Lenzing

Innovative by nature

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Stand up for future generations

#alettertoachild

Half-Year Report 01-06/2021

Lenzing Group

Selected indicators of the Lenzing Group

Key earnings and profitability figures

EUR mn	01-06/2021	01-06/2020	Change
Revenue	1,033.3	810.2	27.5%
EBITDA (earnings before interest, tax, depreciation and amortization)	217.8	95.6[1]	127.9%
EBITDA margin	21.1%	11.8 %[1]	
EBIT (earnings before interest and tax)	138.9	16.4[1]	744.6%
EBIT margin	13.4%	2.0 %[1]	
EBT (earnings before tax)	123.8	9.5	1,196.4%
Net profit/loss for the year (/the period)	96.1	(14.4)	n.a.
Earnings per share in EUR	3.06	0.06	5,209.9%

Key cash flow figures

EUR mn	01-06/2021	01-06/2020	Change
Gross cash flow	199.5	63.9	212.3%
Cash flow from operating activities	199.8	(17.7)	n.a.
Free cash flow	(224.3)	(285.7)	(21.5%)
CAPEX	426.0	268.7	58.5%
EUR mn	**30/06/2021**	**31/12/2020**	**Change**
Liquid assets	1,076.2	1,081.1	(0.5%)
Unused credit facilities	737.5	1,031.4	(28.5%)

Key balance sheet figures

EUR mn	30/06/2021	31/12/2020	Change
Total assets	4,700.8	4,163.0	12.9%
Adjusted equity	2,083.7	1,907.0	9.3%
Adjusted equity ratio	44.3%	45.8%	
Net financial debt	705.8	471.4	49.7%
Net debt	808.5	575.0	40.6%
Net gearing	33.9%	24.7%	
Trading working capital	413.2	383.8	7.7%
Trading working capital to annualized group revenue	19.0%	21.9%	

Key stock market figures

EUR	30/06/2021	31/12/2020	Change
Market capitalization in mn	2,740.0	2,198.3	24.6%
Share price	103.20	82.80	24.6%

Employees

	30/06/2021	31/12/2020	Change
Number (headcount)	7,633	7,358	3.7%

1) Some amounts previously recognized in EBIT/EBITDA are reclassified to the financial result (see note 1 of the Group Interim Report H1/2021).

The above financial indicators are derived primarily from the Lenzing Group's condensed consolidated interim financial statements and the 2020 consolidated financial statements. Additional details are provided in the section "Notes on the Financial Performance Indicators of the Lenzing Group", in the glossary to the half-year report and in the condensed consolidated interim financial statements, resp. the 2020 consolidated financial statements of the Lenzing Group. Rounding differences can occur in the presentation of rounded amounts and percentage rates.

A letter to a child

We asked our employees
to write a letter.

To the most important people
in their life.

Their children and grandchildren.

**It is a message to
our future.**

#alettertoachild

It is exactly this responsibility and our inherent motivation that we are trying to express in our multimedia campaign #alettertoachild.

At Lenzing, we look beyond products and take responsibility for our children and grandchildren. This has been our brand promise for more than 80 years. More than ever, this promise is reflected in our actions during the COVID-19 pandemic. Lenzing quickly took steps to keep operations running and to reduce the effect of fiber prices and demand for fibers, which had come under pressure. These efforts always focused on protecting our employees and strengthening long-standing partnerships with suppliers and customers. Lenzing managed to stay fully on track even during these challenging times and did not lose sight of its strategic goals, including the ambitious climate goals, but rather continued to implement them with great discipline.

Introduction by the Chief Executive Officer

Ladies and Gentlemen,

Our clear commitment to sustainable business operations and the consistent implementation of this strategy have not only made us more resilient to challenges of any kind, but also enabled us as the Lenzing Group to consistently pursue our growth path.

Cautious optimism is taking hold in the textile and apparel industry in the current 2021 financial year. While online business is experiencing a global boom, we also see rising sales figures in brick-and-mortar stores again in many places after shops reopened and protective measures were relaxed. However, the pandemic continued to have a negative impact on retail overall in the first half of the year, in particular in many western markets. Nonetheless, prices for all fiber categories and important raw materials increased, and partially exceeded the pre-crisis level significantly. With revenue of EUR 1.03 bn and EBITDA of EUR 217.8 mn, Lenzing recorded very strong earnings again after the difficult year 2020 and remains fully on track strategically, regardless of the very challenging epidemiological developments.

Since 2019, the Lenzing Group has been working intensely on implementing the largest investment program in the company's history. The construction of the world's largest pulp plant of its kind in Brazil is still progressing according to plan and its commissioning is still scheduled for the first half of 2022. With this project, Lenzing will further strengthen its internal supply with dissolving wood pulp and support specialty fiber growth in line with the sCore TEN corporate strategy.

At the same time, we are building the world's largest lyocell facility in Thailand and are also on schedule with the construction work as well as with the recruiting and onboarding of new employees for this plant. Lenzing still

"Strategically, we are excellently positioned and convinced that we will actively shape the future of our industry and continue to successfully overcome challenges that may arise."

Stefan Doboczky

expects to commence production and already deliver first bales of fiber to customers towards the end of the financial year. The new capacity of up to 100,000 tons per year will enable us to significantly better meet the growing demand for our sustainably produced specialty fibers in the future.

In addition, Lenzing is investing more than EUR 200 mn in its existing production sites in Asia to convert standard viscose capacity into capacity for environmentally responsible specialty fibers. In Nanjing, Lenzing is establishing the first wood-based fiber complex in China that is completely independent of coal. The conversion of a line from standard viscose to 35,000 tons of TENCEL™ branded modal fibers will make the plant a 100 percent wood-based specialty fiber site by the end of 2022.

In Purwakarta, Lenzing will reduce its CO2 emissions by increasingly using biogenic fuels. Additional investments to reduce emissions to air and water will make this facility fully compliant with the EU Ecolabel standards. As a result, the site in Indonesia will become a pure specialty viscose supplier as of 2023.

Based on these investments, Lenzing will boost the share of specialty fibers well above the targeted 75 percent already by 2023 and take a significant step towards the company's EBITDA target of EUR 800 mn.

Lenzing thus continues to push forward group-wide climate neutrality. With the implementation of our science-based targets, we actively contribute to mastering the problems caused by climate change. In 2019, Lenzing made a strategic commitment to reducing its greenhouse gas emissions per ton of product by 50 percent by 2030. The target is to be climate-neutral by 2050. We are pioneers in the entire manufacturing industry and especially in the fiber sector. Our investments underpin that investments in improving our eco-footprint are at the same time value-enhancing for shareholders.

The cooperation agreement with Södra, a Swedish pulp producer, is another major milestone in our effort to achieve our climate and sustainability goals in the reporting period. As leading global suppliers, Lenzing and Södra are now joining forces and working on the development of a process to contribute to solving the pressing issue of textile waste. We are proud to go this way with a competent partner. Proactive partnerships like this enable us to move forward and bring about real systemic change.

Let me emphasize once again at this point that we will continue to drive our internal transformation process towards maximum sustainability in the years to come and further optimize our entire value chain towards "zero emissions" through innovation and investments. To this end, we will undertake enormous efforts to remain the sustainability pioneer in our industry in the future and continue to successfully encourage suppliers and customers to join us in taking this path.

Lenzing welcomes and fully supports the measures taken by the EU Commission to reduce the use of certain single-use plastic products and the transition to closed-loop models. Based on the issuance of the guidelines for the implementation of the Single-Use Plastics Directive (EU) 2019/904, which entered into force on June 5, 2019, the EU Commission provides clarity in the joint fight of the EU member states against environmental pollution from plastic waste. Lenzing's wood-based, biodegradable cellulosic fibers such as those of the VEOCEL™ brand provide a sustainable and innovative solution to this man-made problem.

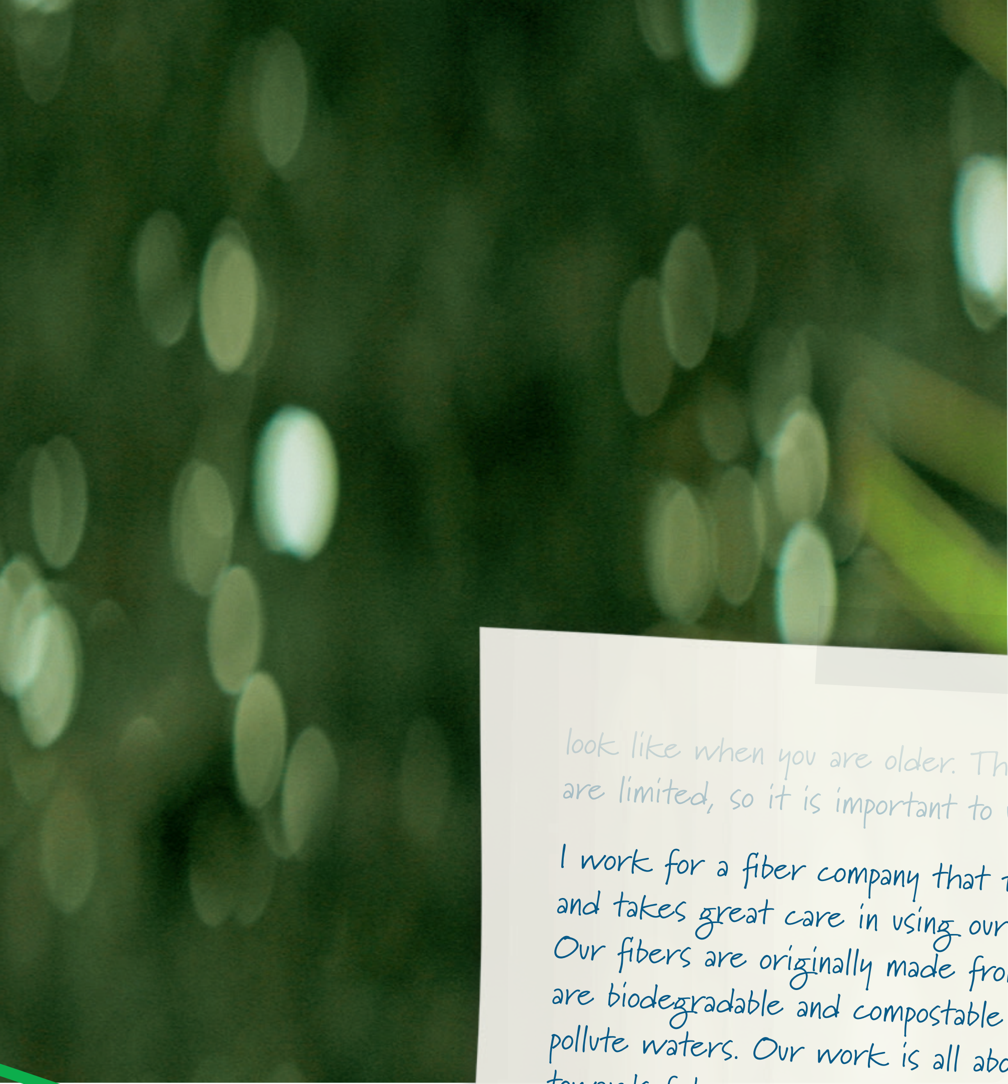
The business development in the crisis year 2020 and in the first half of 2021 clearly demonstrates how crisis-proof Lenzing has become. We will continue to implement our strategy focusing on profitable, organic specialty fiber growth with great discipline in the coming quarters to be even more resistant to volatile markets in the long term and to strengthen our position as a leading supplier. The market environment will remain difficult and will demand great efforts from us to use arising opportunities in the best possible way.

Strategically, we are excellently positioned and convinced that we will actively shape the future of our industry and continue to successfully overcome challenges that may arise. On behalf of the Lenzing Managing Board, I would like to thank all employees for their commitment and flexibility throughout the COVID-19 crisis. I am proud of our employees and their exceptional achievements during this pandemic and beyond. I would also like to extend special thanks to all customers, partners, shareholders and members of the Supervisory Board for the trust they have placed in us.

Sincerely yours,

Stefan Doboczky

Management Report 01-06/2021



look like when you are older. The Earth's raw materials are limited, so it is important to use them carefully.

I work for a fiber company that thinks sustainably and takes great care in using our precious resources. Our fibers are originally made from wood. They are biodegradable and compostable and they don't pollute waters. Our work is all about our responsibility towards future generations, including your children and grandchildren.

My wish for your future is that it may be carefree and without any worries for you and your future sibling.

General Market Environment

Global economy[1]

The global economy saw a significant recovery in the first half of 2021, which was, however, unequally distributed. The International Monetary Fund raised its economic forecast by 0.5 percentage points compared with the projection of January. The IMF expects the global economy to grow by 6 percent this year and by 4.4 percent in the coming year. This growth will be driven primarily by the USA and China, while the euro area is recovering relatively slowly. In many emerging and developing countries the true extent of the crisis is currently difficult to assess in view of the growing number of cases and insufficient availability of vaccines against COVID-19. Due to these significant regional differences in fighting the pandemic and new variants of the virus, the IMF forecast is still subject to a high level of uncertainty.

Global fiber market[2]

The global textile and apparel industry was again unable to escape the impact of the COVID-19 pandemic in the first half of 2021. However, the effects of the pandemic varied regionally, and in part significantly. In the USA and China, sales of brick-and-mortar businesses have already exceeded the pre-crisis level since March, while shops only reopened in the course of the second quarter in many major European markets such as the United Kingdom, Germany and France. At the end of the first half of the year, retail sales were at the level of 2019 again.

In addition to the continued recovery of demand in retail, several surveys conducted in the past quarters also reported optimism in the textile value chain. Prices on the cotton market rose by 14 percent in the first half of the year. The Cotlook A-Index was at about 97 US cents per pound as at June 30, 2021, up more than 42 percent on the comparative figure of the previous year. The increased price level results from multiple upward revisions of consumption forecasts and the rather pessimistic outlook on the harvest in the current season. In China in particular, demand for imported cotton rose as a result of high local prices and US import restrictions on cotton and cotton products from the Chinese Xinjiang province. Based on current estimates, global consumption of raw cotton should recover to 25.6 mn tons, which would only be 1 percent below the level of the 2018/19 pre-crisis season.

After highly volatile prices in the first quarter, the prices for polyester staple fibers were comparatively stable in the second quarter. At RMB 7,000 per ton as at June 30, the price was 18 percent higher than at the beginning of the calendar year.

Following a sharp increase in the price for standard viscose – by more than 50 percent between December 2020 and March 2021 – prices started to fall at the end of the first quarter as demand declined and raw material prices were persistently high. This trend was further reinforced at the end of May and prices dropped from RMB 15,520 to RMB 12,710 per ton in the second quarter. Nevertheless, prices were about 10 percent higher than at the beginning of the year and also significantly exceeded the comparative figure of the previous year by 44 percent.

The prices for wood-based specialty fibers, which developed much more stably also in the past quarters, were barely affected by this decline in prices.

The Chinese import price for dissolving wood pulp, the main raw material for the production of wood-based cellulosic fibers, rose by nearly 44 percent to USD 1,050 per ton in the first half of the year. Bottlenecks in global logistics are still considered to be the main cause of the persisting high price level. The price for paper pulp saw an even stronger increase by nearly 55 percent during the reporting period.

[1] Source: IMF, World Economic Outlook, April 2021

[2] Sources: International Cotton Advisory Committee (ICAC), IMF, Cotton Outlook, CCF Group (China Chemical Fibers and Textiles Consulting), CCFEI

The Development of Business in the Lenzing Group

The Lenzing Group recorded a significant improvement in the development of revenue and earnings in the first half of 2021 due to the positive market environment. Growing optimism in the textile and apparel industry based on the vaccination progress and the ongoing recovery in retail caused a substantial increase in demand and prices on the global fiber market, in particular at the beginning of the current financial year.

Revenue rose by 27.5 percent to EUR 1.03 bn in the first half of 2021. This increase is primarily attributable to higher viscose prices, which stood at more than RMB 15,000 in May thanks to significantly higher demand for fibers, especially in Asia. The focus on wood-based specialty fibers such as TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ branded fibers also had a positive impact on the revenue development. The negative effect caused by less favorable currency effects was consequently more than offset.

The earnings development essentially reflects the positive market development. The continued focus on measures for structural earnings improvements in all regions reinforced this positive effect. EBITDA (earnings before interest, tax, depreciation and amortization) more than doubled and amounted to EUR 217.8 mn in the first half of 2021 (compared to EUR 95.6 mn in the first half of 2020). The EBITDA margin rose from 11.8 percent to 21.1 percent. EBIT (earnings before interest and tax) amounted to EUR 138.9 mn (compared to EUR 16.4 mn in the first half of 2020). Accordingly, the EBIT margin increased from 2 percent to 13.4 percent. The financial result of EUR minus 15.2 mn includes the full write-down of the investment in Hygiene Austria LP GmbH and a loan to this company. EBT (earnings before tax) rose to EUR 123.8 mn (compared to EUR 9.5 mn in the first half of 2020). Net profit for the period amounted to EUR 96.1 mn (compared to a net loss of EUR minus 14.4 mn in the first half of 2020) and earnings per share to EUR 3.06 (compared to EUR 0.06 in the first half of 2020).

Income tax expense of EUR 27.6 mn (compared to EUR 24 mn in the first half of 2020) is influenced by the earnings development and currency effects.

Details on the development of revenue and earnings during the reporting period are as follows:

Condensed consolidated income statement[1] EUR mn

			Change	
	01-06/2021	01-06/2020	Absolute	Relative
Revenue	**1,033.3**	**810.2**	**223.1**	**27.5%**
Cost of sales	(758.5)	(685.1)	(73.4)	10.7%
Gross profit	**274.8**	**125.1**	**149.8**	**119.8%**
Other operating income	40.0	31.2	8.8	28.2%
Selling expenses	(104.1)	(78.3)	(25.9)	33.0%
Administrative expenses	(60.4)	(49.5)	(10.8)	21.9%
Research and development expenses	(11.3)	(8.8)	(2.5)	28.6%
Other operating expenses	0.0	(3.2)	3.1	(98.7)%
EBIT	**138.9**	**16.4**	**122.5**	**744.6%**
Financial result	(15.2)	(6.9)	(8.3)	119.8%
EBT	**123.8**	**9.5**	**114.2**	**1,196.4%**
Income tax expense	(27.6)	(24.0)	(3.7)	15.3%
Net profit/loss for the period	**96.1**	**(14.4)**	**110.5**	**n.a.**

1) As of the beginning of the 2021 financial year, the Lenzing Group presents the consolidated income statement according to the cost-of-sales method. Previously, the total cost method had been used. The full consolidated income statement is presented as part of the consolidated financial statements.

Increased investment activity

Gross cash flow more than tripled to EUR 199.5 mn in the first half of 2021 (compared to EUR 63.9 mn in the first half of 2020). This increase was above all due to the earnings development. Cash flow from operating activities amounted to EUR 199.8 mn (compared to EUR minus 17.7 mn in the first half of 2020). Free cash flow amounted to EUR minus 224.3 mn (compared to EUR minus 285.7 mn in the first half of 2020) due to the investment activities related to the projects in Thailand and Brazil. CAPEX (expenditures for intangible assets, property, plant and equipment and biological assets) increased by 58.5 percent to EUR 426 mn during the reporting period, of which roughly half was financed out of cash flow from operating activities.

Liquid assets were nearly unchanged compared to December 31, 2020 and amounted to EUR 1.08 bn as at June 30, 2021. The Lenzing Group also had unused credit lines totaling EUR 737.5 mn at its disposal at the end of the reporting period (December 31, 2020: EUR 1.03 bn).

Solid balance sheet structure

The Lenzing Group's total assets rose by 12.9 percent compared to December 31, 2020 and amounted to EUR 4.7 bn as of June 30, 2021. The main changes are related to an increase in property, plant and equipment due to increased investment activities.

Adjusted equity rose by 9.3 percent in the first half of 2021 primarily due to the operating earnings development and amounted to EUR 2.08 bn as of June 30, 2021. The adjusted equity ratio decreased from 45.8 percent to 44.3 percent, in particular due to the higher total assets. Net financial debt rose by 49.7 percent to EUR 705.8 mn during the reporting period. This increase is attributable to the financing of the two key projects in Thailand and Brazil. Net gearing increased to 33.9 percent as at June 30, 2021 (December 31, 2020: 24.7 percent). Trading working capital rose by 7.7 percent to EUR 413.2 mn in the first half of 2021. The ratio of trading working capital to annualized group revenue declined from 21.9 percent at the end of 2020 to 19 percent at the end of June 2021.

The Development of Business in the Divisions

To prepare the Lenzing Group for the challenges and opportunities arising from the investment projects and the changed market environment, the Managing Board presented a new organizational structure, which supports the goals of the sCore TEN strategy focusing on profitable, organic specialty fiber growth and will further increase efficiency and transparency. The organization of business was consequently adjusted and structured in two new divisions, "Fiber" and "Pulp", as well as "Others".[1]

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

Division Fiber

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

Specialty fibers are Lenzing's great strength. The objective is to generate more than 75 percent of fiber revenues from business with wood-based specialty fibers such as lyocell and modal fibers by 2024. The focus of this strategic target is on the speedy completion of the new state-of-the-art lyocell plant in Thailand. The investment for the new plant with a capacity of 100,000 tons amounts to roughly EUR 400 mn. Construction work started in the second half of 2019 and went according to plan during the reporting period. The recruiting and onboarding of new employees is also progressing successfully. Production is scheduled to start towards the end of 2021.

In addition, Lenzing is investing more than EUR 200 mn in its production sites in Purwakarta (Indonesia) and Nanjing (China) to convert existing standard viscose capacity into capacity for environmentally responsible specialty fibers. In Nanjing, Lenzing will establish the first wood-based fiber complex in China that is independent from coal as an energy source. At the same time a line of standard viscose will be converted to a TENCEL™ branded modal fibers line making the Chinese plant a 100 percent wood-based specialty fiber site by the end of 2022. Investments in Lenzing's site in Indonesia will make this facility fully compliant with the EU Ecolabel standards. As a result, the site will become a pure specialty viscose supplier as of 2023. Upon completion of these investments Lenzing will boost its share in specialty fibers as a percentage of fiber revenues to well above the targeted 75 percent already by 2023.

In addition to the new lyocell facility in Thailand, which is designed as a zero-carbon plant, the investments in the existing locations are also in line with Lenzing's targets to reduce CO_2 emissions per ton of product by 50 percent by 2030 and to become a net-zero CO_2 company by 2050.

With the repositioning of its product brands, the Lenzing Group has sent a strong message to consumers since 2018. With TENCEL™ as the umbrella brand for all specialty products in the textile segment, VEOCEL™ as the umbrella brand for all specialty nonwoven products and LENZING™ for all industrial applications, the company showcases its strengths in a targeted manner. Lenzing continued to increase the visibility of its brands through targeted communication measures in the first half of 2021.

Revenue of the Division Fiber totaled EUR 911.5 mn in the first half of 2021. The division's EBITDA (earnings before interest, tax, depreciation and amortization) amounted to EUR 171.4 mn and EBIT (earnings before interest and tax) to EUR 119.5 mn.

Textile fibers

Textile retail saw a significant recovery in all important markets in the first half of 2021. Demand for the main specialty fibers exceeded supply, causing a positive price development. However, severe logistics problems had a negative impact on the global textile and apparel industry.

The extremely positive development of demand in all of Lenzing's product segments (homewear and underwear, ready-to-wear fashion, functional wear, protective and work clothing) and regions was primarily attributable to growing interest in sustainably produced fibers during the pandemic.

The new zero-carbon TENCEL™ branded lyocell and modal fibers, which were launched in September 2020, consequently also recorded strong demand. Due to the reduction of carbon emissions and the use of renewable energy in production, these fibers are certified CarbonNeutral® products in accordance with the CarbonNeutral Protocol, the leading global framework for carbon neutrality. They underpin Lenzing's commitment to its science-based targets and its vision to lower its CO_2 emissions to zero by 2050, and enable spinning mills, fabric manufacturers, brands and retailers to reduce their carbon footprint, thus making a positive contribution to fighting climate change.

In February, Lenzing launched another innovative fiber with the goal to promote more sustainable fashion: TENCEL™ branded modal fibers with Indigo Color technology. This pioneering tech-

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

nology, which uses a one-step spun-dye process, incorporates indigo pigment directly into the fiber. This delivers superior color fastness relative to conventional indigo dyeing whilst using substantially fewer resources. This innovative offering has been awarded the EU Ecolabel, a label of environmental excellence awarded to products meeting high environmental standards throughout their life cycle.

In addition to environmental protection, transparency along the value chain also represents a great challenge for the textile industry. In cooperation with TextileGenesis™, Lenzing offers an innovative solution based on the blockchain technology to overcome this challenge. After several successful pilot projects with renowned fashion brands, the digital platform was launched in 2020 to ensure the traceability of textiles from fiber to production and distribution. More than 600 customers and partners along the textile value chain have since successfully completed the onboarding process. Through using the innovative Fibercoin™ technology of the TextileGenesis™ platform, Lenzing and other brand partners are able to issue digital tokens (blockchain assets) in direct proportion to the physical shipments of TENCEL™ and LENZING™ ECOVERO™ branded fibers. These digital tokens provide a unique "fingerprint" and authentication mechanism, preventing adulteration.

Lenzing has also continued to develop the TENCEL™ Luxe lyocell filament segment, with a clear focus on the further development of the fabric offering and business development activities. The second pilot production plant for TENCEL™ Luxe branded filament yarn, which was completed in 2020, is currently in the stabilization phase. The new facility at the Lenzing site with a total investment of EUR 30 mn provides sufficient capacity for the development of commercial programs and further fiber applications.

Lenzing continued to raise the profile and visibility of the TENCEL™ and LENZING™ ECOVERO™ brands in 2021, reaching more than 400 mn consumers worldwide in the first half of the year with the brand activation on Earth Day (#checkwhatsgood), the Oscar award ceremony (Red Carpet Green Dress and TENCEL™ Luxe) and #FeelsSoRight. New co-branding initiatives in cooperation with partners such as Zara, Pull&Bear, Zalando, Massimo Dutti, Camper, H&M and Esprit strongly boosted visibility in the market. The new TENCEL™ eShop, which was opened in February in cooperation with the partners Levi's®, H&M, J.Crew and Mara Hoffman, improved product availability. This new and unique e-commerce portal received excellent reviews, including from fashion magazine Vogue. More than 20 mn people were reached and the portal recorded more than 30,000 views over the past months. In June Lenzing relaunched its #MakeItFeelRight initiative, aiming to further raise consumers' awareness of sustainable fashion and to reach 90 mn consumers by the end of the year.

Nonwoven fibers

More than ever, the nonwoven fibers business provided important strategic support for Lenzing throughout the COVID-19 crisis including the first half of 2021. The market for wet wipes continued its long-term trend and recorded strong growth again. The demand for hygiene products in particular developed very positively as a result of the pandemic.

In the nonwoven fibers business Lenzing also benefits from the trend towards more sustainable solutions based on renewable resources and biodegradable materials in combination with new regulations. Lenzing welcomes the issuance of the guidelines for the implementation of the Single-Use Plastics Directive (EU) 2019/904, which took effect on June 05, 2019. In these guidelines, the EU Commission specifies which products fall within the scope of the directive, thus providing clarity in the joint fight of the EU member states against environmental pollution from plastic waste. Lenzing's wood-based, biodegradable cellulosic fibers such as those of the VEOCEL™ brand comprise a sustainable and innovative solution to this man-made problem. The Single-Use Plastics Directive stipulates uniform labelling requirements for some of the single-use plastic products on the packaging or the product itself starting on July 03, 2021. They encompass feminine hygiene products and wet wipes for personal and household care containing plastic.

Even before the implementation of the Single-Use Plastics Directive, Lenzing already gave consumers clear guidance in their purchasing decisions. Products bearing the VEOCEL™ brand logo on their packaging are produced in line with stringent certification criteria. As a consequence, consumers can be assured that the products contain biodegradable, cellulosic materials. Lenzing reached more than 50 mn people with its environmental initiative #ItsInOurHands in 2020 and in the first half of 2021, thus not only increasing the visibility of the VEOCEL™ brand but also raising awareness of an eco-friendly use of wet wipes. The initiative was launched in the fourth quarter of 2019 and informs consumers that most wet wipes available on the market contain plastics, which are very harmful for the environment.

In addition to #ItsInOurHands, Lenzing launched another two initiatives: The "Nature re-imagined" initiative puts the focus on Lenzing's eco-friendly lyocell process, in which more than 99 percent of the solvent used is recovered in a closed loop and reintroduced to the production process. With VEOCEL™ branded lyocell fibers, Lenzing offers its customers a future-proof fiber featuring excellent quality properties. As part of its "Climate Care" initiative, Lenzing launched the first carbon-neutral cellulosic fibers on the global nonwovens market. The introduction of the fibers, which are certified as CarbonNeutral® products according to the CarbonNeutral Protocol, mark another milestone on the path Lenzing and its partners are taking towards carbon neutrality. Customers can identify the carbon-neutral VEOCEL™ branded fibers by the "Climate Care" logo on the products.

Lenzing also launched VEOCEL™ branded lyocell fibers with Dry technology, an innovative technology featuring hydrophobic characteristics, in the second quarter. These fibers are particularly suitable for the feminine hygiene (femcare) and baby care product categories, providing an alternative to the use of plastics.

The VEOCEL™ brand added new companies and brands such as COTERIE, Deep Fresh and Kimberly-Clark to its network of co-branding partners in the first half of the year.

Fibers for special applications

Lenzing's wood-based cellulosic fibers are also used in a wide range of specialized technical applications. These applications meet demanding performance specifications while protecting natural resources to a maximum extent. Examples include biodegradable wipes, single- and multi-use nonwoven fabrics featuring excellent moisture management as well as highly efficient filter material, high-temperature heat protection, electronic components in industry, consumer goods and transportation systems.

Moreover, Lenzing fibers are used for single-use and reusable nets for fruit and vegetables. Lenzing is also successfully intensifying activities in the area of vehicle interiors. A new car to be launched in the fourth quarter of this year will feature seat material using Lenzing fibers.

These activities are supported by the growing awareness of customers and consumers for eco-responsible products and alternatives to avoid plastic as well as by legislation which promotes dispensing with plastics completely in some areas and, consequently, changing to sustainable products.

Co-products of fiber production

The Lenzing Group produces LENZING™ sodium sulfate as a co-product at all locations where viscose or modal fibers are made. It is used in the detergent and glass industries and for the production of food and animal feed. The volume sold at the location in Lenzing rose by 8 percent in the first half of 2021 while the price was 4 percent lower.

Since 2019 Lenzing has also produced and marketed another co-product, LENZING™ calcium sulfate, which has developed at a constant level.

Division Pulp

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

In June Lenzing signed a cooperation agreement with the Swedish pulp producer Södra to further boost the topic of circular economy. The cooperation involves the transfer of knowledge between the two companies, which have been proactively driving the circular economy issue for many years, and a joint new process development for the recycling of post-consumer waste followed by a capacity expansion for pulp from post-consumer waste. The goal is to recycle approximately 25,000 tons of textile waste per year by 2025. Lenzing has proactively developed and promoted innovations in recycling for several years (e.g. the REFIBRA™ and Eco Cycle technologies) to provide solutions to the global textile waste problem.

Revenue of the Division Pulp amounted to EUR 335 mn in the first half of 2021. The division's EBITDA (earnings before interest, tax, depreciation and amortization) stood at EUR 78.6 mn and EBIT (earnings before interest and tax) at EUR 56 mn.

Wood

The general market environment, the acute impact of climate change and the COVID-19 pandemic had a negative influence on the wood market in the first half of 2021 and resulted in supply shortages, significant price increases in certain wood segments and political considerations to restrict wood exports from Europe. The Lenzing Group's current procurement strategy, which involves long-term framework agreements, had a good stabilizing effect on volume and prices. Lenzing was therefore able to secure good supplies with stable wood prices at its two pulp plants in Lenzing (Austria) and Paskov (Czech Republic).

Audits according to the forestry certification systems Forest Stewardship Council® (FSC®) and Programme for the Endorsement of Forest Certification™ (PEFC™) confirmed in 2020 that, in addition to compliance with the strict forestry regulations in the supplying countries, all wood used at the two locations comes from PEFC™ and/or FSC® certified or controlled source[1].

Biorefinery

Pulp

The Division Pulp supplies the Lenzing Group's fiber production locations with high-quality dissolving wood pulp. It operates dissolving wood pulp production plants in Lenzing and Paskov, which cover roughly two thirds of Lenzing's dissolving wood pulp requirements. The remaining part is largely purchased on the basis of long-term contracts.

A total of roughly 303,000 tons of dissolving wood pulp was produced at Lenzing's two pulp plants in the first half of 2021.

After falling to a historic low of USD 607 per ton in July 2020, the price for hardwood-based dissolving wood pulp in China recovered in the subsequent quarters.

In the first half of 2021 the price rose by 43.8 percent from USD 730 to USD 1,050 per ton. This increase is attributable to the strong demand along the entire value chain, especially at the beginning of the year.

Increasing the internal production of dissolving wood pulp is a key element in the implementation of the sCore TEN strategy. The construction of the dissolving wood pulp mill in Brazil proceeded according to plan in the first half of 2021 and its commissioning is still scheduled for the first half of 2022. The expected industrial CAPEX will be USD 1.38 bn. The project is financed through equity and long-term debt.

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

The joint venture secured FSC®-certified plantations covering and area of over 44,000 hectares to provide the necessary biomass and has rented additional areas to have FSC®-certified plantations of more than approximately 70,000 hectares available in the final expansion phase[1]. These plantations operate fully in accordance with the guidelines and high standards of the Lenzing Group for sourcing wood and pulp.

Biorefinery products
In addition to pulp, the biorefineries of the Lenzing Group 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.

The prices for the biorefinery products LENZING™ Acetic Acid Biobased and LENZING™ Furfural Biobased recorded a very good development in the first half of 2021. On average the prices increased by 15 percent (LENZING™ Acetic Acid Biobased) and 10 percent (LENZING™ Furfural Biobased) compared with the first half of 2020. Sales volume increased by an average of 8 percent (LENZING™ Acetic Acid Biobased) and 12 percent (LENZING™ Furfural Biobased).

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

Energy and other raw material supplies for the divisions

“Energy” and “other raw materials” are allocated to the divisions “Fiber” and “Pulp” as they have a material influence on the financial position and performance of the Lenzing Group.

Energy
Lenzing’s biorefinery concept at the locations in Lenzing and Paskov makes the Group a frontrunner for highly self-sufficient pulp and fiber production. Lenzing is developing programs aiming at enhancing energy efficiency for its other locations.

After the COVID-19-related, historic low energy prices in the previous year, the first half of 2021 was marked by a rapid and significant increase in all energy commodities prices. In the gas market, the long winter in large parts of Europe and high utilization of gas power plants led to record consumption levels in April and May. At the same time, Europe was confronted with supply restrictions due to the gas dispute between Russia and Ukraine. Overall, this caused gas prices on the spot market to more than double in Europe (+129%).

The prices for CO_2 allowances also nearly doubled during the reporting period (+78%). The price of allowances has seen a continuous upward trend since November 2020 in the course of political negotiations to raise the European CO_2 reduction target. Since the development of prices for natural gas and CO_2 allowances is reflected in electricity prices, the Austrian electricity spot market also reported a 75 percent increase.

Global oil consumption in the first half of the year was still significantly below the pre-crisis level as travel restrictions were still in place. However, OPEC production restrictions led to an increase in Brent crude oil by 54 percent. Coal, which rose by “only” 52 percent during the reporting period, recorded the most moderate increase in the energy sector.

Since the Lenzing Group’s procurement strategy for the main cost components, electricity and natural gas, is based on short-term procurement on the spot market, the price increases have a direct impact on the procurement costs of the Lenzing Group.

Operations in the Lenzing Group’s energy production facilities were predominantly normal in the first half of 2021. The company plans to build the largest ground-mounted photovoltaic plant in Upper Austria on an area of 55,000 m² at the Lenzing site. The groundbreaking ceremony is scheduled to take place in the second half of 2021.

A voltage drop in the European power grid caused an extended downtime of a turbine in Paskov. Therefore, less excess energy was fed into the public electricity grid during the reporting period than in the prior-year period.

The facilities in Purwakarta (Indonesia) were operated with high availability and further optimized. As the coal price in Asia was still very high historically speaking, energy costs continued to be high in the first half of 2021. The coal price was up 26.9 percent on the second half of 2020 and by 9.1 percent on the first half of 2020. The price of grid electricity in the first half of 2021 was 8.6 percent lower than in the first half of 2020.

Steam prices at the Nanjing site followed the rising coal price. On average, the price of steam was approximately 6 percent higher than in the first half of 2020. At the Purwakarta plant, the price of grid electricity showed no correlation to the price of coal and was approximately 4.8 percent lower than in the previous year. The changeover in energy production from coal to natural gas, which is intended to reduce CO_2 emissions, was further pushed ahead in the first half of 2021.

Other raw materials
The global raw material markets largely recorded significant price increases in the first half of 2021 and were confronted with challenges regarding availability.

The new air purification and sulfur recovery plant at the Lenzing site was completed and commissioned during the reporting period. Thanks to this new facility, CO_2 emissions will be further reduced and the internal supply with critical process raw materials will be increased. Lenzing has invested roughly EUR 40 mn in this project since construction started in 2019.

Caustic soda
Caustic soda is used in the production of pulp and is also an important primary product for the production of viscose and modal

[1] FSC License code: FSC-C006042

fibers as well as a co-product from chlorine production. Contrary to the general price development in the global raw material markets, the prices of caustic soda declined in both Europe and Asia in the first half of 2021. Lower demand due to the COVID-19 crisis was contrasted by a relatively high production volume due to the generally good demand for chlorine, which led to an oversupply of caustic soda and subsequently to a price reduction.

Sulfur
Sulfur is an important basic product for the production of carbon disulfide and sulfuric acid, which are used in the production of viscose and modal fibers. Sulfur prices saw a massive increase in the first half of 2021 due to higher demand and reduced production volume as a result of the COVID-19 pandemic, which also had a negative impact on availability.

Hygiene Austria LP GmbH
After the allegations regarding Hygiene Austria LP GmbH became known in March 2021, Lenzing worked intensively with Palmers Textil AG to address them. Along with the performance specifications needed to ensure the sound and continuing existence of the company as a going concern, Lenzing also transferred its stake to Palmers Textil AG. Lenzing waived its right to a suitable purchase price for the time being in order to ensure the continued existence of Hygiene Austria in line with its founding principle (see also Press Release of Lenzing AG of 04/02/2021). The investment has now been fully written off.

Others

Others essentially covers central headquarter functions and overarching activities as well as the business activity of BZL-Bildungszentrum Lenzing GmbH (training and personnel development). Revenue in Others totaled EUR 2.6 mn in the first half of 2021. EBITDA (earnings before interest, tax, depreciation and amortization) amounted to EUR minus 29.2 mn and EBIT (earnings before interest and tax) to EUR minus 33.5 mn.

The Lenzing share

The development of the Lenzing share reflected the general market environment in the first half of 2021. The Lenzing share started the 2021 trading year at a price of EUR 83.00, which corresponds to the annual low so far. The share price saw a very positive development particularly in January and February, reaching the annual high to date of EUR 123.40 on March 2, 2021. At the end of the reporting period, the Lenzing share closed at EUR 103.20. This corresponds to an increase by plus 24.3 percent compared to the beginning of the year. The Vienna lead index ATX gained 22.4 percent during the same period.

The share of Lenzing AG is currently covered by six analysts, whose estimates point to buy and hold. This year no dividend was distributed for the 2020 financial year. The portion of the 26.55 mn shares that is not freely tradable amounts to 50 percent plus 2 shares and is attributable to B&C Privatstiftung through its wholly-owned subsidiary B&C Österreich GmbH and its wholly-owned subsidiary B&C LAG Holding GmbH in accordance with Section 92 (4) of the Austrian Stock Exchange Act.

The 77th Annual General Meeting of Lenzing AG was again held virtually via livestream due to the COVID-19 pandemic. The Managing Board of Lenzing AG presented the business development of the year 2020, with a special focus on Lenzing's sustainability strategy including the relevant roadmap to achieve climate targets to the participating shareholders and shareholder representatives. The resolution adopted by the Annual General Meeting to link the remuneration policy for the multi-year, performance-based remuneration of the Managing Board to non-financial sustainability criteria (ESG) in addition to financial performance criteria once again demonstrates Lenzing's strong commitment to sustainable and responsible management.

Risk Report

The risk report for the first half of 2021 is based on estimates of the top management of the Lenzing Group and covers the main business risks for 2021 and mid-term.

Current risk environment

The global risk environment is still characterized by COVID-19 and highly varied recovery dynamics throughout the world. While regions such as the USA, Europe and China have made relatively good vaccination progress and massive economic aid packages have been adopted to boost the economy, many emerging and developing countries are still struggling with the immediate effects of the health crisis. Experts currently consider another financial crisis and an incomplete recovery of the labor market to be the major global long-term risks.

Lenzing risk outlook for the second half of 2021

As the COVID-19 pandemic continues it is still difficult to estimate the risk for the business areas of the Lenzing Group.

The global recovery in the consumer markets led to a price increase for all wood-based cellulosic fibers in the first half of the year. However, the positive demand was affected by bottlenecks, in particular on the international shipping routes, leading to significantly higher logistics prices and delays. The development of the fiber business is primarily dependent on the further development of the pandemic and on whether textile retail stores are open or closed. Lenzing's sCore TEN strategy, which focuses on increasing the share of specialty fibers, aims to reduce fluctuations of price and demand.

Based on the steady expansion of the Lenzing Group's existing pulp capacity and sufficient available supplies on the global market, pulp supplies are secured for the fiber plants. Lenzing is currently expanding its pulp volume through the construction of a new plant in Brazil with an annual capacity of 500,000 tons, thus securing raw material supplies in the long term.

The main chemicals saw global supply shortages in the first half of 2021 due to strong demand, which led to price increases. A similar situation is to be expected in the raw material markets in the second half of the year. Following the price increases in the first half of the year, rising prices are also expected worldwide in the energy sector in the second half of the year. On the currency side, the US dollar fluctuated with in a range of approx. 1.17 to 1.23 against the euro and the Chinese yuan within a range of 7.66 to 7.95 against the euro. A devaluation of the two currencies has a negative effect on Lenzing's open currency volume. Liquidity risk is expected to be low in 2021 due to the very stable financial structure.

There have been no significant damage incidents involving operating, environmental or product liability risks with a high damage potential in the current financial year.

The implementation of the two major projects in Brazil and Thailand is still proceeding as planned. However, the progress of the projects could be significantly impacted by the COVID-19 situation in the two countries.

As part of the group-wide crisis management, crisis teams have been set up since the beginning of the pandemic, both centrally and at all locations and all decision-making levels, which ensure rapid and coordinated action in these still difficult times. Thanks to these measures, operations could be largely maintained, both at the production sites and for all major projects.

Outlook

The International Monetary Fund expects global growth of 6 percent for 2021. However, the economic recovery after the deep recession caused by COVID-19 is subject to risks and largely depends on the vaccination progress and successful containment of the pandemic. The currency environment is expected to remain volatile in the regions relevant to Lenzing.

The global fiber and pulp markets came under considerable pressure as a result of the COVID-19 crisis. The significant recovery of demand from the third quarter of 2020 onwards, starting in China, continued into the first quarter of 2021. In February/March of this year, the market turned again and has since moved sideways. In the cotton market, a shortage in production volume is anticipated in the current 2020/2021 harvest and, consequently, a slight decline in inventory levels. The prices for dissolving wood pulp remain at a high level.

Lenzing expects a continued increase in demand for sustainably produced fibers for the textile and apparel industry as well as for the hygiene and medical industry. This trend is likely to continue unabated after the COVID-19 pandemic, not least due to a number of legislative initiatives.

With the prospect of a progressing active immunization of a broad population against COVID-19, optimism and confidence in a speedy return to normality are also growing within the textile value chain. However, the currently positive environment is still characterized by a high level of uncertainty, also due to the increased occurrence of virus mutations and the extreme occurrence of infections in countries such as Brazil and India. Therefore, the visibility remains limited.

Taking into account the above factors and due to the very positive development of the first half of the year, the Lenzing Group expects the EBITDA in 2021 to reach at least a level of EUR 360 mn.

In view of these developments, Lenzing considers itself well-positioned with its sCore TEN corporate strategy, and will continue to drive the completion of the major strategic projects, which will make a significant contribution to earnings from 2022. In addition to its targets for EBITDA (EUR 800 mn) and ROCE (>10 %[1]), Lenzing also confirms its four other medium-term targets for 2024: net debt/EBITDA (<2.5 x), share of specialty fibers (>75 % of fiber revenue), internal production of dissolving wood pulp (>75 %), decarbonization (>40 % fewer CO_2 emissions per ton of product).

Lenzing, August 02, 2021
Lenzing Aktiengesellschaft

The Managing Board

Stefan Doboczky
Chief Executive Officer

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

[1] To be adjusted for assets under construction

Notes on the Financial Performance Indicators of the Lenzing Group

Interim Report 01-06/2021

The key financial indicators for the Lenzing Group are described in detail in the following section. These indicators are derived primarily from the condensed consolidated interim financial statements and the consolidated financial statements of the previous year of the Lenzing Group. The Management 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).

The effects of the COVID-19 pandemic on the operating activities, company performance and the related uncertainties are explained in the management report. Further explanations regarding the impact on the consolidated financial statements according to IFRS, in particular on estimates, assumptions and judgments, are provided in note 1 to the consolidated financial statements 2020.

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	01-06/2021	01-06/2020
Earnings before interest and tax (EBIT)	138.9	16.4[1]
+ Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	79.8	80.1
- Income from the release of investment grants	(0.9)	(1.0)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**217.8**	**95.6[1]**

EUR mn	01-06/2021	01-06/2020
Earnings before interest, tax, depreciation and amortization (EBITDA)	217.8	95.6[1]
/ Revenue	1,033.3	810.2
EBITDA margin	**21.1%**	**11.8%[1]**

EUR mn	01-06/2021	01-06/2020
Earnings before interest and tax (EBIT)	138.9	16.4[1]
/ Revenue	1,033.3	810.2
EBIT margin	**13.4%**	**2.0%[1]**

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see footnote 1 of the consolidated income statement of the Group Interim Report H1/2021).

EBT

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

Gross cash flow

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

EUR mn	01-06/2021	01-06/2020
Net profit/loss for the period	96.1	(14.4)
+ Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	79.8	80.1
+/− Change in the fair value of biological assets	(0.9)	9.2
− Income from the release of investment grants	(0.9)	(1.0)
+/− Change in non-current provisions	0.7	(2.9)
−/+ Income / expenses from deferred taxes	(4.4)	9.1
+/− Change in current tax assets and liabilities	6.1	2.7
+/− Non-cash profit/loss from investments accounted for using the equity method	5.1	(0.2)
−/+ Other non-cash income / expenses	17.9	(18.7)
Other non-cash income / expenses	23.6	(1.8)
Gross cash flow	**199.5**	**63.9**

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	01-06/2021	01-06/2020
Cash flow from operating activities	199.8	(17.7)
− Cash flow from investing activities	(425.5)	(267.9)
+ Acquisition of financial assets and investments accounted for using the equity method	6.6	1.1
− Proceeds from the sale/repayment of financial assets and the sale of investments accounted for using the equity method	(5.1)	(1.2)
Free cash flow	**(224.3)**	**(285.7)**

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	30/06/2021	31/12/2020
Cash and cash equivalents	1,063.7	1,070.0
+ Liquid bills of exchange (in trade receivables)	12.5	11.1
Liquid assets	**1,076.2**	**1,081.1**

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	30/06/2021	31/12/2020
Inventories	400.0	329.4
+ Trade receivables	298.7	249.7
- Trade payables	(285.5)	(195.2)
Trading working capital	**413.2**	**383.8**

EUR mn	2021	2020
Latest reported quarterly group revenue	544.0	437.7
x 4 (= annualized group revenue)	2,175.9	1,750.9
Trading working capital to annualized group revenue	**19.0%**	**21.9%**

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	30/06/2021	31/12/2020
Equity	2,058.9	1,881.4
+ Non-current government grants	13.6	14.2
+ Current government grants	19.5	19.9
- Proportional share of deferred taxes on government grants	(8.2)	(8.5)
Adjusted equity	2,083.7	1,907.0
/ Total assets	4,700.8	4,163.0
Adjusted equity ratio	**44.3%**	**45.8%**

Net financial debt, 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 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	30/06/2021	31/12/2020
Current financial liabilities	106.4	105.6
+ Non-current financial liabilities	1,675.6	1,446.9
- Liquid assets	(1,076.2)	(1,081.1)
Net financial debt	**705.8**	**471.4**

EUR mn	30/06/2021	31/12/2020
Net financial debt	705.8	471.4
/ Adjusted equity	2,083.7	1,907.0
Net gearing	**33.9%**	**24.7%**

EUR mn	30/06/2021	31/12/2020
Net financial debt	705.8	471.4
+ Provisions for severance payments and pensions[1]	102.7	103.7
Net debt	**808.5**	**575.0**

1) This amount is included in the consolidated statement of financial position in "provisions" (non-current liabilities, resp. current liabilities).

Condensed Consolidated Interim Financial Statements 2021

for the period from January 1, 2021 to June 30, 2021

Condensed Consolidated Interim Financial Statements 2021 — 21

Content Notes 2021

Lenzing AG

Consolidated Income Statement

for the period from January 1 to June 30, 2021

EUR mn

	Note	04-06/2021	04-06/2020	01-06/2021	01-06/2020
Revenue	(1,3)	544.0	343.9	1,033.3	810.2
Cost of sales	(1)	(389.7)	(309.6)[1]	(758.5)	(685.1)[1]
Gross profit	**(1)**	**154.3**	**34.3**	**274.8**	**125.1**
Other operating income	(1)	24.5	15.3	40.0	31.2
Selling expenses	(1)	(55.2)	(37.1)	(104.1)	(78.3)
Administrative expenses	(1)	(34.1)	(21.9)[1]	(60.4)	(49.5)[1]
Research and development expenses	(1)	(5.9)	(3.9)	(11.3)	(8.8)
Other operating expenses	(1)	0.0	(0.1)	0.0	(3.2)
Earnings before interest and tax (EBIT)	**(1)**	**83.5**	**(13.4)[1]**	**138.9**	**16.4[1]**
Income from investments accounted for using the equity method		(0.3)	0.2	(4.8)	1.0
Income from non-current and current financial assets		(2.3)	(3.9)	1.2	(1.0)
Financing costs		(2.3)	(1.9)[1]	(11.5)	(6.9)[1]
Financial result		**(4.8)**	**(5.7)**	**(15.2)**	**(6.9)**
Earnings before tax (EBT)		**78.7**	**(19.1)**	**123.8**	**9.5**
Income tax expense	(4)	(12.4)	(13.0)	(27.6)	(24.0)
Net profit/loss for the period		**66.3**	**(32.1)**	**96.1**	**(14.4)**
Attributable to:					
Shareholders of Lenzing AG		53.1	(20.7)	81.2	1.5
Non-controlling interests		5.9	(11.5)	0.5	(15.9)
Share planned for hybrid capital owners		7.2	0.0	14.4	0.0
Earnings per share		EUR	EUR	EUR	EUR
Diluted = basic		2.00	(0.78)	3.06	0.06

1) As of the beginning of the 2021 financial year, the Lenzing Group prepares the consolidated income statement according to the cost-of-sales method rather than the total cost method, thus increasing international comparability with peer group companies. Some amounts previously recognized in EBIT/EBITDA are reclassified to the financial result (see note 1).

Consolidated Statement of Comprehensive Income

for the period from January 1 to June 30, 2021

EUR mn

	Note	04-06/2021	04-06/2020	01-06/2021	01-06/2020
Net profit/loss for the period		66.3	(32.1)	96.1	(14.4)
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability		0.0	(4.7)	0.0	0.0
Financial assets measured at fair value through other comprehensive income (equity instruments) - net fair value gain/loss on remeasurement recognized during the year	(6)	24.0	0.1	24.7	(1.0)
Income tax relating to these components of other comprehensive income		(6.0)	1.2	(6.2)	0.2
		18.0	(3.5)	18.5	(0.7)
Items that may be reclassified to profit or loss					
Foreign operations – foreign currency translation differences arising during the year		(4.9)	(26.6)	44.9	(43.7)
Financial assets measured at fair value through other comprehensive income (debt instruments) - net fair value gain/loss on remeasurement recognized during the year		0.0	0.0	0.0	0.0
Financial assets measured at fair value through other comprehensive income (debt instruments) - reclassification of amounts relating to financial assets disposed during the year		0.0	0.0	0.1	0.0
Cash flow hedges – effective portion of changes in fair value recognized during the year and non-designated components		25.4	(7.2)	(4.5)	(149.5)
Cash flow hedges – reclassification to profit or loss		(1.0)	0.5	(2.7)	4.0
Income tax relating to these components of other comprehensive income		(0.6)	(3.1)	(1.2)	6.5
Investments accounted for using the equity method - share of other comprehensive income (net of tax)		2.2	(1.1)	1.2	(5.8)
		21.0	(37.5)	38.0	(188.5)
Other comprehensive income (net of tax)		39.0	(41.1)	56.5	(189.3)
Total comprehensive income		105.3	(73.2)	152.6	(203.7)
Attributable to:					
Shareholders of Lenzing AG		84.4	(46.1)	134.4	(127.2)
Non-controlling interests		13.7	(27.1)	3.9	(76.5)
Share planned for hybrid capital owners		7.2	0.0	14.4	0.0

Consolidated Statement of Financial Position

as at June 30, 2021

EUR mn

Assets	Note	30/06/2021	31/12/2020
Intangible assets	(4)	30.8	29.7
Property, plant and equipment	(4)	2,459.8	2,068.1
Biological assets	(4)	93.7	84.3
Right-of-use assets		65.5	65.8
Investments accounted for using the equity method		25.2	29.1
Financial assets	(6)	65.8	40.9
Deferred tax assets	(4)	3.2	2.4
Current tax assets		21.8	15.2
Other non-current assets		38.2	25.9
Non-current assets		**2,804.0**	**2,361.2**
Inventories	(4)	400.0	329.4
Trade receivables	(6)	298.7	249.7
Current tax assets		5.0	7.4
Other current assets		129.4	145.3
Cash and cash equivalents	(6)	1,063.7	1,070.0
Current assets		**1,896.8**	**1,801.8**
Total assets		**4,700.8**	**4,163.0**

Equity and liabilities	Note	30/06/2021	31/12/2020
Share capital		27.6	27.6
Capital reserves		133.9	133.9
Hybrid capital		496.6	496.6
Other reserves		(40.9)	(117.9)
Retained earnings		1,261.6	1,192.8
Equity attributable to shareholders of Lenzing AG		**1,878.7**	**1,732.9**
Non-controlling interests		180.1	148.5
Equity	(4)	**2,058.9**	**1,881.4**
Financial liabilities	(6)	1,675.6	1,446.9
Government grants		13.6	14.2
Deferred tax liabilities	(4)	45.3	42.4
Provisions		121.7	120.4
Puttable non-controlling interests	(6)	164.4	140.3
Other liabilities		12.2	26.9
Non-current liabilities		**2,032.8**	**1,791.1**
Financial liabilities	(6)	106.4	105.6
Trade payables	(4)	285.5	195.2
Government grants		19.5	19.9
Current tax liabilities		13.8	2.4
Provisions		30.9	25.7
Other liabilities		153.0	141.8
Current liabilities		**609.2**	**490.5**
Total equity and liabilities		**4,700.8**	**4,163.0**

Lenzing AG

Consolidated Statement of Changes in Equity

for the period from January 1 to June 30, 2021

				Other reserves							EUR mn
	Share capital	Capital reserves	Hybrid capital	Foreign currency translation reserve	Financial assets measured at fair value through other comprehensive income	Hedging reserve and non-designated components	Actuarial gains/losses	Retained earnings	Equity attributable to shareholders of Lenzing AG and to hybrid capital owners	Non-controlling interests	Equity
As at 01/01/2020	27.6	133.9	0.0	61.2	10.7	3.8	(47.0)	1,322.9	**1,513.0**	24.9	**1,537.9**
Net profit/loss for the period as per consolidated income statement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	**1.5**	(15.9)	**(14.4)**
Other comprehensive income (net of tax)	0.0	0.0	0.0	(47.7)	(0.8)	(80.3)	0.0	0.0	**(128.7)**	(60.6)	**(189.3)**
Total comprehensive income	0.0	0.0	0.0	(47.7)	(0.8)	(80.3)	0.0	1.5	(127.2)	(76.5)	(203.7)
Hedging gains and losses and cost of hedging transferred to the cost of non-current assets and cost of inventory	0.0	0.0	0.0	0.0	0.0	(1.2)	0.0	0.0	**(1.2)**	0.0	**(1.2)**
Acquisition/disposal of non-controlling interests and other changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	**2.1**	100.2	**102.3**
Increase in capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	38.5	**38.5**
Measurement of puttable non-controlling interest recognized directly in equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(65.0)	**(65.0)**	0.0	**(65.0)**
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	(0.2)	**(0.2)**
As at 30/06/2020	27.6	133.9	0.0	13.5	9.9	(77.7)	(47.0)	1,261.5	1,321.7	86.9	1,408.6
As at 01/01/2021	27.6	133.9	496.6	(41.1)	8.7	(38.7)	(46.9)	1,192.8	**1,732.9**	148.5	**1,881.4**
Net profit/loss for the period as per consolidated income statement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	95.6	**95.6**	0.5	**96.1**
Other comprehensive income (net of tax)	0.0	0.0	0.0	39.5	18.6	(4.9)	0.0	0.0	**53.1**	3.3	**56.5**
Total comprehensive income	0.0	0.0	0.0	39.5	18.6	(4.9)	0.0	95.6	148.7	3.9	152.6
Hedging gains and losses and cost of hedging transferred to the cost of non-current assets and cost of inventory	0.0	0.0	0.0	0.0	0.0	23.9	0.0	0.0	**23.9**	22.4	**46.3**
Acquisition/disposal of non-controlling interests and other changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(2.7)	**(2.7)**	2.7	**0.0**
Increase in capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	2.9	**2.9**
Measurement of puttable non-controlling interest recognized directly in equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(24.1)	**(24.1)**	0.0	**(24.1)**
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	(0.2)	**(0.2)**
As at 30/06/2021	**27.6**	**133.9**	**496.6**	**(1.6)**	**27.3**	**(19.8)**	**(46.9)**	**1,261.6**	**1,878.7**	**180.1**	**2,058.9**

Consolidated Statement of Cash Flows (condensed)

for the period from January 1 to June 30, 2021

EUR mn

		Note	01-06/2021	01-06/2020
Net profit/loss for the period			**96.1**	**(14.4)**
+	Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets		79.8	80.1
−/+	Other non-cash income / expenses		23.6	(1.8)
Gross cash flow			**199.5**	**63.9**
+/−	Change in inventories		(72.2)	(2.8)
+/−	Change in receivables		(17.8)	6.1
+/−	Change in liabilities		90.3	(84.9)
Change in working capital			**0.3**	**(81.6)**
Cash flow from operating activities			**199.8**	**(17.7)**
−	Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)	(4)	(426.0)	(268.7)
−	Acquisition of financial assets and investments accounted for using the equity method		(6.6)	(1.1)
+	Proceeds from the sale of intangible assets, property, plant and equipment and biological assets		2.0	0.7
+	Proceeds from the sale/repayment of financial assets and the sale of investments accounted for using the equity method		5.1	1.2
Cash flow from investing activities			**(425.5)**	**(267.9)**
+	Capital injections to consolidated companies by non-controlling interests		2.8	35.4
−	Dividends paid		(0.2)	(0.2)
+	Investment grants		0.3	0.6
+	Increase of bonds and private placements	(6)	0.0	83.8
+	Increase in other financial liabilities	(6)	312.9	267.2
−	Repayment of bonds and private placements		(56.0)	(37.5)
−	Repayment of other financial liabilities		(49.0)	(39.5)
Cash flow from financing activities			**210.8**	**309.7**
Total change in liquid funds			**(14.9)**	**24.1**
Liquid funds at the beginning of the year			1,070.0	571.5
Currency translation adjustment relating to liquid funds			8.6	(7.5)
Liquid funds at the end of the period			**1,063.7**	**588.1**
Additional information on payments in the cash flow from operating activities:				
Interest payments received			1.4	1.2
Interest payments made			10.4	7.0
Income taxes paid			26.4	12.7
Distributions received from investments accounted for using the equity method			0.3	0.0

Notes to the Consolidated Financial Statements: Selected Notes

on the condensed consolidated interim financial statements as at June 30, 2021

General Information

Note 1. Basic Information

Description of the company and its business activities

Lenzing Aktiengesellschaft (Lenzing AG), which maintains its registered headquarters in 4860 Lenzing, Werkstrasse 2, is the parent company of the Lenzing Group (the "Group"). The main shareholder of Lenzing AG as at June 30, 2021 is the B&C Group, which directly or indirectly holds an investment of 50 percent plus two shares (December 31, 2020: 50 percent plus two shares) in the share capital of Lenzing AG. The core business of the Lenzing Group is the production and marketing of wood-based cellulosic fibers.

Basis of reporting

The condensed consolidated interim financial statements for the period from January 1 to June 30, 2021 were prepared in accordance with IAS 34 (Interim Financial Reporting). They are in accordance with the International Financial Reporting Standards ("IFRS"), which were endorsed and applied in the European Union. The condensed consolidated interim financial statements of the Lenzing Group as at June 30, 2021 are based on the consolidated financial statements as at December 31, 2020 and should therefore always be read in conjunction with these statements. The accounting policies used in the consolidated interim financial statements are the same as were applied for the consolidated financial statements for the 2020 financial year.

The reporting currency is euro (EUR), which is also the functional currency of Lenzing AG and a majority of its subsidiaries.

Audit and review

These condensed consolidated interim financial statements of the Lenzing Group were reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz.

Effects of the COVID-19 crisis on the half-year result

In the first half of 2021, the business development improved significantly compared to the first half of 2020 due to the positive market environment. Based on the current developments, assumptions, estimates and judgments of the consolidated financial statements according to IFRS are no longer subject to increased uncertainty. Additional information on the effects of the COVID-19 crisis and the measures taken by the Lenzing Group is provided in the sections Business Development of the Lenzing Group and Risk Report of the Lenzing Group's interim management report.

Estimation uncertainty and judgments

The Managing Board of Lenzing AG uses estimates, assumptions and judgments in preparing the IFRS condensed consolidated interim 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 are explained in detail in the consolidated financial statements of the Lenzing Group as at December 31, 2020 (Note 1).

Mandatory changes in accounting policies

The accounting standards requiring application by the Lenzing Group as of January 1, 2021 have no material effect on the presentation of the financial position and financial performance of the Lenzing Group as at June 30, 2021:

Standards/interpretations		Publication by the IASB	Mandatory application according to IASB for financial years from	Adopted by the EU as at 30/06/2021
IFRS 9, IAS 39, IFRS 7	IBOR Reform (Phase 2)	27/08/2020	01/01/2021	yes
IFRS 4	Extension of the temporary exemption from applying IFRS 9 in IFRS 4	25/06/2020	01/01/2021	yes
IFRS 16	Extension of practical expedient: Covid-19-Related Rent Concessions	27/08/2020	01/04/2021	no

Voluntary changes in accounting policies

Since the beginning of the 2021 financial year, the Lenzing Group has presented its consolidated income statement according to the cost-of-sales method, which had previously been presented according to the total cost method. The change in the presentation of the income statement is intended to increase international comparability of the Lenzing Group's consolidated income statement. As part of this change, some amounts previously recognized in EBIT/EBITDA were reclassified to the financial result (capitalized borrowing costs of EUR 10.6 mn, 01-06/2020: EUR 3.2 mn, net interest from defined benefit plans of EUR minus 0.9 mn, 01-06/2020: EUR minus 1.1 mn, and credit and commitment fees of EUR minus 1.2 mn, 01-06/2020: EUR minus 1.0 mn). All amounts were adjusted retrospectively. The following table shows the reconciliation from the total cost method to the cost-of-sales method:

Reconciliation from total cost method to cost of goods sold method EUR mn

01-06/2021	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	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)
Consolidated Income Statement - Total cost method		**1,033.3**	**26.1**	**23.1**	**40.0**	**0.9**	**(515.7)**	**(225.7)**	**(164.1)**	**(79.8)**	**0.9**	**138.9**
Revenue	**1,033.3**	1,033.3										
Cost of sales	**(758.5)**		26.1	23.1		0.9	(513.8)	(161.3)	(60.8)	(73.6)	0.9	
Gross profit	**274.8**											
Other operating income	**40.0**				40.0							
Selling expenses	**(104.1)**						(0.6)	(20.1)	(81.5)	(1.8)		
Administrative expenses	**(60.4)**						(0.6)	(37.8)	(18.2)	(3.8)	0.0	
Research and development expenses	**(11.3)**						(0.7)	(6.7)	(3.5)	(0.5)	0.0	
Other operating expenses	**0.0**								0.0			
Earnings before interest and tax (EBIT)	**138.9**											

Reconciliation from total cost method to cost of goods sold method

EUR mn

01-06/2020	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	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)
Consolidated Income Statement - Total cost method		**810.2**	**7.7**	**28.2**	**28.6**	**(9.2)**	**(466.7)**	**(183.5)**	**(119.7)**	**(80.1)**	**1.0**	**16.4**
Revenue	**810.2**	810.2										
Cost of sales	**(685.1)**		7.7	28.1		(9.2)	(451.5)	(131.7)	(55.5)	(74.0)	0.9	
Gross profit	**125.1**											
Other operating income	**31.2**				28.6				2.5[1]			
Selling expenses	**(78.3)**						(0.4)	(16.9)	(59.0)	(2.0)	0.0	
Administrative expenses	**(49.5)**						(14.6)	(30.6)	(0.7)	(3.8)	0.1	
Research and development expenses	**(8.8)**						(0.4)	(4.4)	(3.7)	(0.3)		
Other operating expenses	**(3.2)**								(3.2)[1]			
Earnings before interest and tax (EBIT)	**16.4**											

1) In the first half of 2020, foreign currency gains of EUR 2.5 mn were netted out against foreign currency losses within other operating expenses.

Note 2. Consolidation

Scope of consolidation

In March 2021, the shares in the joint venture Hygiene Austria LP GmbH, Wiener Neudorf, Austria, which was previously accounted for using the equity method, were sold. The sale led to the deconsolidation of the investment. This resulted in a loss of EUR 6.5 mn and an income tax reduction of EUR 1.6 mn. A purchase price of EUR 1 was paid. However, a long-term earnings-related purchase price component (earn-out) was agreed, which is dependent on the company's future business development. Due to the uncertain earnings development it was recognized at EUR 0.0 mn as at June 30, 2021. The investigations related to Hygiene Austria LP GmbH have not been completed

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 holds an insurance license and enables the Lenzing Group to administer insurance necessary for its operations more effectively. The insurance cell had no material assets and liabilities at the acquisition date and is fully included into the consolidated financial statements as of the acquisition date.

Note 3. Segment reporting

The composition of the segments has changed as of the 2021 financial year since the Lenzing Group adjusted the organization and, based on these changes, the internal reporting to the chief operating decision maker, the Managing Board of the Group. The new segment structure could not be established retroactively due to the significant organizational changes. Therefore, the former segment structure is shown in the following for the comparative half-year of 2020.

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

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

The Division Pulp produces and procures dissolving wood pulp, which is the necessary primary or intermediate product for fiber production. Pulp is used for the internal production of cellulosic fibers and marketed externally. The use and management of the facilities for fiber and pulp production are independent of each other.

Others essentially comprises central headquarter functions, overarching activities and the business activities of BZL-Bildungszentrum Lenzing GmbH, Lenzing (training and personnel development).

Information on business segments (new segment structure) **EUR mn**

01-06/2021	Division Fiber	Division Pulp	Others	Segment total	Reconciliation	Group
Revenue from external customers	911.5	119.2	2.6	1,033.3	0.0	1,033.3
Inter-segment revenue	0.0	215.9	0.0	215.9	(215.9)	0.0
Total revenue	**911.5**	**335.0**	**2.6**	**1,249.2**	**(215.9)**	**1,033.3**
EBITDA (segment result)	171.4	78.6	(29.2)	220.8	(3.0)	217.8
EBIT	119.5	56.0	(33.5)	142.0	(3.0)	138.9
EBITDA margin[1]	18.8%	23.5%	-	17.7%		21.1%
EBIT margin[2]	13.1%	16.7%	-	11.4%		13.4%

Information on business segments (former segment structure) **EUR mn**

01-06/2021	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	1,026.8	5.6	0.9	1,033.3	0.0	1,033.3
Inter-segment revenue	0.0	1.7	1.4	3.2	(3.2)	0.0
Total revenue	**1,026.8**	**7.3**	**2.3**	**1,036.5**	**(3.2)**	**1,033.3**
EBITDA (segment result)	216.9	0.7	0.2	217.8	(0.1)	217.8
EBIT	138.8	0.1	0.2	139.0	(0.1)	138.9
EBITDA margin[1]	21.1%	9.9%	10.3%	21.0%		21.1%
EBIT margin[2]	13.5%	0.9%	7.8%	13.4%		13.4%

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 (previous year) EUR mn

01-06/2020	Fibers	Lenzing Technik	Other	Segment total	Recon-ciliation	Group
Revenue from external customers	803.4	5.9	0.9	810.2	0.0	810.2
Inter-segment revenue	1.4	8.4	1.3	11.1	(11.1)	(0.0)
Total revenue	**804.9**	**14.2**	**2.2**	**821.3**	**(11.1)**	**810.2**
EBITDA (segment result)[1]	94.3	1.2	0.6	96.0	(0.4)	95.6
EBIT[1]	14.5	0.6	0.5	15.6	0.9	16.4
EBITDA margin[2]	11.7%	8.1%	24.9%	11.7%		11.8%
EBIT margin[3]	1.8%	4.3%	22.1%	1.9%		2.0%

1) Some amounts previously recognized in EBIT/EBITDA are reclassified to the financial result (see note 1).
2) EBITDA margin = EBITDA (operating result before depreciation and amortization) in relation to total revenue (here: according to segment reporting).
3) EBIT margin = EBIT (operating result) in relation to total revenue (here: according to segment reporting).

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

The following table shows the reconciliation of segment result (EBITDA) to operating result (EBIT) to earnings before tax (EBT):

Reconciliation of segment result (EBITDA) to the earnings before tax (EBT) EUR mn

	01-06/2021	01-06/2020
Segment result (EBITDA)	220.8[1]	96.0[1]
Consolidation	(3.0)	(0.4)
Group result (EBITDA)	**217.8[1]**	**95.6[1]**
Segment amortization and depreciation	(79.8)	(81.4)
Consolidation	0.0	1.3
Income from the release of investment grants	0.9	1.0
Earnings before interest and tax (EBIT)	**138.9[1]**	**16.4[1]**
Financial result	(15.2)[1]	(6.9)[1]
Earnings before tax (EBT)	**123.8**	**9.5**

1) Some amounts previously recognized in EBIT/EBITDA are reclassified to the financial result (see note 1).

The consolidated income statement shows the reconciliation of earnings before tax (EBT) to net profit/loss for the period.

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

Information on products and services

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

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

	01-06/2021
Wood-based cellulosic fibers	880.8
Co-products of fiber production	25.1
Mechanical and plant engineering, engineering services and others	5.6
Division Fiber	**911.5**
Pulp	65.8
Biorefinery-products and energy	36.3
Wood and other	17.1
Division Pulp	**119.2**
Others	2.6
Revenue as per consolidated income statement	**1,033.3**

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

	01-06/2021	01-06/2020
Wood-based cellulosic fibers	882.3	664.7
Sodium sulfate and black liquor	25.1	22.6
Pulp, wood, energy and other	119.4	117.6
Segment Fibers	**1,026.8**	**804.9**
Mechanical and plant engineering and engineering services	7.3	14.2
Segment Lenzing Technik	**7.3**	**14.2**
Other and consolidation	(0.8)	(8.9)
Revenue as per consolidated income statement	**1,033.3**	**810.2**

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

Information on geographical regions

Revenue from external customers can be classified by geographical regions as follows:

Revenue from external customers by geographic regions EUR mn

	01-06/2021	01-06/2020
Austria	34.5	26.8
Europe (excl. Austria, incl. Turkey)	304.7	252.1
Asia	607.4	441.4
America	81.6	84.9
Rest of the world	5.1	5.0
Revenue as per consolidated income statement	**1,033.3**	**810.2**

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

Notes on the Primary Financial Statements and on Risk Management

Note 4. Notes on the primary financial statements

Intangible assets and property, plant and equipment

Internally generated intangible assets (mainly process and product developments) of EUR 1.7 mn were capitalized in the first half of 2021 (01-06/2020: EUR 3.2 mn).

The increase in investments (CAPEX) results mainly from the construction of the lyocell plant in Thailand and the construction of the dissolving wood pulp plant in Brazil.

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

The carrying amounts of the intangible assets and property, plant and equipment of the CGU Fiber Site China impaired in previous years totaled EUR 42.2 mn at June 30, 2021 (December 31, 2020: EUR 43.1 mn). This amount includes accumulated impairment losses of EUR 14.7 mn (December 31, 2020: EUR 15.8 mn) from the previous impairment tests.

Biological assets

Biological assets developed as follows:

Reconciliation of biological assets — EUR mn

	2021	2020
As at 01/01	84.3	0.0
Addition	0.0	103.1
Acquisition	0.2	0.0
Sales	(1.9)	(1.9)
Capitalized production costs	5.6	4.7
Change in the fair value	2.7	(14.5)
Foreign currency translation reserve	2.9	(1.9)
Other changes	0.0	0.0
As at 30/06	**93.7**	**89.6**

Gains and losses from the change in the fair value of biological assets of EUR 0.9 mn (01-06/2020: EUR minus 9.2 mn) consisted of the regular remeasurement of EUR 2.7 mn (01-06/2020: EUR minus 14.5 mn) and changes in the value of hedges related to the exchange rate of EUR minus 1.8 mn (01-06/2020: EUR 5.3 mn).

The following individual assumptions were used as at June 30, 2021:

Assumptions of level 3 input factors for biological assets

	30/06/2021	31/12/2020
Market price EUR/m^3	8.32	7.70
Discount rate	7.23%	6.93%
Wood volume	11,662,186 m^3	11,322,673 m^3

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 30/06/2021 — EUR mn

	Increase	Decrease
Change in the market price (+/- 1%)	0.9	(0.9)
Discount rate (+/- 1%)	(0.1)	0.1
Wood volume (+/- 5%)	4.9	(4.9)

Sensitivity analysis of level 3 input factors for biological assets as at 30/06/2020 EUR mn

	Increase	Decrease
Change in the market price (+/- 1%)	0.9	(0.9)
Discount rate (+/- 1%)	(0.1)	0.1
Wood volume (+/- 5%)	4.7	(4.7)

To determine the sensitivities, fair value was determined again taking into account the changed input factors.

Inventories and provisions for onerous procurement contracts

In the interim reporting period write-downs to net realizable value in the amount of EUR 8.9 mn (01-06/2020: EUR 15.0 mn write-ups) were recognized in profit or loss. The provision for onerous procurement contracts for raw materials totaled EUR 16.6 mn at June 30, 2021 (December 31, 2020: EUR 11.8 mn).

Equity

The share capital and the number of zero par value shares did not change in the interim reporting period. No shares were repurchased. The Managing Board did not utilize the authorizations in place on or up to June 30, 2021 to increase share capital, issue convertible bonds or repurchase treasury shares during the interim reporting period.

No dividend was distributed to the shareholders of Lenzing AG for the 2020 financial year. The Annual General Meeting on June 18, 2020 resolved not to distribute a dividend to the shareholders of Lenzing AG for the 2019 financial year. The proposal to distribute a dividend of EUR 1,00 published in the consolidated financial statements for 2019 was reevaluated due to the COVID-19 crisis.

Deferred and current taxes

Income tax expense for the condensed interim consolidated financial statements is determined based on the best estimate of the average annual income tax rate expected for the full financial year in accordance with IAS 34. In addition, one-off effects which relate to the reporting date as at June 30, 2021 are taken into account, in particular estimates regarding the impairment of loss carryforwards, uncertain tax positions as well as temporary differences arising due to market measurements as at the reporting date. The ratio of effective income tax expense to earnings before tax was disproportionately high in the first half of 2020 as compared to the first half of 2021. This is primarily due to write-downs on deferred tax assets on loss carryforwards (in particular, start-up losses and current losses of foreign locations) and the translation of tax items on temporary differences from local into functional currency (in particular, Indonesia, Brazil and Thailand).

Trade payables

Reverse factoring agreements with suppliers of the Lenzing Group are in place as at June 30, 2021. Trade payables totaling 102.1 mn (December 31, 2020: EUR 54.3 mn) were affected by these agreements.

Note 5. Capital risk management

All capital requirements were satisfied in the interim reporting period. Unused credit facilities in the amount of EUR 737.5 mn were available for possible future financing requirements as at June 30, 2021 (December 31, 2020: EUR 1.03 bn).

Note 6. Disclosures on financial instruments

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities for each class and each IFRS 9 (Financial Instruments) 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. This “no financial instrument” column contains lease liabilities since they represent other financial liabilities which cannot be allocated to any IFRS 9 measurement category.

Carrying amounts, category, fair value and fair value hierarchy of financial instruments

EUR mn

Financial assets as at 30/06/2021	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Debt instruments	Equity instruments	Cash flow hedges	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Originated loans	11.4						**11.4**	11.4	1
Non-current securities		6.5	0.0	36.6			**43.2**	43.2	Level 1
Other equity investments				11.2			**11.2**	11.2	Level 3
Financial assets	**11.4**	**6.5**	**0.0**	**47.9**	**0.0**	**0.0**	**65.8**	**65.8**	
Trade receivables	**298.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**298.7**	**298.7**	1
Derivatives with a positive fair value (cash flow hedges)					2.6		**2.6**	2.6	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		0.5					**0.5**	0.5	Level 2
Other	11.0	4.1				149.5	**164.5**	164.5	Level 3
Other assets (current and non-current)	**11.0**	**4.5**	**0.0**	**0.0**	**2.6**	**149.5**	**167.6**	**167.6**	
Cash and cash equivalents	**764.3**	**299.4**	**0.0**	**0.0**	**0.0**	**0.0**	**1,063.7**	**1,063.7**	1, 2
Total	**1,085.4**	**310.5**	**0.0**	**47.9**	**2.6**	**149.5**	**1,595.9**	**1,595.9**	

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.

Financial liabilities as at 30/06/2021	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	Retained earnings	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Private placements	635.0					**635.0**	636.2	Level 3
Liabilities to banks	1,023.0					**1,023.0**	1,060.9	Level 3
Liabilities to other lenders	61.4					**61.4**	61.5	Level 3
Lease liabilities					62.6	**62.6**	62.6	1
Financial liabilities	**1,719.4**	**0.0**	**0.0**	**0.0**	**62.6**	**1,782.0**	**1,821.2**	
Trade payables	**285.5**	**0.0**	**0.0**	**0.0**	**0.0**	**285.5**	**285.5**	1
Provisions (current)	**0.0**	**0.0**	**0.0**	**0.0**	**30.9**	**30.9**	**30.9**	1
Puttable non-controlling interests	0.0	0.0	0.0	164.4	0.0	**164.4**	164.4	Level 3
Derivatives with a negative fair value (cash flow hedges)			16.4			**16.4**	16.4	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		3.7				**3.7**	3.7	Level 2
Derivatives with a negative fair value (fair value hedges)			8.2			**8.2**	8.2	Level 3
Other	39.6				97.5	**137.0**	137.0	1
Other liabilities (current and non-current)	**39.6**	**3.7**	**24.6**	**0.0**	**97.5**	**165.3**	**165.3**	
Total	**2,044.5**	**3.7**	**24.6**	**164.4**	**190.9**	**2,428.1**	**2,467.3**	

1) The carrying amount approximates fair value.

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

EUR mn

Financial assets as at 31/12/2020	Carrying amount: At amortized cost	Carrying amount: At fair value through profit or loss	At fair value through other comprehensive income: Debt instruments	At fair value through other comprehensive income: Equity instruments	At fair value through other comprehensive income: Cash flow hedges	No financial instrument	Total	Fair value: Fair value	Fair value: Fair value hierarchy
Originated loans	11.6						**11.6**	11.6	1
Non-current securities		0.8	3.7	11.8			**16.4**	16.4	Level 1
Other equity investments				12.9			**12.9**	12.9	Level 3
Financial assets	**11.6**	**0.8**	**3.7**	**24.8**	**0.0**	**0.0**	**40.9**	**40.9**	
Trade receivables	**249.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**249.7**	**249.7**	1
Derivatives with a positive fair value (cash flow hedges)					11.3		**11.3**	11.3	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		1.8					**1.8**	1.8	Level 2
Other	17.1	4.1				136.9	**158.1**	158.1	Level 3
Other assets (current and non-current)	**17.1**	**5.9**	**0.0**	**0.0**	**11.3**	**136.9**	**171.3**	**171.3**	
Cash and cash equivalents	**1,070.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,070.0**	**1,070.0**	1
Total	**1,348.3**	**6.7**	**3.7**	**24.8**	**11.3**	**136.9**	**1,531.8**	**1,531.8**	

Financial liabilities as at 31/12/2020	Carrying amount: At amortized cost	Carrying amount: 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: Fair value hierarchy
Private placements	689.1					**689.1**	690.4	Level 3
Liabilities to banks	733.2					**733.2**	745.8	Level 3
Liabilities to other lenders	69.3					**69.3**	70.2	Level 3
Lease liabilities					**60.9**	**60.9**	60.9	1
Financial liabilities	**1,491.6**	**0.0**	**0.0**	**0.0**	**60.9**	**1,552.5**	**1,567.3**	
Trade payables	**195.2**	**0.0**	**0.0**	**0.0**	**0.0**	**195.2**	**195.2**	1
Provisions (current)	**0.0**	**0.0**	**0.0**	**0.0**	**25.7**	**25.7**	**25.7**	1
Puttable non-controlling interests	**0.0**	**0.0**	**0.0**	**140.3**	**0.0**	**140.3**	**140.3**	**Level 3**
Derivatives with a negative fair value (cash flow hedges)			61.4			**61.4**	61.4	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		1.4				**1.4**	1.4	Level 2
Derivatives with a negative fair value (fair value hedges)			5.5			**5.5**	5.5	Level 3
Other	30.5				69.8	**100.4**	100.4	1
Other liabilities (current and non-current)	**30.5**	**1.4**	**66.9**	**0.0**	**69.8**	**168.6**	**168.6**	
Total	**1,717.4**	**1.4**	**66.9**	**140.3**	**156.4**	**2,082.3**	**2,097.2**	

1) The carrying amount approximates fair value.

Depending on the classification/measurement category, financial instruments are subsequently measured at (amortized) cost or fair value. The Lenzing Group uses the following measurement categories: “at amortized cost”, “at fair value through profit or loss” and “at fair value through other comprehensive income”. The measurement category “at fair value through profit or loss” is solely used for financial assets that are mandatorily measured at fair value.

Cash and cash equivalents includes money market funds of EUR 299.4 mn (December 31, 2020: EUR 0.0 mn). When assessing the allocation of money market funds to cash equivalents, it is examined whether the fund meets the definition of cash equivalents. In particular, Lenzing AG determines whether regular and early redemption is possible and whether the credit risk and interest rate risk are low. Regarding credit risk, the credit standing of the fund itself and the instruments it contains are examined. The interest rate risk is analyzed in particular based on the Weighted Average Maturity (WAM) of the fund. 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. It is categorized in level 1 of the fair value hierarchy.

In the first half of 2021 equity instruments from other equity investments measured at fair value through other comprehensive income (level 3) were reclassified to non-current securities (level1). The reclassification is due to the initial public offering of the company Spinnova OY, Jyväskylä, Finland, on June 24, 2021. The existing stake in the company held by Lenzing AG was converted into shares. As a result of the issue of new shares the previously held share of 6.8 percent was diluted and now amounts to 4.67 percent. The securities are measured at fair value and the option of recognition through other comprehensive income was used. This leads to an adjustment of the carrying amount of EUR 24.0 mn.

In the first half of 2021, cash flow hedges were concluded to hedge the currency risk related to the highly probably acquisition of additional shares in a subsidiary. With the recognition of the forward foreign exchange contracts, the amounts of the value changes, which were initially recognized in OCI, are reclassified to the foreign currency translation reserve. As at June 30, 2021, EUR 0.0 mn (December 31, 2020: EUR 24.0 mn) were reclassified to the foreign currency translation reserve.

The Lenzing Group accounts for reclassifications in the fair value hierarchy at the end of the reporting period in which the changes occur. There were no transfers between the levels of the fair value hierarchy for the financial instruments in the financial year.

The measurement of financial instruments is monitored and reviewed by the Lenzing Group. The necessary market data are validated based on the four-eyes principle.

In light of the varying influencing factors, the fair values presented can only be considered indicators of the values that could actually be realized on the market.

The fair value of purchased bonds is derived from the respective current market prices and fluctuates, in particular, with changes in market interest rates and the credit standing of the issuers. The fair value of shares is derived from the current stock exchange prices. These securities are assigned to the category “at fair value through other comprehensive income”.

The fair value of investment funds is derived from the latest calculated value. These securities are assigned to the category “at fair value through profit or loss”.

The measurement of equity investments including derivatives designated as a hedge (fair value hedge) is classified “at fair value through other comprehensive income”. The fair value is determined on the basis of a market approach and is to be categorized in level 3 of the fair value hierarchy. The measurement model is based on market multiples derived from listed benchmark companies and adjusted for a discount of 25 percent for the size and marketability of the equity investments. The determined fair value of the equity investment would increase (decrease) in particular if the planned EBITDA or the market multiple increased (decreased). The determined fair value would increase (decrease) if the discount on the market multiple decreased (increased). The determined fair value of the derivative has an inverse correlation to the abovementioned parameters. The adjusted market multiples amount to roughly 9.8 and 5.9 as at June 30, 2021 (December 31, 2020: 7.8 and 10.1).

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 and related derivatives **EUR mn**

2021	**Equity investments**	**Derivatives with a negative fair value (fair value hedges)**
As at 01/01	12.9	5.5
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	(1.2)	(1.6)
Transfer to Level 1	(0.5)	0.0
As at 30/06	**11.2**	**4.0**

Reconciliation of level 3 fair values of equity investments and related derivatives EUR mn

2020	Equity investments	Derivatives with a negative fair value (fair value hedges)
As at 01/01	11.5	(3.0)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	(0.3)	1.0
As at 30/06	**11.2**	**(2.0)**

A change in key input factors which cannot be observed on the market would have the following effects on the measurement of the equity instruments and the associated derivatives:

Sensitivity analysis of level 3 input factors for equity investments and related derivatives as at 30/06/2021 EUR mn

	Other comprehensive income (net of tax)					
	Increase			Decrease		
	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total
EBITDA (+/- 5%)	0.7	(0.2)	0.5	(0.7)	2.0	1.3
Market multiple (+/- 1)	1.3	(1.2)	0.1	(1.3)	0.8	(0.6)
Change discount to market multiple (+/- 10%)	(0.5)	0.3	(0.1)	0.5	(0.4)	0.1

Sensitivity analysis of level 3 input factors for equity investments and related derivatives as at 30/06/2020 (previous year) EUR mn

	Other comprehensive income (net of tax)					
	Increase			Decrease		
	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total
EBITDA (+/- 5%)	0.7	(0.1)	0.6	(0.7)	0.1	(0.6)
Market multiple (+/- 1)	1.4	(1.4)	0.0	(1.4)	1.4	0.0
Change discount to market multiple (+/- 10%)	(0.4)	0.4	0.0	0.4	(0.4)	0.0

The sensitivities are determined by conducting the measurements again using the changed parameters.

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 for example two years earlier.

Reconciliation of level 3 fair values of other financial assets EUR mn

	2021	2020
As at 01/01	4.1	4.1
Gain/loss included in financial result	0.0	0.0
Repayment	0.0	0.0
As at 30/06	**4.1**	**4.1**

A change in key input factors which cannot be observed on the market would have immaterial effects on other financial assets.

Bad debt provisions of EUR 0.1 mn (01-06/2020: EUR 1.2 mn) were recognized through profit or loss in the reporting period.

The Duratex-Group has a put option to sell its shares in LD Celulose S.A., Sao Paulo, Brazil, 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 estimated future cash flows less net debt at the measurement date and including the present value of property plant and equipment as well as of working capital at the end of the contractually defined planning period of 30 years. The budget approved by the Managing and Supervisory Boards and the medium-term plans are the starting point for the cash flow projections. The detailed planning period of 5 years is followed by an extended extrapolation period based on the long-term business plan for LD Celulose S.A. and a sustainable long-term growth rate of 1.3 percent (December 31, 2020: 0.9 percent). 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 8.7 percent (December 31, 2020: 8.0 percent) was used on 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.

The determined fair value would increase (decrease) if the operating margin or the growth rate increased (decreased). The determined fair value would decrease (increase) if the after-tax WACC increased (decreased).

Development of level 3 fair values of puttable non-controlling interest EUR mn

	2021	2020
As at 01/01	140.3	0.0
Addition due to change in shareholding interest recognised directly in equity	0.0	89.4
Measurement of puttable non-controlling interest recognized directly in equity	24.1	(24.3)
As at 30/06	**164.4**	**65.0**

A change in key input factors which cannot be observed on the market 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 as at 30/06/2021 EUR mn

	Measurement of puttable non-controlling interest recognized directly in equity	
Puttable non-controlling interests	**Increase**	**Decrease**
Operating margin (+/- 1%)	4.3	(4.3)
Discount rate (WACC) after tax (+/- 0.25%)	(13.9)	14.5
Growth rate (+/- 0.1%)	2.9	(2.8)

Sensitivity analysis of level 3 input factors for puttable non-controlling interest as at 30/06/2020 EUR mn

	Measurement of puttable non-controlling interest recognized directly in equity	
Puttable non-controlling interests	**Increase**	**Decrease**
Operating margin (+/- 1%)	5.2	(5.2)
Discount rate (WACC) after tax (+/- 0.25%)	(17.0)	17.7
Growth rate (+/- 0.1%)	0.1	(0.1)

The sensitivities are determined by conducting the measurements again using the changed parameters.

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.

Compared with the information of the latest Annual Financial Report as at December 31, 2020, there were no changes that had a material impact on the half-year financial statements with regard to hedging currency risk arising from the operating business and hedging cross-currency interest rate risks arising from private placements in foreign currencies. A detailed explanation is provided in the Annual Financial Report of the Lenzing Group as at December 31, 2020 (see note 37 there).

Derivatives are measured at fair value. Their fair value corresponds to the applicable market value, if available, or is calculated using standard methods based on the market data available at the measurement date (in particular exchange rates and interest rates). Currency and commodity forwards are measured at the respective forward rate or price at the reporting date. These forward rates or prices are based on the spot rates or prices and include forward premiums and discounts. The Group's own models are used to estimate the measurement. The measurement of derivatives also includes the counterparty risk (credit risk/counterparty risk/non-performance risk) in the form of discounts to the fair value that would be used by a market participant for pricing.

Disclosures on Related Parties and Executive Bodies

Note 7. Related party disclosures

Contractual obligations resulted in the payment or advance payment of tax allocations totaling EUR 3.8 mn to the head of the tax group in the interim reporting period (01-06/2020: EUR 7.5 mn). Moreover, the receivable recognized as at December 31, 2020 for the tax allocation to the head of the tax group was essentially adjusted as at June 30, 2021 for the estimated income tax expense based on the results for the interim reporting period.

The extent of material transactions and the amounts of outstanding balances with companies accounted for using the equity method and their material subsidiaries were as follows:

Relationships with companies accounted for using the equity method and their material subsidiaries — **EUR mn**

	01-06/2021	01-06/2020
Goods and services provided and other income	27.0	25.1
Goods and services received and other expenses	0.4	0.3
	30/06/2021	**31/12/2020**
Receivables	13.5	11.0
Liabilities	20.2	24.1

Note 8. Executive bodies

Markus Fürst and Thomas Cord Prinzhorn were elected to the Supervisory Board at the Annual General Meeting on April 14, 2021. Veit Sorger retired from the Supervisory Board at his own request. At the subsequent constituent meeting of the Supervisory Board, Peter Edelmann was re-elected Chairman of the Supervisory Board; Patrick Prügger was elected First Deputy Chairman and Stefan Fida Second Deputy Chairman of the Supervisory Board of Lenzing AG.

Otherwise the composition of the Managing Board and the Supervisory Board has not changed in comparison with December 31, 2020.

Other Disclosures

Note 9. Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

The Lenzing Group has entered into contingent liabilities of EUR 4.9 mn (December 31, 2020: EUR 5.5 mn), above all to secure claims related to the sale of certain equity investments and claims by suppliers, for possible default of payment on sold receivables and for claims by third parties outside the Group. Less important contingencies 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 in connection with obligations and liabilities relating to the claims of certain sold equity investments.

The Lenzing Group provides committed credit lines of EUR 5.2 mn (December 31, 2020: EUR 6.6 mn) to third parties. These credit lines were not in use as at June 30, 2021.

Bank guarantees of EUR 58.0 mn (December 31, 2020: EUR 56.0 mn) are in place for future equity injections of Lenzing AG for LD Celulose S.A. from 2021 to 2022. These bank guarantees were not drawn as at June 30, 2021.

The obligations from outstanding orders for intangible assets and property, plant and equipment amounted to EUR 316.4 mn as at June 30, 2021 (December 31, 2020: EUR 354.4 mn). The Lenzing Group has long-term purchase obligations related to raw material supplies, in particular for wood, chemicals and energy.

Lenzing, August 2, 2021
Lenzing Aktiengesellschaft

The Managing Board

Stefan Doboczky
Chairman of the Managing Board

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

Note 10. 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 June 30, 2021 which would have resulted in a different presentation of its financial position and financial performance.

Declaration of the Managing Board

Declaration of the Managing Board according to Section 125 Para 1 No. 3 of the Stock Exchange Act

We confirm to the best of our knowledge that the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Lenzing, August 2, 2021
Lenzing Aktiengesellschaft

The Managing Board

Stefan Doboczky
Chairman of the Managing Board

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Lenzing Aktiengesellschaft, Lenzing, for the period from January 1, 2021 to June 30, 2021. These condensed interim consolidated financial statements comprise the condensed consolidated statement of financial position as of June 30, 2021 and the condensed consolidated income statement, condensed (consolidated) statement of comprehensive income, the condensed consolidated statements of cash flows and condensed consolidated statement of changes in equity for the period from January 1, 2021 to June 30, 2021 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on this interim financial information based on our review. Our liability towards the Company and towards third parties is limited in accordance with § 275 par. 2 of the Austrian Commercial Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and with the International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the consolidated interim management report for the 6 month period ended June 30, 2021 and on management's statement in accordance with § 125 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 125 par. 1 subpar. 3 Austrian Stock Exchange Act.

KPMG

Linz, August 2, 2021

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Gabriele Lehner

Austrian Chartered Accountant

Note: The condensed interim consolidated financial statements together with our review report may be published or transmitted only as agreed by us. This report is a translation of the original report in German, which is solely valid.

Financial Glossary

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.

CAPEX
Capital expenditures; i.e. acquisition of intangible assets, property, plant and equipment and biological assets as per statement of cash flows.

Earnings per share
The share of net profit/loss for the year (/the period) 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).

EBIT (earnings before interest and tax)
Earnings before interest and tax, or operating result; the precise derivation can be found in the consolidated income statement.

EBIT margin
EBIT as a percent of revenue; represents the return on sales (ROS).

EBITDA (earnings before interest, tax, depreciation and amortization)
Operating result before interest, tax, depreciation on property, plant and equipment and right-of-use assets and amortization of intangible assets and before income from the release of investment grants.

EBITDA margin
EBITDA as a percent of revenue.

EBT (earnings before tax)
Profit/loss for the year (/the period) 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.

Free cash flow
Cash flow from operating activities less cash flow from investing activities and net cash inflows 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 and the sale of investments accounted for using the equity method. Free cash flow corresponds to the readily available cash flow.

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.

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.

Liquid assets
Cash and cash equivalents plus liquid securities and liquid bills of exchange.

Liquid funds
Cash and cash equivalents plus current securities.

Market capitalization
Weighted average number of shares multiplied by the share price as at the reporting date.

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 gearing
Net financial debt as a percent of adjusted equity.

Net profit/loss for the year (/the period)
Profit/loss after tax; net profit/loss. The precise derivation can be found in the consolidated income statement.

Post-employment benefits
Provisions for pensions and severance payments.

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.

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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