Lenzing
Innovative by nature

www.lenzing.com

Stand up for future generations

#alettertoachild

Annual Report 2020

Lenzing Group

Highlights 2020

January

- Lenzing launches sustainable reforestation project in Albania

February

- Second pilot plant for TENCEL™ Luxe filament yarn put into operation
- Lenzing and TENCEL™ shine at the Oscar ceremony 2020

March

- Results 2019: Lenzing solid in a historically difficult market environment
- "Stand up! Against Business as Usual": Lenzing presents Sustainability Report for 2019
- Stephan Sielaff new member of the Lenzing Managing Board

April

May

- Results Q1: Lenzing's performance holds up well in a historically difficult market environment

June

- Financing for the construction of the dissolving wood pulp plant in Brazil secured: IFC, IDB, Finnvera and seven commercial banks participate in financing LD Celulose
- Annual General Meeting resolves on new appointment to the Supervisory Board and no dividend for 2019
- Christian Skilich new member of the Lenzing Managing Board

July

- Lenzing once again achieves gold status in the sustainability rating of EcoVadis

August

- Results H1: COVID-19 impacts revenue and earnings of the Lenzing Group
- Climate-conscious and customer-oriented: Lenzing sends first complete train with TENCEL™ branded fibers from Vienna to China

September

- ISS ESG raises Lenzing's sustainability rating again
- "True Carbon Zero": first TENCEL™ branded climate-neutral fibers launched
- Hof University of Applied Sciences and Lenzing start up new Nonwoven Development Center
- Lenzing is founding partner of the Renewable Carbon Initiative

October

- Lenzing wins Austrian State Prize for Innovation with sustainable nonwoven technology

November

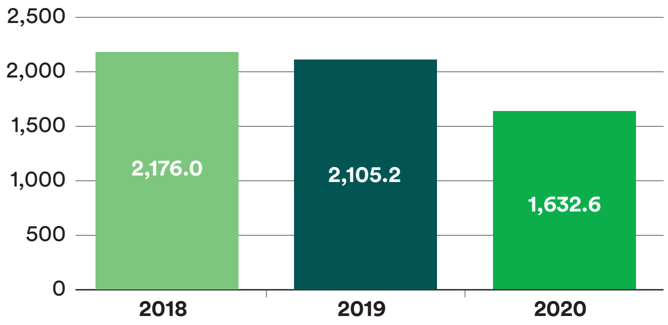
- Results Q3: Lenzing reports improved results and remains strategically on course
- Hot Button Report: Lenzing achieves highest category in the Canopy ranking for the first time
- New level of transparency in the textile industry: Lenzing introduces blockchain platform
- Lenzing successfully issues EUR 500 mn hybrid bond

December

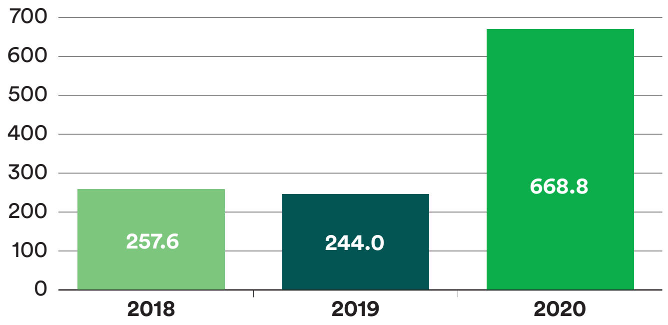
- Sustainability champion: Lenzing secures two places on the "A-List" of CDP

Overview of the Lenzing Group

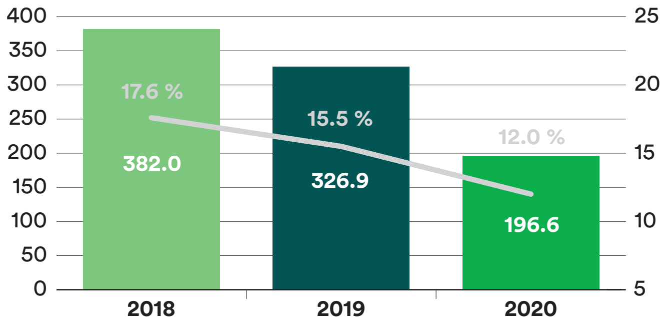
Revenue in EUR mn



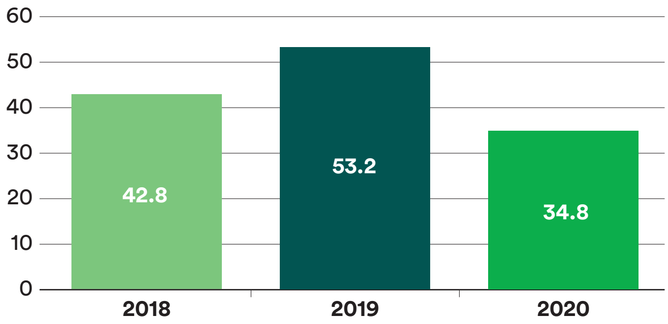
Investments (CAPEX) in EUR mn



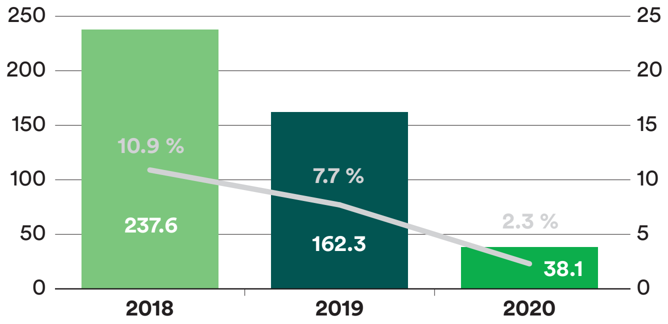
EBITDA in EUR mn **EBITDA margin** in %



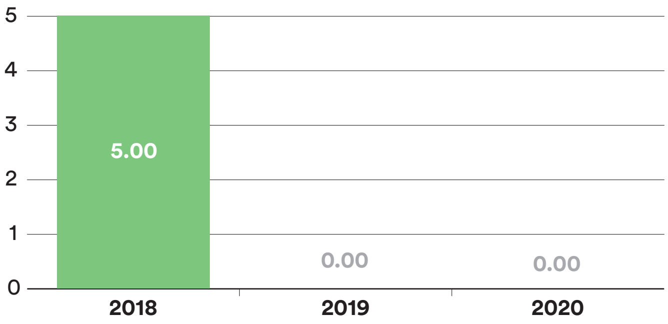
R&D Expenditures (acc. to the Frascati method) in EUR mn



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



Dividend per share in EUR



The Lenzing Group stands for ecologically responsible production of specialty fibers made from the renewable raw material wood. As an innovation leader, Lenzing is a partner of global textile and nonwoven manufacturers and drives many new technological developments. The Lenzing Group's high-quality fibers form the basis for a variety of textile applications ranging from elegant ladies clothing to versatile denims and high-performance sports clothing. Due to their consistent high quality, their biodegradability and compostability Lenzing fibers are also highly suitable for hygiene products and agricultural applications.

The business model of the Lenzing Group goes far beyond that of a traditional fiber producer. Together with its customers and partners, Lenzing develops innovative products along the value chain, creating added value for consumers. The Lenzing Group strives for the efficient utilization and processing of all raw materials and offers solutions to help redirect the textile sector towards a closed-loop economy. In order to reduce the speed of global warming and to accomplish the targets of the Paris Climate Agreement and the "Green Deal" of the EU Commission, Lenzing has a clear vision: namely to make a zero-carbon future come true.

Selected indicators of the Lenzing Group

Key earnings and profitability figures

EUR mn	2020	2019	Change
Revenue	1,632.6	2,105.2	(22.4)%
EBITDA (earnings before interest, tax, depreciation and amortization)	196.6	326.9	(39.9)%
EBITDA margin	12.0%	15.5%	
EBIT (earnings before interest and tax)	38.1	162.3	(76.5)%
EBIT margin	2.3%	7.7%	
EBT (earnings before tax)	22.3	163.8	(86.4)%
Net profit/loss for the year	(10.6)	114.9	n/a
Earnings per share in EUR	0.24	4.63	(94.9)%
ROCE (return on capital employed)	(0.6)%	5.3%	
ROE (return on equity)	1.3%	10.5%	
ROI (return on investment)	1.0%	5.6%	

Key cash flow figures

EUR mn	2020	2019	Change
Gross cash flow	126.8	294.0	(56.9)%
Cash flow from operating activities	48.9	244.6	(80.0)%
Free cash flow	(614.8)	0.8	n/a
CAPEX	668.8	244.0	174.1%
Liquid assets as at 31/12	1,081.1	581.0	86.1%
Unused credit facilities as at 31/12	1,031.4	266.6	286.9%

Key balance sheet figures

EUR mn as at 31/12	2020	2019	Change
Total assets	4,163.0	3,121.1	33.4%
Adjusted equity	1,907.0	1,559.3	22.3%
Adjusted equity ratio	45.8%	50.0%	
Net financial debt	471.4	400.6	17.7%
Net financial debt/EBITDA	2.4	1.2	95.7%
Net debt	575.0	511.4	12.5%
Net gearing	24.7%	25.7%	
Trading working capital	383.8	403.5	(4.9)%
Trading working capital to annualized group revenue	21.9%	20.7%	

Key stock market figures

EUR	2020	2019	Change
Market capitalization in mn as at 31/12	2,198.3	2,198.3	0.0%
Share price as at 31/12	82.80	82.80	0.0%
Dividend per share	0.00	0.00[1]	0.0%

Employees

	2020	2019	Change
Number (headcount) as at 31/12	7,358	7,036	4.6%

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

The above financial indicators are derived primarily from the IFRS consolidated financial statements of the Lenzing Group. Additional details are provided in the section "Notes on the financial performance indicators of the Lenzing Group", in the glossary to the Annual Report and in the consolidated financial statements of the Lenzing Group. Rounding differences can occur in the presentation of rounded amounts and percentage rates.

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.

Content


Dear Haasini Grace, my little Wonder
You have been teaching me a lot and we grow up with you every day as you explore, uncover and point out to us so many things with your curious nature and fresh perspective.
I was wondering what future we may offer you. You may wonder why your dad was wondering about these

Introduction by the Chief Executive Officer

Ladies and Gentlemen,

2020 was largely dominated by the COVID-19 pandemic, also at Lenzing. The lockdown measures in virtually all markets had a very negative impact on the entire textile and apparel industry in the first three quarters. Lenzing responded quickly and with determination to the increased pressure on prices and volume. The measures implemented to cut costs and improve efficiency had a positive impact and reduced the effect on the development of revenue. The recovery of the fiber market, which started in the second half of 2020, ultimately led to a significant improvement in earnings in the last months of the year. Lenzing recorded revenue of EUR 1.63 bn and EBITDA of EUR 196.6 mn in the 2020 financial year.

Strategically, we are still fully on track, regardless of the immediate effects of the pandemic. The implementation of the key projects in Thailand and Brazil is progressing according to plan. In Brazil, we are currently building the world's largest dissolving wood pulp plant of its kind. The expected construction costs for this mega project amount to USD 1.38 bn. The conclusion of the financing contracts as planned in the second quarter was an important milestone for us. The plant is scheduled to start operation in the first half of 2022.

In Thailand, the world's largest production facility for lyocell fibers is currently being built. The investment for the new plant with an annual capacity of 100,000 tons amounts to roughly EUR 400 mn. Construction work started in the second half of 2019 and made fast progress during the reporting period. Production is expected to be launched at the end of 2021.

The significant investments in Thailand and Brazil will support us not only along our transformation towards

> "We are also pleased that the general public is becoming increasingly aware of our sustainable achievements."
>
> Stefan Doboczky

becoming a supplier of eco-friendly specialty fibers but also in implementing our ambitious climate targets, thus further increasing our company value. Thanks to its excellent infrastructure, the location in Thailand can be supplied with sustainable biogenic energy. In addition, the plant in Brazil will feed more than 50 percent of the electricity generated into the public grid as renewable energy.

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 will thus contribute to reducing the speed of global warming and to accomplishing the targets of the Paris climate agreement and the "Green Deal" of the EU Commission. With our corporate priorities, particularly in relation to our climate targets, we are consistently pursuing a major goal, which we sum up with our new vision: We make a zero-carbon future come true.

The introduction of the first TENCEL™ branded CarbonNeutral® fibers and the establishment of the Renewable Carbon Initiative with the aim of speeding up the transition to renewable carbon are another two important milestones from the reporting period, which serve as examples of the responsible path that Lenzing and its partners are taking towards climate neutrality.

We are also pleased that the general public is becoming increasingly aware of our sustainable achievements and our transparent communication. In 2020, Lenzing underwent an assessment by the non-profit environmental organization CDP and was the only first-time discloser to score two places on the "A List" in the categories climate and forest. ISS ESG, one of the most recognized rating agencies in the field of sustainability, raised the Lenzing Group's sustainability rating from "C+" to "B-", the highest rating in the category "Paper & Forest Products" positioning the Lenzing Group among the top 10 percent of rated companies. The "Prime Status" of the Lenzing Group has also been confirmed. This success and many others in 2020 are a great recognition of our work.

The successful issuance of a hybrid bond of EUR 500 mn in November 2020 is further evidence of the capital market's great confidence in our company and strengthens our solid balance sheet. The bond was oversubscribed multiple times, has a perpetual tenor and an annual coupon of 5.75 percent.

The business development in 2020 clearly demonstrates how crisis-proof Lenzing has become. Lenzing will continue to implement its strategy focusing on profitable, organic specialty fiber growth with great discipline in 2021 to be even more resistant to volatile markets in the long term and to strengthen its position as a leading supplier of specialty fibers. The market environment will remain difficult in the coming quarters and continue to impact the earnings situation. The circumstances of our direct customers remain challenging and we will continue to collaborate very closely with them to support them in the best possible way.

Strategically, we are excellently positioned and we are convinced that we will continue to successfully overcome these challenges. On behalf of the Lenzing Managing Board, I would like to thank all employees for their exceptional commitment during the COVID-19 crisis, which involved a high level of flexibility, solidarity and cost discipline. I would also like to extend special thanks to all customers, partners and shareholders for the trust they have placed in us.

Sincerely yours,

Stefan Doboczky

Report of the Supervisory Board

To the 77th Annual General Meeting

Dear Shareholders,

The 2020 financial year was an extremely challenging year for Lenzing AG, its employees, customers and all stakeholders, which, considering the circumstances, showed a positive development despite the difficult environment. Starting with very low prices for standard viscose at the beginning of the year, demand on the global fiber markets rapidly deteriorated from the first quarter of 2020 onwards due to the impact of COVID-19. As a result, the prices for standard viscose fell to a historic low in August 2020, while sales volume declined at the same time in the textile segment.

Although the market climate was impacted by COVID-19, Lenzing AG continued to secure its earnings power and competitiveness in the 2020 financial year with a focused strategic orientation based on the sCore TEN strategy and the consistent implementation of extensive efficiency and cost optimization programs, while at the same time further advancing the implementation of the two major projects in Thailand and in Brazil. Furthermore, Lenzing AG secured a double "A" score as a first-time discloser from the global non-profit environmental organization CDP based on its long-term sustainability strategy, thus underlining its leadership in sustainability within the textile value chain.

In addition to supporting the Managing Board in the difficult market environment caused by COVID-19, the activities of the Supervisory Board focused on the continuous consulting and control regarding the disciplined implementation of the two major projects in Thailand and Brazil, which are both on budget and on schedule.

After the Managing Board was restructured in 2020 with the new members Stephan Sielaff (CTO) and Christian Skilich (responsible for "Wood & Pulp"), an organizational change was successfully implemented with the establishment of two independent business units for "Fibers" and "Wood & Pulp". Both the restructuring of the Managing Board team and the new organization will ensure that Lenzing AG lives up to the future importance of the pulp for the further strategic development, enabling it to respond even more rapidly to market opportunities in the fiber business in the future.

The Supervisory Board fulfilled the monitoring obligations defined by law, the articles of association and rules of procedure in connection with these activities. It was involved in the fundamental decisions on a timely basis and provided professional advice for the Managing Board. The Managing Board, in turn, submitted regular detailed reports to the Supervisory Board on the financial position and performance of Lenzing AG and the Lenzing Group. In addition, the Managing Board also

reported to the Chairman of the Supervisory Board outside the framework of scheduled meetings on the development of business, the position of the company and major transactions. Individual issues were handled in depth by the committees established by the Supervisory Board, which then reported to the full Supervisory Board on their activities. Against the backdrop of the effects of COVID-19, the majority of the meetings were held virtually via video conference in the 2020 financial year.

Supervisory Board meetings

The Supervisory Board of Lenzing AG met eight times during the 2020 financial year, where the Managing Board reported on the development of business as well as major transactions and measures. The work of the Managing Board was also monitored, and the Supervisory Board offered its professional advice on major strategic issues. In addition, an in-depth meeting was held on the sustainability strategy. In view of the impact of COVID-19, the exchange with the Managing Board was further intensified and steps to mitigate the COVID-19 risks for the business of Lenzing AG were continuously taken in close coordination with the Managing Board and evaluated on an ongoing basis. The meetings concentrated, above all, on the following topics: the development of the business climate, the strategic development of the Lenzing Group including an update of the sCore TEN strategy and its targets, the sustainability strategy and ESG topics, research and development focal points, digitalization, staff-related issues, financing measures as well as the discussion and approval of the budget for the 2021 financial year. With regard to financing measures, one of the Supervisory Board's main focus areas was to provide the Managing Board with support and advice in the course of issuing a EUR 500 mn hybrid bond in November 2020 to further strengthen and diversify the capital structure. In addition, the remuneration policy was adopted and decisions regarding current and planned investment projects to continuously improve competitiveness were made. The Supervisory Board also addressed the efficiency of its own working procedures.

The Annual General Meeting on June 18, 2020 elected Melody Harris-Jensbach to the Supervisory Board. Patrick Prügger and Franz Gasselsberger were re-elected to the Supervisory Board. Felix Fremerey resigned from the Supervisory Board on June 18, 2020. We would like to thank Felix Fremerey for his commitment and his constructive work.

Report of the Supervisory Board

Committee meetings

The Remuneration Committee established by the Supervisory Board met three times during the reporting year and dealt primarily with the evaluation of performance and definition of goals for the Managing Board members as well as general remuneration topics related to the Managing Board. Moreover, the Remuneration Committee worked on developing the remuneration policy of Lenzing AG.

The Nomination Committee met twice in 2020. The meetings focused, in particular, on personnel development measures and succession planning issues. It discussed election proposals to the Supervisory Board and presented the corresponding proposals for resolution.

The Strategy Committee met twice in 2020. Discussions with the Managing Board covered the further development of the sCore TEN corporate strategy, the sustainability strategy and an update of the derived strategic approach and investments at these meetings. In addition, updates on individual product strategies, the quality strategy as well as continuous programs to increase efficiency and reduce costs were discussed with the Managing Board at these meetings. The results were subsequently discussed with the full Supervisory Board.

The Audit Committee met three times in 2020. Representatives of the auditor also participated in the meetings in order to report on their auditing activities. Specific accounting topics were also discussed in the presence of the auditor. In addition to reviewing and preparing the separate and consolidated financial statements, the committee also addressed the additional tasks in accordance with Section 92 Para. 4a of the Austrian Stock Corporation Act and focused, in particular, on critically examining and monitoring the functioning and effectiveness of the internal control, audit and risk management systems. The results were subsequently discussed with the full Supervisory Board.

The Committee for Large CAPEX Projects established by the Supervisory Board met five times in 2020 and dealt with the ongoing support, consulting and control of the two large projects for construction of a lyocell fiber plant in Thailand and the construction of a dissolving wood pulp plant in Brazil.

The Strategy Committee for Financing Matters met three times in 2020 and dealt with decisions regarding key financing topics with respect to the simultaneous implementation of the major strategic projects initiated. The committee meetings focused in particular on supporting and advising the Managing Board in concluding the financing package of approximately USD 1.15 bn in connection with the construction of the dissolving wood pulp plant in Brazil in June 2020.

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

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

The separate financial statements of Lenzing AG, together with the management report, and the consolidated financial statements of the Lenzing Group, together with the Group management report, including the non-financial statement in accordance with Section 245a of the Austrian Commercial Code as at December 31, 2020 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and granted an unqualified opinion. The Corporate Governance Report was evaluated by PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz, which concluded that the statement by Lenzing AG on its compliance with the Austrian Code of Corporate Governance (January 2018) provides a true representation of the actual situation.

The Audit Committee of the Supervisory Board reviewed the separate and consolidated financial statements, the management report and Group management report, the Managing Board's recommendation for the use of accumulated profit and the Corporate Governance Report. The results of this review were subsequently discussed with the auditor in detail. The Audit Committee agreed with the results of the auditor's report based on its review and reported to the Supervisory Board on this matter as required. The committee also recommended that the Supervisory Board submit a proposal to the Annual General Meeting, calling for the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor for the 2021 financial year.

The Supervisory Board formally approved the management report and Corporate Governance Report after its review and adopted the separate annual financial statements for 2020 in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act. Furthermore, the Supervisory Board stated its approval of the consolidated financial statements and Group management report in accordance with Sections 244 and 245a of the Austrian Commercial Code. In accordance with Section 96 Para. 1 and 2 of the Austrian Stock Corporation Act, the Supervisory Board reported that a separate non-financial report (Sustainability Report) was prepared and audited. The Supervisory Board agrees with the Managing Board's proposal for the use of accumulated profit. The Supervisory Board agrees with the recommendation by the Audit Committee and will therefore submit a proposal to the 77th Annual General Meeting for the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the annual financial statements for the 2021 financial year.

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

> "Lenzing continued to secure its earnings power and competitiveness in the 2020 financial year, while at the same time further advancing the construction of the two major projects."
>
> Peter Edelmann

Thanks and acknowledgement

The Supervisory Board extends its thanks and acknowledgement to the Managing Board and all employees of Lenzing AG for their outstanding commitment. Thanks to everyone's personal dedication, Lenzing AG was able to overcome the particular challenges caused by COVID-19 and to continue implementing the sCore TEN strategy with undiminished strength. Special thanks also go out to the customers, shareholders, suppliers and business partners of Lenzing for their trust.

Vienna, March 08, 2021

Peter Edelmann
Chairman of the Supervisory Board

Stand up for future generations

To the generation of my children:

We are committed to the generation of our children. Committed to offering them an environment where they will find all the opportunities we also had. Committed to creating an environment that is livable, in every corner of the world, and where they will receive the necessary education and gain experience to later take over responsibility for this beautiful and unique planet from us. To accomplish this it is essential to meet the climate targets. In this effort, every individual and every company must have the courage to break with convention.

Stefan Doboczky
Chief Executive Officer

Interview with the Managing Board

Stefan Doboczky, Chief Executive Officer of the Lenzing Group and Chief Financial Officer Thomas Obendrauf as well as Managing Board members Robert van de Kerkhof, Stephan Sielaff and Christian Skilich talk about current business developments and Lenzing's contribution to overcoming the great challenges of today and tomorrow.

The COVID-19 pandemic and the restrictions imposed on large parts of public and economic life have pushed the global economy into a deep recession. The crisis had a very negative impact on the entire textile and apparel industry and therefore also on the global fiber market. The price for standard viscose temporarily fell as low as RMB 8,300 per ton. How did Lenzing deal with this unprecedented situation?

Stefan Doboczky: In the USA and major European markets, revenues in brick-and-mortar stores partly dropped by more than 80 percent. Lenzing responded quickly to the increased price and volume pressure and introduced comprehensive measures. Our measures focused on the health of our employees and partners and on ensuring our sustainable development. Over the past months, we saw a broad recovery on the fiber market. In particular, demand for our sustainably produced specialty fibers has increased significantly.

Thomas Obendrauf: In order to reduce the effect of fiber prices and demand for fibers, which had come under pressure, we intensified the measures for structural earnings improvements and were consequently able to reduce our operating costs significantly. Personnel expenses declined due to a hiring stop and utilization of the short-time work model at the Austrian locations. Moreover, other operating expenses also decreased substantially thanks to targeted measures such as a reduction of marketing and consulting expenses as well as other discretionary expenses.

Thomas Obendrauf
Chief Financial Officer

Dear Sara,

If this pandemic has taught us anything, it's that the future is hard to predict. Yet, rest assured, the things that matter will find new paths. Even if your studies at university are currently not what you expected, it will be worth it. But new ways have been found – be it online libraries or Zoom supervisions.

Working at Lenzing is the same: We work longer hours, deal with lockdown regulations and social distancing. But we continue, because we believe in Lenzing's contribution to sustainability and the environment. And the effort will pay off!

Which protective measures did Lenzing take in fighting the pandemic?

Stephan Sielaff: Lenzing excellently mastered the critical time with its corporate culture and its very own "Lenzing spirit". Above all, Lenzing aims to protect what is most important: its employees, the trust of its customers and partners and its operations. Lenzing was able to serve its customers quickly at any time and at the usual level of delivery reliability, in particular as the recovery set in during the third quarter. We owe this above all to the fast and professional crisis management at all locations and to a flexible and agile adaptation of the production volumes.

The current situation also puts many of Lenzing's customers and partners along the textile value chain under pressure.

Robert van de Kerkhof: The pandemic has massively affected the textile and apparel industry. Thousands of factories and shops worldwide were closed. More than 30 percent of the business in the fashion industry has been destroyed, according to current estimates. The industry has its hands full coping with the consequences of this unparalleled situation. In the interests of customer intimacy and long-term partnerships, Lenzing will continue to support its partners in specific areas.

How are the strategic key projects in Thailand and Brazil coming along? Did the crisis have negative effects on the progress of construction?

Stefan Doboczky: Strategically, we are fully on track, regardless of the pandemic and its effects. The implementation of the key projects in Thailand and Brazil is still progressing according to plan. In Thailand, the world's largest production facility for lyocell fibers is currently being built. The investment for the new plant with a capacity of 100,000 tons per year amounts to roughly EUR 400 mn. Construction work started in the second half of 2019 and made fast progress during the reporting period. Production is expected to be launched at the end of 2021.

Christian Skilich: In Brazil, we are currently building the world's largest dissolving wood pulp plant of its kind. The project is on schedule and we are making good progress despite the pandemic. The expected construction costs for this mega project amount to USD 1.38 bn. The conclusion of the financing contracts was an important milestone for us. The plant is scheduled to start operation in the first half of 2022.

Financing for the project in Brazil has been secured. What does the package look like?

Thomas Obendrauf: IFC, a member of the World Bank Group, and IDB Invest, a member of the IDB Group, are co-leading the financing of the joint venture LD Celulose. The export credit agency Finnvera and seven commercial banks are also participating in the financing of approximately USD 1.1 bn.

Robert van de Kerkhof
Member of the Managing Board

Dear kids,

I woke up this morning and felt great. In my dream, I saw us playing together in the snow-covered mountains, enjoying the endless views, energized by the fresh air. What a quality of life! However, my positive spirit disappeared fast while reading the newspaper. More extreme weather conditions destroy the lives of many people due to flooding, illness due to smog and pollution, and scientists talking about microplastics.

I want to apologize to you for having contributed to creating the nightmare you are confronted with. As a parent, I wish you all the happiness and good health for your lives, and therefore I promise I will do everything I can to restore the health of our planet.

Lenzing already forged new paths in financing operating growth by issuing a green bond in 2019. In 2020, another successful issuance followed.

Thomas Obendrauf: In late November, we successfully issued a hybrid bond with a total volume of EUR 500 mn and an annual coupon of 5.75 percent. The bond was oversubscribed multiple times. The success of this issuance underlines Lenzing's creditworthiness and the confidence of the capital market in our company. The completion of the transaction strengthens our balance sheet and is a further step in diversifying our financing structure.

In addition to the current topics on the fight against the virus and its effects, urgent ecological challenges such as climate protection, resource efficiency and biodiversity must not be forgotten. What happened in terms of sustainability in this unusual year?

Stefan Doboczky: The pandemic will not force Lenzing to compromise on sustainability, on the contrary: sustainability is, and will remain, the dominant topic of our times. At Lenzing, we consider it part of our strategic principles and our responsibility towards future generations to meet these challenges. That is why we consistently worked on implementing our goals in 2020, even though the market environment was very difficult. Today, we can look with satisfaction at the intermediate results. The key projects in Thailand and Brazil will support us not only along our transformation towards becoming a supplier of eco-friendly specialty fibers but also in implementing our ambitious climate targets.

Christian Skilich: Once operation starts at the new location in Brazil, the plant will feed more than 50 percent of the electricity generated into the public grid as renewable energy and show a positive net CO_2 balance. As the owner of a plantation covering an area of more than 44,000 hectares, which is used to provide biomass, Lenzing takes its responsibility very seriously and applies the highest standards here as well.

Stefan Doboczky: 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 will thus contribute to reducing the speed of global warming and to accomplishing the targets of the Paris climate agreement and the "Green Deal" of the EU Commission.

Has there also been progress at the product level in this respect?

Robert van de Kerkhof: We collaborate closely with our partners to drive decarbonization in the textile value chain and also develop its product range further. The introduction of the first TENCEL™ branded CarbonNeutral® fibers in September 2020 is a milestone on our journey to carbon neutrality. Following the guideline of the CarbonNeutral Protocol, the new carbon-zero fibers are certified CarbonNeutral® products for the textile industry.

Stephan Sielaff
Member of the Managing Board

Dear Lucca, dear Vincent,

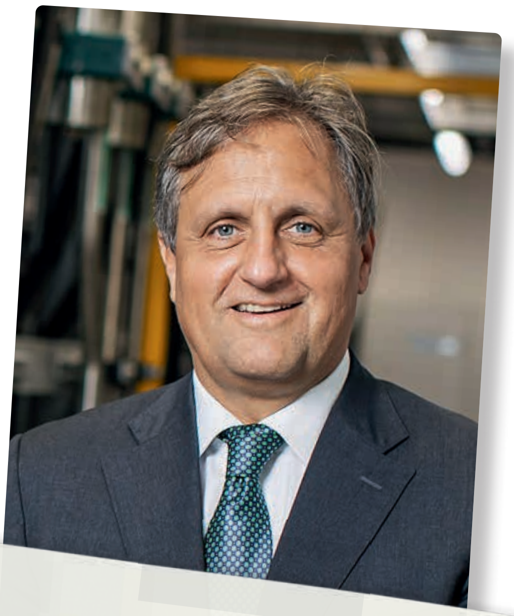
The last year reminded us of what really matters and what is worth appreciating, while important global topics were pushed into the background at the same time. From our family vacations, we know that our earth is unique and beautiful, and we must all play our part in protecting this world, both as a community and as individuals. The growing awareness and commitment among many people and also among you make me confident that we will soon see positive changes. I am also trying to do my part and would like to encourage you to continue on this path.

2020 was a historically difficult year. What are your expectations for 2021?

Stefan Doboczky: The business development in 2020 clearly shows how crisis-proof Lenzing has become. Lenzing is not immune, but significantly more resilient than a few years ago and than many competitors in the industry. We will therefore continue to implement our strategy with great discipline in order to be even more resilient to volatile markets in the long term and to strengthen the position as the leading supplier of specialty fibers. The market environment will remain difficult in the coming quarters and further impact the earnings situation. Strategically we are very well positioned. Therefore, we are convinced that we will continue to be successful in overcoming these challenges.

Lenzing launched the #ItsInOurHands initiative in late 2019. What do the interim results look like?

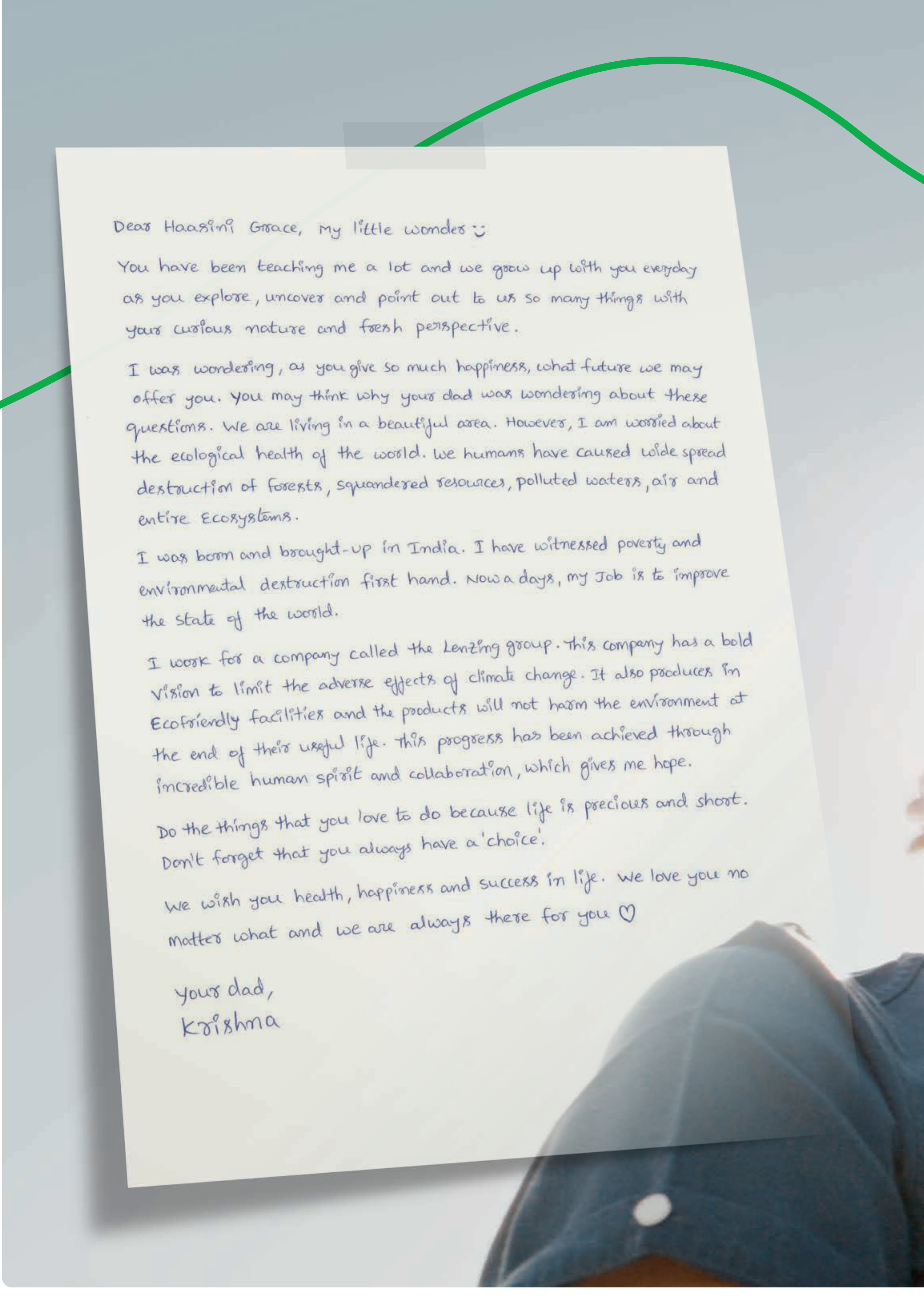
Robert van de Kerkhof: Our intention was to generate and raise awareness for hidden fossil-based plastic in wet wipes among consumers and to convince the industry to change over to our wood-based biodegradable VEOCEL™ branded fibers. After one year, we have achieved a reach of 40 mn with a special website and targeted media work. Today, there are 20 brands of high-quality wet wipes using our fibers. This is a success considering that no labeling obligation for plastic in wet wipes is in force yet. Although the EU Single-Use Plastics Directive specifies that products such as wet wipes containing single-use plastic must be labeled, this requirement will be implemented at the national level in mid-2021 at the earliest. Lenzing is already giving consumers certainty that they are buying a product containing biodegradable cellulosic material when it features the VEOCEL™ logo.



Dear Nikolaus,

With all the efforts we are making today, we will slow down climate change and leave behind a better world. I am convinced of that. But I also know that we cannot manage it all by ourselves. We can all contribute our share – and that's also our responsibility. So never live just for today, but always also think about tomorrow!

Christian Skilich
Member of the Managing Board



Dear Haasini Grace, My little wonder :)

You have been teaching me a lot and we grow up with you everyday as you explore, uncover and point out to us so many things with your curious nature and fresh perspective.

I was wondering, as you give so much happiness, what future we may offer you. You may think why your dad was wondering about these questions. We are living in a beautiful area. However, I am worried about the ecological health of the world. We humans have caused wide spread destruction of forests, squandered resources, polluted waters, air and entire Ecosystems.

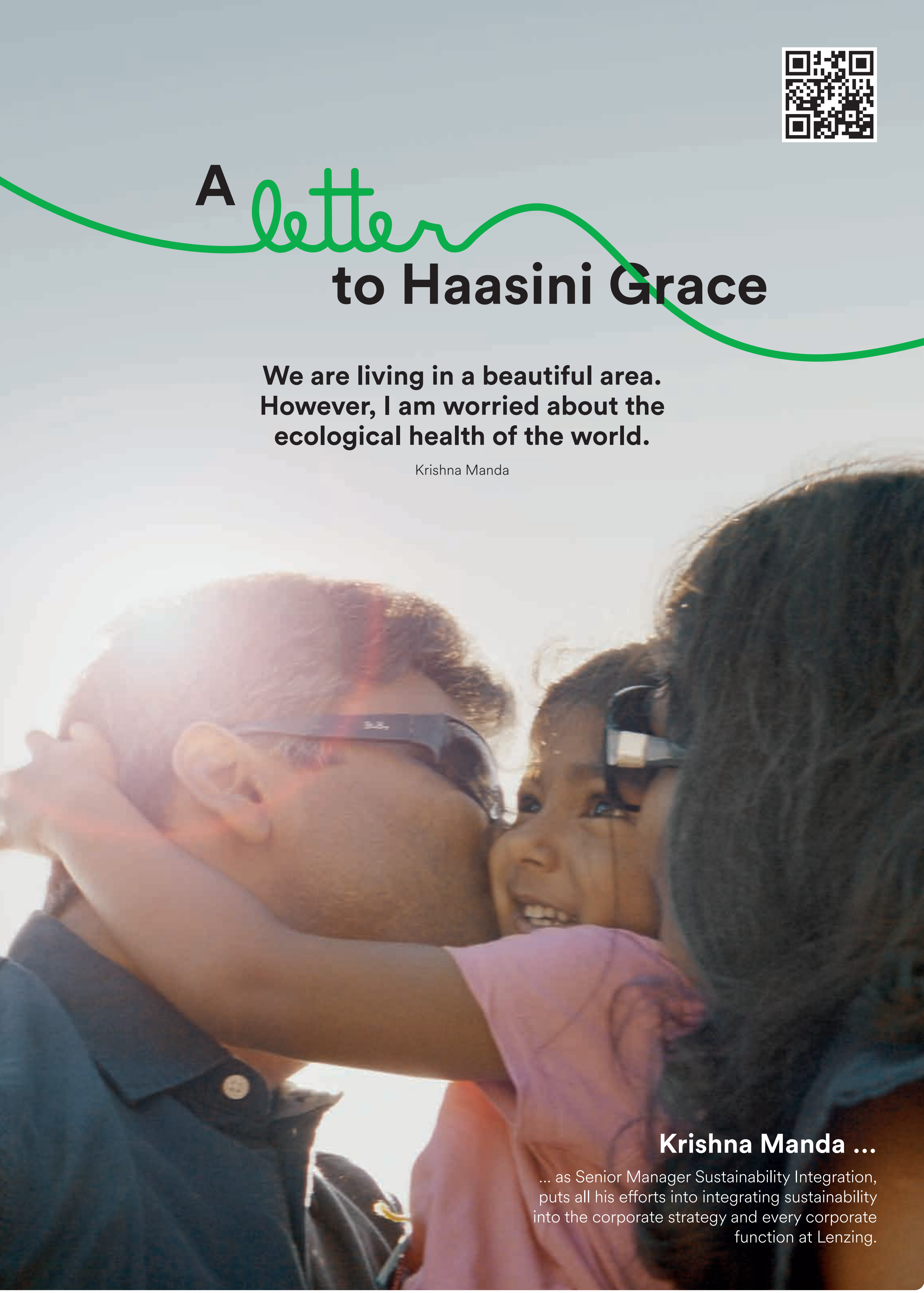
I was born and brought-up in India. I have witnessed poverty and environmental destruction first hand. Now a days, my Job is to improve the state of the world.

I work for a company called the Lenzing group. this company has a bold vision to limit the adverse effects of climate change. It also produces in Ecofriendly facilities and the products will not harm the environment at the end of their useful life. this progress has been achieved through incredible human spirit and collaboration, which gives me hope.

Do the things that you love to do because life is precious and short. Don't forget that you always have a 'choice'.

We wish you health, happiness and success in life. We love you no matter what and we are always there for you ♡

Your dad,
Krishna



A letter to Haasini Grace

We are living in a beautiful area. However, I am worried about the ecological health of the world.

Krishna Manda

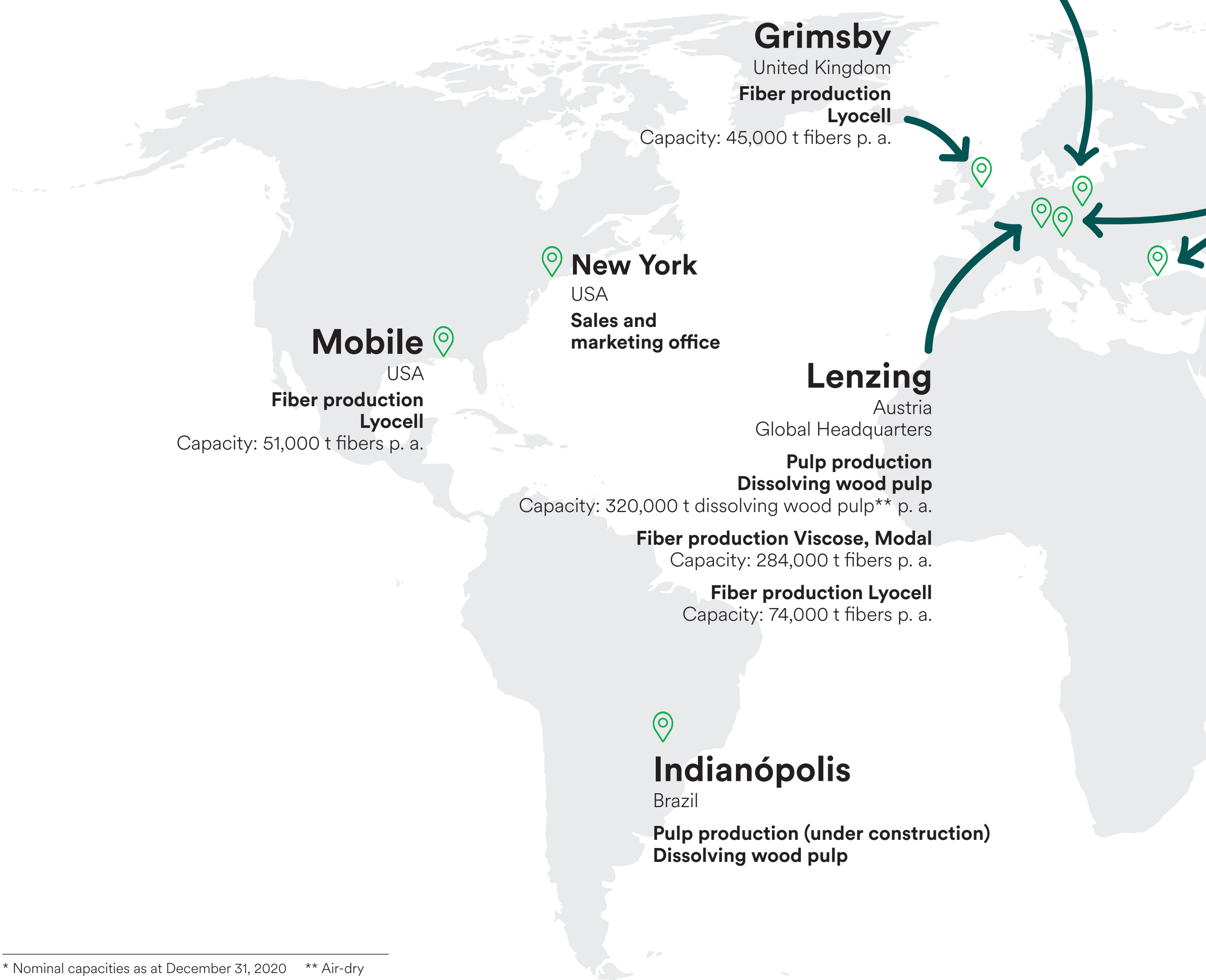
Krishna Manda ...

... as Senior Manager Sustainability Integration, puts all his efforts into integrating sustainability into the corporate strategy and every corporate function at Lenzing.

The Company 2020

The Company 2020 16

The locations of the Lenzing Group*



Paskov
Czech Republic
Pulp production
Dissolving wood pulp
Capacity: 285,000 t dissolving wood pulp** p. a.

Grimsby
United Kingdom
Fiber production
Lyocell
Capacity: 45,000 t fibers p. a.

New York
USA
Sales and marketing office

Mobile
USA
Fiber production
Lyocell
Capacity: 51,000 t fibers p. a.

Lenzing
Austria
Global Headquarters

Pulp production
Dissolving wood pulp
Capacity: 320,000 t dissolving wood pulp** p. a.

Fiber production Viscose, Modal
Capacity: 284,000 t fibers p. a.

Fiber production Lyocell
Capacity: 74,000 t fibers p. a.

Indianópolis
Brazil
Pulp production (under construction)
Dissolving wood pulp

* Nominal capacities as at December 31, 2020 ** Air-dry

> Lenzing strategically focuses on stable and profitable growth.

The strategy of the Lenzing Group

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

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

Lenzing regularly reviews the currency of its corporate strategy, taking into account internal and external developments. In several areas, the market environment is significantly more challenging than only a few years ago. Growing competition in the market for standard fibers compounded the pressure on prices. Increasing protectionism and the trade dispute between the USA and China had a negative impact on demand. However, its successful development in the past years, sometimes even in a very difficult market climate, further reassured the Lenzing Group in its strategic orientation. Today, the company is substantially more resilient than only a few years ago, which is above all due to its specialty strategy and its strong brands based on innovation and sustainability. Consequently, the sales volume of LENZING™ ECOVERO™ viscose fibers also increased significantly in the 2020 financial year, which was marked by the COVID-19 crisis.

Lenzing continues to expect strong growth in the fiber business. This expansion will be driven primarily by steady population growth and rising prosperity in the emerging markets. The per capita fiber consumption will continue to rise strongly. After an anticipated stagnation from 2019 to 2021, Lenzing expects demand for wood-based cellulosic fibers to increase by 5 to 7 percent per year through to 2025 – in other words, about twice as fast as the global fiber market.

The majority of the operational and economic goals of the sCore TEN strategy defined in 2015 have been set for 2020 and most of them have been achieved ahead of time. Consequently, the goals were revised in 2019 and are now scheduled to be accomplished by 2024. The strategic cornerstones have remained largely unchanged since 2015: pulp is at the core of the strategy. It is extracted from the renewable raw material wood. The pulp produced in the biorefineries of the Lenzing Group is processed into cellulosic fibers. Lenzing produces most of the pulp internally and aims to increase this share to more than 75 percent by 2024 in order to be even better protected against volatile prices in the future. The remaining amount is purchased from partners on the basis of long-term cooperation agreements. The implementation of the expansion project in Brazil will be a key project to achieve this strategic goal in the coming years.

Quality and sustainability will remain the foundation of success in the future. Lenzing will therefore continue to invest in the development of its biorefineries, in strengthening the closed-loop model and providing full transparency along the value chain. A new focus of the sCore TEN strategy is the implementation of the climate targets, which have been scientifically confirmed by the Science Based Targets initiative. Lenzing will cut its CO_2 emissions substantially in the coming years with the goal of achieving climate-neutral production in 2050. In line with its strategic commitment for 2024, Lenzing strives to reduce emissions per ton of product by more than 40 percent compared with 2017.

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

The implementation of the science-based targets is a new focus of the sCore TEN strategy. The goal for 2050 is to be climate-neutral.

Specialty fibers are Lenzing's great strength. Lenzing operates globally today and, with the aspiration to innovation leadership, is the best partner when it comes to high-quality specialty fibers. The strategic target to generate roughly 50 percent of Group revenue with specialty fibers in 2020 has been met. Lenzing aims for further organic growth in this area in order to be even more resilient to volatile markets in the future. The focus of the coming years will clearly be on the construction of the new, state-of-the-art lyocell plant in Thailand, with the objective of increasing the share of specialty fibers in the revenue generated by the Segment Fibers to more than 75 percent by 2024.

The positive development of the past years including the solid accounting policy helps us to implement these key projects successfully, even in a very challenging market environment. However, the company's relatively good position does not allow any complacency. Lenzing will therefore continue to focus on strict cost discipline in the years to come.

In order to reflect the company's priorities even better in its strategy, particularly with regard to its decarbonization goals, Lenzing also further developed its mission and vision in 2020 (see sCore TEN graphic, p. 23).

Corporate strategy sCore TEN with target year 2024

	Targets
EBITDA	EUR 800 mn
ROCE	>10 %[1]
Net Debt/EBITDA	<2.5 x[2]
Specialties share	>75 % of fiber sales
Dissolving wood pulp backward integration	>75 %
Decarbonisation	>40 % specific CO_2 reduction per ton of product

1) To be adjusted for plants under construction
2) To be adjusted for JV guarantees

The strategy of the Lenzing Group

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

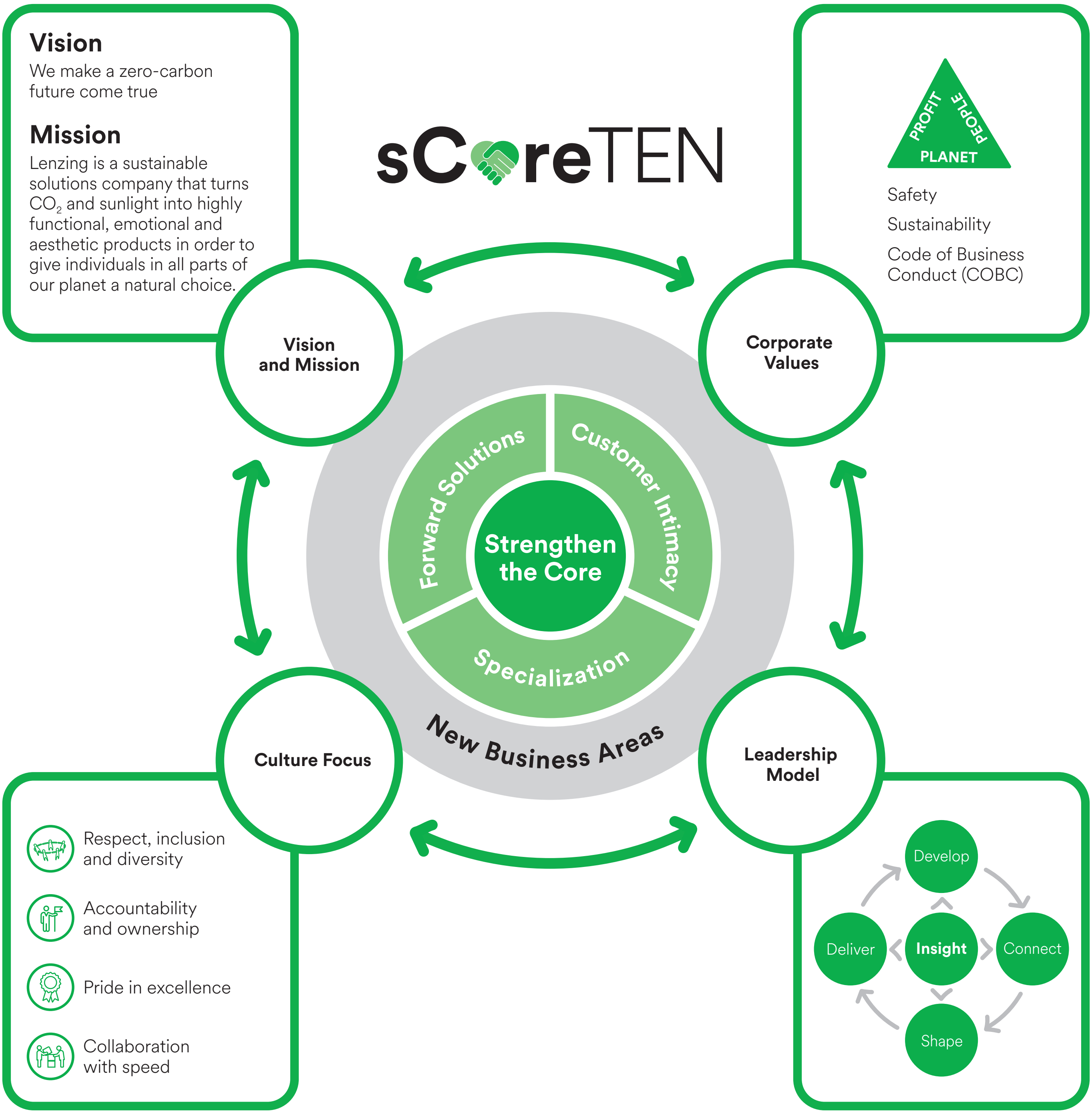
Customer intimacy:
About two thirds of Lenzing's customers are based in Asia. The company therefore increasingly offers consultancy services, product development and customer support where its customers and partners in the value chain need them most, which is locally. Lenzing has also shifted management decisions to those regions. These steps will bring the company not only closer to its customers, but also closer to their success.

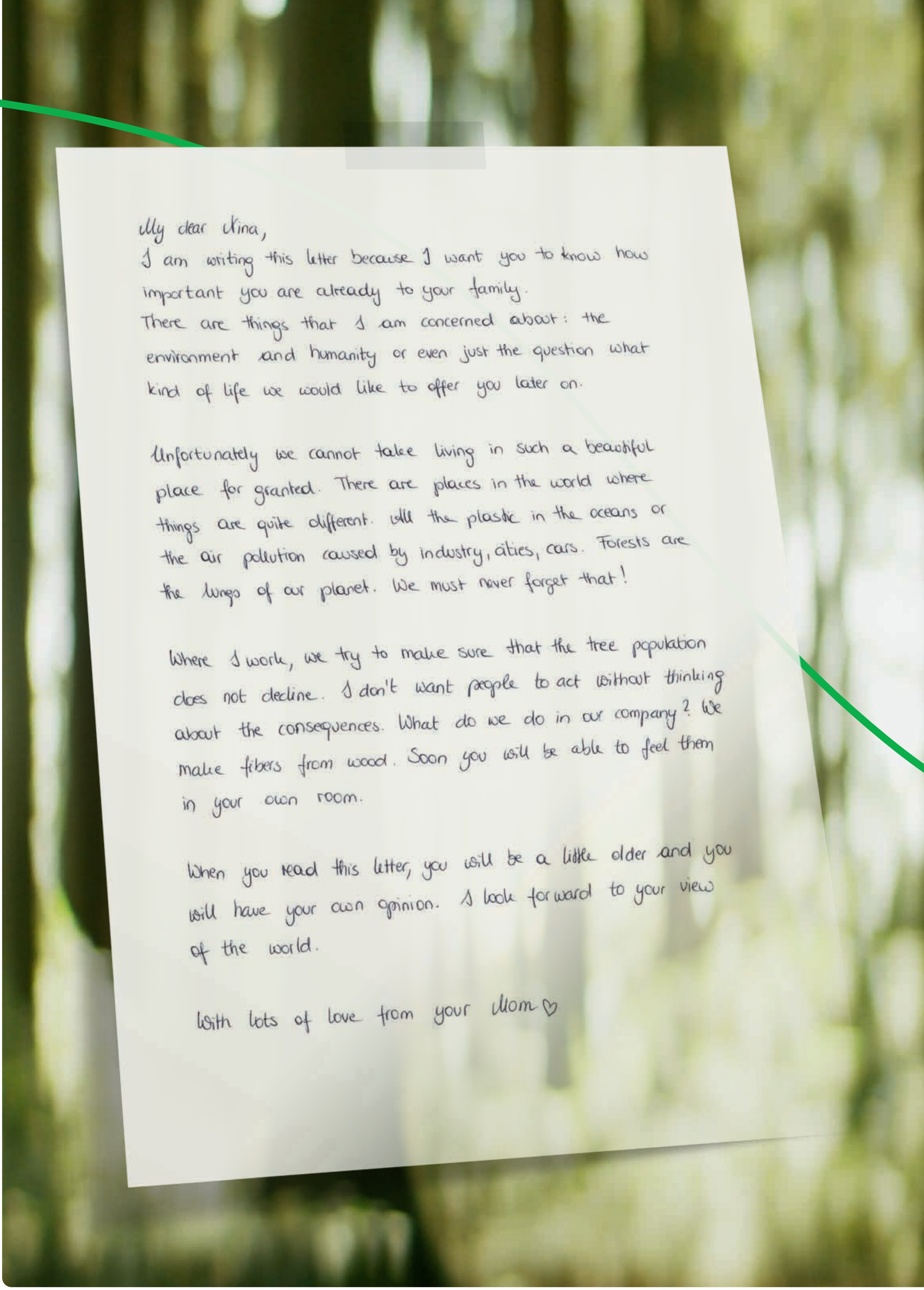
Specialization:
Lenzing plans to generate more than 75 percent of its fiber revenue with eco-friendly specialty fibers such as lyocell and modal fibers by 2024. As a result, Lenzing will distinguish itself even more from the competition and will be less susceptible to cyclical fluctuation. Lenzing will continue to expand its production capacity; currently the focus is, above all, on the construction of the lyocell plant in Prachinburi (Thailand).

Forward solutions:
Lenzing continues to expand its research and development activities and primarily invests in sustainable technology and in selected areas of the value chain. In line with the sCore TEN corporate strategy, the focus is therefore on growth based on sustainable innovations. At present, the Eco Filament Technology for the production of TENCEL™ Luxe branded filaments and the LENZING™ Web Technology are definitely among the most exciting projects in the global market.

New business areas:
Lenzing uses its core expertise to develop new attractive business areas over the medium to long term.

Overview of the sCore TEN strategy and its five strategic directions





My dear Mina,
I am writing this letter because I want you to know how important you are already to your family.
There are things that I am concerned about: the environment and humanity or even just the question what kind of life we would like to offer you later on.

Unfortunately we cannot take living in such a beautiful place for granted. There are places in the world where things are quite different. All the plastic in the oceans or the air pollution caused by industry, cities, cars. Forests are the lungs of our planet. We must never forget that!

Where I work, we try to make sure that the tree population does not decline. I don't want people to act without thinking about the consequences. What do we do in our company? We make fibers from wood. Soon you will be able to feel them in your own room.

When you read this letter, you will be a little older and you will have your own opinion. I look forward to your view of the world.

With lots of love from your Mom ♡

Alexandra Herber ...

... is right where things happen when strategic decisions are made at Lenzing. In her role as a Corporate Assistant, she also plays an important part in the resulting projects.

A letter to my baby

You will understand that love, health and a family that is there for you are simply the most important things that exist.

Alexandra Herber

Sustainability in the Lenzing Group

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

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

Our sustainability strategy and our strategic principles give rise to various fields of action in line with our commitment to contribute to the Sustainable Development Goals (SDGs) of the United Nations:

- **Sustainable raw material sourcing**
- **Decarbonization**
- **Water stewardship**
- **Sustainable innovations**
- **Partnering for systemic change**
- **Empowering people**
- **Enhancing community well-being**

Strategic focus areas of sustainability in the Lenzing Group and the corresponding SDGs

Sustainability in the Lenzing Group

The Lenzing Group's biorefinery concept at the plants in Lenzing (Austria) and Paskov (Czech Republic) has set the standard for sustainable production for many years. In addition, Lenzing works hard on continuously improving the social, ecological and economic aspects at all locations as part of its global sustainability management. In the defined fields of action, Lenzing set specific targets in order to further promote its performance and positive impact. These targets contribute directly to several SDGs: reduction of sulfur emissions and wastewater emissions, protection and preservation of forests, sustainability assessment of key suppliers, increased transparency and reduction of CO_2 emissions.

Climate targets

The objective of the Lenzing Group's climate strategy is to reduce net emissions to zero by 2050. With this strategic commitment, Lenzing will help to reduce the speed of global warming and to accomplish the goals of the Paris climate agreement and of the "Green Deal" of the EU Commission. An important milestone on the path to climate neutrality is set for the year 2030. The objective is to reduce emissions per ton of product by 50 percent by then compared with a 2017 baseline.

In order to achieve this target, Lenzing will invest approximately EUR 100 mn in saving energy, the conversion to renewable energies and in new technologies over the coming years. However, Lenzing will not only reduce the emissions in the existing production processes but is also putting a strong focus on low-carbon energy sources and production methods in the construction of new pulp and lyocell plants such as the expansion projects in Brazil and Thailand.

The Science Based Targets initiative, the most recognized organization in the field of climate-relevant target setting, has scientifically validated Lenzing's climate targets. Targets adopted by companies to reduce greenhouse gas emissions are considered science-based if they are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures. Lenzing is therefore the first wood-based fiber producer worldwide which has set a science-based target.

Lenzing collaborates closely with its partners and also develops its product range further to drive decarbonization in the textile value chain. The introduction of the first TENCEL™ branded CarbonNeutral® fibers in September 2020 is a milestone on the journey to carbon neutrality. Following the guideline of the CarbonNeutral Protocol, the new carbon-zero fibers are certified CarbonNeutral® products for the textile industry.

Circular economy

The raw materials on Earth are limited. Therefore Lenzing focuses on a circular economy. The biorefinery concept of the Lenzing Group ensures that nearly 100 percent of the wood substance is used as a raw material for fibers, for valuable biorefinery products and as an energy supplier. In addition, Lenzing recovers chemicals in closed production loops.

In the Hot Button Report issued by the Canadian non-profit organization Canopy, Lenzing received a "dark green shirt", the highest category, for the first time in 2020. In this widely recognized ranking, Canopy grades the world's 31 largest producers of wood-based fibers with respect to their success in achieving sustainable wood and pulp sourcing. Wood and the pulp derived from it are the most important raw materials underlying Lenzing's sustainable production of cellulosic fibers. The plantations in Brazil, which provide the biomass for the new dissolving wood pulp plant, are FSC®-certified and operate in accordance with Lenzing's high standards for sourcing wood and pulp[1].

The development of the REFIBRA™ technology also represents an important contribution of the Lenzing Group to promoting circular economy. This technology uses cotton scraps from clothing production and used textiles to create new fibers.

The biological cycle is completed when the Lenzing Group's fibers biodegrade at the end of their lifecycle

1) FSC license code: FSC-C006042

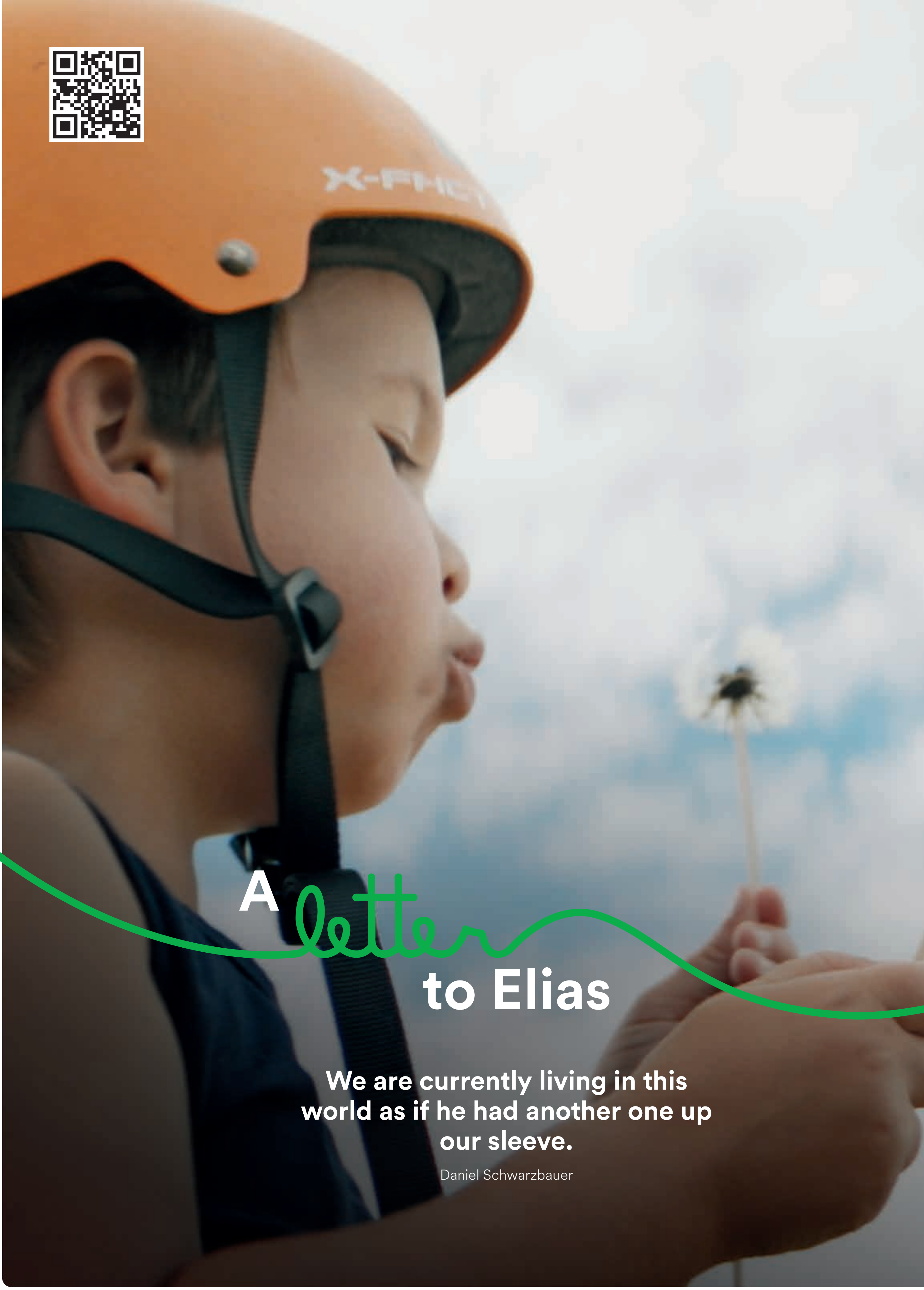
and are completely returned to nature. The independent research laboratory Organic Waste Systems (OWS) confirmed that the lyocell, modal and viscose fibers of the Lenzing Group are biodegradable in all natural and industrial environments: in soil, compost, fresh water and seawater.

COVID-19-pandemic

As part of its group-wide crisis management Lenzing responded very quickly to protect its employees and their families and to prevent production downtimes: additional local COVID-19 crisis teams were installed at each production site and at the locations under construction. All necessary measures were evaluated and decisions regarding their implementation were made at meetings which took place at least weekly. The Lenzing Corporate Action Plan for the adaptation of protective measures against the COVID-19 pandemic was aligned with the national regulations and guidelines.

In the second quarter of 2020 Lenzing and Palmers Textil AG founded the joint venture Hygiene Austria LG GmbH to meet the population's increased demand for high-quality hygiene and protective equipment. The new company, which is accounted for using the equity method and in which Lenzing holds 50.1 percent and Palmers 49.9 percent, started producing and selling mouth-nose and FFP2 masks in May 2020. In a next step, the product range was extended to include masks for children. An additional distribution channel was established with the launch of an online shop (https://hygiene-austria.at) in the third quarter.

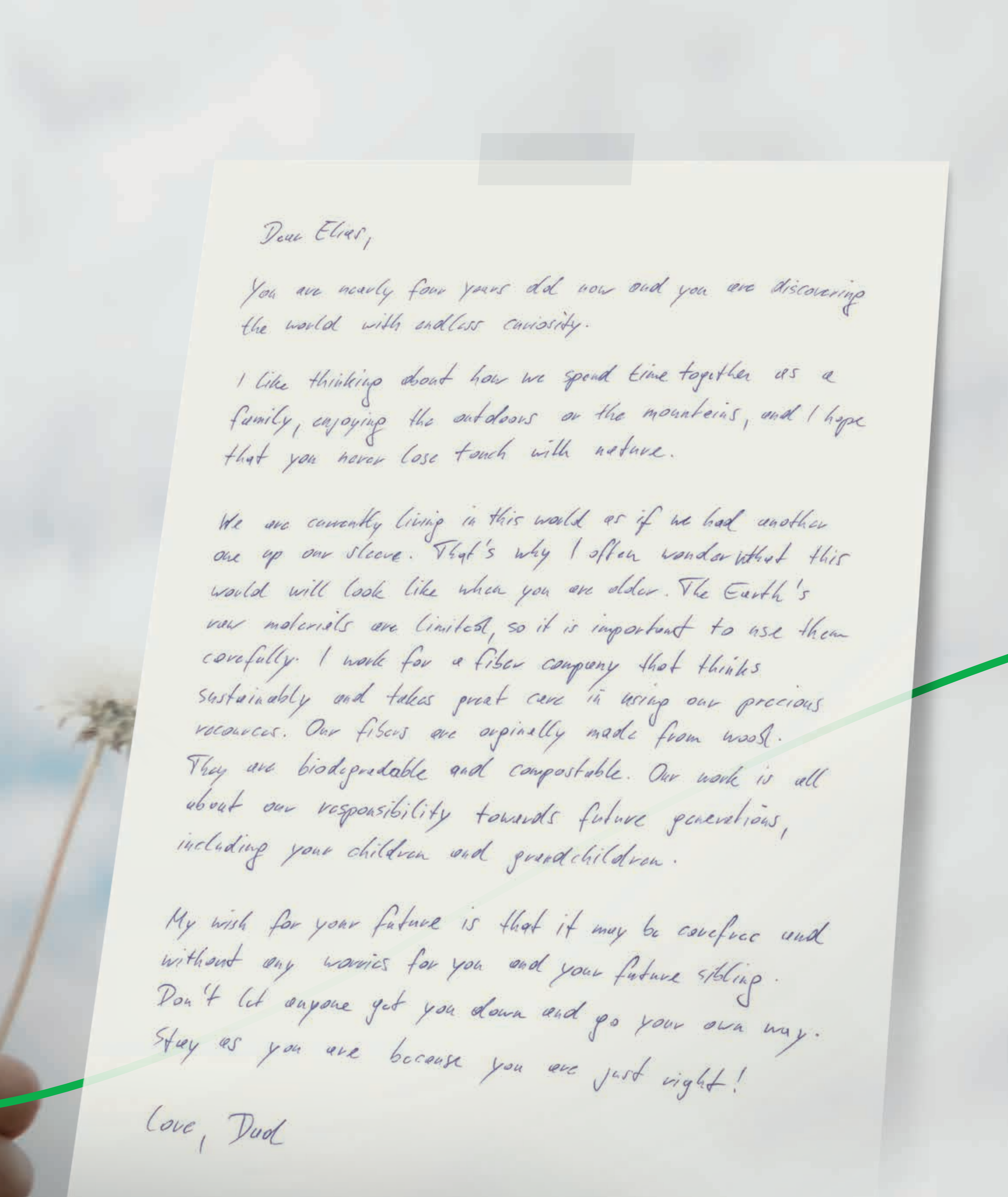
Read more about the goals and implementation of the "Naturally positive" sustainability strategy and measures taken against the COVID-19 pandemic in the Lenzing Group's Sustainability Report and online at https://www.lenzing.com/sustainability.



A letter to Elias

We are currently living in this world as if he had another one up our sleeve.

Daniel Schwarzbauer



Dear Elias,

You are nearly four years old now and you are discovering the world with endless curiosity.

I like thinking about how we spend time together as a family, enjoying the outdoors or the mountains, and I hope that you never lose touch with nature.

We are currently living in this world as if we had another one up our sleeve. That's why I often wonder what this world will 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. 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. Don't let anyone get you down and go your own way. Stay as you are because you are just right!

Love, Dad

Daniel Schwarzbauer ...

... helps to ensure, with great passion and knowledge, that the high-tech machines in Lenzing run as smoothly as possible. A high level of system availability, quality and efficiency are the foundation and benchmarks for his area of work.

The brand world of the Lenzing Group

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

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

The visibility of the Lenzing brands was continuously increased through the strong presence and sponsoring activities at international trade fairs and fashion shows as well as through co-branding with renowned fashion brands such as H&M, Levi's®, Zara, Allbirds®, Victoria's Secret and Esprit. Lenzing is currently running two successful campaigns to raise awareness of sustainable resources in the textile and nonwoven industries, proving that the company looks beyond fiber. With #FeelsSoRight, Lenzing raises awareness for sustainable fashion among consumers in collaboration with 31 co-branding partners, including Jockey, Camper® and Zalora and international lifestyle magazines such as Vogue, ELLE and Cosmopolitan. By the end of 2020, the global campaign had generated more than 90 mn impressions. With the #ItsInOurHands environmental initiative, Lenzing achieved a global reach of 40 mn by the end of 2020, thus increasing not only the visibility of the VEOCEL™ brand but also generating awareness among the general public for an eco-conscious use of wet wipes. The initiative was launched in the fourth quarter of 2019 and sheds light on the fact that most wet wipes available on the market contain plastic, which massively pollutes the environment.

The brands and their promise

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

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

Lenzing

Innovative by nature

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

Tencel™

Feels so right

TENCEL™ – the flagship brand for textiles

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

Veocel™

Purely for you

VEOCEL™ – the brand for nonwovens

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

LENZING™

LENZING™ – the brand for B2B applications

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

The Lenzing product portfolio

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

Lenzing lyocell fibers

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

Lenzing modal fibers

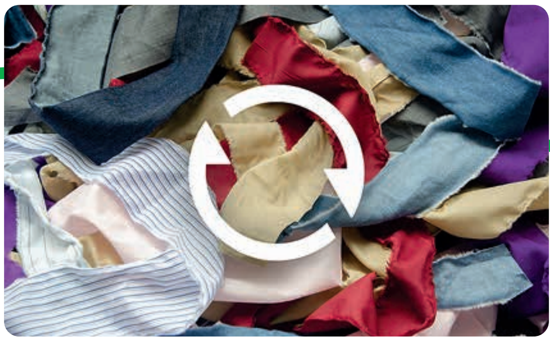
The Lenzing Group's modal fibers are extracted from beech wood which is sourced in Austria and neighboring countries. The low fiber rigidity and modal cross-section make the fiber a natural softening agent. The softer the fiber, the finer the resulting textiles. Modal fibers from Lenzing can be blended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

Lenzing viscose fibers

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

Innovations and new products

With its innovative strength and focus on quality, Lenzing sets standards for the field of wood-based cellulosic fibers and drives new developments all over the world.



REFIBRA™

TENCEL™ x REFIBRA™ branded lyocell fibers are the first cellulosic fibers for which wood as well as recycled materials are used in the pulp production. These recycled materials are based on both used pieces of clothing and scraps from the production of cotton garments (pre-consumer cotton scraps). At present, an estimated 50 mn tons of used clothing is disposed of every year. With the REFIBRA™ technology, Lenzing supports new solutions to introduce a circular economy in the fashion industry and thereby underscores its position as a sustainable producer.

LENZING™ ECOVERO™

LENZING™ ECOVERO™ is a high-performance viscose fiber with a very favorable ecological footprint. Special technology supports the identification of this fiber in the finished products. This unique system ensures the identification of LENZING™ ECOVERO™ branded fibers in the finished textiles, which guarantees transparency along the entire processing chain.

TENCEL™ Luxe

TENCEL™ Luxe filament yarn is made from dissolving wood pulp and does not have to be spun. This "silk made from wood" is produced in a closed production loop, which is characterized by low process water and energy consumption and economical use of raw materials. This benefits the environment on a sustained basis. With TENCEL™ Luxe filaments, Lenzing supports the luxury brands in the fashion industry by defining a new symbiosis between sustainability and luxury fashion.

LENZING™ Web Technology

The LENZING™ Web Technology can be used to produce novel nonwovens, which open up new opportunities for manufacturers. The LENZING™ Web Technology is a sustainable nonwoven web formation process that starts with botanic wood pulp and produces a nonwoven fabric made of 100 percent continuous lyocell filament. The technology offers a unique self-bonding mechanism where filaments bond into a fabric during the laydown process. This mechanism allows for a much wider variety of basis weight, surface textures, drapeability and dimensional stability than other nonwoven technologies.

Lenzing fiber applications

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

Tencel™ Feels so right Lenzing EcoVero™

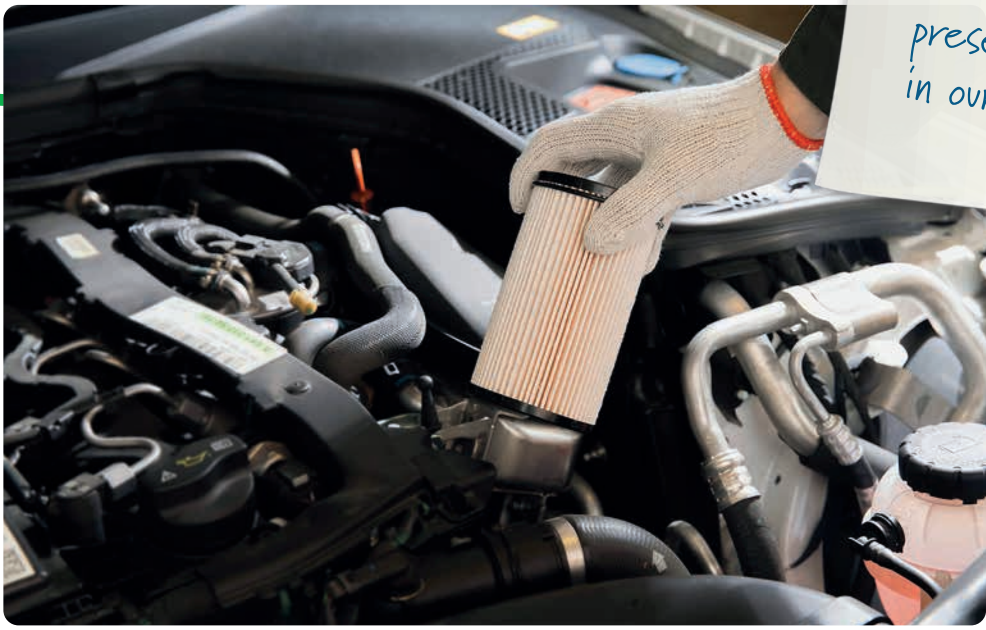
There are many different applications for Lenzing fibers in sports activities: in quick-drying, breathable, odorless T-shirts, in fleece jackets, in trousers for climbing, running, walking and yoga as well as in the corresponding sports shoes.

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

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

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

Lenzing fibers are present everywhere in our lives.



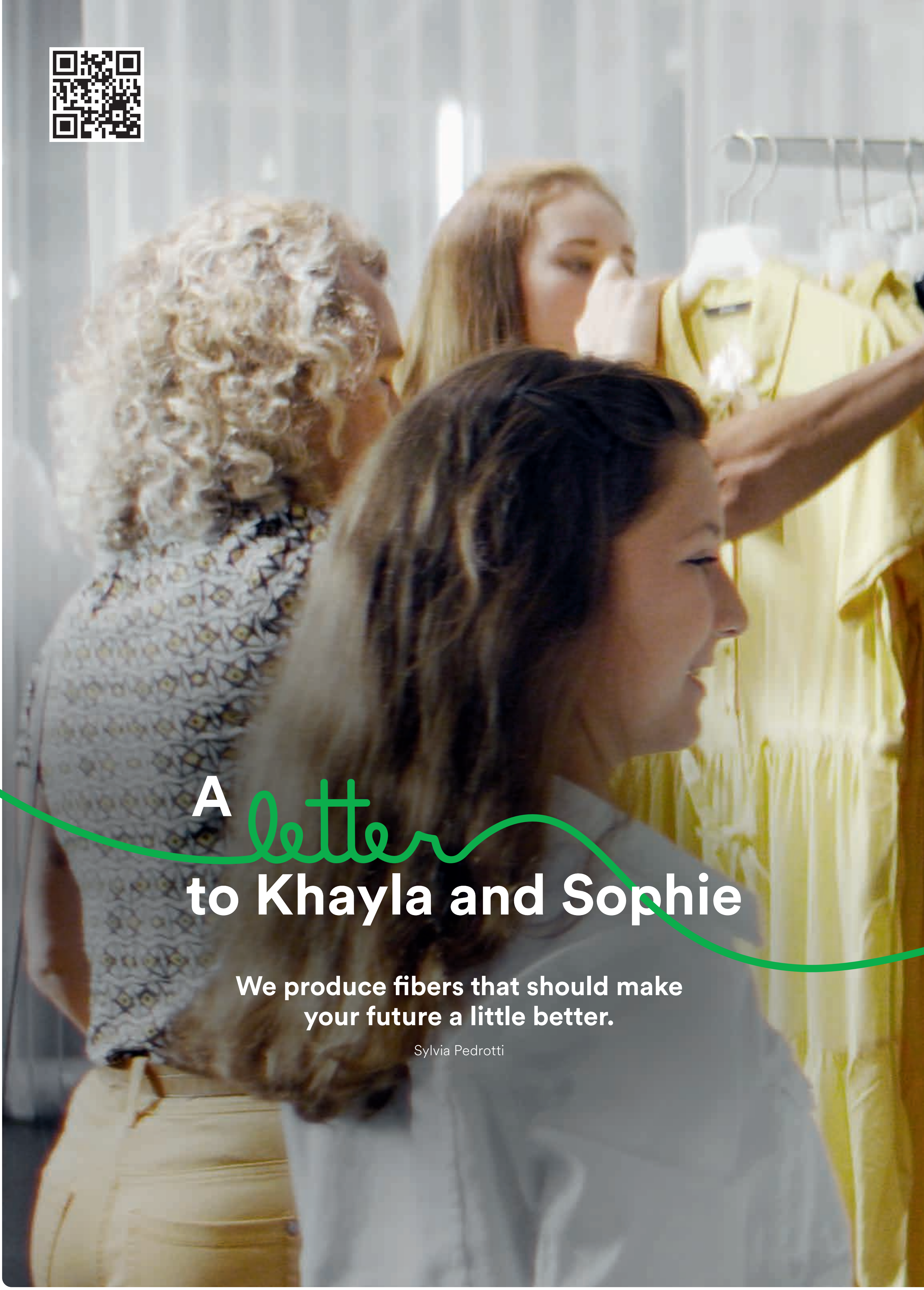
LENZING™

Veocel™
Purely for you

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

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

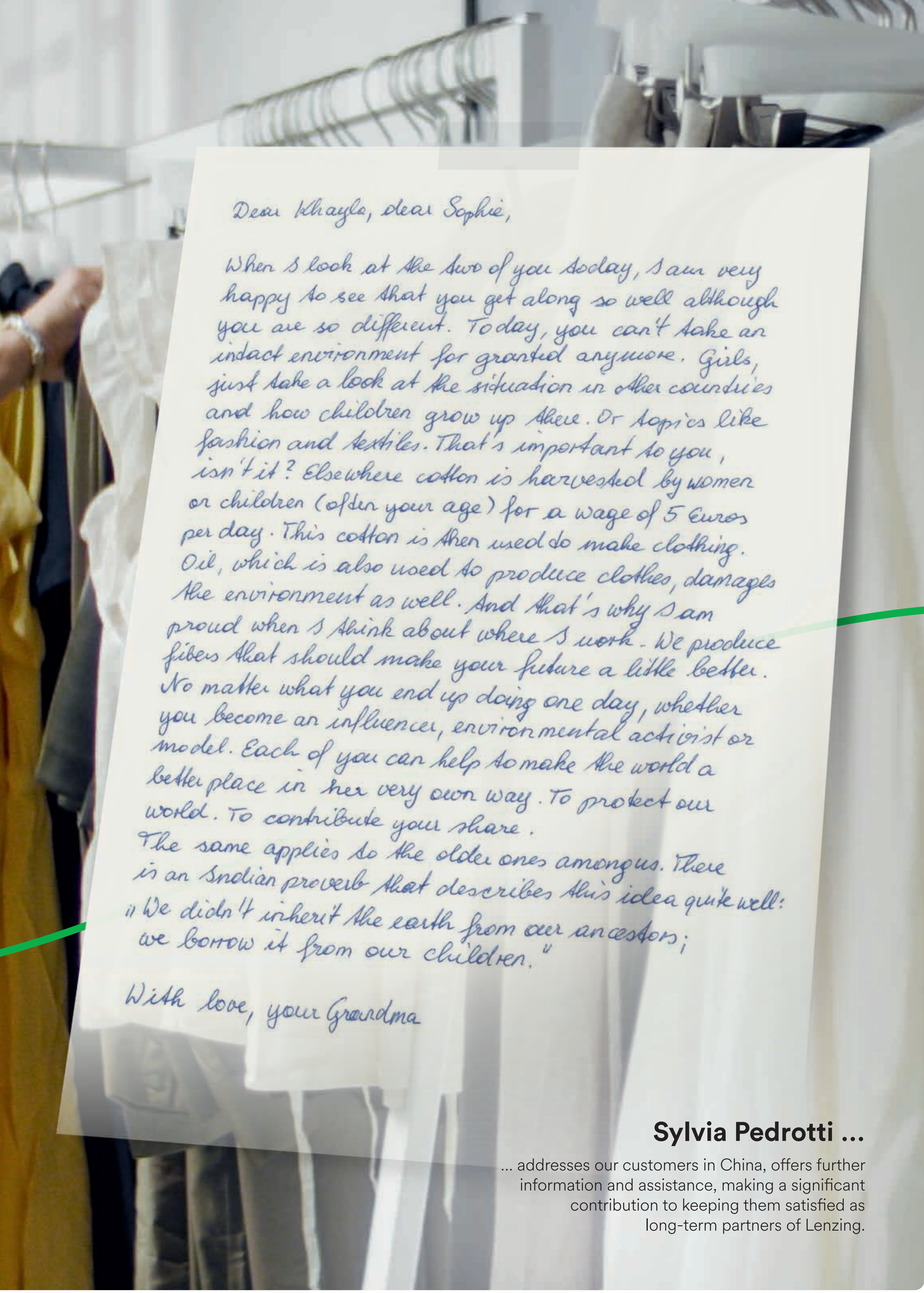
Lenzing fibers are found in many areas of life. In the future, Lenzing plans to intensify its efforts to inform consumers that they can also make a personal contribution to environmental protection and a more sustainable world through their daily shopping decisions.



A letter to Khayla and Sophie

We produce fibers that should make your future a little better.

Sylvia Pedrotti



Dear Khayla, dear Sophie,

When I look at the two of you today, I am very happy to see that you get along so well although you are so different. Today, you can't take an intact environment for granted anymore. Girls, just take a look at the situation in other countries and how children grow up there. Or topics like fashion and textiles. That's important to you, isn't it? Elsewhere cotton is harvested by women or children (often your age) for a wage of 5 Euros per day. This cotton is then used to make clothing. Oil, which is also used to produce clothes, damages the environment as well. And that's why I am proud when I think about where I work. We produce fibers that should make your future a little better. No matter what you end up doing one day, whether you become an influencer, environmental activist or model. Each of you can help to make the world a better place in her very own way. To protect our world. To contribute your share.
The same applies to the older ones amongus. There is an Indian proverb that describes this idea quite well: "We didn't inherit the earth from our ancestors; we borrow it from our children."

With love, your Grandma

Sylvia Pedrotti ...

... addresses our customers in China, offers further information and assistance, making a significant contribution to keeping them satisfied as long-term partners of Lenzing.

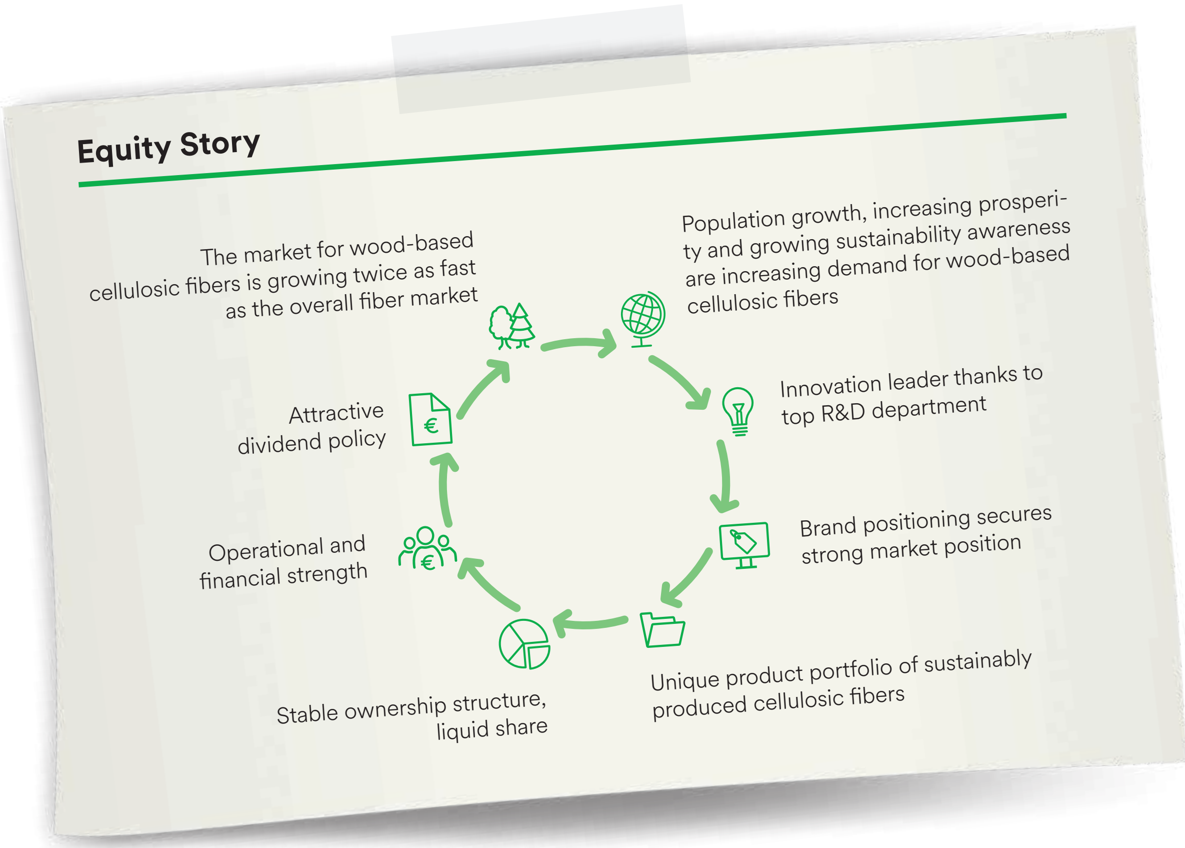
Investor relations and communication

Investor Relations

Lenzing AG offers its shareholders a sustainable investment in a global market leader in the growth market for wood-based cellulosic fibers.

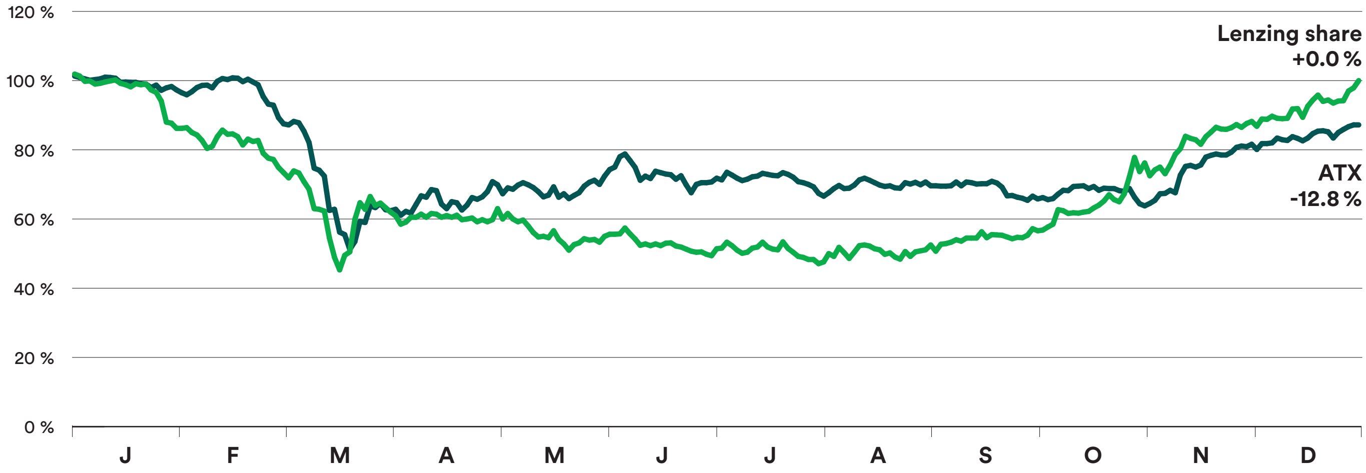
Lenzing expects the demand for wood-based cellulosic fibers to grow by 5 to 7 percent per year through to 2025 – in other words, about twice as fast as the global fiber market overall. The main growth drivers are steady population growth and increasing prosperity in the emerging markets. The Lenzing Group's customers and partners value the company's innovative strength, the quality of its products and its technological solutions. By expanding the production of specialty fibers, Lenzing strategically focuses on stable and profitable growth and on strengthening its position as a sustainability frontrunner. In addition, the new product brands ensure a clear and strong market position for Lenzing and consequently raise its profile amongst consumers.

Lenzing strives for long-term, profitable growth supported by a solid balance sheet structure and an attractive dividend policy. The guidelines for the capital allocation include expenditures for investments (CAPEX) in organic growth, a dividend typically amounting to up to 50 percent of net profit, and capital for acquisitions, share repurchases and special dividends.



The Lenzing share

The performance of the Lenzing share
Development of the Lenzing share in 2020 (in percent)



The COVID-19 crisis, with its massive restrictions on the economy, also had a tight grip on the stock markets in 2020. After virtually all indices crashed in March 2020 due to COVID-19, they subsequently largely recovered over the course of the year. The central banks adhered to their low-interest-rate policies and positively influenced the global financial markets. The Dow Jones Industrial was up 7.2 percent at the end of the year. The Japanese benchmark index Nikkei recorded gains of 16 percent. In the emerging markets, stock market trends were mixed. In Austria, the recovery was weaker in comparison to many other markets. The ATX, the benchmark index of the Vienna Stock Exchange, closed at 2,780.44 points on December 30, 2020 (the last trading day) – down 12.76 percent year-on-year.

The performance of the Lenzing share largely reflected the overall economic development. The Lenzing share started the 2020 trading year with a closing price of EUR 84.35 on January 02. The annual high amounted to EUR 85.65 at the beginning of the year. The annual low of EUR 35.36 was recorded on March 16. The closing price at year-end was EUR 82.8. The closing price of the previous year was also EUR 82.8.

The Lenzing share is listed on the Prime Market of the Vienna Stock Exchange. As one of the 20 largest publicly listed companies in Austria, Lenzing is included in the benchmark index ATX (Austrian Traded Index). In addition, the Lenzing share is part of the Vienna

Key indicators 2020

ISIN	AT 0000644505
Ticker symbol	LNZ
Initial listing	September 19, 1985
Indices	ATX, ATX Prime, VÖNIX, WBI
Number of shares	26,550,000
Share capital	EUR 27,574,071.43
Trading volume	21,643,846
Total turnover	EUR 1,176,517,800
Average daily turnover	EUR 4,650,268
Opening price on Jan. 02.	EUR 84.35
Closing price on Dec. 30.	EUR 82.80
Annual high	EUR 85.65
Annual low	EUR 35.36
Annual performance	–
Market capitalization on Dec. 30	EUR 2,198,340,000

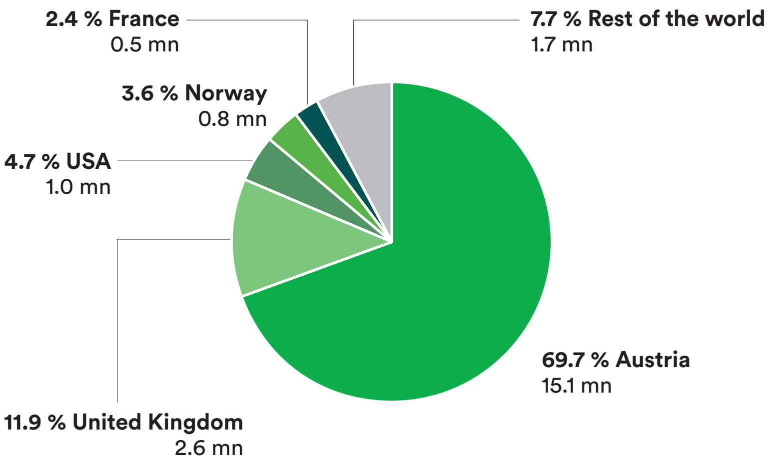
Investor relations and communication

Stock Exchange Index WBI and, since 2005, the VÖNIX Sustainability Index. In 2020 the average daily turnover of the Lenzing share rose from EUR 4.4 mn to EUR 4.7 mn. The market capitalization amounted to EUR 2.2 bn as at December 30, 2020.

Investor relations activities

The capital market showed continued high interest in Lenzing AG in the 2020 financial year. In addition to regular disclosure (quarterly reports, ad hoc releases, corporate news), Lenzing participated in several conferences and road shows. As of March, these were held virtually due to COVID-19. Analysts and investors were also regularly provided with an overview of current operating and strategic business developments in quarterly conference calls and numerous one-on-one talks. Sustainable investors also showed particularly great interest due to our ESG improvements. These improvements were affirmed as Lenzing was upgraded by the sustainability rating agency ISS ESG and received a double "A" score from the environmental organization CDP, in the categories climate change and forests.

Shareholdings per country
in percent and millions of shares
as at December 31, 2020 (21,661,382 shares identified)



Shareholder structure

The Austrian B&C Group was the majority shareholder of Lenzing AG with an investment of 50 percent plus two shares as at December 31, 2020. Bank of Montreal (BMO), a leading Canadian bank, and Impax Asset Management Group in London each held approximately four percent of the Lenzing shares. The free float equaled 42 percent at the reporting date and was distributed among Austrian and international investors. The Lenzing Group did not hold any treasury shares as at December 31, 2020.

The geographical distribution of the identifiable free float is shown in the chart below.

Analyst coverage

Lenzing was covered by the following six equity research companies in 2020: Baader Helvea, Berenberg Bank, Deutsche Bank, Erste Group, Kepler Cheuvreux, Raiffeisen Centrobank.

The latest analyst research is available on the Lenzing website under: https://www.lenzing.com/investors/lenzing-share/analysts-consensus

Annual General Meeting

The 76th Annual General Meeting of Lenzing AG had to be postponed due to the COVID-19 pandemic and was held in a virtual form via livestream on June 18, 2020. All of the proposed resolutions were approved by a high majority. The Annual General Meeting also resolved not to distribute a dividend for the 2019 financial year (compared with EUR 5.00 in the previous year).

Detailed information on the Annual General Meeting, the proposed resolutions and voting results are published on the Lenzing website under: https://www.lenzing.com/investors/shareholders-meeting/2020

As the Lenzing Group did not generate any retained earnings in the 2020 financial year, there is no need to pass a resolution on the proposal for the appropriation of profits.

In 2020, Lenzing was pleased to have won the Austrian State Prize for Innovation in 2020 (in the picture: Margarete Schramböck, Austrian Federal Minister for Digital and Economic Affairs, and Gert Kroner, Vice President Global Research & Development at Lenzing).

First issuance of a hybrid bond

On November 30, Lenzing AG issued its first hybrid bond on the capital market. This subordinated, unsecured bond with a total volume of EUR 500 mn and a coupon of 5.75 percent has a perpetual tenor.

The bond was successfully issued following a two-day road show with international investors and was oversubscribed multiple times. The denomination of the hybrid bond is EUR 100,000.

Due to its structural characteristics, the bond is fully accounted for as equity in accordance with IFRS and will therefore additionally strengthen the company's capital structure.

Communication

The Lenzing Group continued its comprehensive public relations activities in 2020 and held numerous information events in Austria and other countries. Due to the COVID-19 pandemic and the related protection measures, these events were largely held virtually. The Managing Board provided business and trade media with extensive information on the business development at the annual press conference presenting the results in March. In August, Lenzing held an online press conference on the occasion of the results of the first half of 2020. In addition, Lenzing and its product brands published approximately 70 releases, regularly informing the public about current topics.

The Lenzing website www.lenzing.com has also been fully functional in Chinese since 2020. Other highlights in 2020 included the #FeelsSoRight and #ItsInOurHands environmental initiatives. Together with co-branding partners and international lifestyle magazines such as Vogue, ELLE and Cosmopolitan, the #FeelsSoRight initiative raises awareness for sustainable fashion among consumers. By the end of 2020, the global campaign had generated more than 90 mn impressions. With the #ItsInOurHands environmental initiative, Lenzing achieved a global reach of 40 mn by the end of 2020, thus increasing not only the visibility of the VEOCEL™ brand but also generating awareness among the general public for an eco-conscious use of wet wipes.

Awards

The Lenzing Group received several awards for its achievements during the 2020 financial year, most notably in the field of sustainability.

- Lenzing underwent assessment by the non-profit environmental organization CDP for the first time in 2020 and was the only first-time discloser to secure a double 'A' score in the categories climate and forest.

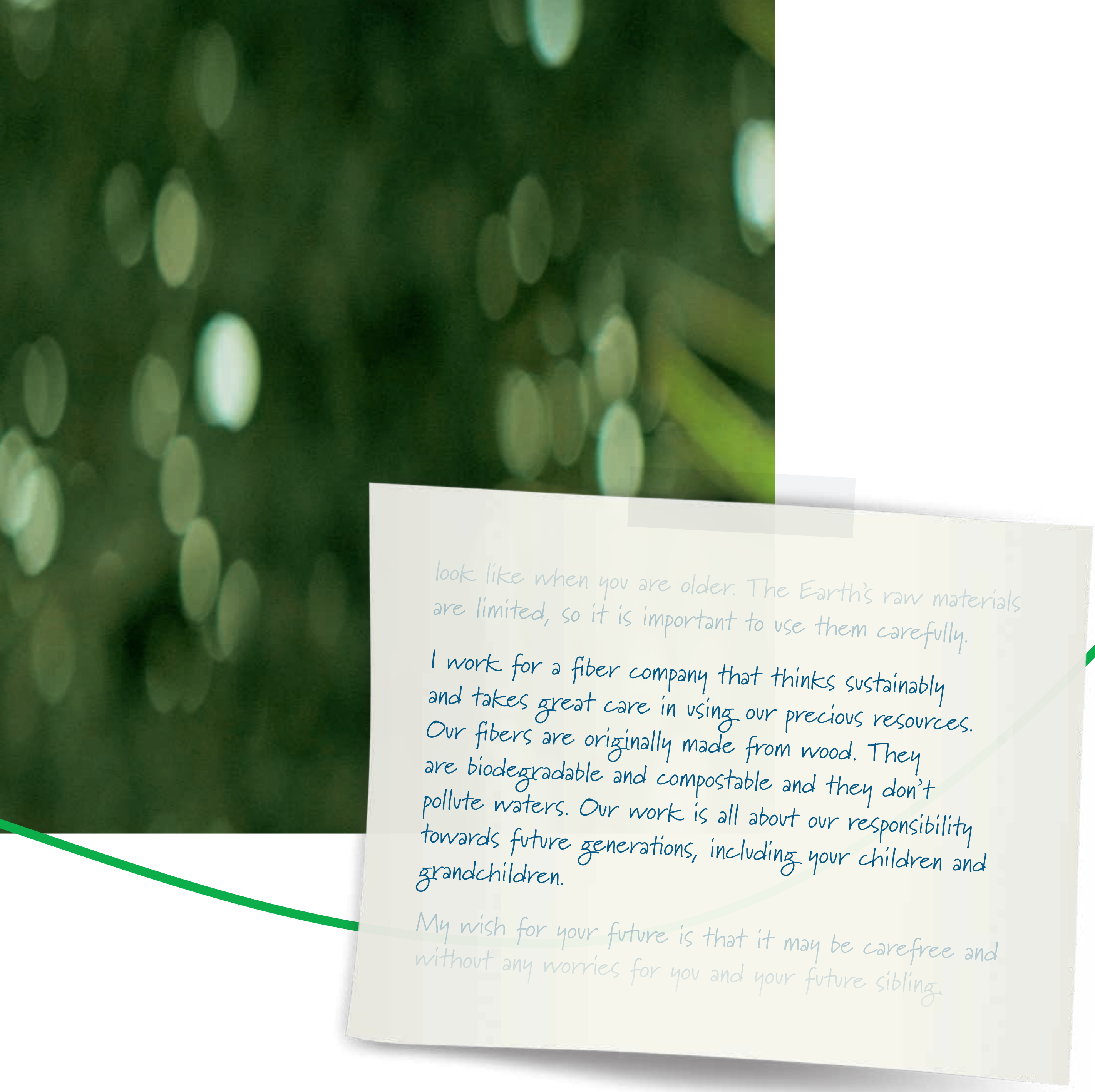
- In Canopy's Hot Button Ranking Lenzing achieved the highest category for the first time. The Canadian environmental organization particularly highlighted our continuous leadership regarding sustainable procurement and efficient use of resources over the past years.

- ISS ESG, one of the most recognized rating agencies in the field of sustainability, raised Lenzing's sustainability rating from "C+" to "B-", the highest rating in the category "Paper & Forest Products", positioning the Lenzing Group among the top 10 percent of rated companies. The "Prime Status" of the Lenzing Group was also confirmed.

- In December Lenzing won the prestigious "Building Public Trust Award 2020" for the best climate reporting on the Austrian ATX. The jury emphasized Lenzing's commitment to a holistic climate-related strategic alignment and clear targets.

- In addition, Lenzing won the Austrian State Prize for Innovation. This award recognizes Lenzing's achievements and its strategy to grow exclusively on the basis of sustainable innovations. Lenzing convinced the jury with its LENZING™ Web Technology.

Management Report 2020


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

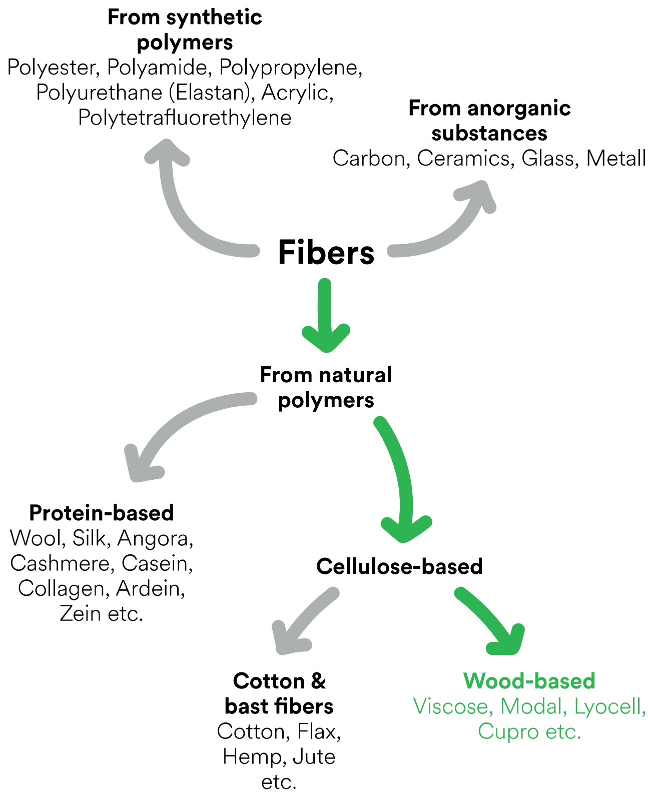
Global economy[1]

The COVID-19 pandemic and the restrictions imposed on large parts of public and economic life pushed the global economy into a deep recession in 2020. Although the International Monetary Fund (IMF) revised its projection slightly upwards in its most recent forecast, it still expects a decline in global economic performance by 3.5 percent in 2020 – compared with growth of 2.8 percent in 2019. This would be a more severe economic slump than after the financial crisis in 2008/2009.

Back then, the global economy stagnated and the financial crisis primarily affected industrialized economies. The global COVID-19 crisis has de facto impacted all countries. The IMF expects a decline by 4.9 percent (2019: +1.6 %) for the industrialized economies. The USA, the world's largest economy, will shrink by 3.4 percent. The IMF projects a drop in economic output by 7.2 percent (2019: +1.3 %) for the 19 countries of the euro area. Only China is expected to record positive growth of 2.3 percent (2019: +6 %).

The global economy is projected to grow by 5.5 percent in 2021 according to the most recent forecast. However, economic recovery is subject to risks and depends largely on the further development of the pandemic.

Fibers on the world market



Global fiber market[2]

Textile fibers record strong decline, nonwovens grow

The COVID-19 crisis had a negative impact on the entire textile and apparel industry in the reporting period, starting with retail, and therefore also on the global fiber market. The closure of retail stores caused a significant decline in demand for textiles and apparel, initially in China and subsequently in virtually all markets worldwide. In the USA and major European markets, revenues in brick-and-mortar stores partly dropped by more than 80 percent. As measures were gradually eased and shops reopened, demand recovered from the end of the second quarter onwards. The recovery of the fiber market set in with a delay at the end of the usual seasonal fluctuations in demand during the summer months for nearly all product groups and caused inventory levels to decline.

At the same time, the high demand for medical and hygiene products caused a significant increase in demand for nonwoven fibers, in particular in the first two quarters.

As a result of these developments, a significant decline in the production level on the global fiber market is expected in 2020. First projections indicate a decrease in fiber supply by 6.5 percent to 106.1 mn tons. Global fiber consumption dropped by 3.6 percent to 106.1 mn tons.

Cotton supply fell by 8.1 percent to 24.1 mn tons according to preliminary projections. Demand increased by 5.8 percent to 24.1 mn tons in 2020.

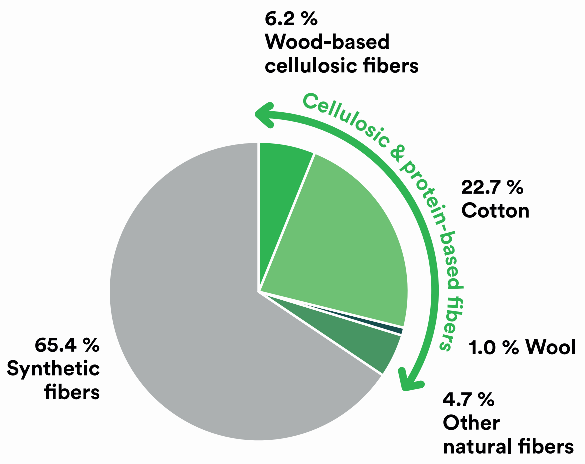
The market for wood-based cellulosic fibers saw a decline for the first time since 2009. Global production dropped by 8.3 percent to 6.6 mn tons.

The production volume of synthetic polymer fibers recorded a decrease for the first time since the 2008 financial crisis. According to first estimates, the global supply of polyester, polyamide and other synthetic fibers dropped by 6.3 percent to 69.4 mn tons.

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

[2] All production-related figures in this section were updated from the initial estimates published in the Annual Report 2019.
Source: ICAC, IMF, Cotton Outlook, CCFG, FAO

Global fiber consumption 2020[1]
by type of fiber in percent (basis = 106.1 mn tons)



Price development affected by COVID-19

The development of the general price level of staple fibers from China was strongly impacted by COVID-19 and its effects.

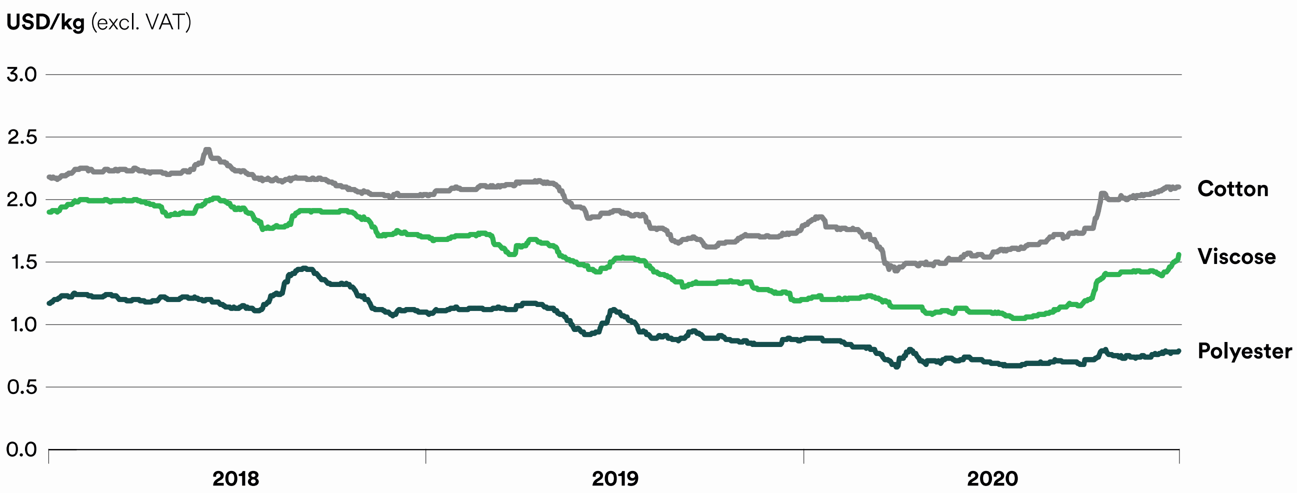
In this market environment, the cotton market was characterized by low demand and initially recorded a further increase in inventories and a sharp decline in prices. Cotton prices dropped from 77.9 US cents to about 60 US cents per pound in the first quarter according to the Cotlook-A Index – the lowest value in more than 10 years. The recovery of the Chinese economy and the Chinese imports from the USA had a stabilizing effect on the cotton price from the third quarter onwards and harvest projections, which had been revised downwards for the 2020/2021 season, also had an impact. The cotton price amounted to 84.6 US cents per pound as at December 31, 2020. This corresponds to an increase by 8.7 percent compared with the beginning of the year. On average, the cotton price was 7.5 percent lower than in the previous year.

As a result of the COVID-19 pandemic, demand also held off in the polyester market over long periods of the reporting year. The strong decline in raw material prices put additional pressure on prices during the reporting period. As at September 30, the polyester price in China amounted to RMB 5,250 per ton, a decrease by 23.9 percent compared with RMB 6,900 at the beginning of the reporting year, thus marking a new historic low. The positive development at the end of the year caused the polyester price to increase to RMB 5,850 per ton. However, the price was still down 15.2 percent year-on-year. The average price in 2020 was 25 percent lower than in the previous year.

The price for standard viscose was already at a historic low at the end of 2019 due to surplus capacity. The large-scale lockdown, falling raw material prices and the usual seasonal volatility in demand during the summer months pushed the price from RMB 9,450 to a new all-time low of RMB 8,300 per ton at the end of July. The beginning recovery in the third quarter with increasing volumes and decreasing inventory levels finally also led to a recovery of the price development from August onwards. As at December 31, the price for standard viscose in China amounted to RMB 11,500 per ton, up 21.7 percent on the beginning of the year. However, the price for standard viscose was on average still 19 percent lower than in 2019.

The general slump in demand on the fiber market, coupled with a significant price gap to other fiber types, also had a negative effect on the prices of wood-based specialty fibers during the reporting period. However, a significant increase in demand led to a gradual recovery of prices from the end of the third quarter.

Staple fiber prices – Development in China[2]



[1] Quelle: ICAC, CIRFS, TFY, Lenzing Estimates

[2] Quelle: CCA, CCFEI, CCFG

The Business Development in the Lenzing Group

The Lenzing Group held its ground well in this extremely difficult market environment with increased pressure on prices and volumes as a result of the COVID-19 crisis. Lenzing benefited from its diversified business model with the textile and nonwoven fibers segments as well as a global production, sales and marketing network in 2020. In order to reduce the effect of fiber prices and demand for fibers, which had come under pressure, Lenzing intensified its cooperation with partners along the value chains and was flexible and agile in adjusting production volume to demand. The disciplined implementation of the sCore TEN corporate strategy and the focus on specialty fibers also had a positive impact again. Lenzing intensified measures for structural earnings improvements and made use of the short-time working model, which was temporarily introduced by the Austrian Federal Government, for roughly 1,500 employees during the reporting period to allow for the required flexibility.

The immediate effects of the COVID-19 crisis further increased price pressure on textile fibers across the entire product range. As a result, revenue declined by 22.4 percent from EUR 2.11 bn to EUR 1.63 bn in 2020. In addition to price effects, Lenzing also felt the decline in demand for textile fibers in all regions. The slightly higher demand for fibers in the medical and hygiene segments reduced the losses, but could not offset them. The share of specialty fibers increased from 51.6 percent in the previous year to 62 percent.

The Segment Fibers accounted for EUR 1.62 bn of the Lenzing Group's revenue in 2020, while the Segment Lenzing Technik contributed EUR 9 mn. Revenue of the Segment Other amounted to EUR 1.9 mn in the reporting year.

The earnings development essentially reflects the decline in revenue. The implementation of measures for structural earnings improvements in all regions mitigated this negative effect. EBITDA (earnings before interest, tax, depreciation and amortization) fell by 39.9 percent to EUR 196.6 mn in 2020. The EBITDA margin decreased from 15.5 percent to 12 percent. EBIT (earnings before interest and tax) dropped by um 76.5 percent to EUR 38.1 mn and the EBIT margin from 7.7 percent to 2.3 percent. EBT (earnings before tax) decreased by 86.4 percent to EUR 22.3 mn. Net profit/loss for the year amounted to EUR minus 10.6 mn (2019: EUR 114.9 mn) and earnings per share to EUR 0.24 (2019: EUR 4.63).

Details on the development of revenue and earnings in 2020 are as follows:

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

			Change	
	2020	**2019**	**Absolute**	**Relative**
Revenue	1,632.6	2,105.2	(472.6)	(22.4)%
Change in inventories, own work capitalized, other operating income and fair value measurement of biological assets	68.0	153.3	(85.3)	(55.6)%
Cost of material and other purchased services	(898.4)	(1,257.3)	358.9	(28.5)%
Personnel expenses	(355.8)	(395.9)	40.2	(10.1)%
Other operating expenses	(249.9)	(278.4)	28.5	(10.2)%
EBITDA	**196.6**	**326.9**	**(130.3)**	**(39.9)%**
Amortization and depreciation	(160.4)	(167.0)	6.5	(3.9)%
Income from the release of investment grants	2.0	2.4	(0.4)	(17.3)%
EBIT	**38.1**	**162.3**	**(124.2)**	**(76.5)%**
Financial result	(15.9)	1.5	(17.4)	n/a
EBT	**22.3**	**163.8**	**(141.6)**	**(86.4)%**
Income tax expense	(32.8)	(48.9)	16.1	(32.8)%
Net profit/loss for the year	**(10.6)**	**114.9**	**(125.5)**	**n/a**

1) The complete consolidated income statement is presented as part of the condensed consolidated interim financial statements.

The cost of material and other purchased services declined by 28.5 percent to EUR 898.4 mn in 2020. In relation to revenue, the cost of material and other purchased services amounted to 55 percent (2019: 59.7 percent). This was attributable to lower production volumes and declining market prices, in particular for pulp, caustic soda and energy. Personnel expenses declined by 10.1 percent to EUR 355.8 mn in the reporting year; a significant part of this reduction was attributable to the short-time working model in Austria. In relation to the Lenzing Group's revenue, personnel expenses amounted 21.8 percent (2019:18.8 percent).

Income tax expense of EUR 32.8 mn (2019: EUR 48.9 mn) is primarily influenced by currency effects and the impairment of deferred tax assets recognized on loss carryforwards of individual Group companies.

ROCE (return on capital employed) dropped from 5.3 percent to minus 0.6 percent in 2020. ROE (return on equity) declined from 10.5 percent to 1.3 percent. The Group's ROI (return on investment) fell from 5.6 percent to 1 percent.

Increased investment activity

Gross cash flow dropped by 56.9 percent year-on-year to EUR 126.8 mn in 2020. This decline was above all due to the earnings development. Cash flow from operating activities dropped to EUR 48.9 mn (2019: EUR 244.6 mn). Free cash flow amounted to EUR minus 614.8 mn (2019: EUR 0.8 mn) due to investment activities related to the projects in Thailand and Brazil. CAPEX (expenditures for intangible assets, property, plant and equipment and biological assets) nearly tripled to EUR 668.8 mn in 2020.

Liquid assets increased by 86.1 percent compared to the end of 2019 and amounted to EUR 1.08 bn as at December 31, 2020. The Lenzing Group also had unused credit lines totaling EUR 1.03 bn at its disposal at the end of the reporting year (December 31, 2019: EUR 266.6 mn).

Solid balance sheet structure

The Lenzing Group's total assets rose by 33.4 percent compared to December 31, 2019 and amounted to EUR 4.16 bn as of December 31, 2020. The main changes are related to an increase in property, plant and equipment due to increased investment activities and the inclusion of biological assets in the form of trees used as a raw material for pulp production in Brazil.

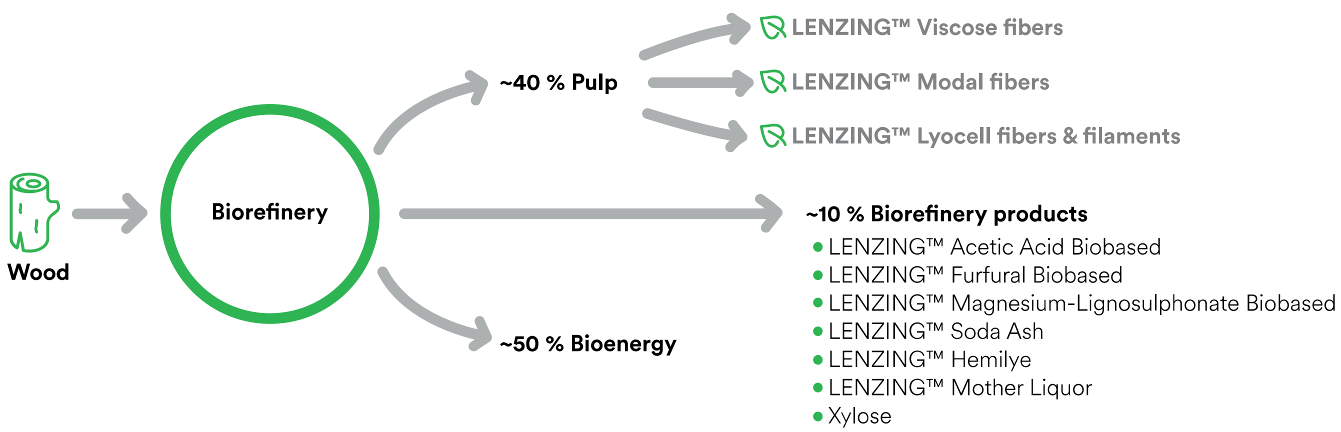
Adjusted equity increased by 22.3 percent to EUR 1.91 bn as at December 31, 2020. Lenzing issued a subordinated hybrid bond with a volume of EUR 500 mn in 2020, which is classified as equity in accordance with IFRS. The bond additionally strengthens the company's capital structure. The adjusted equity ratio declined from 50 percent to 45.8 percent due to the increase in total assets.

Net financial debt rose by 17.7 percent to EUR 471.4 mn in the reporting year. As one of the first companies worldwide, Lenzing placed a bonded loan bound to its sustainability performance in 2019 in order finance further operational growth. The volume of the loan totals roughly EUR 500 mn, part of which was not available to the company until the 2020 financial year. The ratio of net financial debt to EBITDA equaled 2.4 at year-end 2020 compared with 1.2 at the end of 2019. Net gearing, at 24.7 percent at the reporting date, was slightly lower than in the previous year (December 31, 2019: 25.7 percent). Trading working capital declined by 4.9 percent to EUR 383.8 mn in 2020. The ratio of trading working capital to annualized Group revenue rose from 20.7 percent at the end of 2019 to 21.9 percent at the end of 2020.

The Development of Business in the Segments

Segment Fibers

From wood to fiber



The Segment Fibers comprises all production steps of the Lenzing Group from wood, pulp and biorefinery products to fibers. In 2020, activities in the Segment Fibers again concentrated on expanding the internal production of pulp and increasing the share of specialty fibers in line with the sCore TEN strategy. The focus was on implementing the major projects in Brazil and Thailand. The COVID-19 crisis and the general decline in demand for fibers on the global market also had a negative impact on the Lenzing Group's fiber sales volume and led to lower capacity utilization of the pulp and fiber production facilities, and to increased stock levels.

Revenue generated by the Segment Fibers decreased by 22.4 percent to EUR 1.62 bn in 2020. The segment's EBITDA (earnings before interest, tax, depreciation and amortization) dropped by 41 percent to EUR 190.8 mn in 2020. EBIT (earnings before interest and tax) of the segment fell by 80.4 percent to EUR 30.9 mn.

Wood

The negative effects of climate change have put the wood market to an extreme test for three years now. The situation for the Central European market, which is relevant for the Lenzing Group's wood procurement, did not ease in 2020 due to the persistent drought. The infestation of trees by bark beetles once again caused large quantities of damaged and calamity wood.

The COVID-19 crisis and the market-related cutbacks in production in the pulp industry, coupled with a relatively brisk demand by the sawmill and panel industries, contributed to further destabilizing the market balance. Significant oversupply, in particular of industrial softwood, caused prices to drop further during the reporting period. The development of the market and prices for industrial hardwood was comparatively stable.

The Lenzing Group secured good supplies for its two pulp plants in Lenzing (Austria) and Paskov (Czech Republic) during the reporting period.

An audit according to the forestry certification systems Forest Stewardship Council® (FSC®) and Programme for the Endorsement of Forest Certification™ (PEFC™) also 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 FSC® certified or controlled sources[1].

Biorefinery

Pulp

The Pulp & Wood business area 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 the Group's dissolving wood pulp requirements. The remaining part is purchased on the basis of long-term contracts.

A total of roughly 578,000 tons of dissolving wood pulp was produced at the Lenzing Group's two pulp plants in 2020.

The price for hardwood-based dissolving wood pulp in China continued to decline in the first two quarters of 2020 due to the extremely difficult market environment for standard viscose and paper pulp and marked a new historic low of USD 607 per ton in July. In the second half of the year, the price recovered and amounted to USD 730 per ton as at December 31, up 15.5 percent on the beginning of the year. With average of USD 643 per ton over the reporting year, the price for hardwood-based dissolving wood pulp was 15.9 percent lower than in 2019.

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

In the first half of 2020, the expansion project at the Paskov plant was completed. As a result, Lenzing increased the local pulp capacity from 270,000 tons to 285,000 tons per year. The production capacities have been started up gradually since 2018.

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 plant in Brazil proceeded according to plan in 2020. After the final investment decision in December 2019, the Duratex Group acquired a 49 percent share in the joint venture LD Celulose in the first quarter of 2020 as agreed. Lenzing holds 51 percent of the shares in this fully consolidated subsidiary. The expected industrial CAPEX will be USD 1.38 bn. The project is predominantly financed through equity and long-term debt.

The financing contracts were also concluded in the second quarter of 2020 as planned. IFC, a member of the World Bank Group, and IDB Invest, a member of the IDB Group, support the investment program of the joint venture LD Celulose. The export credit agency Finnvera and seven commercial banks are also participating in the financing in the amount of USD approx. 1.15 bn. The commissioning of the pulp plant is still scheduled for the first half of 2022.

In planning the new production facility, particular importance was given to sustainability aspects. The joint venture secured FSC®-certified plantations covering an area of over 44,000 hectares to provide the necessary biomass[1]. These plantations operate fully in accordance with the guidelines and high standards of the Lenzing Group for sourcing wood and pulp. The plant will be one of the world's most productive and most efficient plants and feed more than 50 percent of the electricity generated into the public grid as renewable energy. With this project, Lenzing sets a milestone in the implementation of its carbon neutrality strategy.

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 developed at a lower level in 2020. The prices of LENZING™ Acetic Acid Biobased and of LENZING™ Furfural Biobased declined by an average of 12 percent and 23 percent, respectively. The sales volume declined by an average of 6 percent (LENZING™ Acetic Acid Biobased) and 9 percent (LENZING™ Furfural Biobased) due to production volume adjustments.

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

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. The share of renewable energy sources such as biomass, water and waste in the Lenzing Group's global energy mix amounted to 55.8 percent in 2020 (2019: 51.6 %).

The Lenzing Group's procurement strategy for the main cost components, electricity and natural gas, is based on short-term procurement and a large spot market share. Energy prices dropped significantly in 2020 as mobility was restricted and production reduced as a result of the COVID-19 crisis. The oil prices plummeted until mid-April, when the major oil producers agreed to cut production. On average, the prices for oil were approximately 34 percent lower in 2020 than in the previous year. The prices for natural gas also continued to decline in 2020 and reached historic lows in the second quarter. In addition to the slump in economic activity due to the pandemic, this was primarily attributable to low demand for gas in winter and the resulting oversupply of liquefied natural gas. Gas prices were on average 30 percent below the level of the previous year.

The negative effects of COVID-19 led to a decline in electricity prices, which were approximately 16 percent lower on average than in the previous year. The fact that electricity prices did not record a similar drop as oil and gas prices was primarily attributable to the relatively stable development of coal prices, which were down 15 percent on 2019. Moreover, the prices for CO_2 allowances also remained constant despite the economic downturn. Towards the end of 2020 they even reached new record level after the EU had increased its target for the reduction of greenhouse gas emissions to at least 55 percent.

Operations in the Lenzing Group's energy production facilities were normal in 2020. The site in Lenzing traditionally uses renewable fuels, primarily from the biorefinery, as its most important source of energy due to the optimal structure of the facility. The use of conventional fossil fuels like oil, coal and natural gas amounted to 12.7 percent of total energy consumption (2019: 15.7 %). This was primarily due to the COVID-19-related adjustments of the production volume at the site. The continuous improvement and optimization of the plants and consumption continued during the reporting year.

Operations at the facilities in Paskov were normal in the reporting period. Surplus energy was fed into the public electricity grid.

[1] FSC license code: FSC-C006042

The plant in Purwakarta (Indonesia) was 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 2020. In the second half of the year the coal price decreased by 10 percent. The price for electricity developed at a similar level as in 2019.

Steam costs at the Nanjing plant (China) were significantly reduced in the reporting year despite the high coal price. On average, steam costs were approx. 23 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 reporting period. The price of grid electricity was about 6 percent lower than in the previous year.

Other raw materials

The economic shock as a result of the COVID-19 pandemic led to a significant decline in the global raw material prices in 2020.

Caustic soda

Caustic soda is used in the production of pulp and is also an important primary product for the production of viscose and modal fibers as well as a co-product from chlorine production. The prices of caustic soda declined significantly in Europe and Asia in 2020. The considerably 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 a considerable 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 also decreased temporarily due to the COVID-19 pandemic, but recovered noticeably towards the end of the reporting year.

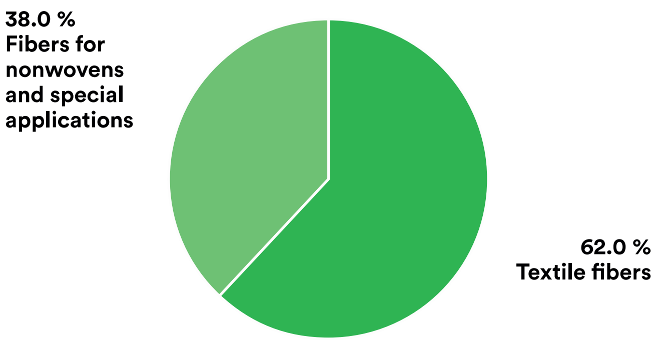
Fibers

Specialty fibers are Lenzing's great strength. The strategic target to generate roughly 50 percent of revenue with specialty fibers in 2020 was met. Lenzing aims for further organic growth in this area in order to be even more resilient to volatile markets in the future. The focus of the coming years will clearly be on the construction of the new, state-of-the-art lyocell plant in Thailand, with the objective to increase the share of specialty fibers in the revenue generated by the Segment Fibers to more than 75 percent by 2024. 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 also in 2020. Production is expected to be launched at the end of 2021.

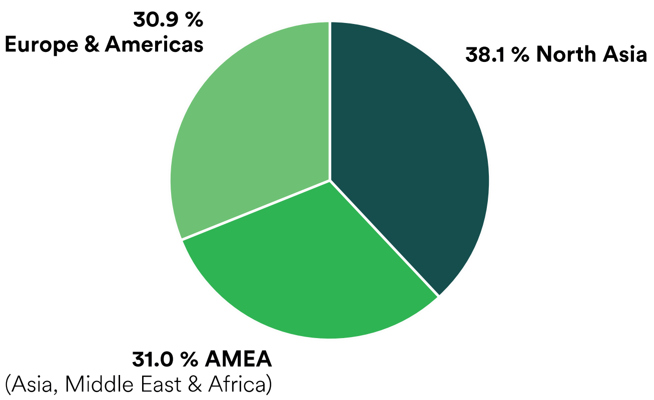
With the repositioning of its product brands, the Lenzing Group sent a strong message to consumers in 2018. With TENCEL™ as the umbrella brand for all specialty products in the textile segment, VEOCEL™ as the umbrella brand for all specialty nonwoven products and LENZING™ for all industrial applications, the company showcases its strengths in a targeted manner. Lenzing continued to increase the visibility of its brands through targeted communication measures in 2020.

The Lenzing Group generated fiber revenue of EUR 1.36 bn in 2020, with roughly 62 percent attributable to textile fibers and 38 percent to nonwoven applications and fibers for special applications. The sales regions were North Asia, followed by AMEA (Asia, Middle East & Africa) and Europe & Americas.

Fiber revenue by segment in percent

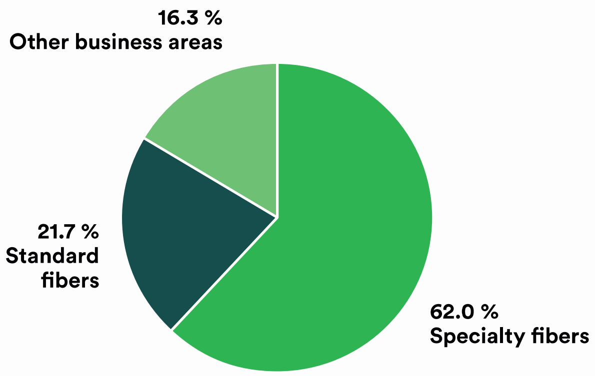


Fiber revenue by core market in percent



The total fiber sales volume declined by 12.4 percent to roughly 787,000 tons in 2020 due to the COVID-19 pandemic and its effects on the textile and apparel industry (2019: approx. 899,000 tons). The share of specialty fibers in Group revenue amounted to 62 percent, significantly exceeding the prior-year level of 51.6 percent. The share of standard fibers decreased from 33.7 percent to 21.7 percent in 2020. The share attributable to other business areas rose from 14.7 percent to 16.3 percent.

Group revenue: Share of specialty fibers in percent



Textile fibers

The textile fiber business was severely impacted by the COVID-19 crisis in 2020. The closure of retail stores in the first quarter of 2020 caused a significant decline in the demand for fibers starting in China and later in virtually all markets worldwide. The global effects of the pandemic were also clearly noticeable for Lenzing and led to substantial declines in revenue across all segments and fiber types in the textile fibers segment.

The gradual easing of measures and opening of shops led to a return of demand from the end of the second quarter onwards, in particular for wood-based specialty fibers such as TENCEL™ Modal. As they are particularly soft and comfortable to wear, they are frequently used for innerwear and were the first to benefit from the recovery due to the persistent restrictions of social life and remote-working models. The demand for TENCEL™ lyocell fibers and LENZING™ ECOVERO™ fibers also recovered noticeably in the subsequent months. LENZING™ FR high-performance fibers for work and protective clothing recorded a relatively slow recovery in comparison.

Despite COVID-19, the interest of fashion brands in TENCEL™ x REFIBRA™ fibers developed at a high level in the reporting period. The REFIBRA™ technology is the world's only technology for the production of new lyocell fibers based on scraps left over from the production of cotton clothing as well as post-consumer garments on an industrial scale and therefore makes an important contribution to promoting circularity in the textile industry.

Regardless of the COVID-19 crisis, Lenzing consistently continued to work on implementing its sCore TEN strategy in the textile fiber segment in 2020.

Lenzing completed the second pilot production plant for its TENCEL™ Luxe branded filament yarn in the reporting year. 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 is also systematically developing its product range in order to drive decarbonization in its own value chain and the entire textile supply chain. In the third quarter, Lenzing launched the first carbon-zero fibers. Following the guidelines of the "CarbonNeutral Protocol", the new fibers, which are sold under the TENCEL™ brand, are certified as CarbonNeutral® products for the textile industry. As part of the "True Carbon Zero" campaign, Lenzing and its premium brand in the textile segment work closely with different partners including fashion brands, designers and non-governmental organizations to achieve the common goal of carbon neutrality.

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 the fourth quarter to ensure the traceability of textiles form fiber to production and distribution. More than 100 customers and partners along the textile value chain from India, Pakistan, Bangladesh and Sri Lanka completed the onboarding process by the end of 2020. Through using the innovative Fibercoin™ technology of the TextileGenesis™ platform, Lenzing and other brand partners are now 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.

The visibility of the TENCEL™ and LENZING™ ECOVERO™ brands was further increased in 2020 despite the ongoing COVID-19 crisis. The number of end products licensed for the sale of these brands increased by 33 percent year-on-year. The number of co-branding partners rose by approx. 56 percent.

With #FeelsSoRight, Lenzing raises awareness for sustainable fashion among consumers in collaboration with 31 co-branding partners, including Jockey, Camper® and Zalora and international lifestyle magazines such as Vogue, ELLE and Cosmopolitan. By the end of 2020, the global campaign reached more than 90 million people worldwide (impressions).

Thanks to the digital marketing concept "Where to buy" on the product website www.tencel.com, products made from TENCEL™ fibers can be presented and linked in the online shops of more than 220 partners now. The product website generated more than 1.3 million page views in 2020, 48.6 percent more than in the previous year.

Lenzing's fibers were also a great success at this year's Oscar ceremony in Los Angeles. Three dresses worn by nominees and winners were handmade from fabrics with our TENCEL™ Luxe filaments. The strong response on social media accelerated awareness for this sustainable and innovative product of the Lenzing Group.

Nonwoven fibers

More than ever, the nonwoven fibers business was a strong strategic pillar for Lenzing in 2020. Continuing its long-term trend, the market for wet wipes recorded strong growth again. The nonwoven fibers business benefited from the urgent need for hygiene and medical products in the first half of 2020. Growing hygiene awareness as a result of the COVID-19 pandemic led to strong demand in particular for household, hygiene and disinfectant wipes.

In line with the sCore TEN corporate strategy, Lenzing also focuses on sustainable innovations in the nonwoven fibers business, which are adjusted in an optimum manner to the needs of the value chain. With the new Nonwoven Development Center at the Münchberg campus in Germany, which was opened in September 2020, Lenzing and Hof University are supporting the development of sustainable solutions for nonwoven segments including hygiene, body care and medical. The award of the Austrian State Prize for Innovation further underlines Lenzing's achievements and the strategy to grow exclusively on the basis of sustainable innovation. Lenzing convinced the jury with its LENZING™ Web Technology. The novel process is a true pioneering achievement and combines fiber and nonwovens production in only one step, setting new standards in terms of efficiency, circularity and ecological sustainability.

The new LENZING™ Lyocell Fine Skin and LENZING™ Lyocell Micro Skin fibers were also introduced in 2020 under the VEOCEL™ Beauty segment. These innovative fibers are characterized by a premium level of fineness, exquisite softness and translucency, and are ideal in particular for facial sheet masks. A special identification system is also employed to add greater supply chain transparency and will allow VEOCEL™ branded lyocell fibers to be identified in the final product.

The trend towards more sustainable solutions based on renewable resources and biodegradable materials, coupled with new regulations such as the EU's single-use plastics directive issued in 2019, supports the demand for Lenzing fibers for nonwovens. In accordance with the directive, the EU requires uniform labeling of plastics in wet wipes. With its wood-based VEOCEL™ branded cellulosic fibers, Lenzing offers an eco-friendly alternative to fossil-based fibers. Brand partners can label their products with the brand's logo provided they meet defined licensing criteria, and increase consumers' trust by increasing transparency. These criteria ensure that products featuring the logo of the VEOCEL™ brand are free of synthetic fibers. In addition to VEOCEL™ branded cellulosic fibers, all other ingredients consequently also have to be fully biodegradable.

The VEOCEL™ brand added new companies and brands such as Kotex®, Amway und Earth Rated® to its network of co-branding partners in the reporting period, thus further establishing itself on the market. Lenzing reached more than 40 million people with its #ItsInOurHands environmental initiative by the end of 2020, 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. Lenzing also relaunched its product website www.veocel.com in 2020, which is now available in nine languages and includes a "Where-to-buy" platform with 20 branding partners.

Fibers for special applications

Lenzing's wood-based cellulosic fibers are also used in a wide range of specialized technical applications. Thanks to the special properties of its innovative solutions in terms of sustainability and quality, Lenzing enjoys growing demand in this business area and increasingly focuses on high-quality applications such as components for e-mobility, reinforcements for building materials, linings of high-temperature kilns, coffee and tea filter packaging, and special biodegradable wipes.

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 dropped by 14 percent in 2020, while the price was 3 percent higher.

Since 2019 Lenzing has also produced and marketed another co-product, LENZING™ calcium sulfate.

Hygiene Austria LP GmbH

In the second quarter of 2020 Lenzing and Palmers Textil AG founded the joint venture Hygiene Austria LG GmbH to meet the population's increased demand for high-quality hygiene and protective equipment. The new company, which is accounted for using the equity method and in which Lenzing holds 50.1 percent and Palmers 49.9 percent, started producing and selling mouth-nose and FFP2 masks in May 2020. In a next step, the product range was extended to include masks for children. An additional distribution channel was established with the launch of an online shop (https://hygiene-austria.at) in the third quarter.

Segment Lenzing Technik

Lenzing Technik GmbH was merged with Lenzing Aktiengesellschaft with effect from September 30, 2020 and has been a separate business area within Lenzing AG since then.

Lenzing Technik is a supplier of filtration and separation technology units and also operates a mechanical construction unit. Both areas also serve as competence centers for the Lenzing Group's fiber technologies.

Revenue generated by Lenzing Technik amounted to EUR 23 mn in 2020 compared with EUR 30.1 mn in 2019, which corresponds to a decline by 23.6 percent. Of this total, customers outside the Lenzing Group accounted for EUR 9 mn (2019: EUR 11.5 mn). EBITDA amounted to EUR 2.1 mn compared with EUR 3.2 mn in 2019. The number of employees at Lenzing Technik, excluding apprentices, amounted to 159 at December 31, 2020 (December 31, 2019: 170).

Filtration and Separation Technology

As a pioneer in the field of solid-liquid separation, the Filtration and Separation Technology business area deals with the development and realization of solutions for customer-specific filtration applications. The innovative filtration systems enable customers to make their production processes more efficient and economical.

Mechanical Construction

The Mechanical Construction business area manufactures sophisticated and production-critical machinery and aggregate components for all plants of the Lenzing Group. It also makes a valuable contribution to the protection of intellectual property as a development partner and service provider within the Lenzing Group – from research to the finished plant and beyond.

Segment Other

Revenue in the Segment Other fell by 23.7 percent to EUR 4.6 mn in the 2020 financial year. Of this total, EUR 1.9 mn was attributable to customers outside the Lenzing Group (2019: EUR 2.5 mn). EBITDA fell to EUR 1.2 mn and EBIT to EUR 1 mn.

Investments

The Lenzing Group's investing activities focused on increasing its internal pulp production, raising the share of specialty fibers and implementing the climate targets in line with the sCore TEN corporate strategy in 2020.

CAPEX (expenditures for intangible assets, property, plant and equipment and biological assets) nearly tripled to EUR 668.8 mn in 2020 (2019: EUR 244 mn). The massive increase in investments is attributable to the implementation of the major projects in Brazil and Thailand.

The construction of the dissolving wood pulp plant in Brazil continues to proceeded according to plan. After the final investment decision in December 2019, the Duratex Group acquired a 49 percent share in the in the joint venture LD Celulose in the first quarter of 2020 as agreed. Lenzing holds 51 percent of the shares in this fully consolidated subsidiary. The expected Industrial CAPEX will be USD 1.38 bn. The project is predominantly financed through equity and long-term debt. The corresponding financing contracts were concluded in the second quarter of 2020 as planned. IFC, a member of the World Bank Group, and IDB Invest, a member of the IDB Group, support the investment program of the joint venture LD Celulose. The export credit agency Finnvera and seven commercial banks are also participating in the financing in the amount of USD approx. 1.15 bn. The commissioning of the pulp plant is scheduled for the first half of 2022.

In the first half of 2020, the expansion project at the Paskov plant was completed. As a result, Lenzing increased the local pulp capacity from 270,000 tons to 285,000 tons per year. The production capacities have been started up gradually since 2018.

Specialty fibers are Lenzing's great strength. The strategic target to generate roughly 50 percent of revenue with specialty fibers in 2020 has already been met. Lenzing aims for further organic growth in this area in order to be even more resilient to volatile markets in the future. The focus of the coming years will clearly be on the construction of the new, state-of-the-art lyocell plant in Thailand, with the objective to increase the share of specialty fibers in the revenue generated by the Segment Fibers to more than 75 percent by 2024. 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 year. Production is expected to be launched towards the end of 2021.

Lenzing completed the second pilot production plant for its TENCEL™ Luxe branded filament yarn in the reporting year. 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.

In June 2019, Lenzing announced a substantial reduction of its CO_2 emissions and investments of more than EUR 100 mn in sustainable technologies and production facilities in the coming years to achieve this goal. A major part of these investments will focus on closed-loop production processes and the modernization of effluent treatment units. In addition, Lenzing invests in improving the energy mix. In Nanjing, the changeover in energy production from coal to natural gas continued in the reporting period. The decision to invest EUR 40 mn in expanding the production of the raw material sulfuric acid at the Lenzing site is another important step towards achieving the climate targets. A new air purification and sulfur recovery plant will not only optimize the company's self-sufficiency for this raw material and enhance process reliability. The investment will also contribute to improving the ecological footprint of the Lenzing site.

Research and Development

Research and development activities in the Lenzing Group are concentrated in the Research and Development Department (R&D), a corporate unit in Lenzing. At the end of 2020, 212 people worked in R&D. R&D expenditures, calculated according to the Frascati method (after the deduction of grants), amounted to EUR 34.8 mn compared with EUR 53.2 mn in 2019. The decline results from preparations for investments which will not affect the amount of R&D expenses to a greater extent until the coming quarters, and from COVID-19-related restrictions. In relation to revenue, R&D expenditures amounted to 2.1 percent compared with 2.5 percent in 2019. The achievements of R&D are also reflected in 1,369 patents and patent applications (from 180 patent families), which the Group holds in 55 countries throughout the world.

The pandemic and the resulting restrictions also influenced R&D. Nevertheless, the key projects were implemented or further advanced in 2020 and the services provided for other departments of the organization were also maintained.

Focal points 2020

Im October 2020 Lenzing was awarded the Austrian State Prize for Innovation. Lenzing emerged as the winner with its project LENZING™ Web Technology and thus received the highest recognition for particularly innovative achievements in Austria. Lenzing also received the Pegasus Award in silver in the category "Innovation leader" in October 2020. Both awards focus on sustainability aspects, thus highlighting Lenzing's achievements in sustainable innovation.

Lenzing is setting new standards regarding efficiency, circularity and ecological sustainability with the LENZING™ Web Technology. The process enables the production of cellulosic nonwovens directly from the textile pulp, thus eliminating processing steps along the value chain. In addition, it allows producing nonwovens featuring properties that are otherwise impossible to realize with the raw material cellulose. In 2020, the development of a nonwoven fabric that can be used in protective masks and is biobased and biodegradable was started at short notice. This project is funded as part of the Emergency Call of the Austrian Research Promotion Agency (FFG) for the research on COVID-19.

The use of wood-based cellulosic fibers in nonwoven applications was a focus area of research and development activities in the reporting year due to increased demand for biobased products in this area. In addition to the development of new applications in collaboration with partners, the degradability of these products in different environments was examined in particular. Moreover, Lenzing introduced the new LENZING™ Lyocell Fine Skin and LENZING™ Lyocell Micro Skin fibers on the market for the Beauty segment, which use the specifically developed identification system in the nonwovens segment for the first time, allowing the unequivocal identification of genuine fibers in the final product. The use of the blockchain technology to trace Lenzing fibers was further developed with the partner TextileGenesis™ and successfully introduced in several regions.

Sustainability is also a key element in the further development of production processes for pulp and fibers. Consequently, additional products were evaluated within the scope of the biorefinery activities in order to further improve the utilization of the raw material wood. Work also continued on further closing loops and on improving recovery. Comprehensive activities for resource and energy efficiency were launched on the fiber side with the aim to further reduce CO_2 emissions and to accomplish the climate targets set by Lenzing. As part of these activities, Lenzing is a partner in a project of the NEFI (New Energy for Industry) model region. The objective is to establish the use of novel heat pumps in an industrial environment, thus further reducing CO_2 emissions.

Innovation centers and collaborations

There is also an extensive exchange with the application and innovation centers in Hong Kong and Purwakarta, where new applications for textile fibers of the Lenzing Group are developed in cooperation with customers. Based on the joint development activities, Lenzing is intensifying the global collaboration with partners along the value chain.

One example of a development at the Lenzing Application Innovation Center (AIC) in Hong Kong is the collaboration with Smartex. A system of cameras and technologies is implemented at the AIC which can be installed in circular knitting machines to detect fabric defects in real time to reduce textile waste.

Despite the difficult environment, Lenzing intensified its collaboration with universities, NGOs and companies in 2020. Lenzing is, for example, a founding member of the Renewable Carbon Initiative (RCI). Eleven leading companies from six countries founded this initiative in September 2020 under the leadership of nova-Institute (Germany). The aim of the initiative is to support and speed up the transition from fossil carbon such as oil, gas and coal to renewable carbon for all organic chemicals and materials. The new Nonwoven Development Center at Hof University (Germany) was also opened in September 2020. As a strategic partner, Lenzing has access to a state-of-the-art development line, where sustainable solutions for the hygiene, body care and medical industries will be developed in the future.

Non-financial statement

Environmental protection, sustainable business development and responsibility for people are part of Lenzing's fundamental strategic values. Sustainability is therefore firmly established in the sCore TEN strategy. Current information on the topic of sustainability is provided in the Sustainability Report of the Lenzing Group, which also represents the consolidated non-financial report in accordance with Section 267a of the Austrian Commercial Code.

Risk Report

Current risk environment

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

The current risk environment is marked by the global COVID-19 pandemic and the resulting social, political and economic uncertainties. The International Monetary Fund (IMF) projects a decline in global economic output by 3.5 percent in 2020. According to the most recent estimate, the global economy will grow by 5.5 percent in 2021. However, economic recovery is subject to risks and depends largely on the further development of the pandemic. In addition, the effects of climate change and the related increasing frequency of extreme weather events as well as the growing political polarization influence the risk environment at the global level.

Risk outlook 2021

Currently the Lenzing Group’s further business development can only be roughly estimated due to the global COVID-19 pandemic and the resulting limited visibility. Despite a significant recovery of the fiber market from the third quarter of 2020 onwards, the persistent uncertainty regarding the development of prices and demand for all fiber types represents a high risk potential for the operating result.

The general slump in demand on the fiber market, coupled with a significant price gap to other fiber types such as cotton and polyester, also had a negative effect on the prices of wood-based specialty fibers in 2020. The sCore TEN strategy aims to reduce the effects of this development.

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 economic shock as a result of the COVID-19 pandemic also led to a significant decline in the prices of raw materials critical to the production process such as caustic soda and sulfur in 2020. The US dollar fluctuated within a range of roughly 15 percent against the euro. The Chinese yuan maintained a range of roughly 10 percent against the euro. A devaluation of the US dollar or the yuan against the euro would have a negative effect on the Lenzing Group’s open currency volume. Liquidity risk is expected to be low in 2021 due to the very stable financial structure. Liquidity was additionally improved by issuing a hybrid bond with a volume of EUR 500 mn.

There were no significant damage incidents involving operating, environmental or product liability risks with a high damage potential in 2020.

In early March 2021, a house search in connection with alleged violations of the law took place at Hygiene Austria LP GmbH. As the investigations have not been completed, a final assessment of the facts is not possible at the date of the preparation of the financial statements. Due to these recent events, the assets and guarantees described in the consolidated financial statements of the Lenzing Group (notes 21 and 38) in connection with the investment in Hygiene Austria are subject to risk of value change which cannot be estimated at present.

Risk management

The main purpose of risk management in the Lenzing Group is to protect and strengthen the company by correctly and transparently assessing the financial, operational and strategic risks. The Managing Board of the Lenzing Group, together with the heads of the reporting departments, carries out extensive coordinating and controlling operations within the framework of a comprehensive integrated internal control system that covers all locations. The timely identification, evaluation and reaction to strategic and operational risks are essential components of these management activities and make a significant value contribution to the company. This approach is based on a standardized, group-wide monthly reporting system and the ongoing monitoring of strategic and operational plans.

Lenzing has implemented a corporate risk management system for the central coordination and monitoring of risk management processes throughout the Group. This system identifies and analyzes the main risks, together with input from the operating units, and communicates the results to the Managing Board and top management. Risk management also includes the proactive analysis of potential events or near-misses. Further tasks include actively controlling risks and evaluating appropriate measures with the affected business areas. Risks in connection with climate change were identified and evaluated for the first time in 2020. From 2021 onwards, these risks and the corresponding mitigation measures will be taken into account in the risk management process in order to subsequently meet the requirements of the TCFD (Task Force on Climate-related Financial Disclosures) regarding climate-related risks.

Risk management strategy

Lenzing pursues a multi-step approach to risk management:

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

The Central Risk Management Department carries out semiannual risk assessments at all production locations and functional units with a time frame of five years. The major risks are identified and evaluated in accordance with the international COSO® standards. Only the risks not reported on the statement of financial position or the income statement are presented, whereby the financial effects of a possible damage event on Group EBITDA and liquid funds are included. The projected future earnings development is simulated taking the risks into account (EBITDA-at-risk) and a range of possible budget variances is developed. Lenzing uses a simulation software which also calculates other KPIs such as value at risk, risk-adjusted ROCE and a sensitivity analysis.

Risk reduction

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

Responsibility

The individual risks are assigned on the basis of the existing organization matrix. Each risk is allocated to a specific risk owner.

Risk monitoring/control

The effectiveness of the risk management system used by the Lenzing Group was evaluated by KPMG Austria GmbH in accordance with Rule 83 of the Austrian Code of Corporate Governance as part of a special audit in the reporting year.

Reporting

The main risks are presented in detail in a report and discussed with the Managing Board and the Audit Committee.

Market environment risks

Market risk

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

The Lenzing Group counteracts this risk by steadily increasing the share of specialty fibers in its global product portfolio and a consistent sustainability and innovation strategy. The goal is to raise the share of specialty fibers to 75 percent of fiber revenue by 2024 and to further expand Lenzing's role as a leading company in sustainability in the fiber business. High quality standards combined with added-value services in the standard fiber business are also designed to safeguard Lenzing's leading market position.

The Lenzing Group relies on a strong international market presence, especially in Asia. This market presence is strengthened by an excellent regional customer service and support network as well as high customer-oriented product diversification. In the reporting year, Lenzing partnered with the Textile and Fashion Federation of Singapore and opened a center for fashion designers in order to make the TENCEL™ brand more accessible to consumers.

Sales risk

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

Innovation and competition risk

The Lenzing Group is exposed to the risk of losing its position on the fiber market due to increased competition or new technologies developed by competitors. The Lenzing Group could lose its market position, above all, if it were no longer able to offer its products at competitive prices, if its products did not comply with customer specifications or quality standards or if its customer service did not meet customer expectations. Lenzing counteracts this risk with research and development activities that exceed the average for the industry and by a high level of product innovation and steady cost optimization. The Lenzing Group – similar to other producers – is exposed to the risk that acceptable or even superior alternative products may become available and at more favorable prices than wood-based cellulosic fibers.

Laws and regulations

The Lenzing Group is confronted with different legal systems and regulations in its global markets. A change in laws or other regulations (e.g. import duties, product classifications, environmental requirements etc.) as well as the stricter interpretation of existing laws could result in significant additional costs or competitive disadvantages. The Lenzing Group has installed a Legal Management, Intellectual Property and Compliance Department, which carries out consulting services and risk assessments in these areas.

In response to the far-reaching implications of global warming for society and the ecosystems, governments are likely to introduce stricter laws and regulations. In addition to the reduction of CO_2 allowances issued in the EU, there is also the risk of an introduction of new taxes on CO_2 emissions. Other regions and countries are currently also planning to enforce similar steps. The implementation of regionally different measures could have a negative impact on the business success of the Lenzing Group. The Lenzing Group implements a number of measures to reduce climate-related transition risks and to further increase resilience in this area.

Brand risk

Lack of or incomplete protection of intellectual property and brands for products made by Lenzing represents a risk. The Lenzing Group controls this risk through its own departments for brand and intellectual property protection. Moreover, the clear branding strategy and integrated processes are also designed to counter this risk.

[1] Committee of Sponsoring Organizations of the Treadway Commission

Climate change and marine pollution

The awareness of problems related to climate change and global warming has increased significantly. The sea level is rising as glaciers are increasingly melting. At the same time, natural disasters due to weather are becoming more extreme. The Lenzing Group is aware of the far-reaching effects of climate change on society and the ecosystems and is setting clear and ambitious sustainability goals. Lenzing will cut its CO_2 emissions substantially in the coming years with the goal of achieving climate-neutral production in 2050. In line with its strategic commitment for 2024, Lenzing strives to reduce emissions per ton of product by more than 40 percent compared with 2017. In order to drive forward the decarbonization of its own value chain and the entire textile supply chain, Lenzing is also continuously developing its product range. In the third quarter of 2020, Lenzing launched the first carbon-zero fibers. Following the guidelines of the "CarbonNeutral Protocol", the new fibers, which are sold under the TENCEL™ brand, are certified as CarbonNeutral® products for the textile industry.

Lenzing continuously looks for ways to increase its energy efficiency and for opportunities to use renewable energy sources or sources with lower CO_2 emissions. For example, Lenzing is planning Upper Austria's largest ground-mounted photovoltaic plant on an area of around 55,000 square meters. Construction is scheduled to start in the summer of 2021, with commissioning expected for the second half of 2021.

The pollution of the oceans with plastic waste and microplastics also represents a growing global risk. Lenzing counters this development with the sustainable production of biodegradable and compostable fibers.

For more information on the goals and implementation of the "Naturally positive" sustainability strategy please refer to the Sustainability Report of the Lenzing Group.

Operational risks

Procurement risk (incl. pulp supply)

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

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

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

Logistics risk

The growing interconnection of global procurement and sales markets as well as highly cost-focused supply chains can lead to unexpected events such as supplier default and, consequently, demand problems at the fiber locations. Due to partly long transport routes, this may cause production downtimes for Lenzing, but also bottlenecks for our customers. Lenzing has a Global Logistics Department, which continuously works on identifying such risks early and devising alternative transportation methods. For the first time, Lenzing transported fibers from Europe to China by train in the reporting year.

Operating risks, environmental risks and risks relating to natural hazards

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

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

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

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

Financial risks

For a detailed description of financial risks refer to notes 35 to 38 of the Notes to the Consolidated Financial Statements.

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

Compliance
Increasingly strict international codes of conduct and legal regulations are creating additional demands on Lenzing for compliance and monitoring. Insufficient controls in business processes or a lack of adequate documentation could result in violations of relevant statutory provisions or pose a significant risk to Lenzing's reputation and business success as a result of compliance violations. Lenzing addresses this risk, among other things, by continuously developing its group-wide compliance organization, the corporate code of conduct valid throughout the Group, an anti-bribery and corruption directive, an antitrust directive and an anti-money laundering directive. Further information on compliance is provided in the Corporate Governance Report.

Personnel risks

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

At the production facilities, employees of the Lenzing Group as well as for workers and employees of third companies are exposed to a risk of injury. Lenzing's "Heartbeat for Health & Safety" program accounts for this risk and includes a strategic approach to risk reduction, precautionary measures and extensive training. More information on the topic of safety and health is provided in the Sustainability of the Lenzing Group. In addition, risks related to compliance with legal requirements arise when commissioning third companies, in particular in connection with the two major projects in Thailand and Brazil.

Risks related to major projects

In 2020, the Lenzing Group again concentrated on expanding the internal production of pulp and increasing the share of specialty fibers in line with the sCore TEN strategy. The focus was on implementing the major projects in Brazil and Thailand. These types of major projects carry an inherent risk of cost and schedule overruns. Lenzing counters these risks with strict planning and project management, continuous cost controls as well as insurance solutions and risk transfers. In addition to the ongoing risk management, Monte Carlo simulations are used for projects of this size to depict the sensitivity of the key financial indicators. The implementation of the two major projects in Brazil and Thailand continued to progress according to plan.

Risks from an external perspective

As a globally operating company, the Lenzing Group is aware of its social responsibility. The risks described in the risk report refer primarily to the effect on the assets and results of the Lenzing Group. As one of the sustainability leaders in the industry, the Lenzing Group seeks a balance between the needs of society, the environment and the economy. The company takes on this responsibility, particularly with respect to potential effects of its operations on neighbors of the production sites and vis-à-vis society as a whole. Active stakeholder work to mitigate risks (partnerships for systemic change) and to create additional benefits for people and the environment is a clear goal of the Lenzing Group's innovation and operating activities. They include joint activities with NGOs such as Canopy. Furthermore, in line with the sustainability strategy, a project to promote sustainable forestry and improve local living conditions was initiated in Albania during the reporting period. In cooperation with its partners, the Lenzing Group is working on understanding the risks for stakeholders and on finding solutions to mitigate these risks. This work is based on open communication and transparency as well as continuous improvement of technologies and sustainable practices.

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

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

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

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

Financial Reporting

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

The goal of the control system related to accounting is to ensure the uniform application of legal standards, generally accepted accounting principles and the accounting regulations specified in the Austrian Commercial Code. This system also covers the consolidated accounting process and thereby guarantees compliance with the rules defined by International Financial Reporting Standards (IFRS) and internal accounting guidelines, in particular the group accounting manual and schedules. The internal control system related to accounting is designed to safeguard the timely, uniform and accurate recording of all business processes and transactions. In this way, it supports the preparation of reliable data and reports on the financial position and financial performance of the Lenzing Group.

The subsidiaries included in the consolidated financial statements prepare financial statements in accordance with both local laws and IFRS standards at the company level in a timely manner. They are responsible for the decentralized implementation of existing rules and are supported and monitored in these activities by Corporate Accounting & Tax. The Audit Committee of the Supervisory Board is integrated in the control system related to accounting. In addition, the annual financial statements are audited by external certified public accountants and the half-year financial statements are reviewed on a voluntary basis.

The Global Treasury Department, and above all the payments unit, is classified as a highly sensitive area because of its direct access to the Group's assets. The accompanying increased need for security is reflected in comprehensive regulations and instructions for all relevant processes. The entire process, from procurement to payment, is subject to strict corporate guidelines. The guidelines are largely supported by a group-wide IT system and require, among other things, a strict separation of functions, a clear authorization concept to prevent authorization conflicts as well as a strict four-eyes principle for the settlement of transactions, in particular for payments, as well as regular reporting.

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

Compliance with legal regulations and internal guidelines

The Legal, Intellectual Property & Compliance Department of the Lenzing Group is responsible for legal management. This centralized function handles legal matters in the Lenzing Group and is also responsible for the Compliance Management System (CMS). Together with the Managing Board, it oversees group-wide compliance with legal regulations and internal guidelines as well as the prevention of legal violations and improper behavior. The Legal, Intellectual Property & Compliance Department reports directly to the Chief Executive Officer of the Lenzing Group. The CMS is responsible for the following: the identification of compliance-relevant risks, the analysis of deviations from the norm and, if necessary, the implementation of risk-minimizing measures, the development of compliance-relevant guidelines, worldwide employee training and regular reporting to the Managing Board and Supervisory Board or Audit Committee.

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

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

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

The Risk Management Department is responsible for the depiction of risks which are not reported on the statement of financial position or income statement and prepares a semi-annual risk report for this purpose. The major risks are also discussed in the Annual Report. The risk report is based on the international COSO® standards.

Shareholder structure and information on capital

Share capital and shareholder structure

The share capital of Lenzing AG totaled EUR 27,574,071.43 as of December 31, 2020 and is divided into 26,550,000 no-par-value shares. The Austrian B&C Group is the majority shareholder with an investment in voting rights of 50 percent plus two shares. Bank of Montreal (BMO) and Impax Asset Management each hold approximately 4 percent of the shares. The free float amounts to approximately 42 percent and is held by Austrian and international investors. The Lenzing Group holds no treasury shares.

Position of shareholders

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

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

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

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

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

The statutory subscription right may be granted to shareholders in such a way that the capital increase is underwritten by a bank or a consortium of banks with the obligation to offer it to shareholders in accordance with their subscription right (indirect subscription right).

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

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

The statutory subscription right may be granted to shareholders in such a way that the convertible bonds are taken over by a bank or a consortium of banks with the obligation to offer them to the shareholders in accordance with their subscription right (indirect subscription right).

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

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

The Managing Board did not make use of the existing authorizations during the reporting year.

The 76th Annual General Meeting of Lenzing AG and was held in a virtual form via livestream on June 18, 2020 due to the COVID-19 pandemic. Detailed information on the Annual General Meeting, proposals for resolutions and the results of voting are published on the website Lenzing AG: https://www.lenzing.com/investors/shareholders-meeting/2020.

The 77th Annual General Meeting will take place on April 14, 2021 and will also be held in a virtual form via livestream due to the ongoing COVID-19 pandemic.

Other disclosures in accordance with Section 243a of the Austrian Commercial Code

There are no provisions other than those stipulated by law which cover the appointment or dismissal of members of the Managing Board or Supervisory Board. The company has not entered into any significant agreements that would take effect, change or expire in the event of a change in control as the result of a takeover bid. There are no compensation agreements between the company and the members of the Managing Board and Supervisory Board or with employees that would take effect in the event of a public takeover offer.

Outlook

The International Monetary Fund expects global growth of 5.5 percent for 2021. However, the economic recovery after the deep recession caused by COVID-19 is subject to risks and largely depends on the further development 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 and is currently providing a friendly market environment. In the cotton market, a shortage of supply, in particular for organic cotton, is anticipated in the current 2020/2021 harvest and, consequently, an unchanged development in inventory levels.

At the same time, Lenzing still 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 broad population being vaccinated against COVID-19 in the near future, optimism and confidence in an early 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 due to the COVID-19 pandemic. Therefore, the earnings visibility remains limited. Taking into account the above factors, the Lenzing Group expects the operating result to develop at a similar level in 2021 as in the pre-crisis year 2019.

Lenzing considers itself well-positioned in view of these developments and based on its sCore TEN corporate strategy, and will in particular continue the disciplined implementation of the strategic investment projects, which will make a significant contribution to earnings from 2022.

Lenzing, March 08, 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

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

The key financial indicators for the Lenzing Group are described in detail in the following section These indicators are derived primarily from the IFRS consolidated financial statements of the Lenzing Group and are found in this annual report, above all, in the sections “Selected Indicators of the Lenzing Group” and “Five-Year Overview of the Lenzing Group”. The definitions of the indicators are summarized in the glossary to the annual report. The 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 effect of the first-time adoption of IFRS 16 (Leases) as at January 1, 2019 on the key financial indicators of the Lenzing Group is rather immaterial. Additional information on the effect of the first-time adoption of IFRS 16 is provided in note 2 to the consolidated financial statements 2019.

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 the notes to the consolidated financial statements (note 1).

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 – these indicators are presented on the consolidated income statement and, in order to provide a comparison of margins, in relation to group revenue (as the EBITDA margin and EBIT margin).

EUR mn	2020	2019	2018	2017	2016
Earnings before interest, tax, depreciation and amortization (EBITDA)	196.6	326.9	382.0	502.5	428.3
/ Revenue	1,632.6	2,105.2	2,176.0	2,259.4	2,134.1
EBITDA margin	**12.0%**	**15.5%**	**17.6%**	**22.2%**	**20.1%**

EUR mn	2020	2019	2018	2017	2016
Earnings before interest and tax (EBIT)	38.1	162.3	237.6	371.0	296.3
/ Revenue	1,632.6	2,105.2	2,176.0	2,259.4	2,134.1
EBIT margin	**2.3%**	**7.7%**	**10.9%**	**16.4%**	**13.9%**

EBT

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

Gross cash flow

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

Free cash flow

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

EUR mn	2020	2019	2018	2017	2016
Cash flow from operating activities	48.9	244.6	280.0	271.1	473.4
- Cash flow from investing activities	(666.2)	(254.7)	(261.8)	(218.6)	(103.6)
- Net inflow from the sale and disposal of subsidiaries and other business areas	0.0	0.0	(0.1)	(3.1)	(1.4)
+ Acquisition of financial assets and investments accounted for using the equity method	4.1	15.6	8.0	6.5	3.5
- Proceeds from the sale/repayment of financial assets	(1.5)	(4.7)	(2.6)	(23.4)	(5.6)
Free cash flow	**(614.8)**	**0.8**	**23.5**	**32.6**	**366.3**

CAPEX

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

Liquid assets

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

EUR mn as at 31/12	2020	2019	2018	2017	2016
Cash and cash equivalents	1,070.0	571.5	243.9	306.5	559.6
+ Liquid bills of exchange (in trade receivables)	11.1	9.5	10.5	9.4	10.8
Liquid assets	**1,081.1**	**581.0**	**254.4**	**315.8**	**570.4**

Trading working capital and trading working capital to annualized group revenue

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

EUR mn as at 31/12	2020	2019	2018	2017	2016
Inventories	329.4	395.7	396.5	340.1	329.4
+ Trade receivables	249.7	251.4	299.6	292.8	277.4
- Trade payables	(195.2)	(243.6)	(251.7)	(218.4)	(227.2)
Trading working capital	**383.8**	**403.5**	**444.4**	**414.4**	**379.6**

EUR mn	2020	2019	2018	2017	2016
Latest reported quarterly group revenue (= 4th quarter respectively)	437.7	487.3	539.8	532.8	555.7
x 4 (= annualized group revenue)	1,750.9	1,949.3	2,159.1	2,131.1	2,222.9
Trading working capital to annualized group revenue	**21.9%**	**20.7%**	**20.6%**	**19.4%**	**17.1%**

Adjusted equity and adjusted equity ratio

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

EUR mn as at 31/12	2020	2019	2018	2017	2016
Equity	1,881.4	1,537.9	1,533.9	1,507.9	1,368.5
+ Non-current government grants	14.2	15.4	16.9	18.3	17.0
+ Current government grants	19.9	13.1	8.4	7.9	11.9
- Proportional share of deferred taxes on government grants	(8.5)	(7.1)	(6.3)	(6.4)	(7.0)
Adjusted equity	1,907.0	1,559.3	1,553.0	1,527.7	1,390.5
/ Total assets	4,163.0	3,121.1	2,630.9	2,497.3	2,625.3
Adjusted equity ratio	**45.8%**	**50.0%**	**59.0%**	**61.2%**	**53.0%**

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

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

EUR mn as at 31/12	2020	2019	2018	2017	2016
Current financial liabilities	105.6	129.6	166.2	127.3	249.2
+ Non-current financial liabilities	1,446.9	852.0	307.6	255.3	328.3
- Liquid assets	(1,081.1)	(581.0)	(254.4)	(315.8)	(570.4)
Net financial debt	471.4	400.6	219.4	66.8	7.2
/ Earnings before interest, tax, depreciation and amortization (EBITDA)	196.6	326.9	382.0	502.5	428.3
Net financial debt / EBITDA	**2.4**	**1.2**	**0.6**	**0.1**	**0.0**

EUR mn as at 31/12	2020	2019	2018	2017	2016
Net financial debt	471.4	400.6	219.4	66.8	7.2
/ Adjusted equity	1,907.0	1,559.3	1,553.0	1,527.7	1,390.5
Net gearing	**24.7%**	**25.7%**	**14.1%**	**4.4%**	**0.5%**

EUR mn as at 31/12	2020	2019	2018	2017	2016
Net financial debt	471.4	400.6	219.4	66.8	7.2
+ Provisions for severance payments and pensions	103.7	110.8	103.4	105.4	108.6
Net debt	**575.0**	**511.4**	**322.8**	**172.2**	**115.8**

Return on capital (ROE, ROI and ROCE)

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

EUR mn	2020	2019	2018	2017	2016
Earnings before interest and tax (EBIT)	38.1	162.3	237.6	371.0	296.3
- Proportional share of current income tax expense (on EBIT)	(50.8)	(60.7)	(57.8)	(79.2)	(64.1)
Earnings before interest and tax (EBIT) less proportional share of current income tax expense (NOPAT)	(12.6)	101.7	179.8	291.8	232.2
/ Average capital employed	2,216.2	1,922.7	1,750.3	1,571.8	1,541.0
ROCE (return on capital employed)	(0.6)%	5.3%	10.3%	18.6%	15.1%
Proportional share of current income tax expense (on EBIT)	(50.8)	(60.7)	(57.8)	(79.2)	(64.1)
Proportional share of other current tax expense	28.7	0.0	3.5	2.5	3.0
Current income tax expense	**(22.1)**	**(60.7)**	**(54.3)**	**(76.7)**	**(61.1)**

EUR mn as at 31/12	2020	2019	2018	2017	2016
Total assets	4,163.0	3,121.1	2,630.9	2,497.3	2,625.3
- Trade payables	(195.2)	(243.6)	(251.7)	(218.4)	(227.2)
- Non-current puttable non-controlling interests	(140.3)	0.0	0.0	(18.0)	(13.0)
- Other non-current liabilities	(26.9)	(5.5)[1]	(5.3)[1]	(6.2)[1]	(4.5)[1]
- Other current liabilities	(141.8)	(118.8)[1]	(141.0)[1]	(120.9)[1]	(167.9)[1]
- Current tax liabilities	(2.4)	(20.7)	(10.4)	(21.6)	(25.7)
- Deferred tax liabilities	(42.4)	(41.9)	(50.4)	(52.7)	(52.9)
- Proportional share of deferred taxes on government grants	(8.5)	(7.1)	(6.3)	(6.4)	(7.0)
- Current provisions	(25.7)	(14.4)[1]	(13.8)[1]	(13.3)[1]	(21.8)[1]
- Non-current provisions	(120.4)	(128.3)[1]	(125.4)[1]	(129.3)[1]	(137.3)[1]
+ Provisions for severance payments and pensions	103.7	110.8	103.4	105.4	108.6
- Cash and cash equivalents	(1,070.0)	(571.5)	(243.9)	(306.5)	(559.6)
- Investments accounted for using the equity method	(29.1)	(29.2)	(13.4)	(8.4)	(12.7)
- Financial assets	(40.9)	(41.8)	(36.7)	(36.4)	(25.1)
As at 31/12	2,423.2	2,009.1	1,836.3	1,664.4	1,479.2
As at 01/01	2,009.1	1,836.3	1,664.4	1,479.2	1,602.7
Average capital employed	**2,216.2**	**1,922.7**	**1,750.3**	**1,571.8**	**1,541.0**

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

EUR mn as at 31/12	2020	2019	2018	2017	2016
Adjusted equity 31/12	1,907.0	1,559.3	1,553.0	1,527.7	1,390.5
Adjusted equity 01/01	1,559.3	1,553.0	1,527.7	1,390.5	1,218.6
Average adjusted equity	**1,733.2**	**1,556.1**	**1,540.3**	**1,459.1**	**1,304.5**

EUR mn	2020	2019	2018	2017	2016
Earnings before tax (EBT)	22.3	163.8	199.1	357.4	294.6
/ Average adjusted equity	1,733.2	1,556.1	1,540.3	1,459.1	1,304.5
ROE (return on equity)	**1.3%**	**10.5%**	**12.9%**	**24.5%**	**22.6%**

EUR mn as at 31/12	2020	2019	2018	2017	2016
Total assets 31/12	4,163.0	3,121.1	2,630.9	2,497.3	2,625.3
Total assets 01/01	3,121.1	2,630.9	2,497.3	2,625.3	2,410.6
Average total assets	**3,642.0**	**2,876.0**	**2,564.1**	**2,561.3**	**2,518.0**

EUR mn	2020	2019	2018	2017	2016
Earnings before interest and tax (EBIT)	38.1	162.3	237.6	371.0	296.3
/ Average total assets	3,642.0	2,876.0	2,564.1	2,561.3	2,518.0
ROI (return on investment)	**1.0%**	**5.6%**	**9.3%**	**14.5%**	**11.8%**

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

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

Declaration of Commitment

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

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

The Corporate Bodies of Lenzing AG

The division of responsibilities among the members of Lenzing's Managing Board during the 2020 financial year was as follows:

Managing Board

Stefan Doboczky (born 1967)

Chairman of the Managing Board,
Chief Executive Officer
First appointed: June 01, 2015
Current term of office ends: December 31, 2022

Responsibilities: Corporate Strategy, Corporate Human Resources, Corporate Communications, Sustainability, Corporate Legal Affairs, Investor Relations & Capital Markets, Research & Development, Digital Innovation, Corporate Office

Supervisory board functions in other companies: OMV

Management and monitoring functions in major subsidiaries: none

Thomas Obendrauf (born 1970)

Member of the Managing Board,
Chief Financial Officer
First appointed: March 01, 2016
Current term of office ends: June 30, 2022

Responsibilities: Finance Fibers, Finance Pulp, Corporate Controlling, Information Technology, Corporate Accounting, Shared Service, Project T3, Business Processes, Treasury, Corporate Audit & Risk Management

Supervisory board functions in other companies: none

Management and monitoring functions in major subsidiaries: none

Robert van de Kerkhof (born 1964)
Member of the Managing Board, Fibers
First appointed: May 01, 2014
Current term of office ends: December 31, 2023

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

Supervisory board functions in other companies: none

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

Stephan Helmut Sielaff (born 1966)
Member of the Managing Board, Fibers
First appointed: March 01, 2020
Current term of office ends: February 28, 2023

Responsibilities: Operations Lyocell Standard, Operations Lyocell Specialties, Operations Viscose/Modal, Global QESH, Global Engineering, Global Purchasing, Fiber Supply Planning, P.I.T. (Performance Improvement Team), Lenzing Technik

Supervisory board functions in other companies: none

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

Christian Skilich (1968)
Member of the Managing Board, Pulp & Wood
First appointed: June 01, 2020
Current term of office ends: May 31, 2023

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

Supervisory board functions in other companies: Labewood s.r.o. (since January 01, 2021)

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

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

Corporate Governance Report 2020

Supervisory Board

Composition

Peter Edelmann (born 1959)

First appointed: April 12, 2018
Since April 17, 2019: Chairman

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2020 financial year.

Supervisory board functions in other companies: AMAG Austria Metall AG, Orcan Energy AG

Veit Sorger (born 1942)

First appointed: June 04, 2004
Since March 29, 2011: Deputy Chairman

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2020 financial year.

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

Helmut Bernkopf (born 1967)

First appointed: April 23, 2009

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2022 financial year.

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

Christian Bruch (born 1970)

First appointed: April 17, 2019

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2022 financial year.

Supervisory board functions in other companies: none

Stefan Fida (born 1979)

First appointed: April 17, 2019

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2020 financial year.

Supervisory board functions in other companies: Semperit AG Holding

Franz Gasselsberger (born 1959)

First appointed: April 24, 2013

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2022 financial year.

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

Patrick Prügger (born 1975)

First appointed: March 29, 2011

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2021 financial year.

Supervisory board functions in other companies: AMAG Austria Metall AG

Astrid Skala-Kuhmann (born 1953)
First appointed: April 19, 2012

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2021 financial year.

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

Melody Harris-Jensbach, (born 1961)
First appointed: June 18, 2020

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2023 financial year.

Supervisory board functions in other companies: none

Felix Fremerey (born 1961)
First appointed: April 12, 2018

Felix Fremerey resigned from the Supervisory Board at his own request at the end of the Annual General Meeting on June 18, 2020.

Supervisory Board members delegated by the Works Council:

Helmut Kirchmair (born 1968)
First appointed: 2015

Georg Liftinger (born 1961)
First appointed: 2008

Daniela Födinger (born 1964)
First appointed: 2014

Johann Schernberger (born 1964)
First appointed: 2001

Herbert Brauneis (born 1987)
First appointed: 2018

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Independence (C-Rules 53 and 54 ACCG)

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

Thereafter, all members of the Supervisory Board have declared themselves to be independent of the company and the Managing Board.

In accordance with C-Rule 54 of the ACCG, the Supervisory Board members Veit Sorger, Helmut Bernkopf, Christian Bruch, Franz Gasselsberger and Melody Harris-Jensbach declared that they were neither shareholders with a stake of more than 10 percent in the company nor did they represent the interests of such shareholders during the 2020 financial year.

Working procedures of the Supervisory Board

In order to fulfill its responsibility to monitor the work of the Managing Board, the Supervisory Board of Lenzing AG holds meetings at least once each quarter. Eight Supervisory Board meetings were held during the reporting year (C-Rule 36). The Supervisory Board was informed by the Managing Board about the business development as well as major transactions and measures. The Supervisory Board supervised the work of the Managing Board and provided advice regarding crucial strategic decisions. Central topics of the meetings included the business development, the strategic development of the Group, ongoing and planned expansion projects, focal points of research and development, personnel measures, financing measures as well as the discussion and approval of the budget for the 2021 financial year.

The Supervisory Board of Lenzing AG appointed seven committees from among its members in the 2020 financial year (C-Rules 34 and 39 of the ACCG):

Audit Committee

The Audit Committee carries out the responsibilities defined by Section 92 Para. 4a of the Austrian Stock Corporation Act. Accordingly, it is responsible, above all, for monitoring the accounting process and making recommendations or suggestions to ensure its reliability. This committee also oversees the effectiveness of the internal control system, internal audit and risk management. It supervises the audit of the annual and consolidated financial statements, examines and monitors the independence of the auditor and approves and controls non-audit services. The Audit Committee also examines the annual financial statements and prepares their approval by the full Supervisory Board, evaluates the Managing Board's proposal for the distribution of profits, the Management Report and the Corporate Governance Report. The Chairman of the Audit Committee defines the reciprocal communication between the auditor and the Audit Committee (C-Rule 81a of the ACCG). The committee is required to report to the Supervisory Board on its activities. The Audit Committee met three times in the 2020 financial year. The meetings focused on the reports and work of the auditor, compliance, sustainability reporting and the implementation of the internal audit schedule and the Risk Report.

Members: Patrick Prügger (Chairman, financial expert), Peter Edelmann, Franz Gasselsberger, Johann Schernberger, Georg Liftinger

Nomination Committee

The Supervisory Board has established a Nomination Committee. It makes recommendations to the Supervisory Board for appointments to fill vacant positions on the Managing Board and deals with issues related to succession planning. Recommendations are also made to the Annual General Meeting for appointments to the Supervisory Board. The Nomination Committee met twice in the 2020 financial year.

Members: Peter Edelmann (Chairman), Veit Sorger, Astrid Skala-Kuhmann, Johann Schernberger, Georg Liftinger

Remuneration Committee

The Supervisory Board has established a Remuneration Committee. It deals with the terms and conditions of the employment contracts with the members of the Managing Board and ensures compliance with C-Rules 27, 27a and 28 of the ACCG. In addition, the Remuneration Committee is responsible for preparing and reviewing the remuneration policy for the Managing Board members and Supervisory Board members, and for controlling the implementation of the remuneration policy for Managing Board members. The three meetings held by the Remuneration Committee in 2020 focused, in particular, on evaluating the performance of the Managing Board and the targets as well as general remuneration issues relating to the Managing Board.

Mitglieder: Peter Edelmann (Chairman), Veit Sorger

Strategy Committee

The Supervisory Board has established a Strategy Committee. It is responsible for reviewing the strategic positioning of the company and monitoring the implementation of the corporate strategy. In the 2020 financial year the Managing Board discussed, in particular, issues related to Lenzing's market positioning, the further development of the sCore TEN strategy and the competitive environment with the Strategy Committee. Two meetings were held in the 2020 financial year.

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

Committee for Urgent Matters

The Supervisory Board has formed a committee to deal with urgent matters. It is authorized to make decisions in particularly urgent cases on transactions, which require the approval of the Supervisory Board. This committee did not meet in the 2020 financial year.

Members: Peter Edelmann (Chairman), Patrick Prügger, Johann Schernberger

Committee for Large-CAPEX Projects

The Supervisory Board has established a Committee for Large-CAPEX Projects. This committee deals with the ongoing support, consulting and control of the two large projects for the construction of a lyocell fiber plant in Thailand and the construction of a dissolving wood pulp plant in Brazil. The committee met five times in the 2020 financial year.

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

Committee for Financing Project Amadeus

The Supervisory Board of Lenzing AG established this committee in particular in the context of the simultaneous implementation of several large strategic projects. The committee met three times in the 2020 financial year.

Members: Peter Edelmann (Chairman), Patrick Prügger, Franz Gasselsberger, Helmut Bernkopf, Johann Schernberger, Georg Liftinger

Cooperation between the Managing Board and the Supervisory Board

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

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Self-evaluation by the Supervisory Board

In the 2020 financial year, the Supervisory Board carried out a self-evaluation again as required by C-Rule 36 of the ACCG in the form of a questionnaire, which focused on the control function of the Supervisory Board over the Managing Board and compliance with the obligations of the Managing Board to provide information to the Supervisory Board. The result of the self-evaluation shows that the activities of the Supervisory Board of Lenzing AG are again rated as good overall. The Supervisory Board has acted on individual suggestions from the self-evaluation process. As a result, measures designed to ensure efficiency improvements in the activities of the Supervisory Board have been derived.

Principles of the Remuneration System for the Managing Board and Supervisory Board

In accordance with the Stock Corporation Law Amendment Act 2019 (Federal Law Gazette I 2019/63) the requirements regarding disclosure of the total remuneration of the individual members of the Managing Board and the principles of remuneration are no longer applicable.

A separate remuneration report was prepared for the first time for the 2020 financial year, which addresses the remuneration of the Managing Board and the Supervisory Board and can be viewed on the website https://www.lenzing.com after its discussion at the Annual General Meeting.

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

Lenzing AG follows a strict equal opportunity policy in all functions and on all hierarchy levels, and actively promotes the career development of women in managerial positions in all areas of the business. As a result, the focus on the transparency of corporate social responsibility and diversity was increased as part of a CSR initiative in 2020.

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

“Modern working conditions” are defined as a focus in the strategic HR orientation. This includes, among other things, the reconciliation of work and family life as a central topic. Therefore, in addition to existing flexible working time models, home office and parental leave for both parents, a bilingual (English-German) daycare center “Fasernest” was established near the Lenzing plant in 2018.

Compliance

Lenzing Global Code of Business Conduct
Lenzing attaches great value to the integrity and legally compliant behavior of all employees and business partners. As members of an internationally operating company, all executives and employees of Lenzing act as role models both nationally and internationally, for which the Lenzing Global Code of Business Conduct provides the basis. It is available to all employees in the Group languages on the intranet ("Lenzing Connect") and also accessible to external stakeholders on the website of the company. The Global Code of Business Conduct is supplemented by the Global Supplier Code of Conduct.

Compliance organization
In a further step to implement the compliance management system in the Lenzing Group, Compliance Officers have been trained at the locations in Asia and Brazil. The training addressed compliance-relevant topics such as the Code of Conduct, bribery and corruption, antitrust, etc. as well as the structure and implementation of compliance training for the employees on site.

Training
Understanding rules and regulations is a fundamental requirement for "correct" behavior. Therefore, the eLearning program was continuously expanded during the reporting year, thus efficiently conveying the most important contents of the compliance directives.

New employees receive welcome folders and onboarding training on the Code of Conduct and on the topics of "Bribery and Corruption" and "Issuer Compliance" In addition, every employee receives training on data protection, whistleblowing and IP protection in the form of eLearning. The latter two were rolled out globally during the reporting period.

Roughly 3,000 employees received training on various compliance topics during the reporting period (approx. 41% of the total workforce). Due to COVID-19, this training took place primarily via eLearning and online meetings.

Whistleblower system
Timely notification on ethical misconduct is important to take precautionary measures to prevent or reduce financial loss or reputational damage. In this context, our employees – and other stakeholders – are the primary and most valuable source of information. They in particular are able to support us in identifying violations of our Global Code of Business Conduct.

In order to enable our employees and other stakeholders to report concerns in connection with topics such as corruption, bribes, conflicts of interest, antitrust laws and capital market law, an online-based whistleblowing system was established in the summer of 2017. Concerns can be reported anonymously and without fear of retaliation worldwide with this system.

Four reports were filed during the reporting period (three of them via a mailbox that has been set up), which were processed in a targeted manner in accordance with the internal Investigation Directive. The Audit Committee is informed about the incidents reported twice a year.

Measures to fight cybercrime
Lenzing has taken targeted technical and organizational measures to strengthen resilience to data theft, manipulation of business processes and other forms of internet crimes for several years.

Like other Austrian companies, Lenzing is subject to increasingly intensive attacks using increasingly sophisticated methods. Recurrent information and training, in particular for exposed departments, as well as technical measures such as smart filter and defense systems contribute to optimally supporting employees who act responsibly in exercising their tasks and effectively protecting our data and corporate values. In addition, the threat situation and current events in the business environment are analyzed. Based on the resulting findings, protective measures are improved continuously.

Corporate Governance Report 2020

Update directives

During the reporting year, the updated directive on the topic of "know-how protection" was rolled out throughout the Group. A directive on the topic of „money laundering and terrorist financing" was created; its roll-out throughout the Group is scheduled for the first quarter of 2021.

Investigations

One official investigation was carried out in the Lenzing Group during the reporting period. This investigation was completed without any follow-up measures. One official investigation dating back to 2019 is still ongoing.

Compliance violations

Compliance violations are collected by the Legal, IP and Compliance Department. As in the previous years, no material cases of corruption were reported at Lenzing in 2020. No public proceedings related to corruption were filed against the company or its employees during the reporting period. Likewise, no significant fines had to be paid for the violation of legal regulations. No cases are pending due to anticompetitive practices.

At the meeting of the Audit Committee of the Supervisory Board on September 9, 2020, the Compliance Officer reported on the content, objectives and status of the compliance organization, the structure of the compliance management system, training and internal and external investigations in a separate agenda item.

Directors' Dealings

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

Risk management and Corporate Audit

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

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

External evaluation

In accordance with C-Rule 62 of the ACCG, Lenzing must arrange for an external institution to evaluate its compliance with the C-Rules of the code on a regular basis, but at least every three years. Lenzing commissioned PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH to evaluate its Corporate Governance Report for 2020. This evaluation concluded that the statement of compliance with the Austrian Code of Corporate Governance issued by Lenzing AG gives a true and fair representation of the actual situation. All external evaluation reports are published on the company's website under https://www.lenzing.com.

Diversity concept

Respect, diversity and inclusion represent integral and indispensable components of the corporate culture of Lenzing AG and are reflected in appointments to all functions. Recommendations to the Annual General Meeting for elections to the Supervisory Board and the appointment of members to the Managing Board are designed to achieve a technical and diversity-related balance because this makes an important contribution to the professionalism and effectiveness of the work performed by the Supervisory Board and the Managing Board. In addition to technical and personal qualifications, aspects such as age structure, origin, gender, education and experience are also key criteria. Diversity within the Supervisory Board was further improved during the reporting year when vacant Supervisory Board mandates were filled.

Lenzing Aktiengesellschaft
Lenzing, March 08, 2021

The Managing Board

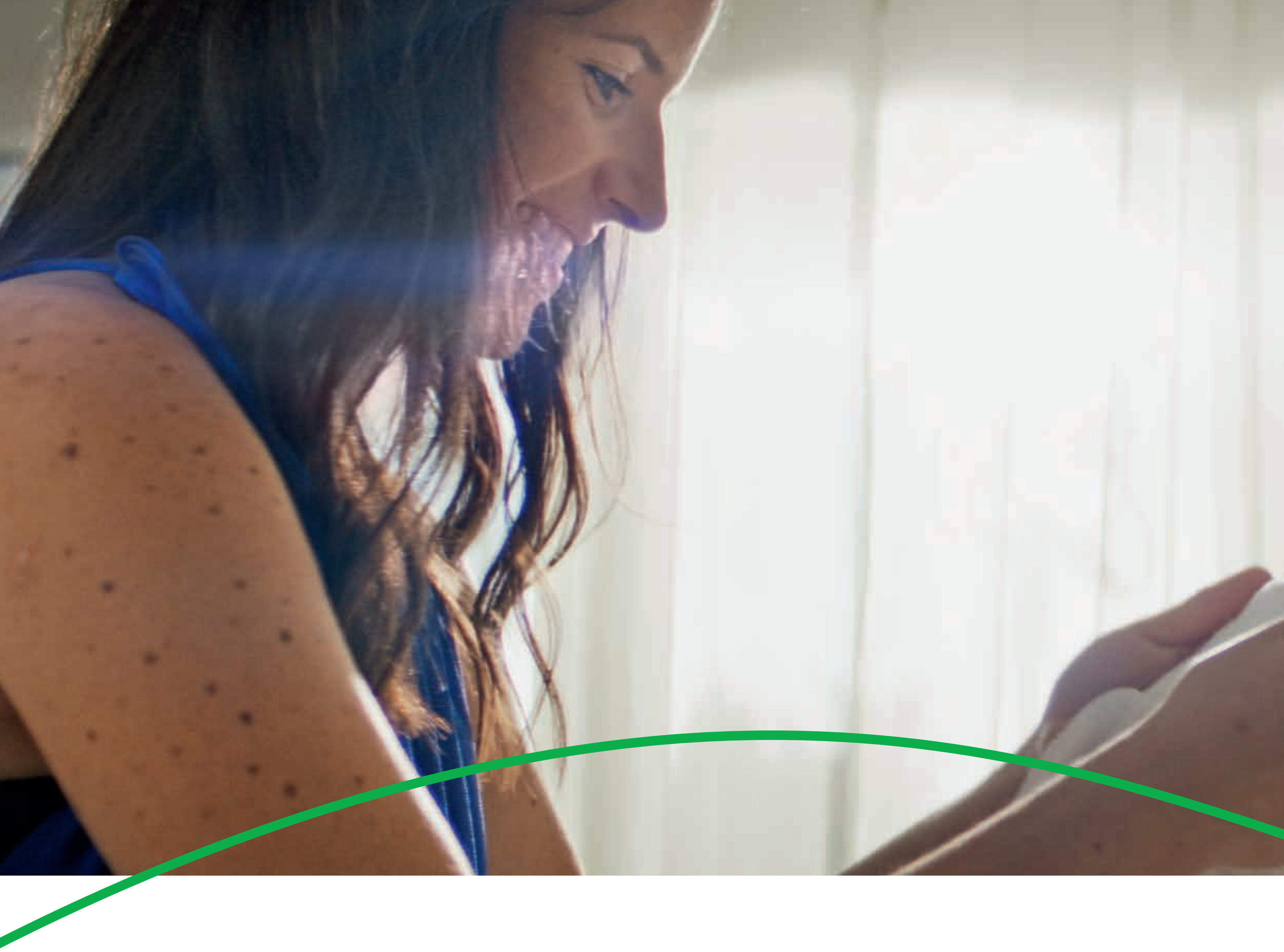
Stefan Doboczky
Chief Executive Officer

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



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Consolidated Income Statement

for the period from January 1 to December 31, 2020

EUR '000

	Note	2020	2019
Revenue	(5)	1,632,607	2,105,231
Change in inventories of finished goods and work in progress		(41,299)	18,427
Own work capitalized		60,509	56,276
Other operating income	(6)	59,145	78,594
Gains or losses from the fair value measurement of biological assets	(19)	(10,334)	0
Cost of material and other purchased services	(7)	(898,392)	(1,257,290)
Personnel expenses	(8)	(355,754)	(395,928)
Other operating expenses	(9)	(249,905)	(278,402)
Earnings before interest, tax, depreciation and amortization (EBITDA)[1]		**196,578**	**326,908**
Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	(10)	(160,448)	(166,959)
Income from the release of investment grants		1,979	2,394
Earnings before interest and tax (EBIT)[1]		**38,109**	**162,343**
Income from investments accounted for using the equity method	(12)	5,674	1,375
Income from non-current and current financial assets	(13)	(5,402)	9,828
Financing costs	(14)	(16,130)	(9,700)
Financial result		**(15,859)**	**1,502**
Earnings before tax (EBT)[1]		**22,251**	**163,845**
Income tax expense	(15)	(32,846)	(48,904)
Net profit/loss for the year		**(10,595)**	**114,941**
Attributable to:			
Shareholders of Lenzing AG		6,277	122,806
Non-controlling interests		(18,762)	(7,864)
Share planned for hybrid capital owners	(16)	1,890	0
Earnings per share		EUR	EUR
Diluted = basic	(16)	0.24	4.63

1) EBITDA: Operating result before depreciation and amortization, resp. 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.
EBIT: Operating result, resp. earnings before interest and tax.
EBT: Earnings before tax.

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31, 2020

EUR '000

	Note	2020	2019
Net profit/loss for the year		(10,595)	114,941
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(31)	633	(9,355)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	(27)	(2,646)	2,079
Income tax relating to these components of other comprehensive income	(27)	259	1,802
Investments accounted for using the equity method – share of other comprehensive income (net of tax)	(21)	(106)	(404)
		(1,861)	(5,877)
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences arising during the year	(27)	(111,317)	19,016
Financial assets measured at fair value through other comprehensive income (debt instruments) – net fair value gain/loss on remeasurement recognized during the year	(27)	(34)	(59)
Financial assets measured at fair value through other comprehensive income (debt instruments) – reclassification of amounts relating to financial assets disposed during the year	(27)	0	(103)
Cash flow hedges – effective portion of changes in fair value recognized during the year and non-designated components	(27)	(118,851)	(9,353)
Cash flow hedges – reclassification to profit or loss	(27)	3,901	20,778
Income tax relating to these components of other comprehensive income	(27)	6,447	(2,451)
Investments accounted for using the equity method – share of other comprehensive income (net of tax)	(27)	(6,574)	(82)
		(226,428)	27,746
Other comprehensive income (net of tax)		(228,289)	21,869
Total comprehensive income		(238,884)	136,810
Attributable to:			
Shareholders of Lenzing AG		(160,540)	144,011
Non-controlling interests		(80,234)	(7,201)
Share planned for hybrid capital owners		1,890	0

Consolidated Statement of Financial Position

as at December 31, 2020

EUR '000

Assets	Note	31/12/2020	31/12/2019
Intangible assets	(17)	29,669	28,221
Property, plant and equipment	(18)	2,068,059	1,597,163
Biological assets	(19)	84,254	0
Right-of-use assets	(20)	65,761	37,811
Investments accounted for using the equity method	(21)	29,088	29,215
Financial assets	(22)	40,890	41,803
Deferred tax assets	(30)	2,409	6,953
Current tax assets	(30)	15,157	25,631
Other non-current assets	(23)	25,915	17,090
Non-current assets		**2,361,202**	**1,783,887**
Inventories	(24)	329,370	395,683
Trade receivables	(25)	249,662	251,436
Current tax assets	(30)	7,410	1,154
Other current assets	(26)	145,347	117,429
Cash and cash equivalents		1,069,998	571,479
Current assets		**1,801,786**	**1,337,180**
Total assets		**4,162,988**	**3,121,068**

Equity and liabilities	Note	31/12/2020	31/12/2019
Share capital		27,574	27,574
Capital reserves		133,919	133,919
Hybrid capital		496,582	0
Other reserves		(117,928)	28,657
Retained earnings		1,192,800	1,322,856
Equity attributable to shareholders of Lenzing AG		**1,732,947**	**1,513,006**
Non-controlling interests		148,480	24,854
Equity	(27)	**1,881,427**	**1,537,860**
Financial liabilities	(29)	1,446,876	851,986
Government grants	(28)	14,184	15,378
Deferred tax liabilities	(30)	42,411	41,883
Provisions	(31)	120,383	128,254[1]
Puttable non-controlling interests	(35)	140,341	0
Other liabilities	(32)	26,861	5,515[1]
Non-current liabilities		**1,791,055**	**1,043,016**
Financial liabilities	(29)	105,616	129,606
Trade payables	(32)	195,200	243,589
Government grants	(28)	19,878	13,121
Current tax liabilities		2,390	20,736
Provisions	(31)	25,657	14,375[1]
Other liabilities	(32)	141,765	118,764[1]
Current liabilities		**490,506**	**540,191**
Total equity and liabilities		**4,162,988**	**3,121,068**

1) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2).

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31, 2020

	Note	Share capital	Capital reserves	Hybrid capital	Foreign currency translation reserve
As at 01/01/2019		27,574	133,919	0	43,043
Net profit for the year		0	0	0	0
Other comprehensive income (net of tax)		0	0	0	18,146
Total comprehensive income		**0**	**0**	**0**	**18,146**
Acquisition/disposal of non-controlling interests and other changes in the scope of consolidation	(3,27)	0	0	0	0
Dividends paid		0	0	0	0
As at 31/12/2019 = 01/01/2020		27,574	133,919	0	61,189
Net profit/loss for the year		0	0	0	0
Other comprehensive income (net of tax)		0	0	0	(102,259)
Total comprehensive income		**0**	**0**	**0**	**(102,259)**
Hedging gains and losses and costs of hedging transferred to the cost of non-current assets and cost of inventory		**0**	**0**	**0**	**0**
Acquisition/disposal of non-controlling interests and other changes in the scope of consolidation	(3,27)	0	0	0	0
Increase in capital	(27)	0	0	496,582	0
Measurement of puttable non-controlling interest recognized directly in equity	(39)	0	0	0	0
Dividends paid		0	0	0	0
Transactions with equity holders		**0**	**0**	**496,582**	**0**
As at 31/12/2020	**(27)**	**27,574**	**133,919**	**496,582**	**(41,069)**

Other reserves						EUR '000
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
9,259	(5,163)	(39,688)	1,332,802	**1,501,747**	32,178	1,533,925
0	0	0	122,806	**122,806**	(7,864)	**114,941**
1,439	8,933	(7,312)	0	**21,205**	664	**21,869**
1,439	8,933	(7,312)	122,806	**144,011**	(7,201)	136,810
0	0	0	(2)	**(2)**	2	0
0	0	0	(132,750)	**(132,750)**	(125)	**(132,875)**
10,698	3,770	(47,000)	1,322,856	**1,513,006**	24,854	1,537,860
0	0	0	8,167	**8,167**	(18,762)	**(10,595)**
(2,010)	(62,697)	149	0	**(166,817)**	(61,472)	**(228,289)**
(2,010)	(62,697)	149	8,167	**(158,650)**	(80,234)	(238,884)
0	20,232	0	0	**20,232**	16,041	**36,273**
0	0	0	2,118	**2,118**	100,206	**102,324**
0	0	0	0	**496,582**	87,813	**584,395**
0	0	0	(140,341)	**(140,341)**	0	**(140,341)**
0	0	0	0	**0**	(200)	**(200)**
0	0	0	(138,223)	**358,359**	187,819	**546,178**
8,687	**(38,695)**	**(46,851)**	**1,192,800**	**1,732,947**	**148,480**	**1,881,427**

Consolidated Statement of Cash Flows

for the period from January 1 to December 31, 2020

EUR '000

		Note	2020	2019
Net profit/loss for the year			(10,595)	114,941
+	Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	(10)	160,448	166,959
+/–	Change in the fair value of biological assets	(19)	10,334	0
–	Income from the release of investment grants		(1,979)	(2,394)
+/–	Change in non-current provisions		(5,394)	(5,286)
–/+	Income / expenses from deferred taxes		10,768	(11,798)
+/–	Change in current tax assets and liabilities		(15,299)	5,801
+/–	Income from investments accounted for using the equity method		(4,883)	(1,334)
–/+	Other non-cash income / expenses	(33)	(16,568)	27,072
Gross cash flow			126,831	293,961
+/–	Change in inventories		81,439	(29,138)
+/–	Change in receivables		(38,360)	30,502
+/–	Change in liabilities		(120,965)	(50,711)
Change in working capital			(77,885)	(49,347)
Cash flow from operating activities			48,946	244,615
–	Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)		(668,760)	(244,009)
–	Acquisition of financial assets and investments accounted for using the equity method		(4,050)	(15,587)
+	Proceeds from the sale of intangible assets, property, plant and equipment and biological assets		5,046	153
+	Proceeds from the sale/repayment of financial assets and the sale of investments accounted for using the equity method	(33)	1,546	4,749
Cash flow from investing activities			(666,219)	(254,694)
+	Capital injections to consolidated companies by non-controlling interests		84,458	0
+	Increase of hybrid capital	(33)	495,443	0
–	Dividends paid		(200)	(132,875)
+	Investment grants		1,618	1,760
+	Increase of bonds and private placements	(33)	131,691	414,479
+	Increase in other financial liabilities	(33)	604,277	222,249
–	Repayment of bonds and private placements	(33)	(37,500)	(34,000)
–	Repayment of other financial liabilities	(33)	(144,691)	(138,360)
Cash flow from financing activities			1,135,096	333,253
Total change in liquid funds			517,823	323,174
Liquid funds at the beginning of the year			571,479	243,865
Currency translation adjustment relating to liquid funds			(19,304)	4,440
Liquid funds at the end of the year			1,069,998	571,479
Additional information on payments in the cash flow from operating activities:				
Interest payments received			1,742	1,687
Interest payments made			19,449	11,126
Income taxes paid			33,533	53,763
Distributions received from investments accounted for using the equity method			40	40

Notes to the Consolidated Financial Statements

as at December 31, 2020

General Information

Note 1. Basic information

Description of the company and its business activities

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

The core shareholder of Lenzing AG as at December 31, 2020 is the B&C Group, which directly and indirectly holds an investment of 50 percent plus two shares (December 31, 2019: 50 percent plus two shares) in the share capital of Lenzing AG. The direct majority shareholder of Lenzing AG is B&C KB Holding GmbH, Vienna. The indirect majority shareholder of Lenzing AG, which prepares and publishes consolidated financial statements that include the Lenzing Group, is B&C Holding Österreich GmbH, Vienna. The ultimate parent company of the B&C Group, and therefore also of Lenzing AG, is B&C Privatstiftung, Vienna.

The core business of the Lenzing Group is the production and marketing of botanic cellulosic fibers. The pulp required for production is manufactured for the most part in the Group's own plants and is supplemented by external purchases. In addition, the Lenzing Group operates in the area of mechanical and plant engineering and offers engineering services.

Basis of Reporting

The consolidated financial statements for the period from January 1 to December 31, 2020 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and interpretations which were endorsed in the EU and required mandatory application as of the reporting date. The additional requirements of Section 245a Para. 1 of the Austrian Commercial Code ("Unternehmensgesetzbuch") were also met.

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

Effects of the COVID-19 crisis on the annual results

The COVID-19 crisis had a significant impact on the business development in the 2020 financial year. During this period, the Lenzing Group recorded considerable declines in revenue, in particular in the Segment Fibers, which was primarily due to declining sales volumes and lower selling prices. This was offset by a decrease in cost of material and other purchased services due to lower production volumes and declining market prices for raw materials (in par-ticular for pulp, caustic soda and energy) and in personnel expenses as short-time work was implemented at the Austrian locations. Government grants amounting to EUR 13,288 thousand from assis-tance programs, in particular grants for COVID-19-related short-time work, were recognized through profit or loss in the reporting period. Tax expense of EUR 32,846 thousand (2019: EUR 48,904 thousand) is disproportionately high relative to the EBT of EUR 22,251 thousand. This is primarily attributable to impairment of deferred tax assets recognized on loss carryforwards of individual group companies and effects from different functional currencies.

As part of the preparation of the consolidated financial statements, the management is responsible for assessing the company's ability to continue as a going concern. If material uncertainty exists with regard to events or conditions that may raise significant doubt of the company's ability to continue as a going concern, such uncertainty must be explained. Based on the estimates of the Lenzing Group's management and considering all available information regarding the future, which covers a minimum of twelve months after the balance sheet date, such uncertainties do not exist. The outbreak of the COVID-19 crisis and the related declines in revenue resulting from a decrease in sales volume and selling prices had, and still have, a negative impact on the business development of the Lenzing Group. Based on the secured liquidity situation, the continued strong position in the markets relevant to Lenzing and the expectation that the negative effects of the COVID-19 crisis will gradually subside in the course of 2021, the management estimates that the group has sufficient resources at the approval date to enable it to continue operations in the foreseeable future. Therefore, the consolidated financial statements were prepared based on the assumption of the group's ability to continue as a going concern.

Additional information on the effects of the COVID-19 crisis and the measures taken by the Lenzing Group are provided in the Lenzing Group's management report in the section Business Development.

Measurement

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

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

Estimation uncertainty and judgments

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

Assumptions and estimates

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

- Intangible assets (see note 17) and property, plant and equipment (see note 18): determination of the recoverable amount in connection with impairment testing as defined in IAS 36 (impairment).
- Biological assets (see note 19): determination of fair value less costs to sell.
- Financial instruments (see note 37): determination of fair values and expected credit losses.
- Provisions (see note 31): determination of the expected settlement amount and the net liability of the defined benefit pension and severance payment plans.
- Puttable non-controlling interests (see note 3): determination of fair value less costs to sell.
- Deferred taxes and receivables from current taxes (see note 30): assessment of the extent to which deferred tax assets (in particular, from loss carryforwards) can be utilized and assessment of the recoverability of receivables from current taxes.
- Research and development expenses (see note 18): assessment of capitalization and impairment of development expenses.

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

Judgments

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

- Liabilities within the scope of reverse factoring agreements (see note 32): assessment of the requirements for derecognition as defined in IFRS 9 (financial instruments).
- Full consolidation and equity method (see note 3 and note 41): assessment of the existence of control over subsidiaries and assessment of the existence of joint control or significant influence. Application of the present access method to puttable non-controlling interests.
- Receivables from the sale of and measurement of investments accounted for using the equity method (see note 21): evaluation and measurement of the partial sale of the investment in EQUI-Fibres Beteiligungsgesellschaft mbH (EFB), Kelheim, Germany.
- Evidence of impairment (see note 17): evaluation of indications of impairment resp. for impaired cash-generating units evaluation of the occurrence of material changes in comparison with the previous year.

Effects of the COVID-19 crisis on estimation uncertainty and judgments

The COVID-19 crisis had effects on the consolidated financial statements according to IFRS, in particular on assumptions, estimates and judgments. As the global consequences of the COVID-19 crisis are currently not foreseeable, these assumptions, estimates and judgments are subject to increased uncertainty. Assumptions, estimates and judgments were used in the consolidated financial statements as at December 31, 2020 of the Lenzing Group primarily in the following areas:

- The COVID-19 crisis gave rise to indications of impairment in accordance with IAS 36 Impairment; consequently, impairment tests of cash-generating units with and without goodwill had to be conducted (see note 17, section Impairment tests).
- The assessment of capitalization and impairment of development expenses did not result in any material changes compared with previous estimates (see note 17, section Intangible assets).
- For hedge accounting, the estimate regarding the extent to which expected transactions can still be assumed to take place

with high probability was updated. This did not result in any significant changes as at December 31, 2020 (see note 35).

- The COVID-19 crisis can lead to an increase in credit losses due to a deterioration of the credit risk of contractual parties. The deterioration of credit risk was taken into account in the calculation models for expected credit losses as at December 31, 2020. Its amount was immaterial.
- The COVID-19 crisis caused fluctuations and declines in selling and procurement prices. This had an impact on the determination of the net realizable value of inventories (see note 24) and the measurement of provisions for anticipated losses from onerous procurement contracts (see note 31).
- The capitalization of deferred tax assets from temporary differences and loss carryforwards was reviewed regarding the probability of future taxable income (see note 30).

Note 2. Changes in accounting policies

The accounting policies applied by the Lenzing Group in 2020 remained unchanged in comparison with the previous financial year, with the exception of the changes described in this section.

Mandatory changes in accounting policies

The following new and amended standards and interpretations were adopted into EU law and required mandatory application by the Lenzing Group beginning with the 2020 financial year:

Standards/interpretations		Publication by the IASB	Mandatory application according to IASB for financial years from	Adopted by the EU as at 31/12/2020
Conceptual Framework	Updated References to the Conceptual Framework	29/03/2018	01/01/2020	yes
IFRS 3	Business Combinations: Definition of a Business	22/10/2018	01/01/2020	yes
IAS 1, IAS 8	Amendments of Definition of Material	31/10/2018	01/01/2020	yes
IFRS 9, IAS 39, IFRS 7	IBOR-Reform (Phase 1)	26/09/2019	01/01/2020	yes

The other new or amended standards and interpretations applicable as of January 1, 2020 did not result in any significant changes to the consolidated financial statements of the Lenzing Group.

The following new or amended standards and interpretations had been published by the IASB prior to the preparation of these consolidated financial statements, but did not require mandatory application by the Lenzing Group for financial years beginning on or before January 1, 2020:

Standards/interpretations		Publication by the IASB	Mandatory application according to IASB for financial years from	Adopted by the EU as at 31/12/2020
IFRS 3	References to the Conceptual Framework	14/05/2020	01/01/2022	no
IFRS 10, IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	11/09/2014	unknown[1]	no
IFRS 14	Regulatory Deferral Accounts	30/01/2014	01/01/2016	no[2]
IFRS 16	Covid-19-Related Rent Concessions	28/05/2020	01/06/2020	yes
IFRS 17	Insurance Contracts	18/05/2017	01/01/2023	no
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	IBOR-Reform (Phase 2)	27/08/2020	01/01/2021	yes
IAS 1	Amendment of classification of liabilities as current or non-current	23/01/2020	01/01/2023	no
IAS 16	Property, plant and equipment – Proceeds before intended use	14/05/2020	01/01/2022	no
IAS 37	Onerous contracts – Cost of fulfilling a contract	14/05/2020	01/01/2022	no
Various	Annual Improvements of IFRSs 2018-2020	14/05/2020	01/01/2022	no

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

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

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

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

Voluntary changes in accounting policies

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

There were no voluntary changes to accounting policies during the 2019 financial year.

Note 3. Consolidation

Scope of consolidation

The consolidated financial statements of the Lenzing Group include Lenzing AG, as the parent company, and its subsidiaries, all on the basis of financial statements as at December 31, 2020.

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

Development of the scope of consolidation (incl. parent company)

	2020		2019	
	Full-	Equity	Full-	Equity
	consolidation		consolidation	
As at 01/01	**30**	**8**	**28**	**8**
Included in consolidation for the first time during the year	2	1	2	0
Merged during the year	(1)	0	0	0
Deconsolidated during the year	0	(1)	0	0
As at 31/12	**31**	**8**	**30**	**8**
Thereof in Austria	7	4	8	4
Thereof abroad	24	4	22	4

A list of the group companies as at December 31, 2020 is provided in note 42. The most important group companies produce and market botanic cellulosic fibers and, in some cases, pulp (Segment Fibers).

Lenzing AG controls assets in the GF 82 wholesale fund, a special fund under Section 20a of the Austrian Investment Fund Act ("österreichisches Investmentfondsgesetz") on the basis of its comprehensive co-determination rights. This fund is therefore classified as a structured entity and included in the consolidation. The securities held by the fund are intended, above all, to fulfill the securities coverage requirements for the pension provisions related to Austrian pension plans as required by Section 14 of the Austrian Income Tax Act ("österreichisches Einkommensteuergesetz"). The material risks to which the fund is exposed are unchanged and represent traditional investment risks (especially default and market price risks). The Lenzing Group does not intend to provide the fund with financial or other assistance or help with the procurement of financial support at the present time.

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

In addition, the Duratex Group has a put option for its shares (puttable non-controlling interests), which was recognized in the amount of EUR 89,366 thousand in the course of the change in shareholdings. Lenzing AG uses the present access method for the accounting of these puttable non-controlling interests. Accordingly, the shares of the Duratex Group in LD Celulose S.A. continue to be recognized in equity and a financial liability is recorded for the puttable interest. The liability is measured at fair value (through other comprehensive income) via retained earnings.

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

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

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

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

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

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

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

In November 2019, the subsidiary Lenzing E-commerce (Shanghai) Co., Ltd., Shanghai, China was founded and included in the scope of fully consolidated companies.

In June 2019, the subsidiary Lenzing Taiwan Fibers Ltd., Taipei, Taiwan was founded and included in the scope of fully consolidated companies.

Basis of consolidation

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

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

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

Exchange rates for key currencies

			2020		2019	
Unit		**Currency**	**End of the year**	**Average**	**End of the year**	**Average**
1 EUR	USD	US Dollar	1.2281	1.1413	1.1189	1.1196
1 EUR	GBP	British Pound	0.9031	0.8892	0.8521	0.8773
1 EUR	CZK	Czech Koruna	26.2520	26.4555	25.4630	25.6698
1 EUR	CNY	Renminbi Yuan	8.0134	7.8708	7.8175	7.7339
1 EUR	BRL	Brazilian Real	6.3574	5.8900	4.5128	4.4135

Note 4. Segment reporting

The Lenzing Group classifies its segments based on the differences between their products and services, which require individual technologies and market strategies. Each segment is managed in line with the responsibilities assigned to the various members of the Managing Board. The chief operating decision maker relevant for segment reporting is the Managing Board of Lenzing AG as a whole. The following segments are presented separately in the internal reporting of the Lenzing Group to the Managing Board:

Segment Fibers

The Segment Fibers manufactures botanic cellulosic fibers which are marketed under the product brands TENCEL™, VEOCEL™ and LENZING™. A significant portion of the pulp required for these products is produced in the Group's own plants, whereby the internal volumes are supplemented by external purchases. The most important raw material for the manufacture of pulp is wood, which is purchased externally. The Segment Fibers forms the core business of the Lenzing Group.

The Segment Fibers comprises, above all, the business areas Textile Fibers (fibers for textiles), Nonwoven Fibers (fibers for nonwoven fabrics) and Pulp & Wood (pulp, wood and biochemicals) due to their comparability with the key business characteristics of the cellulosic fiber industry (products, production process, customers and distribution methods). These business areas are part of an integrated value chain (from the raw material wood via the pre-product pulp to the finished product fiber) with similar risks and opportunities. This segment also includes, in particular, the business area Energy because it has by far the highest energy requirements in the Lenzing Group due to the energy-intensive nature of the fiber and pulp production process.

Segment Lenzing Technik

The Segment Lenzing Technik operates in the field of mechanical and plant engineering and offers engineering services. It comprises the business area Lenzing Technik.

Other

The residual segment Other covers the business activities of BZL-Bildungszentrum Lenzing GmbH, Lenzing (training and personnel development).

The residual segment Other does not include any business areas that would exceed the quantitative thresholds for reportable segments.

Information on business segments EUR '000

2020 and 31/12/2020	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	1,621,659	9,021	1,927	**1,632,607**	0	**1,632,607**
Inter-segment revenue	2,628	14,004	2,656	**19,288**	(19,288)	**0**
Total revenue	**1,624,287**	**23,025**	**4,583**	**1,651,895**	**(19,288)**	**1,632,607**
EBITDA (segment result)	190,783	2,116	1,168	**194,067**	2,511	**196,578**
EBIT	30,888	1,044	1,040	**32,972**	5,137	**38,109**
Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	161,874	1,072	128	**163,075**	(2,626)	**160,448**
Thereof impaired	0	0	0	**0**	0	**0**
Income from investments accounted for using the equity method	4,883	0	790	**5,674**	0	**5,674**
Other material non-cash income and expenses	55,123	728	360	**56,211**	25	**56,236**
Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)	664,680	4,066	15	**668,760**	0	**668,760**
EBITDA margin[1]	11.7 %	9.2 %	25.5 %	**11.7 %**		**12.0 %**
EBIT margin[2]	1.9 %	4.5 %	22.7 %	**2.0 %**		**2.3 %**
Segment assets	3,020,899	20,776	2,474	**3,044,149**	1,118,839	**4,162,988**
Thereof investments accounted for using the equity method	27,934	0	1,154	**29,088**	0	**29,088**
Segment liabilities	675,643	9,946	1,674	**687,263**	1,594,299	**2,281,562**

1) 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 '000

2019 and 31/12/2019	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	2,091,215	11,548	2,468	**2,105,231**	0	**2,105,231**
Inter-segment revenue	4,234	18,593	3,541	**26,368**	(26,368)	**0**
Total revenue	**2,095,449**	**30,141**	**6,009**	**2,131,599**	**(26,368)**	**2,105,231**
EBITDA (segment result)	323,573	3,194	1,270	**328,037**	(1,129)	**326,908**
EBIT	157,194	2,106	1,168	**160,468**	1,875	**162,343**
Amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets	168,773	1,088	102	**169,963**	(3,004)	**166,959**
Thereof impaired	12,853	0	0	**12,853**	0	**12,853**
Income from investments accounted for using the equity method	1,334	0	40	**1,375**	0	**1,375**
Other material non-cash income and expenses	68,245	2,224	378	**70,847**	0	**70,847**
Acquisition of intangible assets, property, plant and equipment and biological assets (CAPEX)	242,140	1,758	111	**244,009**	0	**244,009**
EBITDA margin[1]	15.4%	10.6%	21.1%	**15.4%**		**15.5%**
EBIT margin[2]	7.5%	7.0%	19.4%	**7.5%**		**7.7%**
Segment assets	2,473,012	19,399	3,612	**2,496,023**	625,045	**3,121,068**
Thereof investments accounted for using the equity method	28,061	0	1,154	**29,215**	0	**29,215**
Segment liabilities	529,827	10,343	2,638	**542,808**	1,040,400	**1,583,208**

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).

Other material non-cash income and expenses represent non-cash measurement effects from provisions and accruals.

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

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

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

EUR '000

	2020	2019
Earnings before interest, tax, depreciation and amortization (EBITDA)	196,578	326,908
Segment amortization and depreciation	(163,075)	(169,963)
Consolidation	2,626	3,004
Income from the release of investment grants	1,979	2,394
Earnings before interest and tax (EBIT)	**38,109**	**162,343**
Financial result	(15,859)	1,502
Earnings before tax (EBT)	**22,251**	**163,845**

Segment assets consist chiefly of intangible assets and property, plant and equipment, biological assets, right-of-use assets, investments accounted for using the equity method, inventories, trade receivables and other receivables (excluding income tax receivables). The reconciliation of segment assets to consolidated assets (corresponding to total assets, i.e. the total of non-current and current assets or the total of equity and non-current and current liabilities) is as follows:

Reconciliation of segment assets to consolidated assets

EUR '000

	31/12/2020	31/12/2019
Segment assets	3,044,149	2,496,023
Assets not allocated to the segments		
Financial assets	40,890	41,803
Deferred tax assets and current tax assets	24,976	33,737
Cash and cash equivalents	1,069,998	571,479
Consolidation	(17,025)	(21,975)
Consolidated assets	**4,162,988**	**3,121,068**

Segment liabilities consist primarily of trade payables, government grants, provisions and other liabilities (excluding current tax liabilities). The reconciliation of segment liabilities to consolidated liabilities is shown in the following table:

Reconciliation of segment liabilities to consolidated liabilities EUR '000

	31/12/2020	31/12/2019
Segment liabilities	687,263	542,808
Liabilities not allocated to the segments		
Financial liabilities	1,552,492	981,591
Deferred tax liabilities and current tax liabilities	44,801	62,619
Consolidation	(2,994)	(3,811)
Consolidated liabilities	**2,281,562**	**1,583,208**

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

Information on products and services

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

Revenue from external customers by products and services EUR '000

	2020	2019
Botanic cellulosic fibers	1,362,797	1,771,082
Sodium sulfate and black liquor	45,477	56,884
Pulp, wood, energy and other	216,013	267,482
Segment Fibers	1,624,287	2,095,449
Mechanical and plant engineering and engineering services	23,025	30,141
Segment Lenzing Technik	23,025	30,141
Other and consolidation	(14,705)	(20,359)
Revenue as per consolidated income statement	**1,632,607**	**2,105,231**

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

Information on geographic regions

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

Revenue from external customers by geographic regions EUR '000

	2020	2019
Austria	47,528	75,031
Europe (excl. Austria, incl. Turkey)	474,219	582,377
Asia	939,465	1,257,127
America	154,533	164,808
Rest of the world	8,541	16,106
Segment Fibers	1,624,287	2,095,449
Austria	12,672	15,897
Europe (excl. Austria, incl. Turkey)	2,128	5,360
Asia	6,394	5,827
America	1,374	3,068
Rest of the world	457	(12)
Segment Lenzing Technik	23,025	30,141
Other and consolidation	(14,705)	(20,359)
Revenue as per consolidated income statement	**1,632,607**	**2,105,231**

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

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

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

	Non-current assets		Total assets		CAPEX	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Austria	1,011,150	1,011,891	1,378,876	1,393,636	101,217	132,748
Europe (excl. Austria, incl. Turkey)	186,439	199,735	263,807	277,166	13,768	15,013
Asia	511,046	348,808	764,399	627,818	159,004	57,147
America	594,111	149,065	637,066	197,403	394,770	39,101
Subtotal	**2,302,746**	**1,709,500**	**3,044,149**	**2,496,023**	**668,760**	**244,009**
Reconciliation to consolidated figures	58,456	74,387	1,118,839	625,045	0	0
Consolidated total	**2,361,202**	**1,783,887**	**4,162,988**	**3,121,068**	**668,760**	**244,009**

Assets and CAPEX are allocated according to the geographic location of the assets. The above amounts cover all segments of the Lenzing Group. Additional information on the segments is provided in the management report of the Lenzing Group as at December 31, 2020.

Notes on the Consolidated Income Statement

Note 5. Revenue

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

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

The Segment Fibers predominantly sells botanic cellulosic fibers. In addition, sodium sulfate and black liquor are also sold. Income is recognized at a point in time, and thus when ownership of the product has been transferred to the costumer (i.e. with the transfer of risks), the amount of income and the related costs can be reliably determined and the economic benefits from the transaction will probably flow to the Group.

The Segment Lenzing Technik operates in the field of mechanical and plant engineering and provides engineering services.

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

Contract liabilities are presented under other liabilities and consist of down payments received of EUR 20,918 thousand (December 31, 2019: EUR 16,834 thousand) and accruals for discounts and rebates of EUR 1,725 thousand (December 31, 2019: EUR 2,357 thousand) (see note 32). The amount of EUR 18,569 thousand included in contract liabilities as at December 31, 2019 has been recognized as revenue in 2020 (2019: EUR 12,173 thousand).

Note 6. Other operating income

Other operating income consists of the following:

Other operating income — EUR '000

	2020	2019
Income from green energy bonus	17,771	23,593
Income from recharging of services and other products	15,815	9,972
Income from the release of deferred income for emission certificates and from subsidies	14,169	18,574
Rental income	5,390	4,305
Insurance compensation	1,740	17,920
Sundry	4,260	4,231
Total	**59,145**	**78,594**

Note 7. Cost of material and other purchased services

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

Cost of material and other purchased services — EUR '000

	2020	2019
Material	770,254	1,110,200
Other purchased services	128,138	147,090
Total	**898,392**	**1,257,290**

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

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

Note 8. Personnel expenses

The following table shows the composition of personnel expenses:

Personnel expenses EUR '000

	2020	2019
Wages and salaries	264,572	306,757
Expenses for severance payments and gratuity	7,874	6,147
Retirement benefit expenses	8,616	7,617
Statutory social security expenses	69,405	69,854
Other employee-related costs	5,287	5,554
Total	**355,754**	**395,928**

In the 2020 financial year, government grants of EUR 13,288 thousand (2019: EUR 0 thousand) in connection with short-term work assistance related to COVID-19 were offset against personnel expenses and recognized in profit or loss.

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

Number of employees (headcount)

	2020	2019
Average	7,156	6,775
As at 31/12	7,358	7,036

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

Average number of employees in Austria (headcount)

	2020	2019
Hourly workers	1,896	1,918
Salaried employees	1,423	1,469
Total	**3,319**	**3,387**

Note 9. Other operating expenses

Other operating expenses comprise the following:

Other operating expenses EUR '000

	2020	2019
Outgoing freight	77,725	87,466
Maintenance, repairs and other third-party services	57,215	64,862
Rental and leasing expenses	16,063	11,952
Selling expenses for commissions and advertising	14,417	24,999
Legal, consulting and audit expenses	14,088	21,303
Insurance expenses	13,425	9,267
Waste disposal expenses	10,658	13,490
Foreign exchange loss	7,513	980
Fees, contributions, donations and bank charges	7,196	8,565
Registration and defense costs for patents and brands	6,219	3,246
Property taxes and similar taxes	5,835	4,750
Emission certificates	4,738	4,704
Travel expenses	2,470	11,356
Losses on disposals of non-current assets	2,187	371
Food and beverages	2,127	2,364
Sundry	8,032	8,725
Total	**249,905**	**278,402**

Note 10. Amortization of intangible assets, depreciation of property, plant and equipment and right-of-use assets

Amortization and depreciation include the following:

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

	2020	2019
Amortization and depreciation	160,448	154,106
Impairment	0	12,853
Total	**160,448**	**166,959**

Depreciation of property, plant and equipment includes impairment losses of EUR 0 (2019: EUR 12,853 thousand), which are also reported under “Development of property, plant and equipment” (see note 18). The impairment losses on property, plant and equipment in the 2019 financial year mainly represented prepayments and assets under construction.

Additional details on impairment are provided in note 17.

Note 11. Auditor's fees

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

Auditors' fees expensed EUR '000

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

Auditors' fees expensed (previous year) EUR '000

2019	Lenzing AG	Subsidiaries	Total
Audit of the annual financial statements (incl. consolidated financial statements)	278	152	430
Other assurance services	153	21	174
Other services	96	0	96
Total	**527**	**173**	**700**

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

Note 12. Income from investments accounted for using the equity method

The result of EUR 5,674 thousand (2019: EUR 1,375 thousand) corresponds to the Group's share of the current earnings of associates and joint ventures. In the 2019 financial year it includes an impairment of EQUI-Fibres Beteiligungsgesellschaft mbH (EFB) amounting to EUR minus 3,442 thousand (see note 21).

Note 13. Income from non-current and current financial assets

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

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

	2020	2019
Income from non-current and current financial assets		
Interest income from bank balances, originated loans and receivables	1,914	1,838
Measurement of financial assets at amortized cost	0	3,419
Interest income and income from the disposal of debt instruments measured at fair value through other comprehensive income	50	157
Income from dividends for equity instruments measured at fair value through other comprehensive income	829	983
Measurement of non-current financial assets measured at fair value	0	2,335
Net foreign currency gains from financial assets	0	1,363
	2,794	**10,096**
Expenses from non-current and current financial assets		
Measurement of financial assets at amortized cost	(1,400)	(203)
Measurement and loss from the disposal of financial assets at fair value through profit or loss	(100)	(66)
Net foreign currency losses from financial assets	(6,696)	0
	(8,196)	**(269)**
Total	**(5,402)**	**9,828**

Note 14. Financing costs

Financing costs comprise the following:

Financing costs EUR '000

	2020	2019
Net foreign currency gains/losses from financial liabilities	6,391	1,454
Interest expense for bonds and private placements	(10,988)	(3,897)
Interest expense for bank loans, other interest and similar expenses	(11,533)	(7,256)
Total	**(16,130)**	**(9,700)**

Note 15. Income tax expense

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

Income tax expense by source — EUR '000

	2020	2019
Current income tax expense		
Austria	5,947	36,745
Abroad	16,131	23,957
	22,077	**60,702**
Income/expense from deferred taxes	**10,768**	**(11,798)**
Total	**32,846**	**48,904**

Income tax expense by cause — EUR '000

	2020	2019
Current income tax expense		
Tax expense for current year	20,549	59,584
Reduction due to the use of tax losses	(81)	(79)
Reduction due to the use of tax credits	0	(9)
Adjustment for prior-period income tax	1,609	1,206
	22,077	**60,702**
Income/expense from deferred taxes		
Recognition and reversal of temporary differences	18,795	(9,767)
Effects of changes in tax rates	41	323
Change in capitalized loss carryforwards	(6,724)	(2,705)
Effects of previously unrecognized temporary differences from prior periods	(1,329)	(13)
Changes in valuation adjustment to deferred tax assets (excl. loss carryforwards)	(15)	363
	10,768	**(11,798)**
Total	**32,846**	**48,904**

The reconciliation of calculated income tax expense based on the Austrian corporate tax rate of 25 percent (December 31, 2019: 25 percent) to effective income tax expense is shown in the following table:

Tax reconciliation — EUR '000

	2020	2019
Earnings before tax (EBT)	**22,251**	**163,845**
Calculated income tax expense (25 % of earnings before tax)	5,563	40,961
Tax-free income and tax allowances (particularly research allowance)	(2,348)	(4,014)
Non-deductible expenses, withholding taxes and similar permanent differences	2,398	2,380
Income from investments accounted for using the equity method	(1,418)	(343)
Effect of different tax rates	(2,304)	(5,846)
Changes in tax rates	41	323
Taxes from prior periods	280	1,194
Exchange rate differences resulting from the translation of deferred tax items from local into functional currency	10,414	(2,623)
Change in unrecognized deferred tax assets from loss carryforwards, tax credits and other temporary differences	18,309	16,834
Other	1,910	38
Effective income tax expense	**32,846**	**48,904**

The ratio of effective income tax expense to earnings before tax is disproportionately high in the 2020 financial year. Earnings before tax were low in comparison to the previous year due to the effects of the COVID-19 crisis. At the same time, relatively high reconciliation items arose from write-downs on deferred tax assets on loss carryforwards (in particular, start-up losses and current losses of foreign locations) and from the translation of deferred tax items from local into functional currency (in particular, Indonesia, Brazil and Thailand).

The item “taxes from prior periods” includes a tax credit of EUR 24 thousand (2019: EUR 688 thousand) from the tax group with B&C Group (also see note 38).

Lenzing AG and the Austrian subsidiaries of the Lenzing Group are subject to an income tax rate of 25 percent (December 31, 2019: 25 percent). The income tax rates for foreign companies range from 11 percent to 34 percent (December 31, 2019: from 11 percent to 34 percent).

Note 16. Earnings per share

Earnings per share are calculated as follows:

Earnings per share — EUR '000

	2020	2019
Net profit for the year attributable to shareholders of Lenzing AG used in the calculation of earnings per share	6,277	122,806
Weighted average number of shares	26,550,000	26,550,000
	EUR	EUR
Diluted = basic	0.24	4.63

In the calculation of earnings per share, interest on hybrid capital of EUR 1,890 thousand (2019: EUR 0 thousand) was deducted from net profit for the year.

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

Note 17. Intangible assets

Development
Intangible assets developed as follows:

Development of intangible assets EUR '000

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

Development of intangible assets (previous year) EUR '000

2019	Goodwill	Concessions, industrial property rights, licenses and similar rights	Internally generated intangible assets	Total
Cost				
As at 01/01/2019	91,740	22,361	16,478	**130,579**
Currency translation adjustment	2,127	17	0	**2,144**
Addition	0	4,243	5,226	**9,470**
Disposals	0	(3,683)	0	**(3,683)**
As at 31/12/2019	93,867	22,939	21,704	**138,510**
Accumulated amortization				
As at 01/01/2019	(78,133)	(16,915)	(14,196)	**(109,245)**
Currency translation adjustment	(1,851)	(8)	0	**(1,859)**
Amortization	0	(2,265)	(493)	**(2,757)**
Disposals	0	3,571	0	**3,571**
As at 31/12/2019	(79,984)	(15,617)	(14,689)	**(110,290)**
Carrying amount as at 01/01/2019	13,606	5,446	2,281	**21,334**
Carrying amount as at 31/12/2019	**13,883**	**7,322**	**7,015**	**28,221**

Additions in the 2020 financial year include purchased intangible assets of EUR 1,755 thousand (2019: EUR 4,140 thousand) and internally generated intangible assets of EUR 3,556 thousand (2019: EUR 5,226 thousand) (mainly process and product developments). Development costs are recognized as intangible assets if the specific requirements pursuant to IAS 38 are met, in particular, as to whether future economic benefits can be generated.

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

Useful lives for intangible assets

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

Research and development expenses

In the 2020 financial year the Lenzing Group incurred research and development expenses of EUR 34,818 thousand (2019: EUR 53,248 thousand) according to the Frascati method, and EUR 20,152 thousand (2019: EUR 24,614 thousand) according to IFRS.

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

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

The Lenzing Group initially determines the recoverable amount based on the applicable fair value less costs of disposal. The Management and Supervisory Boards approve the budget and the medium-term plans for the next five years. These plans are the starting point for the cash flow projections on a post-tax basis to determine the fair value less costs of disposal. Based on the assumptions used in the previous year, a perpetual yield that includes a sustainable long-term growth rate is applied after the detailed planning period. The estimate for the sustainable long-term growth rate generally equals half of the inflation rate expected in the relevant country during the next few years, as projected by an international economic research agency. This value usually tends to offset general inflation. The planned/projected cash flows are discounted to their present value with a discounted cash flow method. Fair value measurement is classified in full as level 3 of the fair value hierarchy because key input factors (in particular, cash flows) cannot be observed on the market. The applied discount rate is calculated on an individual basis using the capital asset pricing model (CAPM) and represents a composite figure (weighted average cost of capital – WACC) that combines the average interest rate for debt and the anticipated return on equity employed. After-tax WACCs ranging from 5.4 percent to 7.8 percent were used in 2020 (2019 6.4 percent to 7.3 percent).

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

No impairments of CGUs in accordance with IAS 36 were recognized in the 2020 and 2019 financial years.

Against the backdrop of the COVID-19 crisis, the Lenzing Group reviewed all assumptions that are crucial to the impairment tests in accordance with the methods previously used. For the cash-generating units (CGUs), the budgets required for the cash flow forecasts were reviewed and medium-term planning was adapted. The changed situation in the capital markets resulting from the COVID-19 crisis was considered in the WACC (weighted average cost of capital).

As part of an extended sensitivity analysis for all CGUs, the following changes of parameters were simulated individually for each parameter: a decrease in the planned EBITDA by 5 percent, an increase in weighted average capital costs by 5 percent or a reduction of the growth rate by 0.5 percentage points in perpetual yield was assumed. On this basis, no impairment would be required for any of the cash-generating units with the exception of the CGU Fiber Site China.

Impairment test of the CGU Fiber Site China

The carrying amounts of the intangible assets and property, plant and equipment of the CGU Fiber Site China impaired in previous years totaled EUR 43,063 thousand at December 31, 2020 (December 31, 2019: EUR 45,387). This amount includes accumulated impairment losses of EUR 15,850 thousand (December 31, 2019: EUR 20,045 thousand) from the previous impairment tests.

Due to an indication of impairment in accordance with IAS 36, the recoverable amount of the CGU Fiber Site China for the consolidated financial statements 2020 was determined. The recoverable amount showed sufficient coverage of the carrying amounts. The carrying amounts would increase (decrease) in particular if planned EBITDA or the long-term growth rate of perpetual yield increases (decreases) or the weighted average cost of capital (WACC) decreases (increases). In the event of an increase (decrease) in planned EBITDA by 1 percent, the recoverable amount determined would increase (decrease) by EUR 3,205 thousand. In the event of an increase (decrease) of the long-term growth rate of the perpetual yield by 0.1 percent, the recoverable amount will increase by EUR 2,191 thousand or decrease by EUR 2,130 thousand. If the weighted average cost of capital (WACC) decreases (increases) by 0.25 percent, the recoverable amount will increase by EUR 6,234 thousand or decrease by EUR 5,858 thousand.

Impairment test of the CGU Fiber Site Indonesia

Due to an indication of impairment in accordance with IAS 36, the recoverable amount of the CGU Fiber Site Indonesia was determined. The recoverable amount showed sufficient coverage of the carrying amounts.

Impairment test of the CGU Fiber Site USA

As a result of the focus on expanding the lyocell fiber capacity in Thailand and the related postponement of the investments in the USA, CGU Fiber Site USA was tested for impairment. No impairment was determined.

Since the temporary construction stop of additional lyocell capacities in Mobile, Alabama, USA in the 2018 financial year, the Managing Board has regularly assessed potential uncertainties regarding future usability when resuming the project. In property, plant and equipment, assets under construction (engineering costs) were identified for which both the fair value less cost of disposal and the value in use were estimated to be lower than the carrying amount, and an impairment loss of EUR 0 thousand (2019 financial year: EUR 12,853 thousand) was recognized.

Impairment test of CGUs to which goodwill is allocated

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

Goodwill by segment/CGU EUR '000

	31/12/2020	31/12/2019
Segment Fibers		
CGU Pulp Site Czech Republic	10,060	10,372
Other CGUs	3,267	3,511
Total	**13,327**	**13,883**

The recoverable amount of the largest CGU with goodwill in 2020 – the CGU Pulp Site Czech Republic – was determined on the basis of fair value less costs of disposal. The measurement of fair value is classified in full under level 3 of the fair value hierarchy. The following individual assumptions from the most recent impairment tests were used for annual testing:

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

	2020 financial year	2019 financial year
CGU Pulp Site Czech Republic		
Average annual operating margin in planning period	20.1 %	15.9 %
Long-term growth rate of perpetual yield	1.3 %	1.1 %
After-tax discount rate (WACC)	7.8 %	7.3 %

The detailed planning period for the CGU Pulp Site Czech Republic covers five years. The average revenue growth during this period equals 3.2 percent per year (2019: 3.0 percent per year).

The estimated fair value less costs of disposal of the CGU Pulp Site Czech Republic exceeds the carrying amount by EUR 123,524 thousand (2019: EUR 116,609 thousand). This estimate is considered appropriate, but corrections may be required if there are changes in the underlying assumptions or circumstances. The following table shows a sensitivity analysis with hypothetical scenarios for the key assumptions as well as the possible changes in value as at the reporting date which, if they occurred, would result in the recoverable amount equaling the carrying amount of the CGU plus goodwill.

A long-term growth rate of 0.5 percent to 0.8 percent (2019: 0.9 percent to 1.0 percent was taken into account in perpetual yield for the other CGUs with goodwill.

Sensitivity analysis of assumptions for impairment testing

	Values relating to key assumptions	Change in values relating to key assumptions for which the recoverable amount would equal the carrying amount
CGU Pulp Site Czech Republic		
Operating margin	20.1 %	minus 5.7 percentage points
Long-term growth rate of perpetual yield	1.3 %	minus 6.2 percentage points
After-tax discount rate (WACC)	7.8 %	plus 4.4 percentage points

Sensitivity analysis of assumptions for impairment testing (previous year)

	Values relating to key assumptions	Change in values relating to key assumptions for which the recoverable amount would equal the carrying amount
CGU Pulp Site Czech Republic		
Operating margin	15.9 %	minus 5.2 percentage points
Long-term growth rate of perpetual yield	1.1 %	minus 6.1 percentage points
After-tax discount rate (WACC)	7.3 %	plus 4.0 percentage points

Note 18. Property, plant and equipment

Development

Property, plant and equipment developed as follows:

Development of property, plant and equipment EUR '000

2020	Land and buildings	Technical equipment and machinery, factory and office equipment	Down payments and assets under construction	Total
Cost				
As at 01/01/2020	628,979	2,883,570	287,350	**3,799,899**
Currency translation adjustment	(16,559)	(57,984)	(50,552)	**(125,095)**
Reclassification right of use assets	0	0	0	**0**
Addition	17,425	72,345	607,011	**696,780**
Disposals	(4,153)	(54,971)	(2,023)	**(61,146)**
Reclassifications	14,592	65,171	(79,763)	**0**
As at 31/12/2020	640,285	2,908,131	762,022	**4,310,439**
Accumulated depreciation				
As at 01/01/2020	(305,405)	(1,872,359)	(24,972)	**(2,202,736)**
Currency translation adjustment	6,076	40,313	2,300	**48,689**
Reclassification right of use assets	0	0	0	**0**
Depreciation	(17,772)	(129,420)	0	**(147,192)**
Impairment	0	0	0	**0**
Disposals	4,139	54,721	0	**58,859**
As at 31/12/2020	(312,962)	(1,906,745)	(22,673)	**(2,242,380)**
Carrying amount as at 01/01/2020	323,574	1,011,211	262,378	**1,597,163**
Carrying amount as at 31/12/2020	**327,323**	**1,001,386**	**739,350**	**2,068,059**

Development of property, plant and equipment (previous year) **EUR '000**

2019	Land and buildings	Technical equipment and machinery, factory and office equipment	Down payments and assets under construction	Total
Cost				
As at 01/01/2019	594,664	2,727,067	223,868	3,545,599
Currency translation adjustment	4,622	16,621	2,774	**24,018**
Reclassification right of use assets	0	(4,450)	0	**(4,450)**
Addition	8,967	91,732	149,422	**250,120**
Disposals	(37)	(15,351)	0	**(15,388)**
Reclassifications	20,763	67,952	(88,715)	**0**
As at 31/12/2019	628,979	2,883,570	287,350	3,799,899
Accumulated depreciation				
As at 01/01/2019	(286,007)	(1,752,257)	(11,996)	(2,050,259)
Currency translation adjustment	(1,820)	(10,111)	(123)	**(12,054)**
Reclassification right of use assets	0	711	0	**711**
Depreciation	(17,619)	(125,731)	0	**(143,350)**
Impairment	0	0	(12,853)	**(12,853)**
Disposals	41	15,029	0	**15,069**
As at 31/12/2019	(305,405)	(1,872,359)	(24,972)	(2,202,736)
Carrying amount as at 01/01/2019	308,657	974,810	211,873	**1,495,340**
Carrying amount as at 31/12/2019	**323,574**	**1,011,211**	**262,378**	**1,597,163**

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

Useful lives for property, plant and equipment

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

If the cost of certain components of an item of property, plant and equipment – measured against the total cost of the item of property, plant and equipment – is significant, such components are accounted for separately and depreciated on a straight-line basis over their expected useful life, unless in exceptional cases another depreciation method is better suited for the usage pattern. A component is considered to be material when its cost exceeds a certain defined threshold. Costs incurred subsequently to add, replace part of or service an item of property, plant and equipment are capitalized provided that based on the component approach they represent the replacement of parts of an entity and the costs can be reliably measured. The carrying amount of a replaced component is derecognized.

All items of property, plant and equipment are tested for impairment in accordance with IAS 36 if there are any indications that these assets may be impaired (see note 17 for details).

Operating leases as a lessor

Operating leases are in place for land and buildings with acquisition cost of EUR 40,401 thousand as at December 31, 2020 (December 31, 2019 EUR 40,098 thousand). The carrying amount of this land and buildings is EUR 10,305 thousand as at December 31, 2020 (December 31, 2019 EUR 11,613 thousand). Depreciation of EUR 920 thousand was recognized on these assets in the 2020 financial year (2019: EUR 885 thousand). For further details on rental income from operating leases see note 20.

Capitalization of borrowing costs

Borrowing costs of EUR 3,981 thousand for property, plant and equipment were capitalized in 2020 (2019: EUR 1,391 thousand). The applied cost of debt equaled 1.1 percent (2019: 1.5 percent).

The Lenzing Group defines qualifying assets as construction projects or other assets that require at least twelve months to be ready for their intended use or sale. The required entries are recorded under "own work capitalized" and the respective asset account, while depreciation is recorded under "amortization of intangible assets and depreciation of property, plant and equipment and right-of-use assets". All other borrowing costs are expenses in the period incurred and reported under financial result.

Note 19. Biological assets

Biological assets comprise standing trees of a plantation in Minas Gerais, Brazil, which are used as a raw material for pulp production. In accordance with IAS 41 (Agriculture), biological assets are presented at fair value in the consolidated statement of financial position. The plantation is recognized at level 3 of the fair value less estimated costs to sell at the harvest. It is assumed that fair values can be measured. The meas-urement is based on a discounted cash flow model on the basis of sustainable forest management plans, industry benchmarks for wood prices and delivery costs and taking into account the growth potential. The annual harvest from the projected tree growth is multiplied by wood prices, and the forestry and harvesting costs are deducted. The fair value of the plantation is measured as the present value of the harvest from one growth cycle on the basis of the productive forest area, taking into account environmental restrictions and other reservations. Young standing timber less than one year old is considered an immature asset and is recognized at cost. When harvested, biological assets are transferred to the item inventories of the consolidated statement of financial position. Changes in the fair value of hedging instruments in relation to the foreign exchange risk are recognized in the income statement under gains and losses from the change in the fair value of biological assets.

The plantation was an addition of EUR 103,109 thousand in January 2020. As at December 31, 2020, it comprised approximately 39,892 hectares of eucalypt wood and 1,001 hectares of pine wood. The wood is up to 12 years old. Wood amounting to EUR 2,486 thousand is less than one year old and therefore considered an immature asset.

Biological assets developed as follows:

Reconciliation of biological assets EUR '000

	2020
As at 01/01	0
Addition	103,109
Acquisition	105
Sales	(6,620)
Capitalized production costs	9,864
Change in the fair value	(12,943)
Currency translation adjustment	(9,226)
Other changes	(36)
As at 31/12	**84,254**

Gains and losses from the change in the fair value of biological assets of EUR minus 10,334 thousand consisted of the regular re-measure-ment of EUR minus 12,943 thousand and changes in the value of hedges related to the exchange rate risk of EUR 2,608 thousand.

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

The following assumptions were made as at December 31, 2020:

Assumptions of level 3 input factors for biological assets

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

The following table shows a sensitivity analysis with hypothetical scenarios for the key assumptions as well as the possible changes in value at the reporting date.

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

	Increase	Decrease
Change in the market price (+/- 1 %)	798	(798)
Discount rate (+/- 1 %)	(55)	55
Wood volume (+/- 5 %)	4,514	(4,514)

Note 20. Right-of-use assets

The Lenzing Group as the lessee

The Lenzing Group has obligations from rental and lease agreements for property, plant and equipment, which are recognized as right-of-use-assets in the consolidated statement of financial position according to IFRS 16. The corresponding lease liabilities are reported as part of financial liabilities (see note 29).

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

Development of right-of-use assets EUR '000

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

Development of right-of-use assets EUR '000

2019	Land and buildings	Technical equipment and machinery, factory and office equipment	Total
Carrying amount as at 01/01	16,908	19,332	**36,240**
Addition	2,310	7,395	**9,705**
Disposals	(75)	(101)	**(177)**
Depreciation fiscal year	(2,744)	(5,254)	**(7,998)**
Currency translation adjustment	40	2	**42**
Carrying amount as at 31/12	**16,438**	**21,373**	**37,811**

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

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

- **Land use rights**: The biological assets (see note 19) are located on land which is not owned by the Lenzing Group. Land use rights are in place for this land. The lease has a term of 30 years, with an option to extend the lease by 19 years after 30 years. This extension option was not taken into account in estimating the expected term of the lease because the use of the biological assets in 30 years is not sufficiently certain from today's perspective. Price adjustment clauses exist.
- **Office and storage premises:** The leases have a term of up to five years and some contracts have an indefinite term. Ordinary useful lives were applied to office and storage premises with indefinite useful lives where economic exit barriers exist. These leases do not include an option to purchase the office and storage premises at the end of the contract term. Some of the leases include extension options and price adjustment clauses.
- **Rail cars:** The leases have a term of up to twelve years and can be canceled after a minimum period. Some of the leases have price adjustment clauses.
- **Wastewater treatment plant:** The Lenzing Group has concluded finance leases for an industrial primary clarifier and related expansion investments. The ownership of the plant, including the land, can be transferred to Lenzing AG after the agreements expire in exchange for the payment of a transfer fee. This lease has a term of up to 16 years.

Termination and extension options are taken into account when estimating the expected term of the leases if it is sufficiently certain that they will or will not be exercised. The Lenzing Group estimates that possible future cash outflows from extension options which were not taken into account in the measurement of the lease liability could result in an increase in the lease liability and the related future cash outflows by EUR 1,129 thousand (December 31, 2019: EUR 2,774 thousand).

The following expenses relating to leases were recognized in the consolidated income statement in the 2020 financial year.

Amounts recognized in profit or loss EUR '000

	2020	2019
Expenses relating to short-term leases	4,426	4,876
Expenses relating to variable leases	11,003	6,497
Expenses relating to leases of low-value assets	61	47
Non-lease components	573	532
Other operating expenses	**16,063**	**11,952**
Interest on lease liabilities = Financing costs	**5,330**	**1,294**

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

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

Cash outflows for leases total EUR 30,216 thousand (2019: EUR 20,051 thousand). They include expenses relating to short-term and variable leases and to leases of low-value assets.

Expenses relating to the right-of-use assets and financing costs are fully cash-effective and included in cash flow from operating activities. The cash flows incurred in connection with the repayment of lease liabilities are explained in note 33.

The Lenzing Group as the lessor

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

Undiscounted annual minimum lease payments as lessor EUR '000

	31/12/2020	31/12/2019
In the following year	3,440	2,766
In the following 1-2 years	3,145	2,471
In the following 2-3 years	3,145	2,471
In the following 3-4 years	3,073	2,471
In the following 4-5 years	3,073	2,400
Thereafter	4,702	5,828
Total	**20,579**	**18,407**

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

Rental income for the 2020 financial year is shown in note 6 “Other operating income”.

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

Note 21. Investments accounted for using the equity method

Investments accounted for using the equity method comprise the following:

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

	31/12/2020	31/12/2019
EQUI-Fibres Beteiligungsgesellschaft mbH (EFB)	4,137	2,250
Hygiene Austria LP GmbH (HGA)	4,536	0
LD Florestal S.A. (LDF)	15,595	21,929
Other associates	4,714	4,936
Other joint ventures	105	100
Total	**29,088**	**29,215**

The major investments accounted for using the equity method include, in particular, the investments in EQUI-Fibres Beteiligungsgesellschaft mbH (EFB), Kelheim, Germany, Hygiene Austria LP GmbH (HGA), Wiener Neudorf and LD Florestal S.A. (LDF), Sao Paulo, Brazil, which are assigned to the Segment Fibers. For the strategic importance of the other investments accounted for using the equity method and their relationship with the Lenzing Group see note 38.

Investments accounted for using the equity method developed as follows:

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

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

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

2019	EFB	Other associates	HGA	LDF	Other joint ventures	Total
As at 01/01	1,629	4,810	0	6,834	94	13,367
Capital injection	0	0	0	15,000	0	15,000
Result from remeasurement of investments accounted for using the equity method	(3,442)	0	0	0	0	(3,442)
Share in profit or loss of investments accounted for using the equity method	4,467	40	0	303	6	4,817
Other comprehensive income – remeasurement of defined benefit liability and other	(404)	0	0	0	0	(404)
Other comprehensive income – foreign currency translation differences arising during the year	0	126	0	(208)	1	(82)
Distributions	0	(40)	0	0	0	(40)
As at 31/12	**2,250**	**4,936**	**0**	**21,929**	**100**	**29,215**

In 2019 financial year and impairment loss of EUR 3,442 thousand was recognized on the carrying amount of the investment in EFB. This impairment was necessary due to the continued reduced earnings power. The planned/projected cash flows are discounted to their present value using the discounted cash flow method.

In the 2020 financial year, an impairment of EUR 1,384 thousand (2019: write-up of EUR 5,548 thousand) was recognized on the outstanding purchase price receivables and non-current loans due from the buyer EFB (and its subsidiaries) (see note 37, credit risk). The carrying amounts of the outstanding purchase price receivables and non-current loans due from the buyer EFB (and its subsidiaries) total EUR 10,678 thousand as at December 31, 2020 (December 31, 2019: EUR 11,062 thousand) and are reported under financial assets. They carry standard bank interest rates.

The Lenzing Group holds a lien on the remaining shares of EFB. In addition, there is a non-current earnings-related component of the purchase price, which is dependent on the company's future business development and is reported under other non-current assets at the discounted present value of EUR 4,087 thousand as at December 31, 2020 (December 31, 2019: EUR 4,087). Moreover, the buyer was granted a credit line of up to EUR 6,622 (December 31, 2019: EUR 10,910 thousand), which can be utilized up to December 31, 2025 at the latest in the event of adverse changes in the framework conditions for EFB on the market. The credit line had not been used as at December 31, 2020 and in the previous year as at December 31, 2019.

The Lenzing Group held 20 percent of capital and voting rights as at December 31, 2020 (December 31, 2019: 20 percent). The core business of EFB, which is not publicly listed, is the production and marketing of botanic cellulosic fibers. The relations between the Lenzing Group and this company are described in note 38.

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

Summarized financial information on EFB — EUR '000

	31/12/2020	31/12/2019
Non-current assets	116,958	104,001
Current assets	67,628	67,422
Equity	58,137	48,703
Non-current liabilities	55,976	61,868
Current liabilities	70,474	60,851
	2020	**2019**
Revenue	127,610	115,145
Earnings before tax (EBT)	12,759	31,919
Total comprehensive income	9,434	20,317
Thereof net profit for the year	9,964	22,335
Thereof other comprehensive income	(531)	(2,018)

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

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

	31/12/2020	31/12/2019
Equity	58,137	48,703
Thereof:		
Group's interest (20 %; previous year: 20 %)	11,627	9,741
Consolidation and other effects	(63)	(63)
Impairment	(7,427)	(7,427)
Carrying amount	**4,137**	**2,250**

The Lenzing Group held 50.1 percent of the capital and voting rights of HGA as at December 31, 2020 (December 31, 2019: 0 percent). The main activity of HGA, which is not publicly listed, is the production of high-quality protective equipment, in particular mouth-nose protective masks. The relations between the Lenzing Group with this company are described in note 38.

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

Summarized financial information on HGA — EUR '000

	31/12/2020	31/12/2019
Non-current assets	14,054	0
Current assets	14,711	0
Equity	9,062	0
Non-current liabilities	9,309	0
Current liabilities	10,394	0
	2020	**2019**
Revenue	18,963	0
Earnings before tax (EBT)	7,635	0
Total comprehensive income	5,722	0
Thereof net profit for the year	5,722	0
Thereof other comprehensive income	0	0

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

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

	31/12/2020	31/12/2019
Equity	9,062	0
Thereof:		
Group's interest (50.1 %)	4,540	0
Consolidation and other effects	(4)	0
Carrying amount	**4,536**	**0**

The Lenzing Group held 50 percent of the capital and voting rights in LDF as at December 31, 2020 (December 31, 2019: 50 percent). The core business of LDF, which is not publicly listed, is granting rights of use. The relations between the Lenzing Group and this company are described in note 38.

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

Summarized financial information on LDF — EUR '000

	31/12/2020	31/12/2019
Non-current assets	73,344	61,352
Current assets	2,840	19,654
Equity	31,190	43,858
Non-current liabilities	43,941	35,469
Current liabilities	1,053	1,679
	2020	**2019**
Revenue	0	0
Earnings before tax (EBT)	103	882
Total comprehensive income	103	607
Thereof net profit for the year	103	607
Thereof other comprehensive income	0	0

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

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

	31/12/2020	31/12/2019
Equity	31,190	43,858
Thereof:		
Group's interest (50 %; previous year: 50 %)	15,595	21,929
Carrying amount	**15,595**	**21,929**

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

Note 22. Financial assets

Financial assets comprise the following:

Financial assets		EUR '000
	31/12/2020	31/12/2019
Non-current securities	16,367	17,869
Other equity investments	12,931	11,459
Originated loans	11,591	12,475
Total	**40,890**	**41,803**

Non-current securities are classified as follows:

Non-current securities by asset class		EUR '000
	Market value 31/12/2020	Market value 31/12/2019
Government bonds	3,162	3,276
Other securities and book-entry securities (primarily shares)	13,205	14,593
Total	**16,367**	**17,869**

The Lenzing Group has designated equity instruments of a fair value of EUR 24,753 thousand as measured at “fair value through other comprehensive income” as at December 31, 2020 (December 31, 2019: EUR 24,877 thousand). Non-current securities measured at fair value through other comprehensive income and other equity investments include shares in companies in which a share of less than 20 percent is held. The option to recognize these equity instruments at fair value through other comprehensive income was exercised based on the intent to hold these instruments in the long term. The other equity investments as at December 31, 2020 consist primarily of the EUR 12,419 thousand (December 31, 2019: EUR 10,947 thousand) investment in LP Beteiligungs & Management GmbH, Lenzing. Non-current securities primarily consist of Oberbank ordinary shares amounting to EUR 11,821 thousand (December 31, 2019: EUR 13,418 thousand). In the 2020 financial year there was a dividend payout of LP Beteiligungs & Management GmbH, which amounted to EUR 829 thousand (December 31, 2019: EUR 829 thousand). In the previous year there was a dividend payout of Oberbank ordinary share, which amounted to EUR 154 thousand.

Note 23. Other non-current assets

Other non-current assets are classified as follows:

Other non-current assets		EUR '000
	31/12/2020	31/12/2019
Other non-current financial assets (particularly from derivatives and other financial receivables)	5,481	6,909
Other non-current non-financial assets (particularly from other taxes)	20,435	10,181
Total	**25,915**	**17,090**

Note 24. Inventories

Inventories include the following components:

Inventories		EUR '000
	31/12/2020	31/12/2019
Raw materials and supplies	191,803	210,618
Work in progress	5,576	3,873
Finished goods and merchandise	128,902	177,661
Advance payments made	3,089	3,531
Total	**329,370**	**395,683**

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

Write-downs totaling EUR 8,689 thousand were recognized to inventories in 2020 (2019: EUR 34,897 thousand). The carrying amount of inventories measured at their net realizable value equaled EUR 118,706 thousand (December 31, 2019: EUR 121,575 thousand). Expenses for inventories, which are included in the cost of material totaled EUR 770,254 thousand (2019: EUR 1,110,200 thousand).

Note 25. Trade receivables

Trade receivables comprise the following:

Trade receivables		EUR '000
	31/12/2020	31/12/2019
Trade receivables (gross)	258,598	262,604
Bad debt provisions	(8,937)	(11,168)
Total	**249,662**	**251,436**

All trade receivables are classified as current assets. Additional information on trade receivables is provided in note 35 (“Factoring“) and note 37 (“Credit risk“).

Note 26. Other current assets

Other current assets comprise the following:

Other current assets		EUR '000
	31/12/2020	31/12/2019
Other current financial assets		
Derivatives not yet settled (open positions)	12,714	5,844
Recharging of maintenance services	6,795	8,102
Receivables from grant commitments	1,066	1,880
Sundry	8,518	5,267
Total	**29,093**	**21,093**
Other current non-financial assets		
Receivables from other taxes and duties	80,835	72,693
Advance payments made	4,204	2,704
Emission certificates	21,927	14,057
Prepaid expenses	8,979	6,317
Sundry	309	566
Total	**116,254**	**96,336**
Total	**145,347**	**117,429**

Note 27. Equity

Share capital and capital reserves

The share capital of Lenzing AG totaled EUR 27,574,071.43 as at December 31, 2020 (December 31, 2019: EUR 27,574,071.43) and is divided into 26,550,000 zero par value shares (December 31, 2019: 26,550,000 shares). The proportion of share capital attributable to one share equals roughly EUR 1.04. Each ordinary share represents an equal interest in capital and conveys the same rights and obligations, above all the right to a resolved dividend and the right to vote at the Annual General Meeting. The issue price of the shares is fully paid in. No other classes of shares have been issued.

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

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

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

The Managing Board did not utilize the authorizations in place on or up to December 31, 2020 to increase share capital, issue convertible bonds or repurchase treasury shares during the 2020 financial year.

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

Other reserves

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

The amounts attributable to the components of other comprehensive income in 2020 and 2019 include the following:

Other comprehensive income EUR '000

	2020			2019		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Consolidated subsidiaries	(111,317)	3,520	(107,796)	19,016	0	19,016
Investments accounted for using the equity method	(6,574)	0	(6,574)	(82)	0	(82)
Foreign currency translation reserve	**(117,891)**	**3,520**	**(114,371)**	**18,934**	**0**	**18,934**
Financial assets measured at fair value through other comprehensive income	**(2,681)**	**670**	**(2,010)**	**1,918**	**(480)**	**1,439**
Consolidated subsidiaries	(114,950)	2,918	(112,032)	11,425	(2,492)	8,933
Hedging reserve	**(114,950)**	**2,918**	**(112,032)**	**11,425**	**(2,492)**	**8,933**
Consolidated subsidiaries	633	(403)	230	(9,355)	2,322	(7,033)
Investments accounted for using the equity method	(106)	0	(106)	(404)	0	(404)
Actuarial gains/losses	**527**	**(403)**	**124**	**(9,759)**	**2,322**	**(7,437)**
Total	**(234,995)**	**6,706**	**(228,289)**	**22,518**	**(649)**	**21,869**

The reserve for hedging cash flows (hedging reserve) developed as follows:

Changes in the hedging reserve EUR '000

	2020	2019
Gains/losses recognized in the reporting period from the valuation of cash flow hedges		
From forward foreign exchange contracts	(112,750)	(9,175)
From other derivatives	(6,100)	(179)
	(118,851)	**(9,353)**
Reclassification to profit or loss of amounts relating to cash flow hedges		
From forward foreign exchange contracts	4,025	20,654
From other derivatives	(124)	124
	3,901	**20,778**
Total	**(114,950)**	**11,425**

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

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

Retained earnings

Retained earnings comprise the following:

Retained earnings EUR '000

	31/12/2020	31/12/2019
Unappropriated revenue reserves of Lenzing AG under Austrian law (Austrian Commercial Code – öUGB)	738,076	633,212
Accumulated profits of Lenzing AG under Austrian law (Austrian Commercial Code – öUGB)	0	26,550
Retained earnings of the subsidiaries, including the effect of adjusting the financial statements of Lenzing AG and its subsidiaries from local regulations to IFRS	454,724	663,094
Total (excl. other reserves)	**1,192,800**	**1,322,856**

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

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

Dividends of Lenzing AG resolved and paid

	Total	Number of shares	Dividend per share
	EUR '000		EUR
Dividend for the financial year 2019 resolved at the Annual General Meeting on June 18, 2020[1]	0	26,550,000	0.00
Dividend for the financial year 2018 resolved at the Annual General Meeting on April 17, 2019 (payment as of April 25, 2019)	132,750	26,550,000	5.00

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

The Managing Board proposes the following use of accumulated profits for 2020 as stated in the annual financial statements of Lenzing AG, which were prepared in accordance with the Austrian Commercial Code:

Proposal on the appropriation of accumulated profits for 2020	**EUR '000**
Lenzing AG closed the 2020 financial year with profit under Austrian law (öUGB) of	78,314
the allocation to (unappropriated) revenue reserves of	(104,864)
and the addition of the profit carried forward from 2019 of	26,550
results in accumulated profit of	**0**
The Managing Board proposes the following appropriation of the accumulated profit:	
Distribution of a EUR 0.00 dividend per share on eligible share capital of EUR 27,574,071.43 or 26,550,000 shares	0
Amount carried forward to new account	**0**

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

Hybrid capital

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

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

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

Non-controlling interests

Non-controlling interests represent the investments held by third parties in consolidated group companies. The group companies with non-controlling interests are listed in note 41 under "Consolidated companies". These are companies in which the Lenzing Group holds a share of less than 100 percent and which are not reported under puttable non-controlling interests.

Non-controlling interests in equity include LD Celulose S.A. (LDC), Sao Paulo, Brazil, which is assigned to the Segment Fibers. The non-controlling interests in LDC totaled EUR 133,283 thousand as at December 31, 2020 (December 31, 2019: EUR 0 thousand). As at December 31, 2020, non-controlling shareholders held 49.0 percent (December 31, 2019: 0.0 percent) of the capital and voting rights in LDC, which is not publicly listed. After the completion of the plant, the core business of LDC will consist of the production and sale of dissolving wood pulp.

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

Summarized financial information on LDC EUR '000

	31/12/2020	31/12/2019
Non-current assets	524,283	22,518
Current assets	114,065	2,040
Equity	272,006	2,898
Thereof equity attributable to shareholders of Lenzing AG	138,723	2,898
Thereof equity attributable to non-controlling interests	133,283	0
Non-current liabilities	304,099	25,238
Current liabilities	62,243	2,218
	2020	**2019**
Revenue	6,000	0
Earnings before tax (EBT)	(16,077)	(3,908)
Total comprehensive income	(111,704)	(3,943)
Thereof net profit for the year	(22,274)	(3,908)
Net profit for the year attributable to shareholders of Lenzing AG	(11,359)	(3,908)
Net profit for the year attributable to non-controlling interests	(10,914)	0
Thereof other comprehensive income	(89,430)	(35)
Other comprehensive income attributable to shareholders of Lenzing AG	(45,654)	(35)
Other comprehensive income attributable to non-controlling interests	(43,776)	0
Cash flow from operating activities	(15,118)	(3,571)
Cash flow from investing activities	(396,758)	(20,291)
Cash flow from financing activities	524,979	23,992
Change in cash and cash equivalents	107,682	130
Dividends paid to non-controlling interests	0	0

Non-controlling interests in equity include PT South Pacific Viscose (SPV), Purwakarta, Indonesia, which is assigned to the Segment Fibers. The non-controlling interests in SPV totaled EUR 14,615 thousand as at December 31, 2020 (December 31, 2019: EUR 24,240 thousand). As at December 31, 2020, non-controlling shareholders held 11.92 percent (December 31, 2019: 11.92 percent) of the capital and voting rights in SPV, which is not publicly listed. The core business of SPV is the production and sale of botanic cellulosic fibers.

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

Summarized financial information on SPV EUR '000

	31/12/2020	31/12/2019
Non-current assets	208,333	249,241
Current assets	94,351	113,950
Equity	122,609	203,352
Thereof equity attributable to shareholders of Lenzing AG	107,994	179,113
Thereof equity attributable to non-controlling interests	14,615	24,240
Non-current liabilities	38,077	40,856
Current liabilities	141,997	118,982
	2020	**2019**
Revenue	225,360	388,759
Earnings before tax (EBT)	(66,025)	(80,147)
Total comprehensive income	(80,742)	(62,256)
Thereof net profit for the year	(67,454)	(67,832)
Net profit for the year attributable to shareholders of Lenzing AG	(59,414)	(59,755)
Net profit for the year attributable to non-controlling interests	(8,041)	(8,076)
Thereof other comprehensive income	(13,288)	5,576
Other comprehensive income attributable to shareholders of Lenzing AG	(11,704)	4,908
Other comprehensive income attributable to non-controlling interests	(1,584)	668
Cash flow from operating activities	9,915	17,633
Cash flow from investing activities	(11,233)	(21,050)
Cash flow from financing activities	(920)	(629)
Change in cash and cash equivalents	(2,238)	(4,046)
Dividends paid to non-controlling interests	0	0

Changes to the non-controlling interests in controlled subsidiaries due to the purchase or sale of shares by the Lenzing Group without the loss of control are reported on the consolidated statement of changes in equity. The effects on non-controlling interests are shown below:

Effects of the acquisition and disposal of further shares in controlled subsidiaries EUR '000

	2020	2019
Lenzing Modi Fibers India Private Limited (2020: +0.02 %, 2019: +0.02 %)	2	2
Increase (+)/decrease (–) of non-controlling interests in equity	**2**	**2**

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

Other comprehensive income attributable to non-controlling interests EUR '000

	2020	2019
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit liability	6	(166)
Income tax relating to these components of other comprehensive income	(31)	41
Items that may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences arising during the year	(12,112)	788
Cash flow hedges – effective portion of changes in fair value recognized during the year and non-designated components	(49,404)	0
Income tax relating to these components of other comprehensive income	69	0
Other comprehensive income (net of tax)	**(61,472)**	**664**

Note 28. Government grants

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

Government grants of EUR 12,752 thousand focusing primarily on support for research activities were recognized to profit or loss in 2020 (2019: EUR 17,944 thousand). Any conditions attached to the grants were fulfilled and repayment, in full or in part, is therefore considered unlikely.

Government grants also included EUR 18,048 thousand of emission certificates as at December 31, 2020 (December 31, 2019: EU 11,249 thousand). In accordance with Directive 2003/87/EC of the European Parliament and the European Council on a system for trading greenhouse gas emission certificates, a total of 428,566 emission certificates were allocated free of charge to the relevant companies in the Lenzing Group for 2020 through national allocation plans (2019: 385,579 emission certificates).

Emission certificates are capitalized at fair value on the allocation date. The difference between the fair value and the purchase price paid by the company for the emission certificates is recorded under government grants. At the end of each reporting period, a provision is recognized for the certificates used up to that date. The amount of the provision is based on the recognized asset value of the certificates if they are covered by certificates held by the company at this reporting date. If the certificates used exceed the certificates held, the provision is based on the fair value of the certificates (to be purchased subsequently) as at the relevant reporting date. A provision of EUR 553 thousand was recognized as at December 31, 2020 for the insufficient coverage of emission certificates (December 31, 2019: EUR 989 thousand).

Note 29. Financial liabilities

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

Financial liabilities	31/12/2020				31/12/2019			EUR '000
	Currency	Nominal value	Carrying amount	Average effective interest in %	Currency	Nominal value	Carrying amount	Average effective interest in %
Private placements								
Fixed interest	EUR	362,500	361,809	1.5	EUR	325,500	324,783	1.6
Floating rate interest	EUR	275,000	274,378	1.1	EUR	235,500	234,931	1.1
Floating rate interest	USD	65,000	52,927	1.1	USD	45,000	40,218	0.7
			689,114				**599,932**	
Bank loans								
Loans:								
Fixed interest	EUR	328,500	328,500	0.8	EUR	161,500	161,500	1.2
Fixed interest	USD	40,883	27,964	3.3	USD	0	0	0.0
Floating rate interest	EUR	126,003	126,003	0.2	EUR	86,210	86,210	0.2
Floating rate interest	USD	284,000	209,540	2.7	USD	0	0	0.0
Operating loans[1]:								
Floating rate interest	CNY	330,000	41,181	4.2	CNY	360,000	46,051	4.7
			733,188				**293,761**	
Lease liabilities								
Fixed interest	EUR	60,890	60,890	11.0	EUR	36,337	36,337	3.8
			60,890				**36,337**	
Loans from other lenders								
Fixed interest	EUR	6,720	6,720	0.7	EUR	8,330	8,330	0.8
Fixed and floating rate interest	EUR	38,572	38,572	0.6	EUR	15,151	15,151	0.7
Floating rate interest	USD	3,303	2,690	3.7	USD	3,195	2,855	3.7
Floating rate interest	BRL	135,529	21,318	2.1	BRL	113,839	25,226	3.9
			69,300				**51,562**	
Total			**1,552,492**				**981,591**	
Thereof current			105,616				129,606	
Thereof non-current			1,446,876				851,986	

1) Revolving credit agreements and overdrafts

In the 2012 financial year, the Lenzing Group issued private placements with an issue volume of EUR 200,000 thousand. The terms cover four and seven years with fixed and floating interest rates, respectively, as well as a term of ten years with fixed interest. The average term is approximately six years. The Lenzing Group repaid EUR 40,500 thousand of the existing private placements as scheduled in 2016. In the 2015 financial year, the Lenzing Group reached an agreement to refinance its private placements with a corresponding volume increase. Existing private placements of EUR 89,500 thousand were terminated and re-issued at extended terms. Additional private placements of EUR 60,500 thousand were also issued. Overall these transactions involved the issue of private placements totaling EUR 150,000 thousand, which have an average term of seven years. In the 2020 financial year EUR 37,500 thousand (2019: EUR 34,000 thousand) were repaid.

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

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

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

The financing for the construction of the dissolving wood pulp plant in Brazil was secured in the form of loans in the 2020 financial year (volume in USD 1,147,200 thousand). As at December 31, 2020, EUR 237,504 thousand (December 31, 2019: EUR 0 thousand) of the loans were used. Details on the existing financial covenants are explained in note 35.

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

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

Note 30. Deferred taxes (deferred tax assets and liabilities) and current taxes

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

Deferred tax assets EUR '000

	31/12/2020	31/12/2019[1]
Intangible assets and property, plant and equipment	6,316	5,505
Financial assets	4,384	5,591
Inventories	6,265	16,965
Other assets	1,192	1,295
Provisions	19,556	17,094
Investment grants	186	240
Lease liabilities	17,667	7,774
Other liabilities	25,181	5,798
Loss carryforwards	38,889	20,872
Gross deferred tax assets – before valuation adjustment	**119,635**	**81,132**
Valuation adjustment to deferred tax assets	(59,115)	(29,387)
Thereof relating to tax loss carryforwards	(29,734)	(18,015)
Gross deferred tax assets	**60,520**	**51,745**
Offsettable against deferred tax liabilities	(58,111)	(44,793)
Net deferred tax assets	**2,409**	**6,953**

1) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2).

Deferred tax liabilities EUR '000

	31/12/2020	31/12/2019[1]
Intangible assets and property, plant and equipment	62,139	61,554
Right-of-use assets	19,252	8,605
Biological assets	1,035	0
Financial assets	4,654	5,657
Inventories	597	603
Other assets	3,356	2,174
Special depreciation/amortization for tax purposes	3,041	4,096
Provisions	0	(0)
Investment grants	428	497
Other liabilities	6,019	3,490
Gross deferred tax liabilities	**100,522**	**86,676**
Offsettable against deferred tax assets	(58,111)	(44,793)
Net deferred tax liabilities	**42,411**	**41,883**

1) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2).

Of the total gross deferred tax assets, EUR 16,109 thousand (December 31, 2019: EUR 18,316 thousand) are due within one year. Of the total gross deferred tax liabilities, EUR 6,480 thousand (December 31, 2019: EUR 4,221 thousand) are due within one year. The remaining amounts are due in more than one year.

Deferred taxes developed as follows:

Development of deferred taxes EUR '000

	2020	2019
As at 01/01	(34,931)	(45,294)
Recognized in profit or loss	(10,768)	11,798
Recognized in other comprehensive income	4,325	(649)
First-time adoption of IFRS 9 (financial instruments)	0	(0)
Currency translation adjustment	1,373	(786)
As at 31/12	**(40,001)**	**(34,931)**

The Group held tax loss carryforwards of EUR 166,162 thousand (December 31, 2019: EUR 83,122 thousand). The existing tax loss carryforwards can be utilized as follows:

Loss carryforwards (assessment basis) EUR '000

	31/12/2020	31/12/2019
Total	166,162	83,122
Thereof capitalized loss carryforwards	36,042	11,589
Thereof non-capitalized loss carryforwards	130,120	71,533
Possible expiration of non-capitalized loss carryforwards		
Within 1 year	0	1,236
Within 2 years	146	0
Within 3 years	3,341	160
Within 4 years	48,275	3,467
Within 5 years or longer	77,469	63,329
Unlimited carryforward	889	3,340

Net deferred tax assets of EUR 2,409 thousand were recognized as at December 31, 2020 (December 31, 2019: EUR 6,953 thousand), including EUR 18 thousand (December 31, 2019: EUR 27 thousand) in group companies that recorded a loss in 2020 or 2019.

Certain loss carryforwards were not capitalized because their usability is restricted. If all tax loss carryforwards could be utilized in full, the deferred tax assets on loss carryforwards would total EUR 38,889 thousand (December 31, 2019: EUR 20,872 thousand) instead of EUR 9,155 thousand (December 31, 2019: EUR 2,856 thousand).

The financial assets and other assets shown under deferred tax assets in the above table include amounts for outstanding partial write-downs to investments in accordance with Section 12 Para. 3 no. 2 of the Austrian Corporation Tax Act ("Siebentelabschreibung", the partial write-downs of investments over a period of seven years for tax purposes) corresponding to a measurement base of EUR 17,937 thousand (December 31, 2019: EUR 22,892 thousand). Partial write-downs of EUR 4,419 thousand were utilized for tax purposes in 2020 (2019: EUR 4,526 thousand).

Deferred tax liabilities were not recognized for temporary differences with a measurement base of EUR 446,410 thousand (December 31, 2019: EUR 550,247 thousand) in connection with investments in subsidiaries, joint ventures and associates and the related proportional share of net assets held by group companies because these differences are not expected to reverse in the foreseeable future.

The receivables from current taxes include prepayments made to foreign taxation authorities. These amounts are recognized when the recoverability is probable, while valuation adjustments are made in all other cases.

Lenzing AG and the subsidiaries included in the group tax agreement are members of the tax group established on July 20, 2017 between B&C Holding Österreich GmbH, as the head of the group, and Lenzing AG and other subsidiaries of Lenzing AG, as group members, in accordance with Section 9 of the Austrian Corporation Tax Act.

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

The tax allocation to be paid by Lenzing AG is also reduced by any current losses/loss carryforwards caused by the group parent that can be offset against positive earnings of Lenzing AG's tax group in the assessment year. The tax allocation is reduced by 25 percent (2019: 25 percent) of the corporate tax rate (i.e. currently 6.25 percent; 2019: 6.25 percent) applicable to the current losses/loss carryforwards recorded by the head of the tax group that are offset against positive earnings in an assessment year for the head of the tax group. Tax losses recorded by Lenzing AG and the participating subsidiaries are kept on record and offset against future tax gains. An equalization payment is made as compensation for any losses that are not offset when the contract is terminated.

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

The recoverability of deferred tax assets is generally based on the positive taxable results expected in the future – after the deduction of taxable temporary differences – in line with the forecasts approved by the Managing Board. These forecasts are also used for impairment testing (see, in particular, note 18 under "impairment tests of intangible assets and property, plant and equipment" for details). The assessment of unused tax loss carryforwards and tax credits also involves the consideration of utilization requirements.

Note 31. Provisions

The Lenzing Group's provisions are classified as follows:

Provisions **EUR '000**

	Total		Thereof current		Thereof non-current	
	31/12/2020	31/12/2019[1]	31/12/2020	31/12/2019[1]	31/12/2020	31/12/2019[1]
Provisions for pensions and similar obligations						
Pensions and severance payments	103,669	110,757	6,750	6,819	96,919	103,939
Jubilee benefits	17,420	18,117	939	1,680	16,481	16,438
	121,089	**128,875**	**7,688**	**8,498**	**113,400**	**120,376**
Other provisions						
Guarantees and warranties	274	356	274	356	0	0
Anticipated losses and other risks	19,925	8,874	12,943	996	6,983	7,878
Emission certificates	4,362	4,058	4,362	4,058	0	0
Sundry	389	466	389	466	0	0
	24,951	**13,755**	**17,968**	**5,877**	**6,983**	**7,878**
Total	**146,040**	**142,630**	**25,657**	**14,375**	**120,383**	**128,254**

1) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2).

Provisions for pensions and similar obligations

Pensions and severance payments

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

Defined benefit plans (for pensions and severance payments)

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

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

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

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

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

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

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

The objectives of the investment policy are to create an optimal composition of plan assets and to ensure sufficient coverage for the existing claims of participating employees. The investment strategies (asset allocations) for the plan assets are contractually regulated. A reinsurance policy was concluded for part of the claims from the Austrian pension plan. It is reported as plan asset in the amount of EUR 2,730 thousand (December 31, 2019: EUR 2,863 thousand). This policy is a conventional life insurance policy which invests primarily in debt instruments that reflect the maturity profile of the underlying claims and are intended to maintain a high degree of investment security. The Lenzing Group makes no further contributions to this insurance policy.

The fair values of the abovementioned equity and debt instruments were based on price quotations on an active market. The fair value of the insurance policy is not determined on an active market, but corresponds to the reported coverage capital. The plan assets do not include any financial instruments issued by or assets used by the Lenzing Group. The fair value of cash and cash equivalents corresponded to the nominal value as at the reporting date. The actual return on plan assets totaled EUR 149 thousand in 2020 (2019: EUR 148 thousand). The net interest expense from the defined benefit plans (expenses from the accrued interest on the obligations and the return on plan assets) is reported under personnel expenses.

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

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

31/12/2020	Discount rate	Salary increase	Pension increase	Staff turnover deductions
Austria – pensions	0.7	2.3	0,0-3,0	0.0
Austria – severance payments	0.7	2.3	N/A	0.0
Indonesia	6.3	3,5-7,5	N/A	1,0-5,0
Czech Republic	0.7	3.6	N/A	1.0
31/12/2019				
Austria – pensions	0.9	2.5	0,0-3,0	0.0
Austria – severance payments	1.0	2.5	N/A	0.0
Indonesia	7.0	8.0	N/A	1,0-7,5
Czech Republic	0.9	3.6	N/A	0.8

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

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

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

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

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

Development of defined benefit plans EUR '000

	Present value of pension and severance payment obligation (DBO)		Fair value of plan assets		Carrying amounts of defined benefit pension and severance plans	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
As at 01/01	113,621	106,394	2,863	2,999	110,757	103,395
Service cost						
Current service cost	4,066	3,686	0	0	4,066	3,686
Past service cost	0	(215)	0	0	0	(215)
Gain/loss on curtailments of plan	800	0	0	0	800	0
Net interest	1,979	2,638	26	49	1,953	2,589
Income and expenses from defined benefit plans recognized on the income statement	**6,845**	**6,108**	**26**	**49**	**6,819**	**6,060**
Remeasurement during the reporting period						
On the basis of demographic assumptions	366	0	0	0	366	0
On the basis of financial assumptions	515	7,240	0	0	515	7,240
On the basis of experience adjustments	(1,391)	2,214	0	0	(1,391)	2,214
On the basis of income from plan assets, excl. amounts included in interest income	0	0	124	99	(124)	(99)
Remeasurement of defined benefit plans included in other comprehensive income	**(509)**	**9,454**	**124**	**99**	**(633)**	**9,355**
Cash flows						
Payments made from the plan	(283)	(312)	(283)	(283)	0	(29)
Direct payments and contributions by the employer	(11,549)	(8,982)	0	0	(11,549)	(8,982)
Currency translation adjustment	(1,725)	959	0	0	(1,725)	959
Other reconciliation items	**(13,558)**	**(8,336)**	**(283)**	**(283)**	**(13,275)**	**(8,053)**
As at 31/12	**106,398**	**113,621**	**2,730**	**2,863**	**103,669**	**110,757**
Thereof pensions in Austria	25,336	26,083	2,730	2,863	22,607	23,220
Thereof severance payments in Austria	61,573	67,129	0	0	61,573	67,129
Thereof pensions and severance payments in other countries	19,489	20,408	0	0	19,489	20,408

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

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

Sensitivity analysis of the defined benefit pension and severance payment obligations

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

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

31/12/2019	Change in parameters (percentage points)	Decrease in parameter/ change in present value of obligation in EUR '000	Increase in parameter/ change in present value of obligation in EUR '000
Discount rate	1.0	10,874	(9,351)
Salary increase	1.0	(7,152)	8,123
Pension increase	1.0	(2,010)	2,297

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

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

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

	31/12/2020	31/12/2019
Austria – pensions	9	9
Austria – severance payments	9-13	9-12
Indonesia	9	9
Czech Republic	10	10

Defined contribution plans (for pensions and severance payments)

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

The expenses for defined contribution plans are as follows:

Expenses for defined contribution plans — EUR '000

	2020	2019
Austria – pensions	1,786	1,751
Austria – severance payments	2,266	2,280
Other countries	4,202	3,355
Total	**8,254**	**7,386**

Provisions for jubilee benefits

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

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

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

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

31/12/2020	Discount rate	Salary increase	Staff turnover deductions
Austria	1.0	2.3	0,5-3,4
Czech Republic	0.3	3.6	1.0
31/12/2019			
Austria	1.1	2.5	0,7-3,5
Czech Republic	0.4	3.6	0.8

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

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

	2020	2019
As at 01/01	18,117	15,047
Service cost		
Current service cost	1,164	857
Net interest	191	262
Remeasurement during the reporting period		
On the basis of demographic assumptions	(312)	1,459
On the basis of financial assumptions	461	1,345
On the basis of experience adjustments	(423)	635
Income and expenses from defined benefit plans recognized on the income statement	**1,081**	**4,557**
Cash flows		
Direct payments by employer	(1,777)	(1,487)
Currency translation adjustment	(1)	1
Other reconciliation items	**(1,778)**	**(1,487)**
As at 31/12	**17,420**	**18,117**

Other provisions and accruals

Other provisions and accruals developed as follows:

Development of other provisions EUR '000

2020	As at 01/01	Currency translation adjustment	Reclassi-fication	Utilization	Reversal	Addition	As at 31/12	Thereof current	Thereof non-current
Guarantees and warranties	356	0	0	0	(117)	34	**274**	274	0
Anticipated losses and other risks	8,874	0	0	(327)	(718)	12,097[1]	**19,925**	12,943	6,983
Emission certificates	4,058	0	0	(3,119)	0	3,423	**4,362**	4,362	0
Sundry	466	(58)	0	(252)	(144)	377	**389**	389	0
Total	**13,755**	**(58)**	**0**	**(3,699)**	**(979)**	**15,931**	**24,951**	**17,968**	**6,983**

Development of other provisions (previous year) EUR '000

2019	As at 01/01	Currency translation adjustment	Reclassi-fication	Utilization	Reversal	Addition	As at 31/12[2]	Thereof current[2]	Thereof non-current[2]
Guarantees and warranties	627	0	0	(16)	(319)	64	**356**	356	0
Anticipated losses and other risks	11,384	0	0	(1,148)	(1,617)	254[1]	**8,874**	996	7,878
Emission certificates	2,608	1	0	(2,609)	0	4,058	**4,058**	4,058	0
Sundry	6,101	10	0	0	(6,000)	355	**466**	466	0
Total	**20,721**	**10**	**0**	**(3,773)**	**(7,935)**	**4,731**	**13,755**	**5,877**	**7,878**

1) Incl. accrued interest EUR 144 thousand (2019: EUR 254 thousand).
2) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2).

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

The other provisions for guarantees and warranties consist primarily of provisions for warranty risks from the sale of defective products and guaranteed obligations for the benefit of third parties. Other provisions for anticipated losses and other risks include, in particular, provisions for obligations from infrastructure services to be performed of EUR 7,973 thousand (December 31, 2019: EUR 8,874 thousand) and provisions for additional claims from procurement contracts of EUR 11,800 thousand (December 31, 2019: EUR 0 thousand) and for other onerous contracts. Other provisions for emission certificates comprise the equivalent value of the emission certificates used.

Miscellaneous other provisions related primarily to obligations for legal disputes as at January 1, 2019. Legal disputes included, in particular, a provision of EUR 6,000 thousand for legal proceedings initiated by the Lenzing Group against patent infringements, which the parties ended during the 2019 financial year.

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

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

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

	31/12/2020	31/12/2019
In the 2nd year	992	994
In the 3rd to 5th year	2,987	2,966
In the 6th to 10th year	3,004	3,919
Total	**6,983**	**7,878**

Note 32. Other liabilities and trade payables

Other liabilities consist of the following:

Other liabilities EUR '000

	31/12/2020	31/12/2019
Other non-current financial liabilities (particularly from derivatives)	24,241	3,614
Non-current non-financial accruals for personnel expenses	1,523	538[1]
Other non-current non-financial liabilities (particularly partial retirement obligations)	1,098	1,362
Total other non-current liabilities	**26,861**	**5,515**
Other current financial liabilities		
Derivatives not yet settled (open positions)	44,018	4,438
Other accruals	22,418	21,084[1]
Contract liabilities – accruals for discounts and rebates (see note 5)	1,725	2,357[1]
Sundry	6,405	3,300
	74,566	**31,179**
Other current non-financial liabilities		
Liabilities from other taxes	4,269	3,940
Wage and salary liabilities	6,742	6,210
Social security liabilities	6,304	6,208
Contract liabilities – down payments received (see note 5)	20,918	16,834
Accruals for personnel expenses	24,782	49,575[1]
Deferred income and other	4,184	4,818
	67,199	**87,585**
Total other current liabilities	**141,765**	**118,764**

1) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2).

The item "Other liabilities" also includes accruals. As a rule, these have been established in principle and are only subject to immaterial risk with regard to the amount and date of occurrence.

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

Other accruals cover, above all, anticipated losses from revenue reductions/increases in expenses from transactions with customers and suppliers (in particular, discounts and rebates) and liabilities for the delivery of goods and the performance of services by third parties which have not yet been invoiced.

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

Suppliers of the Lenzing Group finance their trade receivables from the Lenzing Group with reverse factoring agreements. These suppliers can commission their banks to forward payment for the receivables at an earlier point in time. The present value test indicates that these agreements do not significantly change the contract terms. The agreements do not lead to the reclassification of the involved trade payables to another class of liability under civil law or IFRS regulations from the Lenzing Group's perspective. Consequently, there are no changes to the presentation on the consolidated statement of financial position (under trade payables) or the consolidated statement of cash flows (under cash flow from operating activities). The potentially affected trade payables totaled EUR 54,294 thousand as at December 31, 2020 (December 31, 2019: EUR 100,618 thousand).

The liquidity risk of the reverse factoring agreements consists of a concentration since the reverse factoring agreements currently in place have been made with only one single financial institution, giving rise to the risk of a revocation of the reverse factoring agreement by this financial institution. The liabilities affected by these reverse factoring agreements are settled in accordance with the agreed due date. The related, estimated outflows are taken into account in liquidity planning. The Lenzing Group assesses the risk concentration with regard to sufficient financing sources as rather low because the risk spread of the Lenzing Group's financing over different financial institutions is maintained. Furthermore, the reverse factoring agreements include no material financing component and their discontinuation would therefore also not result in a significant increase in financing requirements. Liabilities relating to reverse factoring agreements amount to 3.5 percent as at the reporting date (December 31, 2019: 10.3 percent) relative to the group's total financial liabilities, and 51.4 percent (December 31, 2019: 77.6 percent) relative to current financial liabilities.

Information regarding the liquidity and foreign currency risk of the group exposure is presented in note 37 Financial risk management.

Notes to the Consolidated Statement of Cash Flows

Note 33. Disclosures on the Consolidated Statement of Cash Flows

Liquid funds represent cash and cash equivalents as shown on the statement of financial position. Cash and cash equivalents include cash in hand and cash at banks, demand deposits, checks and short-term time deposits as well as liquid current securities with a term of less than three months which are only subject to limited fluctuations in value.

Other non-cash income/expenses in the 2020 financial year includes impairment losses to inventories as well as write-ups and impairment losses to financial assets and other non-current assets. Other non-cash income/expenses also contain unrealized net exchange rate gains/losses and measurement effects from receivables.

Non-cash transactions from the acquisition of intangible assets and property, plant and equipment are not included in cash flow from investing activities for the current period. These transactions essentially involve outstanding payments to suppliers of EUR 41,179 thousand (2019: EUR 15,616 thousand).

Cash and cash equivalents also include bank accounts with negative balances in cases where netting agreements have been concluded (see note 35).

Reconciliation of financial liabilities EUR '000

2020		Private placements	Bank loans	Loans from other lenders	Lease liabilities	Subtotal other financial liabilities	Total
As at 01/01		**599,932**	**293,761**	**51,562**	**36,337**	**381,659**	**981,591**
Cash flows	Increase in financial liabilities	131,691	547,656	56,621	0	604,277	735,968
	Repayment of financial liabilities	(37,500)	(97,984)	(31,921)	(14,787)	(144,691)	(182,191)
Non-cash changes	Currency translation adjustment	(5,293)	(10,433)	(7,051)	(10,191)	(27,674)	(32,967)
	Discounting/accrued interest	284	188	89	5,533	5,810	6,094
	Additions to lease liabilities	0	0	0	50,888	50,888	50,888
	Other changes	0	0	0	(6,891)	(6,891)	(6,891)
As at 31/12		**689,114**	**733,188**	**69,300**	**60,890**	**863,378**	**1,552,492**

Reconciliation of financial liabilities (previous year) EUR '000

2019		Private placements	Bank loans	Loans from other lenders	Lease liabilities	Subtotal other financial liabilities	Total
As at 01/01		**219,679**	**221,173**	**31,128**	**1,788**	**254,089**	**473,767**
Cash flows	Increase in financial liabilities	414,479	194,881	27,367	0	222,249	636,728
	Repayment of financial liabilities	(34,000)	(122,817)	(6,912)	(8,631)	(138,360)	(172,360)
Non-cash changes	Currency translation adjustment	(344)	524	(148)	65	441	97
	Discounting/accrued interest	118	0	126	1,285	1,411	1,529
	Additions to lease liabilities	0	0	0	42,199	42,199	42,199
	Other changes	0	0	0	(367)	(367)	(367)
As at 31/12		**599,932**	**293,761**	**51,562**	**36,337**	**381,659**	**981,591**

Note 34. Capital risk management

General information

The overriding objective of equity and debt management in the Lenzing Group is to optimize the income, costs and assets of the individual operations/business units and of the Group as a whole in order to achieve and maintain sustainably strong economic performance and a sound balance sheet structure. An important role in this process is played by financial leverage capacity, the protection of sufficient liquidity at all times and a clear focus on key cash-related and performance indicators in line with the Group's strategic course and long-term goals. This protects the ability of the group companies to operate on a going concern basis. In addition, the authorized capital and contingent capital give Lenzing AG greater flexibility in raising additional equity in order to take advantage of future market opportunities.

The equity management strategy followed by the Lenzing Group is designed to ensure that Lenzing AG and the other group companies have an adequate equity base to meet local requirements. A couple of loan agreements with banks also include financial covenants, above all concerning the level of equity, the ratio of net financial debt to EBITDA and other financial indicators or financial criteria for the Group or individual or aggregated group companies. A breach of these financial covenants would allow the banks to demand early repayment of the financial liabilities in certain cases. These financial covenants are regularly monitored by the Global Treasury department and are considered in the determination of distributions by the involved group companies. All related capital requirements were met during the 2020 financial year.

Management uses an adjusted equity ratio for internal control purposes. Adjusted equity is calculated in accordance with IFRS and comprises equity as well as investment grants less the related deferred taxes. The adjusted equity ratio (= adjusted equity in relation to total assets) equaled 45.8 percent as at December 31, 2020 (December 31, 2019: 50.0 percent).

Adjusted equity is calculated as follows:

Adjusted equity EUR '000

	31/12/2020	31/12/2019
Equity	1,881,427	1,537,860
+ Government grants	34,062	28,500
- Proportional share of deferred taxes on government grants	(8,455)	(7,061)
Total	**1,907,034**	**1,559,298**

The dividend policy of Lenzing AG, as the parent company of the Lenzing Group, is based on the principles of continuity and a long-term focus in order to support the future development of the company, to distribute dividends to shareholders in line with the company's opportunity and risk situation, and to appropriately reflect the interests of all other stakeholders who are decisive for the company's success.

Net financial debt

The Supervisory Board and Managing Board of Lenzing AG regularly review the development of net financial debt because this indicator is an extremely important benchmark not only for the Group's management, but also for the financing banks. The continued optimal development of the Lenzing Group is only possible with convincing internal financing strength as the basis for increased debt capacity.

Interest-bearing financial liabilities are classified as follows:

Interest-bearing financial liabilities EUR '000

	31/12/2020	31/12/2019
Non-current financial liabilities	1,446,876	851,986
Current financial liabilities	105,616	129,606
Total	**1,552,492**	**981,591**

Liquid assets consist of the following:

Liquid assets EUR '000

	31/12/2020	31/12/2019
Cash and cash equivalents	1,069,998	571,479
Liquid bills of exchange (in trade receivables)	11,123	9,504
Total	**1,081,122**	**580,983**

Net financial debt in absolute terms and in relation to EBITDA (according to the consolidated income statement) is as follows:

Net financial debt (absolute) EUR '000

	31/12/2020	31/12/2019
Interest-bearing financial liabilities	1,552,492	981,591
- Liquid assets	(1,081,122)	(580,983)
Total	**471,370**	**400,609**

Net financial debt in relation to EBITDA EUR '000

	31/12/2020	31/12/2019
EBITDA	196,578	326,908
Net financial debt / EBITDA	2.4	1.2

Note 35. Disclosures on financial instruments

Carrying amounts, fair values, measurement categories and measurement methods

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities for each class and each IFRS 9 category and reconciles this information to the appropriate line items on the statement of financial position. Other receivables (non-current and current) and other liabilities (non-current and current) as reported on the statement of financial position include financial instruments as well as non-financial assets and liabilities. Therefore, the "no financial instrument" column allows for a complete reconciliation with the line items on the statement of financial position. Lease liabilities which are to be considered financial liabilities but cannot be allocated to a measurement category in accordance with IFRS 9 are also reported in this column.

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

EUR '000

Financial assets as at 31/12/2020	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Debt instruments	At fair value through other comprehensive income: Equity instruments	At fair value through other comprehensive income: Cash flow hedges	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Originated loans	11,591						**11,591**	11,591	[1]
Non-current securities		819	3,727	11,821			**16,367**	16,367	Level 1
Other equity investments				12,931			**12,931**	12,931	Level 3
Financial assets	**11,591**	**819**	**3,727**	**24,753**	**0**	**0**	**40,890**	**40,890**	
Trade receivables	**249,662**	**0**	**0**	**0**	**0**	**0**	**249,662**	**249,662**	[1]
Derivatives with a positive fair value (cash flow hedges)					11,340		**11,340**	11,340	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		1,838					**1,838**	1,838	Level 2
Other	17,095	4,087				136,902	**158,084**	158,084	Level 3
Other assets (current and non-current)	**17,095**	**5,925**	**0**	**0**	**11,340**	**136,902**	**171,262**	**171,262**	
Cash and cash equivalents	**1,069,998**	**0**	**0**	**0**	**0**	**0**	**1,069,998**	**1,069,998**	[1]
Total	**1,348,346**	**6,744**	**3,727**	**24,753**	**11,340**	**136,902**	**1,531,812**	**1,531,812**	

Financial liabilities as at 31/12/2020	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Cash flow hedges/ Fair value hedges	At fair value through other comprehensive income: Retained earnings	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Private placements	689,114					**689,114**	690,427	Level 3
Liabilities to banks	733,188					**733,188**	745,794	Level 3
Liabilities to other lenders	69,300					**69,300**	70,225	Level 3
Lease liabilities					60,890	**60,890**	60,890	[1]
Financial liabilities	**1,491,602**	**0**	**0**	**0**	**60,890**	**1,552,492**	**1,567,337**	
Trade payables	**195,200**	**0**	**0**	**0**	**0**	**195,200**	**195,200**	[1]
Provisions (current)	**0**	**0**	**0**	**0**	**25,657**	**25,657**	**25,657**	[1]
Puttable non-controlling interests	0	0	0	140,341	0	**140,341**	140,341	Level 3
Derivatives with a negative fair value (cash flow hedges)			61,353			**61,353**	61,353	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		1,358				**1,358**	1,358	Level 2
Derivatives with a negative fair value (fair value hedges)			5,548			**5,548**	5,548	Level 3
Other	30,548				69,820	**100,368**	100,368	[1]
Other liabilities (current and non-current)	**30,548**	**1,358**	**66,900**	**0**	**69,820**	**168,626**	**168,626**	
Total	**1,717,350**	**1,358**	**66,900**	**140,341**	**156,367**	**2,082,316**	**2,097,161**	

1) The carrying amount approximates fair value.

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

Financial assets as at 31/12/2019	Carrying amount							Fair value	
	At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income			No financial instrument	Total	Fair value	Fair value hierarchy
			Debt instruments	Equity instruments	Cash flow hedges				
Originated loans	12,475						**12,475**	12,475	[1]
Non-current securities		757	3,694	13,418			**17,869**	17,869	Level 1
Other equity investments				11,459			**11,459**	11,459	Level 3
Financial assets	**12,475**	**757**	**3,694**	**24,877**	**0**	**0**	**41,803**	**41,803**	
Trade receivables	**251,436**	**0**	**0**	**0**	**0**	**0**	**251,436**	**251,436**	[1]
Derivatives with a positive fair value (cash flow hedges)					7,159		**7,159**	7,159	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		655					**655**	655	Level 2
Other	16,101	4,087				106,517	**126,706**	126,706	Level 3
Other assets (current and non-current)	**16,101**	**4,742**	**0**	**0**	**7,159**	**106,517**	**134,519**	**134,519**	
Cash and cash equivalents	**571,479**	**0**	**0**	**0**	**0**	**0**	**571,479**	**571,479**	[1]
Total	**851,491**	**5,499**	**3,694**	**24,877**	**7,159**	**106,517**	**999,237**	**999,237**	

Financial liabilities as at 31/12/2019	Carrying amount						Fair value	
	At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income		No financial instrument	Total	Fair value	Fair value hierarchy
			Cash flow hedges/ Fair value hedges	Retained earnings				
Private placements	599,932					**599,932**	605,806	Level 3
Liabilities to banks	293,761					**293,761**	298,396	Level 3
Liabilities to other lenders	51,562					**51,562**	51,748	Level 3
Lease liabilities					36,337	**36,337**	36,337	[2]
Financial liabilities	**945,254**	**0**	**0**	**0**	**36,337**	**981,591**	**992,288**	
Trade payables	**243,589**	**0**	**0**	**0**	**0**	**243,589**	**243,589**	[2]
Provisions (current)	**0[1]**	**0**	**0**	**0**	**14,375[1]**	**14,375[1]**	**14,375**	[2]
Puttable non-controlling interests	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**Level 3**
Derivatives with a negative fair value (cash flow hedges)			1,943			**1,943**	1,943	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		3,083				**3,083**	3,083	Level 2
Derivatives with a negative fair value (fair value hedges)			3,026			**3,026**	3,026	Level 3
Other	26,741[1]				89,485[1]	**116,227[1]**	116,227	[2]
Other liabilities (current and non-current)	**26,741**	**3,083**	**4,969**	**0**	**89,485**	**124,278**	**124,278**	
Total	**1,215,585**	**3,083**	**4,969**	**0**	**140,198**	**1,363,835**	**1,374,531**	

1) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2).
2) 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 flow hedges were concluded during the 2020 financial year to hedge against the currency risk of highly probable additional capital contributions in a subsidiary. With the realization of the forward foreign exchange contracts, the amounts of the changes in value initially recognized in other comprehensive income were reclassified to the foreign currency translation reserves. As at December 31, 2020, EUR 24,018 thousand (December 31, 2019 EUR 0 thousand) 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 regarded as indicators of the values that could actually be realized on the market.

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

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

The measurement of equity investments including derivatives designated as a hedge (fair value hedge) is classified “at fair value through other comprehensive income”. The fair value is determined on the basis of a market approach and is to be categorized in level 3 of the fair value hierarchy. The 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 7.8 and 10.1 as at December 31, 2020 (December 31, 2019: 7.1 and 8.1).

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

Development of level 3 fair values of equity investments and related derivatives — EUR '000

2020	Equity investments	Derivatives with a negative fair value (fair value hedges)
As at 01/01	11,459	(3,026)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	1,472	(2,522)
As at 31/12	**12,931**	**(5,547)**

Development of level 3 fair values of equity investments and related derivatives (previous year) — EUR '000

2019	Equity investments	Derivatives with a negative fair value (fair value hedges)
As at 01/01	7,194	0
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	4,265	(3,026)
As at 31/12	**11,459**	**(3,026)**

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 31/12/2020 EUR '000

	Other comprehensive income (net of tax)					
	Increase			Decrease		
	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total
EBITDA (+/- 5 %)	805	(277)	**528**	(805)	277	**(528)**
Market multiple (+/- 1)	1,319	(1,319)	**0**	(1,319)	1,319	**0**
Change discount to market multiple (+/- 10 %)	(537)	537	**0**	537	(537)	**0**

Sensitivity analysis of level 3 input factors for equity investments and related derivatives as at 31/12/2019 (previous year) EUR '000

	Other comprehensive income (net of tax)					
	Increase			Decrease		
	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total
EBITDA (+/- 5 %)	703	(151)	**552**	(703)	151	**(552)**
Market multiple (+/- 1)	1,379	(1,379)	**0**	(1,379)	1,379	**0**
Change discount to market multiple (+/- 10 %)	(469)	469	**0**	469	(469)	**0**

Other financial assets from earn-out agreements are classified "at fair value through profit or loss". The fair value of these other financial assets is determined based on an income approach. It is to be categorized in level 3 of the fair value hierarchy. The measurement model is based on the planned EBITDA, the weighted average cost of capital (WACC) after tax and the repayment terms.

The determined fair value would increase (decrease) in particular if EBITDA increased (decreased). The determined fair value would decrease (increase) if the WACC after tax increased (decreased). The determined fair value would increase if the repayment were to be made two years earlier.

Development of level 3 fair values of other financial assets EUR '000

	2020	2019
As at 01/01	4,087	1,959
Gain/loss included in financial result	0	2,128
As at 31/12	**4,087**	**4,087**

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

Sensitivity analysis of level 3 input factors for other financial assets EUR '000

	Financial result			
	31/12/2020		31/12/2019	
Other financial assets	Increase	Decrease	Increase	Decrease
EBITDA (+/- 5 %)	133	(166)	133	(166)
Discount rate (WACC) after tax (+/- 1 %)	(747)	926	(747)	926
Repayment 2 years earlier	395	n/a	395	n/a

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

The Duratex Group has a put option to sell its shares if a change of control occurs regarding the owner of the Lenzing Group (change of control clause). This obligation is recognized under liabilities from puttable non-controlling interests. Puttable non-controlling inter-ests are allocated to the category "at fair value through other com-prehensive income". The fair value of these puttable non-controlling interests is determined based on the planned or projected cash flows less cost of disposal and net debt at the measurement date. The budget approved by the Management and Supervisory Boards and the medium-term plans are the starting point for the cash flow projections. Based on the assumptions used in the previous year, a perpetual yield that includes a sustainable long-term growth rate of 0.9 percent is applied after the detailed planning period of 5 years. The estimate for the sustainable long-term growth rate equals half of the inflation rate expected during the following years, as project-ed by an international economic research agency. The planning period for the calculation of fair value is contractually limited to a maximum of 30 years. Cash flows are discounted to their present value with a discounted cash flow method. The applied discount rate is calculated on an individual basis using the capital asset pricing model (CAPM) and represents a composite figure (weighted average cost of capital – WACC) that combines the average interest rate for debt and the anticipated return on equity employed. An after-tax WACC of 8.0 percent was used at the measurement date. Fair value measurement is classified in full as level 3 of the fair value hierarchy because key input factors (in particular, cash flows) cannot be observed on the market.

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 '000

	2020
As at 01/01	0
Addition due to change in shareholding interest recognised directly in equity	89,366
Measurement of puttable non-controlling interest recognized directly in equity	50,975
As at 31/12	**140,341**

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 31/12/2020 EUR '000

	Measurement of puttable non-controlling interest recognized directly in equity	
Puttable non-controlling interests	**Increase**	**Decrease**
Operating margin (+/- 1 %)	4,143	(4,143)
Discount rate (WACC) after tax (+/- 0.25 %)	(14,637)	15,274
Growth rate (+/- 0.1 %)	4,302	(4,255)

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

The loan agreements, which were concluded for the construction of the dissolving wood pulp pant in Brazil (see note 29), include, at the project company level, financial covenants which refer in particular to the ratio of net financial debt to EBITDA and may trigger an obligation to repay the financial liabilities if the covenants are not met. At the Lenzing Group level, market restrictive covenants are in place. These financial covenants are regularly moni-tored by the Global Treasury department and are considered in the determination of distributions by the group companies involved. Lenzing AG and the joint venture partner have committed to a fixed debt/equity ratio of the project company (63/37) and guarantee the financial liabilities of the project company in the amount of their share in the capital. Lenzing AG therefore guarantees 51 percent. Due to the full consolidation, 100 percent of the project company's financial liabilities are included in the consolidated statement of financial position.

The fair values of the other financial liabilities are determined in accordance with generally accepted valuation methods based on the discounted cash flow method. The most important input factor is the discount rate, which incorporates the available market data (risk-free interest rates) and the credit standing of the Lenzing Group, which is not observable on the market. The fair values of the financial guarantee contracts represent the estimated expected default arising from the maximum possible payment obligation and the expected loss.

The Lenzing Group uses derivative financial instruments to hedge currency risks arising from the operating business. These derivative financial instruments serve to balance the variability of cash flows from future transactions. Hedges are determined in advance on the basis of the expected purchases and sales in the relevant foreign currency. The Lenzing Group generally applies the hedge accounting rules to these derivative financial instruments. Hedge effectiveness is measured by grouping the hedged items and hedging instruments together in at least quarterly maturity ranges for each hedged risk. The retrospective hedging effect or ineffectiveness is evaluated with the dollar-offset method, which compares the periodic changes in the fair value of the hedged items with the periodic changes in the fair value of the hedges in line with the compensation method. In hedging future cash flows in foreign currencies (cash flow hedges), the Lenzing Group typically hedges the risk up to the time of the foreign currency payment.

The Lenzing Group uses derivative financial instruments to hedge cross-currency interest rate risks arising from private placements in foreign currencies. These derivative financial instruments serve to balance the variability between interest and principal payments on private placements in USD. Hedges are determined to hedge against the currency risk resulting from the private placements in USD and the principal and interest payments in foreign currencies as well as the interest rate risk resulting from floating rate interest payments of the hedged item. The Lenzing Group generally applies the hedge accounting rules defined by IFRS 9 to these derivative financial instruments. Hedge effectiveness is measured by grouping the hedged items and hedging instruments together in at least quarterly maturity ranges for each hedged risk. The retrospective hedging effect or ineffectiveness is evaluated with the dollar-offset method, which compares the periodic changes in the fair value of the hedged items with the periodic changes in the fair value of the hedges in line with the compensation method. As part of hedging the exchange rate risk, which results from raising and the principal and interest payments of a private placement as well as the interest rate risk ("cash flow hedges"), the Lenzing Group typically hedges the risk up to the repayment of the private placement.

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.

Offsetting financial assets and liabilities

The Lenzing Group has concluded a number of framework netting agreements (in particular, master netting arrangements). The amounts owed by each counterparty under such agreements on a single day in the same currency based on the total outstanding transactions are aggregated into a single net amount to be paid by one party to the other.

The following tables present information on offsetting financial assets and liabilities in the consolidated statement of financial position on the basis of framework netting agreements. The column "effect of framework netting agreements" shows the amounts which result from these types of agreements, but which do not meet the criteria for offsetting in the IFRS consolidated statement of financial position.

Offsetting financial assets and liabilities EUR '000

Financial assets as at 31/12/2020	Financial assets (gross)	Recognized financial assets (net)	Effect of framework netting agreements	Net amounts
Cash and cash equivalents	1,069,998	1,069,998	0	1,069,998
Other financial assets – derivative financial instruments with a positive fair value	13,178	13,178	(2,331)	10,847
Total	**1,083,177**	**1,083,177**	**(2,331)**	**1,080,845**

EUR '000

Financial liabilities as at 31/12/2020	Financial liabilities (gross)	Recognized financial liabilities (net)	Effect of framework netting agreements	Net amounts
Bank loans	733,188	733,188	0	733,188
Other financial liabilities – derivative financial instruments with a negative fair value	68,258	68,258	(2,331)	65,927
Total	**801,446**	**801,446**	**(2,331)**	**799,115**

Offsetting financial assets and liabilities (previous year) EUR '000

Financial assets as at 31/12/2019	Financial assets (gross)	Recognized financial assets (net)	Effect of framework netting agreements	Net amounts
Cash and cash equivalents	571,479	571,479	0	571,479
Other financial assets – derivative financial instruments with a positive fair value	7,814	7,814	(1,185)	6,629
Total	**579,293**	**579,293**	**(1,185)**	**578,108**

EUR '000

Financial liabilities as at 31/12/2019	Financial liabilities (gross)	Recognized financial liabilities (net)	Effect of framework netting agreements	Net amounts
Bank loans	293,761	293,761	0	293,761
Other financial liabilities – derivative financial instruments with a negative fair value	8,052	8,052	(1,185)	6,867
Total	**301,811**	**301,811**	**(1,185)**	**300,628**

Transfer of financial assets (sale of receivables/factoring)

Factoring agreements are in place which require the banks to purchase certain trade receivables from the Lenzing Group for a revolving monthly nominal amount. The Lenzing Group is entitled to sell these receivables. The agreements have indefinite terms, whereby each party has the right to cancel the agreements with notice and allow them to expire. The factoring agreements had a maximum usable nominal volume of EUR 72,214 thousand as at December 31, 2020 (December 31, 2019 EUR 73,406 thousand). They have been suspended since the 2017 financial year.

Note 36. Net interest and net result from financial instruments and net foreign currency result

Net interest and net result

The following table shows the net interest and net result from financial instruments by class/measurement category in accordance with IFRS 9:

Net interest and net result from financial instruments EUR '000

2020	Interest income	Interest expense	Net interest	From subsequent measurement at fair value through profit or loss	From subsequent measurement at fair value through other comprehensive income	Measured at fair value through other comprehensive income and reclassified to profit or loss	From impairment/ reversal of an impairment loss	Result on disposal	Net result (total)
Financial assets measured at amortized cost	1,764	0	**1,764**	0	0	0	(1,443)	0	**321**
Financial assets measured at fair value through profit or loss	150	0	**150**	(34)	0	0	(66)	0	**50**
Equity instruments measured at fair value through other comprehensive income	829	0	**829**	0	(2,646)	0	0	0	**(1,817)**
Debt instruments measured at fair value through other comprehensive income	73	0	**73**	0	(34)	0	0	(23)	**16**
Financial liabilities measured at amortized cost	0	(22,521)	**(22,521)**	0	0	0	0	0	**(22,521)**
Total	**2,817**	**(22,521)**	**(19,704)**	**(34)**	**(2,680)**	**0**	**(1,509)**	**(23)**	**(23,950)**

Net interest and net result from financial instruments (previous year) EUR '000

2019	Interest income	Interest expense	Net interest	From subsequent measurement at fair value through profit or loss	From subsequent measurement at fair value through other comprehensive income	Measured at fair value through other comprehensive income and reclassified to profit or loss	Impairment	Result on disposal	Net result (total)
Financial assets measured at amortized cost	1,654	0	**1,654**	0	0	0	4,330	0	**5,984**
Financial assets measured at fair value through profit or loss	183	0	**183**	2,335	0	0	0	0	**2,519**
Equity instruments measured at fair value through other comprehensive income	983	0	**983**	0	2,079	0	0	0	**3,063**
Debt instruments measured at fair value through other comprehensive income	37	0	**37**	0	(59)	(103)	0	120	**(4)**
Financial liabilities measured at amortized cost	0	(11,154)	**(11,154)**	0	0	0	0	0	**(11,154)**
Total	**2,859**	**(11,154)**	**(8,295)**	**2,335**	**2,021**	**(103)**	**4,330**	**120**	**409**

The net result from financial instruments comprises the following: net interest (current interest income and expenses, including the amortization of premiums and discounts and dividends from companies not accounted for using the equity method), gains/losses on fair value measurement which are recognized in profit or loss or through other comprehensive income and the result of impairment losses (recognition and reversal of bad debt provisions/valuation adjustments) and on disposals. Income from equity and debt instruments measured at fair value through other comprehensive income includes gains/losses from remeasurement and from the reclassification of remeasurement gains/losses to profit or loss. Net result from financial instruments does not include exchange rate gains/losses (with the exception of financial instruments carried at fair value through profit or loss) or gains/losses from hedging instruments (cash flow hedges).

The change in the bad debt provisions for receivables measured at amortized cost is reported under "other operating expenses".

The component recognized directly in equity from the subsequent measurement of equity and debt instruments measured at fair value through other comprehensive income is reported under the "reserve for financial assets measured at fair value through other comprehensive income". The remaining components of the net result are included under "income from non-current and current financial assets" and in "financing costs".

Expenses of EUR 2,045 thousand were recognized under other operating expenses for the provision of loans in 2020 (2019: EUR 927 thousand).

Net foreign currency result

Net foreign currency gains/losses are included in the following items: EUR minus 7,513 thousand (2019: EUR minus 980 thousand), in other operating income/expenses, EUR minus 6,696 thousand (2019: EUR plus 1,363 thousand) in income from non-current and current financial assets and EUR plus 6,391 thousand (2019: EUR plus 1,454 thousand) in financing costs.

Note 37. Financial risk management

As an international company, the Lenzing Group is exposed to financial and other market risks. A company-wide risk management system, which is regulated comprehensively in guidelines, has been implemented to identify and assess potential risks at an early stage. This system is designed to achieve maximum risk transparency and provide high-quality information by quantifying all risk categories, with a particular emphasis on risk concentration. The efficiency of group-wide risk management is evaluated and monitored on an ongoing basis by both the internal control system (ICS) and the internal audit department.

The financial risks arising from financial instruments – credit risk, liquidity risk, currency risk (above all with regard to the BRL, THB, USD, CNY and CZK), commodity price risk and interest rate risk – are classified as relevant risks for the Lenzing Group. Corresponding hedging measures are used to minimize these risks wherever possible. Acquired shares in external companies are considered long-term investments and, therefore, are not viewed as a relevant market price risk over the short- to medium-term.

Credit risk

Credit risk represents the risk of asset losses that may result from the failure of individual business partners to meet their contractual obligations. The credit risk from transactions involving the provision of goods and services (in particular, trade receivables) is secured to a substantial extent by credit insurance and bank security (guarantees, letters of credit, bills of exchange etc.). Outstanding receivables and customer limits are monitored on an ongoing basis. The credit risk from investments with banks (above all, cash and cash equivalents) and derivatives with a positive market value is reduced by only concluding transactions with counterparties that can demonstrate a sound credit rating.

Receivables are measured individually. Individual bad debt provisions are recognized for receivables if there are indications of credit impairment (individual measurement) and if they are not expected to be collectible in full. This applies especially when the debtor has significant financial difficulties, is in default or has delayed payments or when there is an increased probability that the debtor will enter bankruptcy and the involved receivable is not sufficiently collateralized. The expected loss is low because of the Lenzing Group's comprehensive receivables management (extensive collateralization with credit insurance and bankable security as well as continuous monitoring of accounts receivable and customer limits).

To determine the required impairment for trade receivables for which no individual bad debt provisions were recognized, the defaults of the past years were evaluated in the Lenzing Group. The analysis has shown that there is only an immaterial risk for receivables overdue for a certain period.

The loss ratios are based on historical default rates of the last nine years and are distinguished by companies and periods overdue. The COVID-19 crisis did not result in any significant changes in default rates during the financial year. The relevant development is continuously monitored by the management.

For non-current debt instruments assigned to the category "at fair value through other comprehensive income", originated loans and other financial assets (current and non-current), which are measured at amortized cost, as well as cash and cash equivalents, the calculation of impairment is based on the average default rates. The impairment is based on the default rate per rating for the respective financial instrument. A significant change in credit risk is identified based on the rating and default of payment. Regarding instruments with a low credit risk, the Lenzing Group assumes that the credit risk has not increased significantly since the first recognition. Consequently, the twelve month credit loss is always recognized for such instruments. Since the expected impairment is immaterial, no expected credit loss is recorded for these financial assets.

The reduced earning power and uncertainties, in particular due to a fire at a plant of the buyer of EFB in 2018 (including the buyer's subsidiaries), result in a higher default risk for the receivables from these companies. Therefore, the calculation of bad debt provisions for these originated loans was changed from the expected twelve month credit loss to lifetime expected credit loss in 2018. The lifetime expected credit loss was determined based on the difference between the contractual payments and all payments expected by the management in the future. Accrued interest on impaired receivables in the amount of EUR 0 thousand (2019: EUR 421 thousand) was recognized in net interest.

Trade receivables are considered defaulted when they are overdue for more than 270 days or when it is unlikely that the debtor can meet the obligations without the realization of collateral. This long period of time results from the fact that about 90 percent of trade receivables are insured by credit insurance.

Financial assets are only derecognized directly if the contractual rights to payments cease to exist (particularly in the event of bankruptcy). An impairment loss is reversed up to amortized cost if the reasons for its recognition no longer exist.

The Group considers the risk concentration in trade receivables to be rather low because its customers are based in various countries, operate in different sectors and are active on largely independent markets. A rather small amount of the receivables is overdue and not individually impaired (see table "aging of receivables" below). Important effects for a change in bad debt provisions include possible default of payment by major customers or a general increase of receivables at the reporting date. During the financial year there was no significant increase in defaults. Trade receivables decreased as at December 31, 2020.

The bad debt provisions developed as follows:

Development and reconciliation of bad debt provisions EUR '000

	Lifetime expected credit loss (portfolio measurement)	Lifetime expected credit loss (individual measurement)
Trade receivables		
Bad debt provisions as at 01/01/2020	439	10,729
Transfer to "Lifetime expected credit loss"	0	(57)
Reversal	(240)	(2,114)
Addition	283	70
Currency translation adjustment	(14)	(158)
Bad debt provisions as at 31/12/2020	**468**	**8,469**

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

	Lifetime expected credit loss (portfolio measurement)	Lifetime expected credit loss (individual measurement)
Trade receivables		
Bad debt provisions as at 01/01/2019	459	13,146
Transfer to "Lifetime expected credit loss"	0	(1,319)
Reversal	(46)	(1,299)
Addition	26	142
Currency translation adjustment	0	59
Bad debt provisions as at 31/12/2019	**439**	**10,729**

Lifetime expected credit loss (individual measurement) EUR '000

	2020	2019
Originated loans at amortized cost		
Bad debt provisions as at 01/01	4,755	8,263
Utilization		
Reversal	0	(3,420)
Addition	1,400	24
Currency translation adjustment	(10)	(112)
Bad debt provisions as at 31/12	**6,145**	**4,755**
Other financial assets (non-current and current)		
Bad debt provisions as at 01/01	581	337
Utilization	0	0
Addition	66	244
Bad debt provisions as at 31/12	**648**	**581**

The bad debt provisions for trade receivables include bad debt provisions of EUR 650 thousand (2019: EUR 2,750 thousand) for companies accounted for using the equity method.

The bad debt provisions for trade receivables are related primarily to bad debt provisions for overdue, uninsured receivables.

The carrying amount of the impaired receivables is as follows:

Aging and expected credit loss for trade receivables — EUR '000

31/12/2020	Gross carrying amount	Expected credit loss
Not overdue	231,900	303
Overdue up to 30 days	15,338	102
Overdue for 31 to 90 days	1,435	15
Overdue for 91 to 365 days	248	13
Overdue for more than one year	35	35
Credit impaired receivables (individual measurement)	9,643	0
Total	**258,598**	**468**

Aging and expected credit loss for trade receivables (previous year) — EUR '000

31/12/2019	Gross carrying amount	Expected credit loss
Not overdue	226,486	158
Overdue up to 30 days	18,737	67
Overdue for 31 to 90 days	837	6
Overdue for 91 to 365 days	130	3
Overdue for more than one year	205	205
Credit impaired receivables (individual measurement)	16,208	0
Total	**262,604**	**439**

Development of expected credit loss not including credit impaired financial assets — EUR '000

As at 01/01/2019	459
Change	(21)
As at 31/12/2019 = 01/01/2020	439
Change	29
As at 31/12/2020	468

Aging of financial receivables — EUR '000

	Originated loans	Other financial receivables (current and non-current)
Gross carrying amount as at 31/12/2020	17,736	35,505
Thereof at the reporting date:		
Not overdue	5,913	30,366
Thereof impaired	11,823	5,139

Aging of financial receivables (previous year) — EUR '000

	Originated loans	Other financial receivables (current and non-current)
Gross carrying amount as at 31/12/2019	17,231	28,002
Thereof at the reporting date:		
Not overdue	6,413	23,050
Thereof impaired	10,818	4,952

Securities in the scope of the impairment provisions of IFRS 9 as well as cash and cash equivalents have a rating between AAA and BBB.

There are currently no doubts concerning the collectability of financial assets that are neither past due nor impaired.

The maximum exposure to credit risk from recognized financial assets is as follows:

Maximum exposure to credit risk from recognized financial assets — EUR '000

	31/12/2020	31/12/2019
Carrying amount of asset financial instruments (see note 35)	1,394,910	892,720
Less risk reduction in relation to receivables due to		
Credit insurance received for trade receivables (not including deductibles)	(105,803)	(117,451)
Guarantees received for trade receivables	(4,597)	(5,080)
Total	**1,284,510**	**770,189**

The maximum exposure to credit risk from financial guarantee contracts and contingent liabilities is shown in note 40.

Liquidity risk

Liquidity risk represents the risk of not being able to obtain sufficient funds to settle incurred liabilities at all times. The management of liquidity risk has a high priority in the Lenzing Group. Corporate guidelines require uniform, proactive liquidity forecasts and medium-term planning throughout the entire Group. The Lenzing Group continuously monitors the risk of a possible liquidity shortage. The COVID-19 crisis resulted in additional uncertainties in liquidity planning, which the management took into account in its planning and responded by taking appropriate measures.

The Lenzing Group had liquid assets totaling EUR 1,081,122 thousand (December 31, 2019: EUR 580,983 thousand) in the form of cash and cash equivalents and liquid bills of exchange (see note 34). Unused credit facilities of EUR 1,031,364 thousand were available as at December 31, 2020 (December 31, 2019: EUR 266,591 thousand) to finance necessary working capital and to cover any shortfalls caused by economic cycles. The medium- and long-term financing for the Lenzing Group is provided by equity and financial liabilities, in particular bonds, private placements and bank loans. Current financial liabilities can regularly be extended or refinanced with other lenders. Trade payables provide short-term financing for the goods and services purchased. The liabilities covered by reverse factoring agreements are settled in line with their agreed maturity, whereby the related cash outflows are included in liquidity planning. For this reason, the Group considers the concentration of risk with regard to sufficient financing sources as rather low.

The contractually agreed (undiscounted) interest and principal payments for primary financial liabilities (including financial guarantee contracts) are shown below:

Maturity analysis of non-derivative financial liabilities

EUR '000

	Carrying amount as at 31/12/2020	Cash flows 2021	Cash flows 2022 to 2025	Cash flows from 2026
Private placements	689,114	8,585	448,508	274,658
Bank loans	733,188	103,352	640,482	57,643
Loans from other lenders	69,300	6,887	39,767	25,771
Lease liabilities	60,890	13,267	29,807	125,992
Trade payables	195,200	195,200	0	0
Puttable non-controlling interests	140,341	0	0	140,341
Other financial liabities[1]	30,548	30,548	0	0
Total	**1,918,581**	**357,839**	**1,158,564**	**624,404**
Thereof:				
Fixed interest		14,608	45,437	86,785
Fixed and floating rate interest		212	614	481
Floating rate interest		11,655	28,202	4,883
Repayment		331,365	1,084,311	532,255

1) The above includes the maximum possible payment obligations from financial guarantee contracts. The amounts are assumed to be due in the first year.

Maturity analysis of non-derivative financial liabilities (previous year)

EUR '000

	Carrying amount as at 31/12/2019	Cash flows 2020	Cash flows 2021 to 2024	Cash flows from 2025
Private placements	599,932	45,993	361,110	237,610
Bank loans	293,761	80,642	154,900	68,668
Loans from other lenders	51,562	8,940	47,561	0
Lease liabilities	36,337	9,266	18,169	14,954
Trade payables	243,589	243,589	0	0
Puttable non-controlling interests	0	0	0	0
Other financial liabities[1]	26,741[2]	26,741[2]	0	0
Total	**1,251,922**	**415,172**	**581,740**	**321,231**
Thereof:				
Fixed interest		7,804	21,867	7,999
Fixed and floating rate interest		87	113	0
Floating rate interest		7,218	16,507	3,339
Repayment		400,063	543,252	309,893

1) The above includes the maximum possible payment obligations from financial guarantee contracts. The amounts are assumed to be due in the first year.
2) Reclassification of accruals from provisions to other liabilities in accordance with IAS 1 (see note 2).

The above tables include all primary financial liabilities held at the reporting date, but exclude estimated future liabilities. Foreign currency amounts were translated with the spot exchange rate in effect at the reporting date. Floating rate interest payments were calculated according to the last interest rates set before the reporting date. Financial liabilities that are repayable at any time are always assigned to the earliest time period.

The contractually agreed (undiscounted) interest and principal payments for derivative financial instruments are as follows:

Maturity analysis of derivative financial instruments **EUR '000**

	Carrying amount as at 31/12/2020	Cash flows 2021	Cash flows 2022 to 2025	Cash flows from 2026
Currency/Currency interest rate derivatives				
Derivatives with a positive fair value (cash flow hedges)	11,340	10,876	465	0
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	1,838	1,838	0	0
Positive fair value	**13,178**	**12,714**	**465**	**0**
Derivatives with a negative fair value (cash flow hedges)	(61,353)	(42,660)	(18,693)	0
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	(1,358)	(1,358)	0	0
Negative fair value	**(62,711)**	**(44,018)**	**(18,693)**	**0**
Total	**(49,532)**	**(31,304)**	**(18,228)**	**0**

Cash flows consist solely of principal payments and do not include any interest components.
Fair value: + = receivable, – = liability from the Lenzing Group's perspective

Maturity analysis of derivative financial instruments (previous year) **EUR '000**

	Carrying amount as at 31/12/2019	Cash flows 2020	Cash flows 2021 to 2024	Cash flows from 2025
Currency/Currency interest rate derivatives				
Derivatives with a positive fair value (cash flow hedges)	7,159	5,189	1,969	0
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	655	655	0	0
Positive fair value	**7,814**	**5,844**	**1,969**	**0**
Derivatives with a negative fair value (cash flow hedges)	(1,943)	(1,354)	(588)	0
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	(3,083)	(3,083)	0	0
Negative fair value	**(5,026)**	**(4,438)**	**(588)**	**0**
Total	**2,788**	**1,407**	**1,381**	**0**

Cash flows consist solely of principal payments and do not include any interest components.
Fair value: + = receivable, – = liability from the Lenzing Group's perspective

Currency risk

Cash flows from capital expenditures and the operating business as well as investments and financing in foreign currencies expose the member companies of the Lenzing Group to currency risks. Risks from foreign currencies are hedged as far as possible if they influence the Group's cash flows. In the operating business, the individual group companies are exposed to currency risk in connection with planned incoming and outgoing payments outside their functional currency. Forward foreign exchange contracts, which are recognized at fair value, are used to hedge the exchange rate risk from foreign currency positions arising from expected future transactions in foreign currencies by group companies.

The Lenzing Group operates a fiber production plant in Grimsby, Great Britain. From the current point of view, the GBP devaluation potentially caused by Brexit is not expected to have any material effects on the Grimsby location or the remainder of the Lenzing Group because the invoices issued by Grimsby are generally not denominated in GBP. The expenses recorded by the Grimsby plant are, for the most part, denominated in GBP and therefore have no negative foreign currency effect. The further development of this situation and its effects on the Lenzing Group cannot be estimated at the present time.

For companies with the same functional currency, the respective net foreign currency exposures are calculated for the following sales year as part of the budgeting process. Foreign currency purchases and sales are aggregated into separate groups for each currency. Approximately 73 percent of the budgeted net exposure for the following financial year was hedged for EUR/USD, the dominant currency pair in the Lenzing Group, as at December 31, 2020 (December 31, 2019: approximately 26 percent). The reason for the decline in the previous year was that USD loans were drawn in the following financial year. The CNY also plays an important role. The resulting risk concentration at the reporting date can be seen in the following tables (especially the tables on "sensitivity analysis and risk exposure for foreign currency risks").

Translation risk is also regularly assessed and monitored at the Group level. Translation risk represents the risk arising from the consolidation of foreign investments whose functional currency is not the euro. The greatest risk exposure here is in relation to the US dollar.

Instruments to hedge currency risk

Cash flow hedges are allocated to revenue from the operating business in the following financial years in the respective hedged currency. Cash flow hedges whose underlying hedged item was already recognized in profit or loss are used to hedge foreign currency receivables/liabilities that were recognized at the reporting date but do not impact cash until a later time.

The critical terms of payment of the hedged items and hedging instruments (in particular, the nominal value and time of payment) are generally identical or offset one another ("critical terms match"). Therefore, the Managing Board considers the offsetting of value changes of the hedged items and hedging instrument resulting from changes in the exchange rate when forming a measurement unit as highly effective. The economic relationship for fair value hedge derivatives (call-option) is ensured as the value development of the hedged item is offset by that of the hedge.

The measurement of the hedged item is offset by the hedge and is therefore effective. Risks of ineffectiveness include the credit risk of a counterparty, a significant change in the credit risk of a contractual party in the hedging relationship or the change of time of payment of the hedged item, reduction of the total invoice amount or price of the hedged item. Risks are always hedged in their entirety. The hedging ratio for the hedged nominal values is 100 percent.

Cash flow hedges for currency risks

The nominal values and fair values of the cash flow hedges are as follows as at the reporting dates:

Nominal value, fair value and hedging period of cash flow hedge derivatives for currency risks

				31/12/2020				EUR '000
		Nominal value in '000	Positive fair value	Negative fair value	Net fair value	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffective-ness
Forward foreign exchange contracts								
CNY/CNH-sale / EUR-buy	CNY/CNH	435,800	231	0	231	09/2021	8.28	(704)
CNY/CNH-sale / GBP-buy	CNY/CNH	136,200	217	(298)	(81)	12/2021	9.28	(395)
CZK-buy / EUR-sale	CZK	171,800	110	(28)	82	10/2021	26.78	96
EUR-buy / USD-sale	EUR	19,000	1,210	0	1,210	04/2022	1.17	1,236
CNY/CNH-buy / GBP-sale	CNY/CNH	6,600	0	(19)	(19)	07/2021	8.92	(7)
BRL buy / EUR sale	BRL	185,000	0	(7,844)	(7,844)	06/2022	5.08	(7,834)
BRL buy / USD sale	BRL	1,340,101	0	(46,447)	(46,447)	07/2022	4.27	(46,457)
THB-buy / USD-sale	THB	2,674,308	1,258	0	1,258	04/2021	30.49	1,440
USD-buy / CNY-sale	USD	8,250	0	(437)	(437)	10/2021	7.04	(315)
EUR buy / BRL sale	EUR	20,000	8	0	8	03/2021	5.08	18
EUR-sale / GBP-buy	EUR	1,100	4	0	4	12/2021	0.91	6
USD-sale / CZK-buy	USD	82,800	5,883	0	5,883	12/2021	23.14	5,519
USD-sale / EUR-buy	USD	47,470	2,418	0	2,418	12/2021	1.16	2,460
Cross Currency derivatives								
USD-buy / EUR-sale	USD	65,000	0	(6,279)	(6,279)	12/2024	1.10	(6,284)
Total			**11,340**	**(61,353)**	**(50,012)**			**(51,220)**

Fair value: + = receivable, – = liability from the Lenzing Group's perspective
The hedging period represents the period for the expected cash flows and their recognition in profit or loss.

Nominal value, fair value and hedging period of cash flow hedge derivatives for currency risks (previous year)

				31/12/2019				EUR '000
		Nominal value in '000	Positive fair value	Negative fair value	Net fair value	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffective-ness
Forward foreign exchange contracts								
CNY/CNH-sale / EUR-buy	CNY/CNH	993,900	3,252	0	3,252	09/2021	8.66	(431)
CNY/CNH-sale / GBP-buy	CNY/CNH	210,000	961	(198)	763	09/2021	9.36	53
CZK-buy / EUR-sale	CZK	213,000	59	(15)	44	01/2021	26.05	65
THB-buy / USD-sale	THB	5,649,509	1,724	0	1,724	04/2021	30.50	3,697
USD-buy / CNY-sale	USD	21,200	121	(206)	(85)	01/2021	7.05	212
USD-sale / CZK-buy	USD	98,900	690	(172)	518	02/2021	22.89	403
USD-sale / EUR-buy	USD	80,860	185	(1,007)	(822)	02/2021	1.15	(792)
Cross Currency derivatives								
USD-buy / EUR-sale	USD	65,000	166	(344)	(179)	12/2024	1.10	(161)
Total			**7,159**	**(1,943)**	**5,216**			**3,046**

Fair value: + = receivable, – = liability from the Lenzing Group's perspective
The hedging period represents the period for the expected cash flows and their recognition in profit or loss.

Cash flow hedges for currency risks with the hedged item already recognized in profit or loss

The following table shows the nominal values and fair values of cash flow hedges at the reporting dates in cases where the hedged item was already recognized in profit or loss:

Nominal value and fair value of cash flow hedge derivatives for currency risks with the underlying already recognized in profit or loss

				31/12/2020			EUR '000
		Nominal value in '000	Positive fair value	Negative fair value	Net fair value	Average hedging rate	Change in fair value used to calculate ineffectiveness
Forward foreign exchange contracts							
CNY/CNH-sale / EUR-buy	CNY/CNH	590,900	808	(55)	753	8.05	227
CNY/CNH-sale / GBP-buy	CNY/CNH	118,300	63	(476)	(413)	9.22	(503)
CNY/CNH-buy/ EUR-sale	CNY/CNH	83,800	0	(193)	(193)	7.92	(160)
CNY/CNH-buy / GBP-sale	CNY/CNH	55,900	0	(100)	(100)	8.87	(49)
USD-buy / CNY-sale	USD	7,600	0	(535)	(535)	7.11	(500)
USD-sale / CZK-buy	USD	10,800	663	0	663	22.96	651
USD-sale / EUR-buy	USD	4,470	304	0	304	1.14	306
Total			**1,838**	**(1,358)**	**480**		**(27)**

Fair value: + = receivable, – = liability from the Lenzing Group's perspective

Nominal value and fair value of cash flow hedge derivatives for currency risks with the underlying already recognized in profit or loss (previous year)

				31/12/2019			EUR '000
		Nominal value in '000	Positive fair value	Negative fair value	Net fair value	Average hedging rate	Change in fair value used to calculate ineffectiveness
Forward foreign exchange contracts							
CNY/CNH-sale / EUR-buy	CNY/CNH	467,800	267	(1,363)	(1,095)	8.10	(1,544)
CNY/CNH-sale / GBP-buy	CNY/CNH	121,600	290	(4)	286	9.11	177
CNY/CNH-buy/ EUR-sale	CNY/CNH	73,300	0	(78)	(78)	7.79	(53)
USD-sale / CZK-buy	USD	14,500	0	(229)	(229)	22.36	(233)
USD-sale / EUR-buy	USD	34,000	1	(1,410)	(1,409)	1.18	(1,417)
THB-buy / USD-sale	THB	228,213	97	0	97	30.43	126
Total			**655**	**(3,083)**	**(2,428)**		**(2,945)**

Fair value: + = receivable, – = liability from the Lenzing Group's perspective

Cash flow hedges for cross-currency interest rate risks

A cross-currency interest rate swap was concluded in the 2019 financial year to hedge the interest rate and currency risks for the floating rate USD tranche of the private placement. The nominal value of the cash flow hedge derivatives amounts to EUR 40,861 thousand and EUR 18,160 thousand as at December 31, 2020 (December 31, 2019: EUR 40,861 thousand and EUR 18,160 thousand). The fair value of the cash flow hedge derivatives amounts to EUR minus 6,279 thousand as at December 31, 2020 (December 31, 2019: EUR minus 179 thousand).

The change in fair value used to calculate ineffectiveness amounts to EUR minus 1,890 thousand (for the tranche of USD 20 mn) (December 31, 2019: EUR 212 thousand) and EUR minus 4,258 thousand (for the tranche of USD 45 mn) (December 31, 2019: EUR minus 260 thousand). The ineffective portion as at December 31, 2020 amounts to EUR 0 thousand (December 31, 2019: EUR minus 124 thousand) and was recognized in the financial result. The average fixed interest rate amounts to 0.75 percent over the term.

Fair value hedge derivatives for options

The nominal value of fair value hedge derivatives amounts to EUR 11,723 thousand as at December 31, 2020 (December 31, 2019: EUR 12,260 thousand). The fair value of fair value hedge derivatives amounts to EUR minus 5,547 thousand as at December 31, 2020 (December 31, 2019: EUR minus 3,026 thousand).

The carrying amount of the investment amounts to EUR 12,419 thousand as at December 31, 2020 (December 31, 2019: EUR 10,947 thousand). The hedged item is recognized under financial assets. The change in value for the hedged item and the hedge, which was used to calculate ineffectiveness, amounts to EUR minus 5,547 thousand as at December 31, 2020 (December 31, 2019: EUR minus 3,026 thousand). No ineffectiveness was recognized through profit or loss in the current financial year or in the previous year.

The risk management goal is to hedge the value of the investment against value fluctuations. A put/call option is used as a hedge. The hedge ratio is determined based on the nominal value. The hedging instruments run until 2021 and 2022.

Cash flow hedge derivatives for currency risks

The following table shows the carrying amounts, the hedging reserve and the ineffectiveness of the hedged items designated as hedging instruments (purchases and sales):

Disclosures on hedged items of cash flow hedge derivatives for currency risks – ineffectiveness EUR '000

	2020			2019		
Currency risks	**Change in fair value used to calculate ineffectiveness**	**Ineffectiveness**	**Line item in the income statement**	**Change in fair value used to calculate ineffectiveness**	**Ineffectiveness**	**Line item in the income statement**
Sales	7,467	0	Financial result	(3,772)	0	Financial result
Purchases	(52,431)	0	Financial result	4,035	0	Financial result
Total	**(44,964)**	**0**		**262**	**0**	

Changes in the hedging reserve EUR '000

	2020			2019		
	Hedging reserve	**Cost of hedging**	**Total**	**Hedging reserve**	**Cost of hedging**	**Total**
Hedging reserve as at 01/01	2,764	2,386	5,150	(5,974)	(300)	(6,274)
Cash flow hedges – changes in fair value recognized during the year	(120,058)	1,208	(118,851)	(11,518)	2,165	(9,353)
Reclassification to revenue	3,483	542	4,025	20,018	545	20,563
Reclassification to inventories	563	(35)	529	178	0	178
Reclassification to property, plant and equipment	35,744	0	35,744	(59)	(29)	(88)
Reclassification to financial result	(124)	0	(124)	120	5	124
Hedging reserve as at 31/12	**(77,628)**	**4,101**	**(73,527)**	**2,764**	**2,386**	**5,150**

Sensitivity analysis and exposure for currency risks

The Lenzing Group uses the following assumptions for its sensitivity analysis:

- The sensitivity of profit or loss is based on the receivables and liabilities recognized by the group companies which are denominated in a currency other than the functional currency of the relevant company and the open derivatives from cash flow hedges for currency risks in cases where the hedged item was already recognized in profit or loss as at the reporting date. The carrying amounts of the receivables and liabilities, respectively the nominal values of the derivatives, correspond to the exposure. The individual exposures are presented consistently in relation to the US dollar and euro for the aggregation to the Group's exposure.
- The sensitivity of other comprehensive income as at the reporting date is based on the open derivatives from cash flow hedges for currency risks in cases where the hedged item has not yet been recognized in profit or loss. The nominal value of the open derivatives corresponds to the exposure.

The following tables show the sensitivities and exposure for currency risk as at the reporting dates:

Sensitivity analysis and risk exposure for foreign currency risks (EUR) EUR '000

	31/12/2020			31/12/2019		
	Group exposure in relation to EUR	Sensitivity to 10 % devaluation of the EUR	Sensitivity to 10 % revaluation of the EUR	Group exposure in relation to EUR	Sensitivity to 10 % devaluation of the EUR	Sensitivity to 10 % revaluation of the EUR
EUR-USD	326,704	36,300	(29,700)	112,122	12,458	(10,193)
EUR-GBP	(2,918)	(324)	265	(1,965)	(218)	179
EUR-CNY/CNH	9,222	1,025	(838)	57,502	6,389	(5,227)
EUR-CZK	(3,625)	(403)	330	(5,218)	(580)	474
EUR-HKD	(2,962)	(329)	269	(4,518)	(502)	411
EUR-THB	0	0	0	(64)	(7)	6
Sensitivity of profit or loss (due to receivables and liabilities)		**36,269**	**(29,675)**		**17,540**	**(14,351)**
Sensitivity of other comprehensive income (due to cash flow hedge derivatives)		(2,290)	1,450		(18,626)	15,239
Sensitivity of equity		**33,980**	**(28,224)**		**(1,086)**	**888**

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

Sensitivity analysis and risk exposure for foreign currency risks (USD/GBP) EUR '000

	31/12/2020			31/12/2019		
	Group exposure in relation to USD/GBP	Sensitivity to 10 % devaluation of the USD/GBP	Sensitivity to 10 % revaluation of the USD/GBP	Group exposure in relation to USD/GBP	Sensitivity to 10 % devaluation of the USD/GBP	Sensitivity to 10 % revaluation of the USD/GBP
USD-IDR	(5,104)	(567)	464	5,938	660	(540)
USD-GBP	(3,668)	(408)	333	(4,870)	(541)	443
USD-CNY/CNH	7,224	803	(657)	(1,253)	(139)	114
USD-CZK	(4,942)	(549)	449	(9,106)	(1,012)	828
USD-THB	(207,766)	(23,085)	18,888	(28,400)	(3,156)	2,582
USD-BRL	(53,303)	5,923	(4,846)	(25,692)	(2,855)	2,336
GBP-CNY/CNH	9,594	1,066	(872)	1,663	185	(151)
Sensitivity of profit or loss (due to receivables and liabilities)		**(16,818)**	**13,760**		**(6,858)**	**5,611**
Sensitivity of other comprehensive income (due to cash flow hedge derivatives)		17,083	(12,299)		27,480	(21,028)
Sensitivity of equity		**265**	**1,461**		**20,622**	**(15,417)**

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

Commodity risk

The gas price risk is hedged physically through supply contracts. The group is also subject to the usual market price risks in connection with its business activities (especially relating to wood, chemicals, pulp and energy) which are not hedged with derivatives or financial instruments, but protected through other measures (above all, long-term and short-term supply contracts with various suppliers).

Interest rate risk

The Lenzing Group is exposed to interest rate risk through its business-related financing and investing activities. Interest rate risks arise through potential changes in the market interest rate. They can lead to a change in the fair value of fixed rate financial instruments and to fluctuations in the cash flows from interest payments for floating rate financial instruments. Interest rate risks and the resulting risk concentrations are managed by monitoring and adjusting the composition of fixed rate and floating rate primary financial instruments on an ongoing basis and by the selective use of derivative financial instruments.

Sensitivity analysis and exposure for interest rate risks

The following tables show the exposure for interest rate risks at the reporting dates in the form of the carrying amounts of interest-bearing primary financial instruments:

Risk exposure for interest rate risks EUR '000

	31/12/2020				
	Fixed interest	Fixed and floating rate interest	Floating rate interest	No interest	Total
Cash and cash equivalents	0	0	1,069,998	0	**1,069,998**
Financial assets[1]	46	0	10,678	30,166	**40,890**
Financial liabilities	(785,884)	(38,572)	(728,037)	0	**(1,552,492)**
Total	**(785,838)**	**(38,572)**	**352,640**	**30,166**	**(441,604)**

+ Receivables, – Liabilities
1) Includes, among others, the GF82 wholesale fund whose income is distributed or reinvested.

Risk exposure for interest rate risks (previous year) EUR '000

	31/12/2019				
	Fixed interest	Fixed and floating rate interest	Floating rate interest	No interest	Total
Cash and cash equivalents	0	0	571,479	0	**571,479**
Financial assets[1]	49	0	11,062	30,692	**41,803**
Financial liabilities	(530,949)	(15,151)	(435,491)	0	**(981,591)**
Total	**(530,901)**	**(15,151)**	**147,050**	**30,692**	**(368,309)**

+ Receivables, – Liabilities
1) Includes, among others, the GF82 wholesale fund whose income is distributed or reinvested.

Sensitivity analyses are performed for the interest rate risks arising from floating rate financial instruments. They show the effects of hypothetical changes in interest rates on profit or loss, other comprehensive income and equity.

The Lenzing Group uses the following assumptions in its analysis of the interest rate risk arising from floating rate financial instruments:

- The sensitivity analysis includes all floating rate primary financial instruments as at the reporting date.
- The exposure corresponds to the carrying amount of the floating rate financial instruments.

The sensitivities and exposure for the interest rate risks arising from floating rate financial instruments are as follows as at the reporting dates:

Sensitivity analysis for interest rate risks from floating rate financial instruments **EUR '000**

31/12/2020	Exposure with floating rate interest	Sensitivity to a 100 bp increase in the interest rate level	Sensitivity to a 100 bp decrease in the interest rate level[1]
Cash and cash equivalents	1,069,998	10,700	(10,700)[2]
Financial liabilities	(728,037)	(7,514)	4,764[3]
Sensitivity of profit or loss/equity	**341,962**	**3,186**	**(5,936)**

Sensitivity analysis for interest rate risks from floating rate financial instruments (previous year) **EUR '000**

31/12/2019	Exposure with floating rate interest	Sensitivity to a 100 bp increase in the interest rate level	Sensitivity to a 100 bp decrease in the interest rate level[1]
Cash and cash equivalents	571,479	5,715	(5,715)[2]
Financial liabilities	(435,491)	(4,361)	2,006[3]
Sensitivity of profit or loss/equity	**135,988**	**1,354**	**(3,709)**

1) A reduction in the basis points results in a proportional decrease in the sensitivity.
2) Assumption that negative interest will be paid.
3) The calculation excludes liabilities for which negative interest is not calculated.

Additional information on financial risk management and financial instruments is provided in the risk report of the Lenzing Group's management report as at December 31, 2020.

Note 38. Related party disclosures

Overview

Related parties of the Lenzing Group include, in particular, the member companies of the B&C Group together with its subsidiaries, joint ventures and associates and its corporate bodies (executive board/management and supervisory board, where applicable) as well as close relatives of the members of the corporate bodies and companies under their influence (see note 1 "Description of the company and its business activities" and note 39). The amounts and transactions between Lenzing AG and its consolidated subsidiaries are eliminated through consolidation and are not discussed further in this section.

B&C Privatstiftung is managed by a board of trustees. No member of the Managing Board of Lenzing AG is a member of this board of trustees or the management/Managing Board of a subsidiary of B&C Privatstiftung, with the exception of subsidiaries of the Lenzing Group. The Lenzing Group has no influence over the business activities of B&C Privatstiftung.

The members of the corporate bodies of Lenzing AG (in particular, the Supervisory Board) and the above-mentioned entities are, in some cases, also members of the corporate bodies or shareholders of other companies with which Lenzing AG maintains ordinary business relationships. The Lenzing Group maintains ordinary business relationships with banks that involve financing, investing and derivatives.

Relationship with related companies

In connection with the tax group established with B&C Group (see note 30), the Lenzing Group recognized a tax credit of EUR 24 thousand through profit or loss in 2020 (2019: EUR 688 thousand). Contractual obligations resulted in the payment or advance payment of tax allocations totaling EUR 19,196 thousand in 2020 (2019: EUR 21,275 thousand). The Lenzing Group recognized a receivable of EUR 4,568 thousand towards B&C Group from the tax allocation, after the deduction of advance payments, as at December 31, 2020 (December 31, 2019: payable EUR 13,398 thousand). The tax loss of EUR 3,256 thousand (December 31, 2019: EUR 0 thousand) was recognized under deferred tax assets. Income tax expense of EUR 1,229 thousand was recognized in 2020 as a result of the tax allocation to B&C Group (2019: EUR 36,219 thousand).

Relationships with companies accounted for using the equity method and their material subsidiaries

Transactions with companies accounted for using the equity method and their material subsidiaries relate primarily to:

Material relationships with companies accounted for using the equity method

EQUI-Fibres Beteiligungsgesellschaft mbH and its subsidiaries (EFB)	Distribution of fibers, delivery of pulp, loan assignment
Lenzing Papier GmbH (LPP)	Provision of infrastructure and administrative services
RVL Reststoffverwertung Lenzing GmbH (RVL)	Operation of a recycling plant and purchase of the generated steam; letting of land
Hygiene Austria LP GmbH (HGA)	Supply of raw materials, provision of services, loan receivable, guarantee given and purchasing of protective masks
Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck (GSG)	Provision of infrastructure and administrative services
PT. Pura Golden Lion (PGL)	Loan liability
Wood Paskov s.r.o. (LWP)	Purchase of wood
LD Florestal S.A. (LDF)	Land use rights, loan liability

The scope of material transactions and the outstanding balances with companies accounted for using the equity method and their major subsidiaries are as follows:

Relationships with companies accounted for using the equity method and their material subsidiaries EUR '000

2020	EFB	Other associates	HGA	LDF	Other joint ventures	Total
Goods and services provided and other income	36,737	10,115	1,931	0	11,630	60,413
Goods and services received and other expenses	412	95	24	0	12,122	12,653
Receivables as at 31/12	5,842	1,961	3,176	0	46	11,024
Liabilities as at 31/12	0	2,740	4	21,318	19	24,082

Relationships with companies accounted for using the equity method and their material subsidiaries (previous year) EUR '000

2019	EFB	Other asso-ciates	HGA	LDF	Other joint ventures	Total
Goods and services provided and other income	40,533	12,768	0	0	11,966	65,267
Goods and services received and other expenses	40	128	0	0	12,112	12,280
Receivables as at 31/12	9,589	5,216	0	0	44	14,848
Liabilities as at 31/12	0	2,875	0	25,226	19	28,120

Bad debt provisions of EUR 2,100 thousand for trade receivables from companies accounted for using the equity method were recognized to profit or loss as income in 2020 (2019: EUR 1,250 thousand).

Kelheim Fibers GmbH, Kelheim, Germany, a subsidiary of the equity-accounted investee EQUI-Fibres Beteiligungsgesellschaft mbH, Kelheim, Germany, received a long-term, unsecured loan of EUR 5,000 thousand from Lenzing AG in 2017. The interest reflects standard bank rates.

Hygiene Austria LP GmbH received a long-term, unsecured loan of EUR 2,000 thousand from Lenzing AG in the 2020 financial year. The interest reflects standard bank rates. Since the 2020 financial year, Lenzing AG has provided a guarantee to a supplier of Hygiene Austria LP GmbH for a maximum of EUR 1,000 thousand.

LD Florestal S.A., issued an unsecured loan of EUR 27,913 thousand to the fully con-solidated subsidiary LD Celulose S.A. in 2019, which carries stand-ard bank interest rates. EUR 21,318 thousand of the loan were drawn down as at December 31, 2020 (December 31, 2019: EUR 25,226 thousand). In addition, LD Florestal S.A. granted LD Celulose S.A. a land use right in the 2020 financial year. The carrying amount of the resulting lease liability amounts to EUR 39,620 thousand as at December 31, 2020.

There were no major transactions with the other non-consolidated subsidiaries in 2019 and 2020.

Relationships with members of the Managing Board and Supervisory Board of Lenzing AG

The remuneration expensed for key management personnel, which comprises the active members of the Managing Board and Supervisory Board of Lenzing AG, in line with their functions is summarized below (including changes in provisions):

Remuneration for key management personnel (expensed) EUR '000

	2020	2019
Remuneration for the Managing Board		
Basic salary	2,377	2,090
Benefits in kind and other benefits (in particular use of company vehicles)	56	51
Short-term variable performance bonus (short-term incentive; STI)	0	644
Extraordinary remuneration (special bonuses)	120	0
Short-term employee benefits	**2,553**	**2,785**
Long-term variable performance bonus (long-term incentive; LTI)	947	957
Extraordinary remuneration (special bonuses)	100	0
Other long-term employee benefits	**1,047**	**957**
Contributions to multiemployer pension fund	289	267
Post-employment benefits	**289**	**267**
One-off gratuity	0	800
Termination benefits	**0**	**800**
Remuneration for the Managing Board	**3,889**	**4,810**
Remuneration for the Supervisory Board		
Short-term employee benefits	864	858
Total	**4,754**	**5,668**

The benchmark for the long-term bonus component of the members of the Managing Board (long-term incentive/LTI) consists of selected key indicators of the Lenzing Group, each over a three-year calculation period. In addition, the company's capital market performance is assessed in comparison with a group of selected listed companies during these periods. To this end, the total shareholder return – i.e., the development of the share price including dividend payments – is assessed and compared with the peer group. The long-term bonus component is paid out in tranches upon expiry of the respective calculation period and is independent of an extension of the Managing Board mandate. The payment is made in the form of a cash consideration and is classified as other long-term employee benefits. A provision was formed to satisfy entitlements arising from long-term bonus models as part of old contracts as of December 31, 2019, which was used up in the 2020 financial year (other long-term employee benefits).

The employee representatives on the Supervisory Board who were delegated by the Works Council are entitled to regular compensation (wage or salary plus severance and jubilee benefits) under their employment contracts in addition to the compensation for their activity on the Supervisory Board (in particular attendance fees). This compensation represents appropriate remuneration for their role/activities performed in the company.

In line with customary market and corporate practice, Lenzing AG also grants additional benefits, which are considered non-cash benefits, to the members of the Managing Board, selected senior executives and Supervisory Board members. One example of such benefits is insurance coverage (D&O, accident, legal protection etc.), whereby the costs are carried by the Lenzing Group. The insurers receive total premium payments, i.e. there is no specific allocation to the Managing Board and the Supervisory Board. In addition, the members of the Managing Board and selected senior executives are provided with company vehicles. The members of the Managing Board and the Supervisory Board are also reimbursed for certain costs incurred, above all travel expenses. The principles of the remuneration system for the Managing Board and the Supervisory Board are described in detail and disclosed in the 2020 remuneration report of the Lenzing Group.

The members of the Managing Board and Supervisory Board received no advances, loans or guarantees. The Lenzing Group has not entered into any contingencies on behalf of the Managing Board or Supervisory Board. Directors' dealings reports relating to the members of the Managing Board and Supervisory Board are published on the Austrian Financial Market Authority website (see http://www.fma.gv.at).

Post-employment benefits of EUR 607 thousand were recognized for former members of the Managing Board of Lenzing AG or their surviving dependents in the form of expenses on the income statement and allocations to other comprehensive income (2019: EUR 2,193 thousand). The present value of the pension provision recognized in this context, after deduction of the fair value of plan assets (net obligation), amounted to EUR 7,285 thousand as at December 31, 2020 (December 31, 2019: EUR 7,562 thousand).

Note 39. Executive Bodies

Members of the Supervisory Board

- Peter Edelmann
  Chairman (since April 17, 2019)
- Veit Sorger
  Deputy Chairman
- Helmut Bernkopf
- Christian Bruch (since April 17, 2019)
- Stefan Fida (since April 17, 2019)
- Franz Gasselsberger
- Melody Harris-Jensbach (since June 18, 2020)
- Patrick Prügger
- Astrid Skala-Kuhmann

- Felix Fremerey (up to June 18, 2020)
- Hanno Bästlein (up to April 17, 2019)
  Chairman
- Christoph Kollatz (up to April 17, 2019)
  Deputy Chairman

Appointed by the Works Council

- Johann Schernberger
  Chairman of the Group Works Council
  Chairman of the Works Committee (up to January 18, 2021)
  Chairman of the Works Council for Waged Employees
- Helmut Kirchmair
  Chairman of the Works Committee (since January 18, 2021)
  Deputy Chairman of the Works Council for Waged Employees
- Georg Liftinger
  Deputy Chairman of the Works Committee
  Chairman of the Works Council for Salaried Employees
- Herbert Brauneis
  Deputy Chairman of the Works Council for Waged Employees
- Daniela Födinger
  Deputy Chairwoman of the Works Council for Salaried Employees

Members of the Managing Board

- 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 (since March 1, 2020)
- Christian Skilich
  Member of the Managing Board (since June 1, 2020)

- Heiko Arnold
  Member of the Managing Board (up to December 1, 2019)

Note 40. Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

The Lenzing Group has entered into contingent liabilities of EUR 5.484 thousand (December 31, 2019: EUR 6,796 thousand), above all to secure claims related to the sale of certain equity investments and claims by suppliers, for possible default on sold receivables (also see note 35) and for claims by third parties outside the Group. Less important contingent liabilities involve granted retentions. The reported amounts represent the maximum payment obligation from the viewpoint of the Lenzing Group, and there is only a limited potential for recoveries.

The Lenzing Group provides committed credit lines of EUR 6.622 thousand (December 31, 2019: EUR 10,910 thousand) to third parties. These credit lines were not used as at December 31, 2020 and December 31, 2019 (also see note 21).

Bank guarantees of EUR 56.021 thousand (December 31, 2019: EUR 295,648 thousand) are in place for future equity injections of Lenzing AG for LD Celulose S.A. from 2020 to 2022. These bank guarantees were not drawn as at December 31, 2020 and December 31, 2019.

The Lenzing Group carries obligations for severance payments and anniversary benefits for former employees of certain sold equity investments up to the amount of the notional claims at the sale date. Provisions were recognized for these obligations as at the reporting date at an amount equal to their present value calculated in accordance with actuarial principles. Lenzing AG, in particular, has also assumed liabilities to secure third-party claims against consolidated companies; these claims are considered unlikely to be realized. The Managing Board is not aware of any other financial obligations with a significant impact on the financial position and financial performance of the Group.

The obligations arising from outstanding orders for intangible assets and property, plant and equipment amounted to EUR 354,390 thousand as at December 31, 2020 (December 31, 2019: EUR 70,968 thousand). The Lenzing Group has long-term purchase obligations related to raw material supplies, in particular for wood, pulp, chemicals and energy.

As an international corporation, the Lenzing Group is exposed to a variety of legal and other risks. These risks are related, above all, to product defects, competition and antitrust law, patent law, tax law, employees and environmental protection (in particular, for environmental damage at production locations). It is impossible to predict the outcome of pending or future legal proceedings, and rulings by the courts or government agencies or settlement agreements can lead to expenses that are not fully covered by insurance which could have a material impact on the group's future financial position and financial performance. Additional information is provided in the risk report of the Lenzing Group's management report as at December 31, 2020.

Note 41. Group companies

In addition to Lenzing AG, the Lenzing Group includes the following companies (list of group companies in accordance with Section 245a Para. 1 in conjunction with Section 265 Para. 2 of the Austrian Commercial Code):

Group companies		31/12/2020		31/12/2019	
	Currency	Share capital	Share in %	Share capital	Share in %
Consolidated companies					
Avit Investments Limited, Providenciales, Turks and Caicos	USD	2,201,000	100.00	2,201,000	100.00
Beech Investment s.r.o., Zlaté Moravce, Slovakia	EUR	6,639	100.00	6,639	100.00
BZL – Bildungszentrum Lenzing GmbH, Lenzing, Austria	EUR	43,604	75.00	43,604	75.00
LD Celulose S.A., Sao Paulo, Brazil	BRL	2,078,154,000	51.00	6,762,346	100.00
Lenzing Biocel Paskov a.s., Paskov, Czech Republic	CZK	280,000,000	100.00	280,000,000	100.00
Lenzing E-commerce (Shanghai) Co., Ltd., Shanghai, China	CNY	9,002,120	100.00	4,523,538	100.00
Lenzing Elyaf Anonim Şirketi, Istanbul, Turkey	TRY	3,500,000	100.00	3,500,000	100.00
Lenzing Fibers (Shanghai) Co., Ltd., Shanghai, China	USD	200,000	100.00	200,000	100.00
Lenzing Fibers GmbH, Heiligenkreuz, Austria	EUR	363,364	100.00	363,364	100.00
Lenzing Fibers Grimsby Limited, Grimsby, UK	GBP	1	100.00	1	100.00
Lenzing Fibers Holding GmbH, Lenzing, Austria	EUR	35,000	100.00	35,000	100.00
Lenzing Fibers (Hongkong) Ltd., Hong Kong, China	HKD	26,100,000	100.00	16,000,000	100.00
Lenzing Fibers Inc., Axis, USA	USD	10	100.00	10	100.00
Lenzing Fibers India Private Limited, Coimbatore, India	INR	3,500,000	100.00	-	-
Lenzing Fibers Ltd., Manchester, UK	GBP	1	100.00	1	100.00
Lenzing Global Finance GmbH, Munich, Germany	EUR	25,000	100.00	25,000	100.00
Lenzing Holding GmbH, Lenzing, Austria	EUR	35,000	100.00	35,000	100.00
Lenzing Korea Yuhan Hoesa, Seoul, Republic of Korea	KRW	280,000,000	100.00	280,000,000	100.00
Lenzing Land Holding LLC., Dover, USA	USD	10,000	100.00	10,000	100.00
Lenzing Modi Fibers India Private Limited, Mumbai, India	INR	1,180,051,090	96.50	1,173,036,090	96.48
Lenzing (Nanjing) Fibers Co., Ltd., Nanjing, China	USD	108,440,000	100.00	96,439,992	100.00
Lenzing Singapore Pte. Ltd., Singapore, Republic of Singapore	EUR	1,000,000	100.00	1,000,000	100.00
Lenzing Taiwan Fibers Ltd., Taipei, Taiwan	TWD	5,300,000	100.00	5,300,000	100.00
Lenzing Technik GmbH, Lenzing, Austria[1]	EUR	-	-	35,000	100.00
Lenzing (Thailand) Co., Ltd., Bangkok, Thailand	THB	2,884,000,000	100.00	2,307,364,400	100.00
Nanjing Fabor Waste Water Treatment Co., Ltd, Nanjing, China	CNY	120,000,000	100.00	-	-
Penique S.A., Panama, Panama	USD	5,000	100.00	5,000	100.00
PT. South Pacific Viscose, Purwakarta, Indonesia[2]	IDR	72,500,000,000	92.85	72,500,000,000	92.85
Pulp Trading GmbH, Lenzing, Austria	EUR	40,000	100.00	40,000	100.00
Reality Paskov s.r.o., Paskov, Czech Republic	CZK	900,000	100.00	900,000	100.00
Wasserreinhaltungsverband Lenzing – Lenzing AG, Lenzing, Austria[3]	EUR	0	Membership	0	Membership
Companies accounted for using the equity method					
Associates					
EQUI-Fibres Beteiligungsgesellschaft mbH, Kelheim, Germany	EUR	2,000,000	20.00	2,000,000	20.00
Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck, Lenzing, Austria[4]	EUR	1,155,336	99.90	1,155,336	99.90
Lenzing Papier GmbH, Lenzing, Austria	EUR	35,000	40.00	35,000	40.00
PT. Pura Golden Lion, Jakarta, Indonesia	IDR	2,500,000,000	40.00	2,500,000,000	40.00
WWE Wohn- und Wirtschaftspark Entwicklungsgesellschaft m.b.H., Vienna, Austria	EUR	-	-	36,336	25.00
Joint ventures					
Hygiene Austria LP GmbH, Wiener Neudorf	EUR	35,000	50.10	-	-
LD Florestal S.A., Sao Paulo, Brazil	BRL	177,452,357	50.00	177,452,357	50.00
RVL Reststoffverwertung Lenzing GmbH, Lenzing, Austria	EUR	36,336	50.00	36,336	50.00
Wood Paskov s.r.o., Paskov, Czech Republic	CZK	2,000,000	50.00	2,000,000	50.00

Comments:

1) In the 2020 financial year the investment in Lenzing Technik GmbH, Lenzing was merged with Lenzing AG, Lenzing.

2) The share held directly by the Lenzing Group equals 88.08 percent (December 31, 2018: 88.08 percent). A further 11.92 percent of the shares are held indirectly via PT. Pura Golden Lion, Jakarta, Indonesia, an associate of the Lenzing Group. The total calculated share therefore equals 92.85 percent.

3) The Lenzing Group participates through a membership. It holds 50 percent of the voting rights and can appoint half of the Managing Board members. Since all assets are attributable to the respective landowner under company law, the entity is notionally a separate company (a so-called "silo structure"). Assets located on the Lenzing Group's land are therefore included in the consolidation.

4) This investment is not included in the consolidated financial statements as a subsidiary, even though the Lenzing Group holds 99.9 percent of the voting rights in the company. In light of the given circumstances, the Lenzing Group does not control this company because its power is limited and because the returns hardly vary or can hardly be influenced by the Lenzing Group. Significant influence is exercised by the Lenzing Group over the financial and operating policies of this company, in particular through representation on management bodies and participation in decision-making processes.

Note 42. Significant events after the end of the reporting period

Since early March 2021, Lenzing AG has tried to obtain control of Hygiene Austria LP GmbH (HGA) based on contractual agreements of early February 2021 without any monetary consideration. The shares held in HGA have remained unchanged, with Lenzing holding 50.1 percent and Palmers 49.9 percent. Exercising the operational management has so far not been possible because Lenzing AG did not have access to important documents. The intention is to entrust a firm of chartered accountants and tax advisors with the management of Lenzing's shares in HGA. Further information on HGA is provided in particular in notes 21 and 38.

In early March 2021, a house search in connection with alleged violations of the law took place at HGA. As the investigations have not been completed, a final assessment of the facts is not possible at the date of the preparation of the financial statements. In light of recent events, the assets and guarantees described in notes 21 and 38 in connection with the investment in HGA are subject to risk of value change which cannot be estimated at present.

Other than that, the Lenzing Group is not aware of any significant events occurring after the reporting date on December 31, 2020 which would have resulted in a different presentation of its financial position and financial performance.

Note 43. Authorization of the consolidated financial statements

These consolidated financial statements were approved on March 8, 2021 (consolidated financial statements as at December 31, 2019: March 3, 2020) by the Managing Board for review by the Supervisory Board, presentation to the Annual General Meeting and subsequent publication. The Supervisory Board may require changes to the consolidated financial statements as part of its review.

Lenzing, March 08, 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

Auditor’s Report

Report on the Consolidated Financial Statements

Audit Opinion
We have audited the consolidated financial statements of Lenzing Aktiengesellschaft, Lenzing, Austria, and its subsidiaries (the Group), which comprise the consolidated Balance Sheet as at 31 December 2020, and the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion
We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian Generally Accepted Accounting Principles and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor’s report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

Impairment of Cash-Generating Units (“CGU”) “Fiber Site China” and “Fiber Site Indonesia”
See Note 17 “Intangible Assets”.

Risk for the financial statements
In the financial year 2020 Lenzing Aktiengesellschaft identified triggering events that the cash-generating units "Fiber Site China" and "Fiber Site Indonesia" may be impaired. The estimated recoverable amounts (impairment test) of both cash-generating units exceeded their carrying amounts.

The measurement of the recoverable amount of cash-generating units in accordance with IAS 36 requires assumptions and estimates, such as the estimated future cash flows, as well as the determination of the applicable discount rate.

There is a risk that inappropriate assumptions and estimates used to measure the recoverable amount could have a significant impact on the recoverable amount and therefore the carrying amounts of the cash-generating units in the consolidated statement of financial position, as well as the operating result in the consolidated income statement.

Our response
We assessed the impairment tests carried out by the company with support of our internal valuation experts as follows:

To assess the adequacy of the cash flow projections used by management to measure recoverable amount, we have evaluated managements planning process and discussed the assumptions for growth rates and operating results with management. Additionally, we have compared these cash flow projections with the most recent budget approved by the supervisory board as well as the midterm planning approved by the managing board.

To assess managements historical planning accuracy we have compared actual financial figures with prior years cash flow projections.

Our internal valuation experts have assessed the methodology used for impairment testing for compliance with the applicable standards. Our experts furthermore compared the assumptions, on which the determination of capital cost rates were based, with market- and industry-specific reference values and verified the mathematical accuracy of the calculation.

Additionally, we have verified whether the descriptions in the notes to the financial statements on impairment testing of the CGUs "Fiber Site China" and "Fiber Site Indonesia" were appropriate.

Classification of the perpetual bond issued in 2020 as equity
See Note 27 "Equity".

Risk for the financial statement
Lenzing Aktiengesellschaft issued a perpetual with a total volume of EUR 500 mn on November 30, 2020. The bond is subordinated, unsecured, has an indefinite term and can be called and redeemed for the first time after five years by Lenzing Aktiengesellschaft, but not by the bond holders. The payment of interest may be partially or fully suspended by the issuer.

Based on the terms and conditions of the bond, Lenzing Aktiengesellschaft classifies the bond as equity in accordance with IAS 32 "Financial Instruments: Presentation". The proceeds of the issue less directly attributable transaction costs amounting to EUR 496.6 mn are recognized in the consolidated statement of financial position as at December 31, 2020 under the item "hybrid capital" within equity.

For the consolidated financial statements and group management report, there is a risk that an incorrect classification of the perpetual bond as equity may have a material impact on the presentation of equity, the financial result and the net result for the year, as well as the disclosures and key figures derived therefrom in the consolidated financial statements and group management report.

Our response
We have assessed the Company's classification of the hybrid bond issued on November 30, 2020 as equity in accordance with IAS 32 as follows:

We have analyzed the bond's terms and conditions included in the company's issuance prospectus and we have reviewed the Company's classification as equity in accordance with the provisions of IAS 32 "Financial Instruments: Presentation".

We have assessed whether accounting treatment of transaction costs directly attributable to the issue is in accordance with the provisions of IAS 32 "Financial Instruments: Presentation" and whether these transaction costs were deducted from the proceeds of the issue.

We also assessed whether the presentation of the perpetual bond in the consolidated statement of changes in equity and the notes to the consolidated financial statements are appropriate.

Other information
Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report, and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, Austrian Generally Accepted Accounting Principles as well as the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement – whether due to fraud or error – and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with the Austrian Generally Accepted Accounting Principles, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated June 18, 2020, we were elected as auditors. We were appointed by the supervisory board on July 27, 2020.

We have been the Company's auditors from the year ended December 31, 2017, without interruptions.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner on this engagement is Mrs. Gabriele Lehner.

Linz, March 08, 2021

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Gabriele Lehner

Austrian Chartered Accountant

This report is a translation of the original report in German, which is solely valid.
The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

Declaration of the Managing Board

Declaration of the Managing Board according to Section 124 (1) No. 3 of the Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements of the Lenzing Group as at December 31, 2020 that were prepared in accordance with the applicable accounting standards pursuant to International Financial Reporting Standards (IFRSs) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Lenzing Group and that the group management report gives a true and fair view of the development and performance of the business and the position of the Lenzing Group, together with a description of the principal risks and uncertainties the Lenzing Group faces.

Lenzing, March 08, 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

Lenzing Group Five-Year Overview

Key earnings and profitability figures

EUR mn	2020	2019	2018	2017	2016
Revenue	1,632.6	2,105.2	2,176.0	2,259.4	2,134.1
EBITDA (earnings before interest, tax, depreciation and amortization)	196.6	326.9	382.0	502.5	428.3
EBITDA margin	12.0 %	15.5 %	17.6 %	22.2 %	20.1 %
EBIT (earnings before interest and tax)	38.1	162.3	237.6	371.0	296.3
EBIT margin	2.3 %	7.7 %	10.9 %	16.4 %	13.9 %
EBT (earnings before tax)	22.3	163.8	199.1	357.4	294.6
Net profit/loss for the year	(10.6)	114.9	148.2	281.7	229.1
Earnings per share in EUR	0.24	4.63	5.61	10.47	8.48
ROCE (return on capital employed)	(0.6)%	5.3 %	10.3 %	18.6 %	15.1 %
ROE (return on equity)	1.3 %	10.5 %	12.9 %	24.5 %	22.6 %
ROI (return on investment)	1.0 %	5.6 %	9.3 %	14.5 %	11.8 %

Key cash flow figures

EUR mn	2020	2019	2018	2017	2016
Gross cash flow	126.8	294.0	304.0	418.7	385.9
Cash flow from operating activities	48.9	244.6	280.0	271.1	473.4
Free cash flow	(614.8)	0.8	23.5	32.6	366.3
CAPEX	668.8	244.0	257.6	238.8	107.2
Liquid assets as at 31/12	1,081.1	581.0	254.4	315.8	570.4
Unused credit facilities as at 31/12	1,031.4	266.6	341.6	213.8	217.7

Key balance sheet figures

EUR mn as at 31/12	2020	2019	2018	2017	2016
Total assets	4,163.0	3,121.1	2,630.9	2,497.3	2,625.3
Adjusted equity	1,907.0	1,559.3	1,553.0	1,527.7	1,390.5
Adjusted equity ratio	45.8 %	50.0 %	59.0 %	61.2 %	53.0 %
Net financial debt	471.4	400.6	219.4	66.8	7.2
Net financial debt / EBITDA	2.4	1.2	0.6	0.1	0.0
Net debt	575.0	511.4	322.8	172.2	115.8
Net gearing	24.7 %	25.7 %	14.1 %	4.4 %	0.5 %
Trading working capital	383.8	403.5	444.4	414.4	379.6
Trading working capital to annualized group revenue	21.9 %	20.7 %	20.6 %	19.4 %	17.1 %

Key stock market figures

EUR	2020	2019	2018	2017	2016
Market capitalization in mn as at 31/12	2,198.3	2,198.3	2,109.4	2,810.3	3,053.3
Share price as at 31/12	82.80	82.80	79.45	105.85	115.00
Dividend per share	0.00[1]	0.00[2]	5.00	5.00	4.20

Employees	2020	2019	2018	2017	2016
Number (headcount) as at 31/12	7,358	7,036	6,839	6,488	6,218

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

The above financial indicators are derived primarily from the IFRS consolidated financial statements of the Lenzing Group. Additional details are provided in the section “Notes on the financial performance indicators of the Lenzing Group”, in the glossary to the Annual Report and in the consolidated financial statements of the Lenzing Group. Rounding differences can occur in the presentation of rounded amounts and percentage rates.

Financial calendar 2021

Publication Financial Calendar 2021 (acc. to Prime market regulation)

	Date
Final results 2020	Thu, March 11
Record date "Annual General Meeting"	So, April 04
77th Annual General Meeting	Wed, April 14
Quotation ex dividend	Mo, April 19
Record date "dividends"	Tue, April 20
Dividend distribution	Wed, April 21
Results 1st quarter 2021	Wed, May 05
Half-year results 2021	Wed, August 04
Results 3rd quarter 2021	Wed, November 03

Notes:

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

Glossary

Biobased
Products are considered biobased when they are made completely or in part from renewable raw materials. These products can be biodegradable or non-biodegradable.

Bioenergy
Bioenergy is energy that is generated from biomass. This term covers various types of energy like heat or electricity as well as biomass in which the energy is stored chemically. Renewable raw materials represent the main energy sources.

Biorefinery
A biorefinery is a refinery which processes biomass (e.g. wood) into various products. The underlying concept is based on the integrated, high-quality utilization of the biomass. The two biorefinery locations in Lenzing (Austria) and Paskov (Czech Republic) utilize 100 percent of the wood – in the form of pulp, biobased materials and bioenergy.

Cellulose
Cellulose is a structural component in the cell walls of plants and the raw material used for pulp production. The cellulose content of wood is about 40 percent.

Co-product
By-products recovered during fiber production.

Dissolving wood pulp
A special kind of pulp with distinct characteristics which is used to manufacture viscose, modal and lyocell fibers and other cellulose-based products; this grade of pulp is characterized by a higher alpha cellulose content and high purity.

FSC®
The Forest Stewardship Council® (FSC®) is an international non-profit organization for wood certification (https://ic.fsc.org/).

Integration
All steps in fiber production – from the raw material wood to pulp production and fiber production – are located at the same site.

ISO 14001
An international standard for the certification of environmental management systems.

ISO 9001
An international standard for the certification of quality management systems.

LENZING™ ECOVERO™
A viscose fiber developed by Lenzing with a very favorable ecological footprint, which can be identified in the finished products due to a special technology; this way, transparency is ensured along the entire processing chain.

LENZING™ Web Technology
A web formation process newly developd by Lenzing, which starts with dissolving wood pulp and produces a nonwoven material that consists of 100 percent lyocell filament yarn.

Lyocell fiber
A type of cellulose fiber developed by Lenzing, which is produced in a very environmentally friendly process; Lenzing markets these fibers under the TENCEL™ and VEOCEL™ brands. The production process is particularly environmentally friendly because of its closed loop and use of only one solvent.

Modal fiber
Modal is a viscose fiber which is refined under modified viscose production and spinning conditions. It is characterized by special softness and is the preferred fiber for high-quality underwear and similar products. The fibers have improved usage properties such as strength, dimensional stability, etc. Lenzing markets these fibers under the TENCEL™ brand.

Nonwovens
The nonwoven materials made from VEOCEL™ fibers are used for sanitary, medical and cosmetics applications.

OHSAS 18001
Occupational Health and Safety Assessment Series (OHSAS) is a certification process for work safety management systems.

PEFC™
The Programme for the Endorsement of Forest Certification Schemes™ (PEFC™) is an international non-profit organization for wood certification.

REFIBRA™
Lenzing introduced the REFIBRA™ technology at the beginning of 2017. As raw materials, this new technology uses pulp from fabric scraps resulting from the production of cotton clothing and pulp from wood. Fibers made with this technology are produced in the very environmentally friendly lyocell production process.

Glossary

sCore TEN
The name of the Lenzing Group's corporate strategy stands for a steady focus on performance (scoring) and the strengthening of the core business (core) as well as for long-term growth with specialty fibers like TENCEL™ and VEOCEL™.

TENCEL™ Luxe
The first filament yarn made by Lenzing. It is produced from pulp and is not a fiber, but rather a finished yarn, which therefore does not have to be spun.

Viscose fibers
A cellulosic fiber produced from raw materials of plant origin (e.g. wood) using the viscose process.

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 consolidated statement of cash flows.

Capital employed
Total assets minus the following: non-interest-bearing debt, cash and cash equivalents, current securities, investments accounted for using the equity method and financial assets.

Earnings per share
The share of annual net profit/loss for the year attributable to the shareholders of Lenzing AG divided by the weighted aver-age number of issued shares, calculated according to IFRS (IAS 33 earnings per share); the precise derivation can be found under note 16 in the notes to the consolidated financial statements.

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

EBIT margin
EBIT as a percent 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. The precise derivation can be found in the consolidated income statement.

EBITDA margin
EBITDA as a percent of revenue.

EBT (earnings before tax)
Profit/loss for the year before income tax expense. The precise derivation can be found in the consolidated income statement.

Equity
The equity item aggregates the equity instruments as defined by IFRS. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. This represents the funds provided to the entity by its owners.

Free cash flow
Cash flow from operating activities less cash flow from investing activities and net cash inflow from the sale and disposal of subsidiaries and other business areas plus acquisition of financial assets and investments accounted for using the equity method less proceeds from the sale/repayment of financial assets 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 financial debt/EBITDA
Net financial debt as a percent of EBITDA.

Net gearing
Net financial debt as a percent of adjusted equity.

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

Non-interest-bearing debt
Trade payables plus the following: puttable non-controlling interests, other liabilities, current tax liabilities, deferred tax liabilities and the proportional share of deferred taxes on government grants as well as provisions (excluding post-employment benefits).

NOPAT
Net operating profit after tax; operating result (EBIT) less the proportional share of current income tax expense.

Post-employment benefits
Provisions for pensions and severance payments.

ROCE (return on capital employed)
NOPAT as a percent of average capital employed (average from January 1 and December 31).

ROE (return on equity)
EBT (earnings before tax) as a percent of average adjusted equity (average from January 1 and December 31).

ROI (return on investment)
EBIT (earnings before interest and tax) as a percent of average total assets (average from January 1 and December 31).

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 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.

Innovative by nature

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Imprint

Copyright and published by
Lenzing Aktiengesellschaft
4860 Lenzing, Austria
www.lenzing.com

Concept and edited by
Filip Miermans, Daniel Winkelmeier (Lenzing Group)

Layout and graphic design
ElectricArts Werbeagentur GmbH

Text pages 46-71, 87-169
Produced in-house using FIRE.sys

Photographs by
Al Dente Entertainment GmbH
BMDW/Fellner
ElectricArts Werbeagentur GmbH
Farknot Architect/shutterstock.com
Kirk Cheung Photography
Lenzing AG/Cheung Chi Lock
Lenzing AG/Christian Leopold
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