year was hedged for EUR/CNY, the dominant currency pair in the Lenzing Group, as at December 31, 2022 (December 31, 2021: EUR/USD approximately 62 percent). The USD 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

In addition to physical purchase contracts, the Lenzing Group deploys derivative financial instruments in order to hedge against gas price risks (see note 36). The Group uses OTC gas swaps as cash flow hedges to manage gas price risks. The hedging strategies are determined based on the planned gas consumption figures in the relevant currency, and are compared with the current market prices on a monthly basis ("mark to market" assessment). The Lenzing Group is exposed to accounting-related price risks because of the gas swaps. These risks particularly relate to the possibility that fair value measurement of the gas swaps may result in a negative impact on other comprehensive income/equity in the event of an adverse change in market prices.

In the 2022 financial year, prices for important raw materials and energy proved to be more volatile. The group is 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). The Lenzing Group has concluded several long-term power purchase agreements for electricity generated from renewable energy sources in order to achieve its climate targets and hedge against fluctuating prices (see note 21).

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

	31/12/2022			31/12/2021		
	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	540,038	60,004	(49,094)	380,790	31,589	(25,846)
EUR-GBP	478	53	(43)	1,533	136	(111)
EUR-CNY/CNH	50,748	5,639	(4,613)	65,576	5,465	(4,471)
EUR-CZK	(2,650)	(294)	241	(2,826)	(243)	199
EUR-HKD	(3,184)	(354)	289	(5,814)	(480)	393
Sensitivity of net profit or loss after tax (through receivables and payables)	585,430	65,048	(53,221)	439,259	36,466	(29,836)
Sensitivity of other comprehensive income after tax (through cash flow hedge derivatives)		(10,130)	8,306		(15,690)	12,843
Sensitivity of equity		**54,917**	**(44,915)**		**20,776**	**(16,993)**

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

	31/12/2022			31/12/2021		
	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	(33,850)	(3,761)	3,077	(13,177)	(1,142)	934
USD-GBP	(5,971)	(663)	543	(3,926)	(353)	289
USD-CNY/CNH	25,979	2,887	(2,362)	17,766	1,481	(1,212)
USD-CZK	(8,768)	(974)	797	(14,914)	(1,342)	1,098
USD-THB	0	0	0	809	72	(59)
USD-BRL	(35,503)	(3,945)	3,228	61,525	4,512	(3,692)
GBP-CNY/CNH	3,016	335	(274)	6,081	547	(448)
Sensitivity of net profit or loss after tax (through receivables and payables)	(55,098)	(6,122)	5,009	54,164	3,775	(3,088)
Sensitivity of other comprehensive income after tax (through cash flow hedge derivatives)		(11,841)	11,836		(12,202)	11,947
Sensitivity of equity		**(17,963)**	**16,845**		**(8,427)**	**8,858**

Group exposure: + receivable, – liability; sensitivity: + increase in profit/other comprehensive income, - decrease in profit/other comprehensive income

Sensitivity analysis and exposure for commodity price risks

Sensitivity analyses are performed for the price change risk from gas swaps. They show the effects of hypothetical changes in gas prices on profit or loss/other comprehensive income/equity.

The Lenzing Group uses the following assumptions in its analysis:

- Open derivatives from cash flow hedges as at the reporting date are used as the basis for the sensitivity.
- The exposure corresponds to the nominal values of the derivatives (not including the hedged items). In economic terms, the derivatives are used to hedge physical hedged items that will impact profit or loss in subsequent periods, meaning that from an economic perspective there is no risk exposure in combination with the hedged items.

If the market price level for gas had been 10 % higher/lower as at December 31, 2022, this would have changed other comprehensive income (after tax) by EUR +/-929 thousand (December 31, 2021: EUR +/-0 thousand).

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

	31/12/2022				
	Fixed interest	Fixed and floating rate interest	Floating rate interest	No interest	Total
Cash and cash equivalents	0	0	446,873	0	446,873
Financial assets	39	0	7,564	33,760	41,363
Financial liabilities	(911,083)	(30,005)	(1,381,143)	0	(2,322,230)
Net risk position	**(911,044)**	**(30,005)**	**(926,706)**	**33,760**	**(1,833,994)**
Effects from derivative instruments (hedging)	(60,941)	0	60,941	0	0
Net risk position after hedging effect	**(971,985)**	**(30,005)**	**(865,765)**	**33,760**	**(1,833,994)**

+ Receivables, - Liabilities

Risk exposure for interest rate risks (previous year) 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

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**

31/12/2022	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	(865,765)	(5,889)	5,884[2]
31/12/2021			
Sensitivity of net profit or loss after tax	46,717	(5,331)	3,689[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 in the amount of EUR 444,403 thousand (December 31, 2021: EUR 418,211 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 8,975 thousand (December 31, 2021: EUR 9,543 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 8,857 thousand (December 31, 2021: EUR 9,532 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 as at December 31, 2022 and December 31, 2021 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 currency/interest rate 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, 2022.

Disclosures on Related Parties and Executive Bodies

Note 39. 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 40). 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 30), the Lenzing Group recognized a tax credit of EUR 2,660 thousand through profit or loss in 2022 (2021: EUR 747 thousand). Contractual obligations resulted in the payment or advance payment of tax allocations totaling EUR 20,679 thousand in 2022 (2021: EUR 15,285 thousand). The Lenzing Group recognized a receivable of EUR 10,438 thousand towards B&C Group from the tax allocation as at December 31, 2022 (December 31, 2021: liability of EUR 12,644 thousand). The deferred tax on the tax loss of EUR 4,626 thousand (December 31, 2021: EUR 0 thousand) was recognized under deferred tax assets. Income tax income of EUR 2,403 thousand was recognized in 2022 as a result of the tax allocation to B&C Group (2021: income tax expense of EUR 11,900 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

2022	EFB	Other associates	LDF	Other joint ventures	Total
Goods and services provided	50,436	27,781	6,719	14,440	**99,375**
Goods and services received	1,417	3,780	(2,248)	14,692	**17,642**
Receivables as at 31/12	9,122	2,403	357	4	**11,887**
Liabilities as at 31/12	0	23	2,236	46	**2,305**

Relationships with companies accounted for using the equity method and their material subsidiaries (previous year) 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**

Bad debt provisions of EUR 90 thousand for trade receivables from companies accounted for using the equity method were recognized to profit or loss as income in 2022 (2021: EUR 1,160 thousand expense).

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 reflected 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 2,236 thousand of the loan were drawn down as at December 31, 2022 (December 31, 2021: EUR 14,748 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 46,098 thousand as at December 31, 2022 (December 31, 2021: EUR 36,941 thousand).

There were no major transactions with the other non-consolidated subsidiaries in 2021 and 2022.

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

	2022	2021
Remuneration for the Managing Board		
Basic salary	1,934	2,541
Benefits in kind and other benefits (in particular use of company vehicles)	46	60
Short-term variable performance bonus (short-term incentive; STI)	75	2,035
Extraordinary remuneration (special bonuses)	200	1,880
Short-term employee benefits	**2,255**	**6,516**
Long-term variable performance bonus (long-term incentive; LTI)	(323)	139
Other long-term employee benefits	**(323)**	**139**
Contributions to multiemployer pension fund	208	285
Post-employment benefits	**208**	**285**
Compensation for non-competition clauses and one-off gratuity	200	2,280
Termination benefits	**200**	**2,280**
Remuneration for the Managing Board	**2,340**	**9,219**
Remuneration for the Supervisory Board		
Short-term employee benefits	745	907
Total	**3,085**	**10,126**

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 2022 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 826 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 (2021: EUR 12 thousand in the form of income). 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 4,923 thousand as at December 31, 2022 (December 31, 2021: EUR 6,512 thousand).

Note 40. Executive Bodies

Members of the Supervisory Board

- Thomas Cord Prinzhorn
  Chairman (since April 26, 2022)
- Stefan Fida
  Deputy Chairman (since April 14, 2021)
- Helmut Bernkopf
- Christian Bruch
- Markus Fürst (since April 14, 2021)
- Franz Gasselsberger
- Melody Harris-Jensbach
- Patrick Prügger
- Astrid Skala-Kuhmann

- Peter Edelmann
  Chairman (up to April 26, 2022)
- Veit Sorger
  Deputy Chairman (up to April 14, 2021)

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 Group Works Council
  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

- Stephan Sielaff
  Chief Executive Officer (since April 1, 2022)
- Nico Reiner
  Chief Financial Officer (since January 1, 2023)
- Robert van de Kerkhof
  Chief Commerical Officer
- Christian Skilich
  Chief Pulp Officer

- Thomas Cord Prinzhorn
  Chief Executive Officer (November 4, 2021 up to March 31, 2022)
- Thomas Obendrauf
  Chief Financial Officer (up to May 31, 2022)
- Stefan Doboczky
  Chief Executive Officer (up to September 30, 2021)

Other Disclosures

Note 41. Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

The Lenzing Group has entered into contingent liabilities of EUR 10,282 thousand (December 31, 2021: EUR 4,905 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 36 "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 3,091 thousand (December 31, 2021: EUR 5,379 thousand) to third parties. These credit lines were not used as at December 31, 2022 and December 31, 2021 (also see note 22).

For the equity contributions of Lenzing AG to LD Celulose S.A. in the years 2021 to 2022, bank guarantees amounting to EUR 51,703 thousand existed as at December 31, 2021. These bank guarantees were not drawn as at December 31, 2021. No such guarantees exist as of December 31, 2022.

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 185,721 thousand as at December 31, 2022 (December 31, 2021: EUR 248,062 thousand). The Lenzing Group has long-term purchase obligations related to raw material supplies, in particular for wood, pulp, chemicals and energy.

In the 2021 financial year, a lawsuit was filed in a US court against Lenzing AG for unspecified claims for damages in connection with a former investment. Lenzing AG has rejected these claims. Payment of damages was not considered probable by management as at December 31, 2022 as well as at December 31, 2021. Details about the provision for legal defense costs are provided in note 31.

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, 2022.

Note 42. 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		31/12/2022		31/12/2021	
	Currency	Share capital	Share in %	Share capital	Share in %
Consolidated companies					
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., Indianópolis, Brazil	BRL	2,913,721,980	51.00	2,278,921,980	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[1]	CNY	0	0.00	11,869,055	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	30,300,000	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	25,464,000	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	1,187,241,341	96.52
Lenzing (Nanjing) Fibers Co., Ltd., Nanjing, China	USD	135,440,000	100.00	117,440,000	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	5,368,463,500	100.00	4,000,000,000	100.00
PT. South Pacific Viscose, Purwakarta, Indonesia[2]	IDR	106,614,724,000	95.12	106,275,869,000	95.12
Pulp Trading GmbH, Lenzing, Austria	EUR	40,000	100.00	40,000	100.00
Reality Paskov s.r.o., Paskov, Czech Republic[3]	CZK	-	-	900,000	100.00
Wasserreinhaltungsverband Lenzing – Lenzing AG, Lenzing, Austria[4]	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[5]	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					
LD Florestal S.A., Indianópolis, 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

Anmerkungen:
1) The Lenzing E-commerce (Shanghai) Co., Ltd,. Shanghai, China is currently in liquidation as at December 31, 2022.
2) The share held directly by the Lenzing Group equals 91.87 percent (December 31, 2021: 91.87 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) In the 2022 financial year, the interest in Reality Paskov s.r.o., Paskov, Czech Republic was merged with Lenzing Biocel Paskov a.s., Paskov, Czech Republic.
4) 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.
5) 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 43. Significant events after the end of the reporting period

The Lenzing Group is not aware of any significant events occurring after the reporting date on December 31, 2022 which would have resulted in a different presentation of its financial position and financial performance.

Note 44. Authorization of the consolidated financial statements

These consolidated financial statements were approved on March 1, 2023 (consolidated financial statements as at December 31, 2021: March 1, 2022) 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, 2023
Lenzing Aktiengesellschaft

The Managing Board

Stephan Sielaff
Chief Executive Officer

Nico Reiner
Chief Financial Officer

Robert van de Kerkhof
Chief Commercial Officer Fiber

Christian Skilich
Chief Pulp Officer

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 2022, 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 2022, 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 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Impairment of Cash-Generating Units (“CGU”) “Fiber Site Heiligenkreuz”, “Fiber Site China” and “Fiber Site Indonesia”
Refer to note 11

Risk for the financial statements
In the financial year 2022 Lenzing Aktiengesellschaft asessed that there is an indication, that the cashgenerating units “Fiber Site Heiligenkreuz”, "Fiber Site China" and "Fiber Site Indonesia" may be impaired. The estimated recoverable amounts (impairment test) 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 Heiligenkreuz”, "Fiber Site China" and "Fiber Site Indonesia" were appropriate.

Valuation of puttable non-controlling interests
Refer to note 3, note 27 and note 36

Risk for the Consolidated Financial Statements
The minority shareholder of LD Celulose S.A, Indianópolis, Brazil, has an option to sell its non-controlling interests to Lenzing Aktiengesellschaft upon the occurrence of contractually agreed events. As of December 31, 2022, Lenzing Aktiengesellschaft recognized a liability at a fair value of EUR 266,085 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.

Valuation of Biological Assets
Refer to note 20.

Risk for the Consolidated Financial Statements
Lenzing Aktiengesellschaft recognized biological assets (timber plantations) in Brazil amounting to EUR 127,735 thousand in the consolidated statement of financial position as at December 31, 2022. Timber plantations are measured at fair value less costs of disposal according to IAS 41 and IFRS 13. The fair value measurement is classified as Level 3 in the fair value measurement hierarchy under IFRS 13. The valuation of timber plantations requires assumptions and estimates that are subject to considerable uncertainty:

- Sales prices for mature timber
- Volume and growth assumption
- Costs
- Discount rate for immature timber.

For the consolidated financial statements, there is a risk that inappropriate assumptions and estimates could have a material effect on the fair value of the timber plantations and thus on the valuation of biological assets in the consolidated statement of financial position and the valuation result in the consolidated income statement.

Our Response
We assessed the valuation of plantations carried out by the company with support of specialists for forestry valuation in Brazil as follows:

- We have obtained an understanding of the valuation process and assessed management's actions to monitor this process. We also evaluated the design and implementation of management's controls.
- We have assessed whether the valuation model chosen to determine the fair value is consistent with the requirements of IAS 41 and IFRS 13
- We assessed the key assumptions and estimates used in determining fair value, including assumptions about selling prices, growth, costs and discount rates. To do so, we compared assumptions and estimates to externally observable data and considered management's historical accuracy in determining those assumptions and estimates. Furthermore, we considered the adequacy and appropriateness of the Group's disclosures in respect of the valuation of plantations in accordance with IAS 41 and IFRS 13.

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 26, 2022 and were appointed by the supervisory board on April 26, 2022 to audit the financial statements of Company for the financial year ending on December 31, 2022.

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 is Ms Gabriele Lehner.

Linz, March 03, 2023

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, 2022 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, 2023
Lenzing Aktiengesellschaft

The Managing Board

Stephan Sielaff
Chief Executive Officer

Nico Reiner
Chief Financial Officer

Robert van de Kerkhof
Chief Commercial Officer Fiber

Christian Skilich
Chief Pulp Officer

Lenzing Group Five-Year Overview

Key earnings and profitability figures

EUR mn	2022	2021	2020	2019	2018
Revenue	2,565.7	2,194.6	1,632.6	2,105.2	2,176.0
EBITDA (earnings before interest, tax, depreciation and amortization)	241.9	362.9	192.3[1]	329.9[1]	382.7[1]
EBITDA margin	9.4 %	16.5 %	11.8 %[1]	15.7 %[1]	17.6 %[1]
EBIT (earnings before interest and tax)	16.5	200.6	33.9[1]	165.3[1]	238.3[1]
EBIT margin	0.6 %	9.1 %	2.1 %[1]	7.9 %[1]	11.0 %[1]
EBT (earnings before tax)	(10.1)	182.9	22.3	163.8	199.1
Net profit/loss for the year	(37.2)	127.7	(10.6)	114.9	148.2
Earnings per share in EUR	(2.75)	4.16	0.24	4.63	5.61
ROCE (return on capital employed)	2.0 %	5.4 %	(0.5) %[1]	5.4 %[1]	10.3 %
ROE (return on equity)	(0.5)%	9.1 %	1.3 %	10.5 %	12.9 %
ROI (return on investment)	0.3 %	4.2 %	0.9 %[1]	5.7 %[1]	9.3 %

Key cash flow figures

EUR mn	2022	2021	2020	2019	2018
Gross cash flow	244.8	372.0	126.8	294.0	304.0
Cash flow from operating activities	(43.2)	394.0	48.9	244.6	280.0
Free cash flow	(740.7)	(445.5)	(614.8)	0.8	23.5
CAPEX	698.9	844.3	668.8	244.0	257.6
Liquid assets as at 31/12	453.3	1,124.1	1,081.1	581.0	254.4
Unused credit facilities as at 31/12	232.3	454.5	1,031.4	266.6	341.6

Key balance sheet figures

EUR mn as at 31/12	2022	2021	2020	2019	2018
Total assets	5,525.0	5,322.8	4,163.0	3,121.1	2,630.9
Adjusted equity	2,088.6	2,115.7	1,907.0	1,559.3	1,553.0
Adjusted equity ratio	37.8 %	39.7 %	45.8 %	50.0 %	59.0 %
Net financial debt	1,869.0	977.0	471.4	400.6	219.4
Net financial debt / EBITDA	7.7	2.7	2.5[1]	0.7[1]	0.2[1]
Net debt	1,946.6	1,079.3	575.0	511.4	322.8
Net gearing	89.5 %	46.2 %	24.7 %	25.7 %	14.1 %
Trading working capital	570.7	387.4	383.8	403.5	444.4
Trading working capital to annualized group revenue	24.0 %	16.0 %	21.9 %	20.7 %	20.6 %

Key stock market figures

EUR	2022	2021	2020	2019	2018
Market capitalization in mn as at 31/12	1,454.9	3,239.1	2,198.3	2,198.3	2,109.4
Share price as at 31/12	54.80	122.00	82.80	82.80	79.45
Dividend per share	0.00	4.35	0.00	0.00	5.00

Employees	2022	2021	2020	2019	2018
Number (headcount) as at 31/12	8,301	7,958	7,358	7,036	6,839

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, 2022).

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 2023 (acc. to prime market regulation)

	Date
Financial results 2022	Thu., 09.03.2023
Record date “Annual General Meeting”	Sun., 09.04.2023
79th Annual General Meeting	Wed., 19.04.2023
Quotation Ex-Dividend	Fri., 21.04.2023
Record Date “Dividends”	Mon., 24.04.2023
Dividend distribution	Wed., 26.04.2023
Results 1st quarter 2023	Wed., 03.05.2023
Half-year results 2023	Wed., 02.08.2023
Results 3rd quarter 2023	Fri., 03.11.2023

Notes

This English translation of the financial statements was prepared for the company’s convenience only. It is a non-binding translation of the German financial statements. In the event of discrepancies between this English translation and the German original the latter shall prevail. This annual report also includes forward-looking statements based on current assumptions and estimates that are made to the best of its knowledge by Lenzing Group. Such forward-looking statements can be identified by the use of terms such as “should”, “could”, “will”, “estimate”, “expect”, “assume”, “predict”, “intend”, “believe” or similar items. The projections that are related to the future development of the Lenzing Group represent estimates that were made on the basis of the information available as at the date on which this annual report went to press. Actual results may differ from the forecast if the assumptions underlying the forecast fail to materialize or if risks arise at a level that was not anticipated. Calculation differences may arise when rounded amounts and percentages are summed. The annual report was prepared with great accuracy in order to ensure that the information provided herein is correct and complete. Rounding, typesetting and printing errors can nevertheless not be completely ruled out.

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

Materials or 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 can be defined as a framework or a structure in which biomass is utilized in an optimal manner to produce multiple products such as fibers, 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 fibers across each production and distribution step.

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 biopolymer cellulose is a component of all plants. The cellulose content of wood depending on species is typically around 40 percent.

Co-product

By-products recovered during pulp and 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 pulp, biorefinery and co-products to fiber production.

L

Lyocell fibers

Lyocell fiber is the latest generation of cellulosic fibers. In Lenzing's case the cellulose used is either wood-based or recycled cotton (REFIBRA™ technology).The generic fiber name is lyocell, the branded products from Lenzing are marketed as TENCEL™ and VEOCEL™ fibers. It is known for its smooth and silky handfeel as well as performance aspects.

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 next to skin applications like underwear and similar products. The fibers have improved characteristics such as tenacity, dimensional stability, and so forth. Lenzing markets these fibers under TENCEL™ Modal.

N

Nonwovens

Nonwoven fabric 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/waste from garment making). Often also referred to as post-industrial waste.

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 1.5 °C compared to pre-industrial temperatures, as described in the Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

Stakeholders

All internal and external persons or groups affected directly or indirectly by business activities currently or in the future.

V

Viscose fibers

Viscose is a cellulosic fiber. In Lenzing's case the cellulose used is wood-based. Wood from trees is processed into pulp which gets derivatized by a chemical reaction and then is dissolved until it becomes a sticky liquid. The solution is pushed through nozzels into a "spinning bath" which allows that fibers are regenerated from the solution into a shape suitable in diameter and length for use in textile and nonwoven applications. The cellulosic fiber viscose is a fiber with a flowy drape, in personal hygiene products it is used to absorb and retain liquid. LENZING™ ECOVERO™ Viscose is the branded fiber for textile and VEOCEL™ Specialty Viscose fibers for nonwovens applications.

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, amortization of intangible assets and depreciation on property, plant and equipment, right-of-use assets and depletion of biological 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 debt

Interest-bearing financial liabilities (= current and non-current financial liabilities) less liquid assets plus provisions for pensions and severance payments.

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.

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