CHAPTER

4 /4

Consolidated Financial Statements 2021

Content

Content notes

Consolidated Income Statement

for the period from January 1 to December 31, 2021

EUR '000

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

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see note 2).
2) EBIT: Operating result, resp. earnings before interest and tax.
EBT: Earnings before tax.

Lenzing AG

Consolidated Statement of Comprehensive Income

for the period from January 1 to December 31, 2021

EUR '000

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

Consolidated Statement of Financial Position

as at December 31, 2021

EUR '000

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

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

Consolidated Statement of Changes in Equity

for the period from January 1 to December 31, 2021

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

EUR '000

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

Consolidated Statement of Cash Flows

for the period from January 1 to December 31, 2021

EUR '000

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

Notes to the Consolidated Financial Statements

as at December 31, 2021

General Information

Note 1. Basic information

Description of the company and its business activities

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

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

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

Basis of Reporting

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

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

Effects of the COVID-19 crisis on the annual results

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

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

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

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

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

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

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

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

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

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

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

Note 2. Changes in accounting policies

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

Mandatory changes in accounting policies

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

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

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

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

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

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

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

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

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

Voluntary changes in accounting policies

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

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

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

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

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

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

EUR '000

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

EUR '000

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

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

Note 3. Consolidation

Scope of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of consolidation

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

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

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

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

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

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

Exchange rates for key currencies

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

Note 4. Segment reporting

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

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

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

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

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

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

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

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

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

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

Information on business segments (former segment structure) (previous year)

EUR '000

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

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see note 2).
2) EBITDA margin = EBITDA (operating result before depreciation and amortization) in relation to total revenue (here: according to segment reporting).
3) EBIT margin = EBIT (operating result) in relation to total revenue (here: according to segment reporting).

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

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

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

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

EUR '000

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

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see note 2).

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

Information on products and services

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

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

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

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

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

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

Information on geographic regions

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

Revenue from external customers by geographic regions EUR '000

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

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

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

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

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

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

Notes on the Consolidated Income Statement

Note 5. Revenue

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

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

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

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

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

Note 6. Functional costs

Cost of sales

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

Selling expenses

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

Administrative expenses

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

Research and development expenses

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

Note 7. Other operating income

Other operating income consists of the following:

Other operating income — EUR '000

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

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

Note 8. Other operating expenses

Other operating expenses comprise the following:

Other operating expenses — EUR '000

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

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

Note 9. Cost of material and other purchased services

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

Cost of material and other purchased services EUR '000

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

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

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

Note 10. Personnel expenses

The following table shows the composition of personnel expenses:

Personnel expenses EUR '000

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

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see note 2).

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

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

Number of employees (headcount)

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

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

Average number of employees in Austria (headcount)

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

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

Amortization and depreciation include the following:

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

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

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

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

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

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

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

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

Impairment test of the CGU Fiber Site China

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

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

Impairment test of the CGU Fiber Site Indonesia

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

Impairment test of CGUs to which goodwill is allocated

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

Goodwill by segment/CGU EUR '000

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

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

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

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

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

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

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

Sensitivity analysis of assumptions for impairment testing

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

Sensitivity analysis of assumptions for impairment testing (previous year)

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

Note 12. Auditor's fees

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

Auditors' fees expensed EUR '000

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

Auditors' fees expensed (previous year) EUR '000

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

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

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

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

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

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

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

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

Note 15. Financing costs

Financing costs comprise the following:

Financing costs

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

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see note 2).

Note 16. Income tax expense

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

Income tax expense by source EUR '000

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

Income tax expense by cause EUR '000

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

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

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

Tax reconciliation EUR '000

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

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

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

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

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

Note 17. Earnings per share

Earnings per share are calculated as follows:

Earnings per share EUR '000

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

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

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

Note 18. Intangible assets

Development

Intangible assets developed as follows:

Development of intangible assets EUR '000

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

Development of intangible assets (previous year)

EUR '000

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

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

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

Useful lives for intangible assets

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

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

Note 19. Property, plant and equipment

Development

Property, plant and equipment developed as follows:

Development of property, plant and equipment EUR '000

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

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

Development of property, plant and equipment (previous year)

EUR '000

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

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

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

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

Useful lives for property, plant and equipment

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

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

Operating leases as a lessor

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

Capitalization of borrowing costs

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

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

Note 20. Biological assets

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

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

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

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

Biological assets developed as follows:

Development of biological assets EUR '000

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

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

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

The following assumptions were made:

Assumptions of level 3 input factors for biological assets

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

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

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

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

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

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

Note 21. Right-of-use assets

The Lenzing Group as the lessee

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

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

Development of right-of-use assets — EUR '000

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

Development of right-of-use assets — EUR '000

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

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

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

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

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

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

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

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

Amounts recognized in profit or loss EUR '000

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

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

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

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

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

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

The Lenzing Group as the lessor

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

Undiscounted annual minimum lease payments as lessor EUR '000

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

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

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

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

Note 22. Investments accounted for using the equity method

Investments accounted for using the equity method comprise the following:

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

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

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

Investments accounted for using the equity method developed as follows:

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

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

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

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

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

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

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

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

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

Summarized financial information on EFB EUR '000

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

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

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

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

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

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

Summarized financial information on LDF EUR '000

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

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

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

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

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

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

Note 23. Financial assets

Non-current financial assets comprise the following:

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

Non-current securities are classified as follows:

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

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

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

Note 24. Other non-current assets

Other non-current assets are classified as follows:

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

Note 25. Inventories

Inventories include the following components:

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

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

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

Note 26. Trade receivables

Trade receivables comprise the following:

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

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

Note 27. Other current assets

Other current assets comprise the following:

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

Note 28. Equity

Share capital and capital reserves

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

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

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

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

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

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

Other reserves

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

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

Other comprehensive income EUR '000

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

The hedging reserve developed as follows:

Changes in the hedging reserve EUR '000

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

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

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

Retained earnings

Retained earnings comprise the following:

Retained earnings — EUR '000

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

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

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

Dividends of Lenzing AG resolved and paid

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

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

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

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

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

Hybrid capital

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

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

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

Non-controlling interests

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

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

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

Summarized financial information on LDC EUR '000

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

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

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

Summarized financial information on SPV EUR '000

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

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

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

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

Note 29. Government grants

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

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

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

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

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

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

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

Note 30. Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax assets EUR '000

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

Deferred tax liabilities EUR '000

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

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

Deferred taxes developed as follows:

Development of deferred taxes EUR '000

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

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

Loss carryforwards (assessment basis) EUR '000

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

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

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

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

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

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

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

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

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

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

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

Note 32. Provisions

The Lenzing Group's provisions are classified as follows:

Provisions EUR '000

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

Provisions for pensions and similar obligations

Pensions and severance payments

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

Defined benefit plans (for pensions and severance payments)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Development of defined benefit plans EUR '000

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

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

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

Sensitivity analysis of the defined benefit pension and severance payment obligations

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

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

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

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

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

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

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

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

Defined contribution plans (for pensions and severance payments)

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

The expenses for defined contribution plans are as follows:

Expenses for defined contribution plans — EUR '000

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

Provisions for jubilee benefits

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

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

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

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

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

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

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

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

Other provisions and accruals

Other provisions and accruals developed as follows:

Development of other provisions EUR '000

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

Development of other provisions (previous year) EUR '000

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

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

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

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

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

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

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

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

Note 33. Trade payables

All trade payables are classified as current assets.

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

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

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

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

Note 34. Other liabilities

Other non-current liabilities consist of the following:

Other non-current liabilities EUR '000

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

Other current liabilities consist of the following:

Other current liabilities EUR '000

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

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

Other accruals cover, above all, anticipated losses from revenue reductions/increases in expenses from transactions with customers and suppliers (in particular, discounts and rebates) and liabilities for the delivery of goods and the performance of services by third parties which have not yet been invoiced.

Notes to the Consolidated Statement of Cash Flows

Note 35. Disclosures on the Consolidated Statement of Cash Flows

Liquid funds represent cash and cash equivalents as shown on the statement of financial position. Cash and cash equivalents include cash in hand and cash at banks, demand deposits, checks and short-term time deposits as well as liquid current securities with a term of less than three months which are only subject to limited fluctuations in value (see note 37).

Other non-cash income/expenses in the 2021 financial year includes impairment losses to inventories as well as write-ups and impairment losses to financial assets and other non-current assets.

Other non-cash income/expenses also contain unrealized net exchange rate gains/losses and measurement effects from receivables.

Non-cash transactions from the acquisition of intangible assets and property, plant and equipment are not included in cash flow from investing activities for the current period. These transactions essentially involve outstanding payments to suppliers of EUR 16,180 thousand (2020: EUR 41,179 thousand).

Cash and cash equivalents also include bank accounts with negative balances in cases where netting agreements have been concluded (see note 37).

Reconciliation of financial liabilities EUR '000

2021		Private placements	Bank loans	Loans from other lenders	Lease liabilities	Subtotal other financial liabilities	Total
As at 01/01		689,114	733,188	69,300	60,890	863,378	**1,552,492**
Cash flows	Increase in financial liabilities	0	622,844	3,539	0	626,384	**626,384**
	Repayment of financial liabilities	(56,000)	(60,668)	(13,037)	(13,879)	(87,584)	**(143,584)**
Non-cash changes	Currency translation adjustment	4,422	44,360	120	828	45,308	**49,730**
	Discounting/accrued interest	305	2,936	(2,739)	5,581	5,778	**6,083**
	Additions to lease liabilities	0	0	0	10,095	10,095	**10,095**
	Other changes	0	0	0	(40)	(40)	**(40)**
As at 31/12		**637,841**	**1,342,661**	**57,183**	**63,475**	**1,463,320**	**2,101,161**

Reconciliation of financial liabilities (previous year) EUR '000

2020		Private placements	Bank loans	Loans from other lenders	Lease liabilities	Subtotal other financial liabilities	Total
As at 01/01		599,932	293,761	51,562	36,337	381,659	**981,591**
Cash flows	Increase in financial liabilities	131,691	547,656	56,621	0	604,277	**735,968**
	Repayment of financial liabilities	(37,500)	(97,984)	(31,921)	(14,787)	(144,691)	**(182,191)**
Non-cash changes	Currency translation adjustment	(5,293)	(10,433)	(7,051)	(10,191)	(27,674)	**(32,967)**
	Discounting/accrued interest	284	188	89	5,533	5,810	**6,094**
	Additions to lease liabilities	0	0	0	50,888	50,888	**50,888**
	Other changes	0	0	0	(6,891)	(6,891)	**(6,891)**
As at 31/12		**689,114**	**733,188**	**69,300**	**60,890**	**863,378**	**1,552,492**

Notes on Risk Management

Note 36. Capital risk management

General information

The overriding objective of equity and debt management in the Lenzing Group is to optimize the income, costs and assets of the individual operations/business units and of the Group as a whole in order to achieve and maintain sustainably strong economic performance and a sound balance sheet structure. An important role in this process is played by financial leverage capacity, the protection of sufficient liquidity at all times and a clear focus on key cash-related and performance indicators in line with the Group's strategic course and long-term goals. This protects the ability of the group companies to operate on a going concern basis. In addition, the authorized capital and contingent capital give Lenzing AG greater flexibility in raising additional equity in order to take advantage of future market opportunities.

The equity management strategy followed by the Lenzing Group is designed to ensure that Lenzing AG and the other group companies have an adequate equity base to meet local requirements. A couple of loan agreements with banks also include financial covenants, above all concerning the level of equity, the ratio of net financial debt to EBITDA and other financial indicators or financial criteria for the Group or individual or aggregated group companies. A breach of these financial covenants would allow the banks to demand early repayment of the financial liabilities in certain cases. These financial covenants are regularly monitored by the Global Treasury department and are considered in the determination of distributions by the involved group companies. All related capital requirements were met during the 2021 financial year.

Management uses an adjusted equity ratio for internal control purposes. Adjusted equity is calculated in accordance with IFRS and comprises equity as well as investment grants less the related deferred taxes. The adjusted equity ratio (= adjusted equity in relation to total assets) equaled 39.7 percent as at December 31, 2021 (December 31, 2020: 45.8 percent).

Adjusted equity is calculated as follows:

Adjusted equity EUR '000

	31/12/2021	31/12/2020
Equity	2,072,085	1,881,427
+ Government grants	57,857	34,062
- Proportional share of deferred taxes on government grants	(14,238)	(8,455)
Total	**2,115,704**	**1,907,034**

The dividend policy of Lenzing AG, as the parent company of the Lenzing Group, is based on the principles of continuity and a long-term focus in order to support the future development of the company, to distribute dividends to shareholders in line with the company's opportunity and risk situation, and to appropriately reflect the interests of all other stakeholders who are decisive for the company's success.

Net financial debt

The Supervisory Board and Managing Board of Lenzing AG regularly review the development of net financial debt because this indicator is an extremely important benchmark not only for the Group's management, but also for the financing banks. The ratio of net financial debt to EBITDA is particularly relevant. The continued optimal development of the Lenzing Group is only possible with convincing internal financing strength as the basis for increased debt capacity.

Interest-bearing financial liabilities are classified as follows:

Interest-bearing financial liabilities EUR '000

	31/12/2021	31/12/2020
Non-current financial liabilities	1,981,036	1,446,876
Current financial liabilities	120,125	105,616
Total	**2,101,161**	**1,552,492**

Liquid assets consist of the following:

Liquid assets EUR '000

	31/12/2021	31/12/2020
Cash and cash equivalents	1,113,279	1,069,998
Liquid bills of exchange (in trade receivables)	10,841	11,123
Total	**1,124,120**	**1,081,122**

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

Net financial debt (absolute) EUR '000

	31/12/2021	31/12/2020
Interest-bearing financial liabilities	2,101,161	1,552,492
- Liquid assets	(1,124,120)	(1,081,122)
Total	**977,041**	**471,370**

Net financial debt in relation to EBITDA		EUR '000
	31/12/2021	31/12/2020
EBITDA	362,941	192,327[1]
Net financial debt / EBITDA	2.7	2.5[1]

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see note 2).

Note 37. Disclosures on financial instruments

Carrying amounts, fair values, measurement categories and measurement methods

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities for each class and each IFRS 9 category and reconciles this information to the appropriate line items on the statement of financial position. Other receivables (non-current and current) and other liabilities (non-current and current) as reported on the statement of financial position include financial instruments as well as non-financial assets and liabilities. Therefore, the “no financial instrument” column allows for a complete reconciliation with the line items on the statement of financial position. Lease liabilities which are to be considered financial liabilities but cannot be allocated to a measurement category in accordance with IFRS 9 are also reported in this column.

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

EUR '000

Financial assets as at 31/12/2021	Carrying amount							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	11,748	600					12,348	12,348	[1]
Non-current securities		6,622	0	12,802			19,423	19,423	Level 1
Other equity investments				7,097			7,097	7,097	Level 3
Current securities				32,232			32,232	32,232	Level 1
Financal assets (current and non-current)	11,748	7,222	0	52,131	0	0	71,101	71,101	
Trade receivables	325,172	0	0	0	0	0	325,172	325,172	[1]
Derivatives with a positive fair value (cash flow hedges)					1,841		1,841	1,841	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		109					109	109	Level 2
Other	13,488	4,087				191,908	209,483	209,483	Level 3
Other assets (current and non-current)	13,488	4,196	0	0	1,841	191,908	211,433	211,433	
Cash and cash equivalents	769,764	343,515	0	0	0	0	1,113,279	1,113,279	[1,2]
Total	**1,120,172**	**354,933**	**0**	**52,131**	**1,841**	**191,908**	**1,720,984**	**1,720,984**	

Financial liabilities as at 31/12/2021	Carrying amount						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	637,841					637,841	638,850	Level 3
Liabilities to banks	1,342,661					1,342,661	1,384,544	Level 3
Liabilities to other lenders	57,183					57,183	56,920	Level 3
Lease liabilities					63,475	63,475	63,475	[1]
Financial liabilities	2,037,686	0	0	0	63,475	2,101,161	2,143,788	
Trade payables	414,768	0	0	0	0	414,768	414,768	[1]
Provisions (current)	0	0	0	0	39,088	39,088	39,088	[1]
Puttable non-controlling interests	0	0	0	234,409	0	234,409	234,409	Level 3
Derivatives with a negative fair value (cash flow hedges)			22,607			22,607	22,607	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		5,799				5,799	5,799	Level 2
Derivatives with a negative fair value (fair value hedges)			0			0	0	Level 3
Other	40,442				118,274	158,716	158,716	[1]
Other liabilities (current and non-current)	40,442	5,799	22,607	0	118,274	187,122	187,122	
Total	**2,492,896**	**5,799**	**22,607**	**234,409**	**220,837**	**2,976,549**	**3,019,176**	

1) The carrying amount approximates fair value.
2) Cash and cash equivalents include money market funds. These money market funds are allocated to the category “at fair value through profit or loss”. The carrying amount of other cash and cash equivalents approximates fair value.

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

EUR '000

	Carrying amount							Fair value	
Financial assets as at 31/12/2020	**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	11,591						**11,591**	11,591	[1]
Non-current securities		819	3,727	11,821			**16,367**	16,367	Level 1
Other equity investments				12,931			**12,931**	12,931	Level 3
Financal assets (current and non-current)	**11,591**	**819**	**3,727**	**24,753**	**0**	**0**	**40,890**	**40,890**	
Trade receivables	**249,662**	**0**	**0**	**0**	**0**	**0**	**249,662**	**249,662**	[1]
Derivatives with a positive fair value (cash flow hedges)					11,340		**11,340**	11,340	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		1,838					**1,838**	1,838	Level 2
Other	17,095	4,087				136,902	**158,084**	158,084	Level 3
Other assets (current and non-current)	**17,095**	**5,925**	**0**	**0**	**11,340**	**136,902**	**171,262**	**171,262**	
Cash and cash equivalents	**1,069,998**	**0**	**0**	**0**	**0**	**0**	**1,069,998**	**1,069,998**	[1]
Total	**1,348,346**	**6,744**	**3,727**	**24,753**	**11,340**	**136,902**	**1,531,812**	**1,531,812**	

	Carrying amount						Fair value	
Financial liabilities as at 31/12/2020	**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	689,114					**689,114**	690,427	Level 3
Liabilities to banks	733,188					**733,188**	745,794	Level 3
Liabilities to other lenders	69,300					**69,300**	70,225	Level 3
Lease liabilities					60,890	**60,890**	60,890	[1]
Financial liabilities	**1,491,602**	**0**	**0**	**0**	**60,890**	**1,552,492**	**1,567,337**	
Trade payables	**195,200**	**0**	**0**	**0**	**0**	**195,200**	**195,200**	[1]
Provisions (current)	**0**	**0**	**0**	**0**	**25,657**	**25,657**	**25,657**	[1]
Puttable non-controlling interests	**0**	**0**	**0**	**140,341**	**0**	**140,341**	**140,341**	Level 3
Derivatives with a negative fair value (cash flow hedges)			61,353			**61,353**	61,353	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		1,358				**1,358**	1,358	Level 2
Derivatives with a negative fair value (fair value hedges)			5,548			**5,548**	5,548	Level 3
Other	30,548				69,820	**100,368**	100,368	[1]
Other liabilities (current and non-current)	**30,548**	**1,358**	**66,900**	**0**	**69,820**	**168,626**	**168,626**	
Total	**1,717,350**	**1,358**	**66,900**	**140,341**	**156,367**	**2,082,316**	**2,097,161**	

1) The carrying amount approximates fair value.

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

Cash and cash equivalents include money market funds in the amount of EUR 343,515 thousand (December 31, 2020: EUR 0 thousand). In assessing the classification of money market funds as cash equivalents, an assessment is undertaken to determine whether the fund meets the definition of cash equivalents. In particular, Lenzing AG examines whether regular and early callability may occur and whether the credit risk and interest rate risk are low. With regard to credit risk, the creditworthiness of the fund itself and of the instruments it contains is assessed. Interest rate risk is examined, in particular, using the fund’s Weighted Average Maturity (WAM). Money market funds are allocated to the category “at fair value through profit or loss”. The fair value is derived from the latest calculated value and is to be categorized in level 1 of the fair value hierarchy.

In the financial year under review, a reclassification was realized from equity instruments measured at fair value through other comprehensive income (level 3) to current securities (level 1). The reason for the reclassification is the initial public offering of the company Spinnova OY, Jyväskylä, Finland, on June 24, 2021. The interest held by Lenzing AG was converted into shares. As a consequence of the issue of the new shares, the previous interest of 6.8 percent was diluted and now amounts to 4.67 percent. The securities are measured at fair value and recognized directly in other comprehensive income due to the exercise of the corresponding option. This leads to an adjustment of the carrying amount of EUR 31,732 thousand.

The Lenzing Group accounts for reclassifications in the fair value hierarchy at the end of the reporting period in which the changes occur.

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

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

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

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

The measurement of equity investments including derivatives designated as a hedge (fair value hedge) is classified “at fair value through other comprehensive income”. The fair value is determined on the basis of a market approach and is to be categorized in level 3 of the fair value hierarchy. The determined fair value of the equity investment would increase (decrease) in particular if the planned EBITDA increased (decreased). The determined fair value of the derivative has an inverse correlation to the abovementioned parameters.

The nominal value of fair value hedge derivatives amounts to EUR 14,120 thousand as at December 31, 2021 (December 31, 2020 : EUR 11,723 thousand). The change in value for the hedged item and the hedge, which was used to calculate ineffectiveness, amounts to EUR 0 thousand as at December 31, 2021 (December 31, 2020: EUR minus 5,547 thousand). No ineffectiveness was recognized through profit or loss in the current financial year or in the previous year. The risk management goal is to hedge the value of the investment against value fluctuations. The economic relationship for fair value hedge derivatives is ensured by the fact that the change in the value of the hedged item is offset by the change in the value of the hedge. A put/call option is used as a hedge. The hedge ratio is determined based on the nominal value. The hedging instruments run until December 31, 2021 and December 31, 2022.

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

Development of level 3 fair values of equity investments and related derivatives **EUR '000**

2021	Equity investments	Derivatives with a negative fair value (fair value hedges)
As at 01/01	12,931	(5,547)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	(5,334)	5,547
Transfer to Level 1	(500)	0
As at 31/12	**7,097**	**0**

Development of level 3 fair values of equity investments and related derivatives (previous year) **EUR '000**

2020	Equity investments	Derivatives with a negative fair value (fair value hedges)
As at 01/01	11,459	(3,026)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	1,472	(2,522)
As at 31/12	**12,931**	**(5,547)**

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

Sensitivity analysis of level 3 input factors for equity investments and related derivatives **EUR '000**

	Other comprehensive income (net of tax)					
	Increase			Decrease		
	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total
EBITDA (+/- 5%) 31/12/2021	395	0	395	(395)	0	(395)
EBITDA (+/- 5%) 31/12/2020	805	(277)	528	(805)	277	(528)

Other financial assets from earn-out agreements are classified "at fair value through profit or loss". The fair value of these other financial assets is determined based on an income approach. It is to be categorized in level 3 of the fair value hierarchy. The measurement model is based on the planned EBITDA, the weighted average cost of capital (WACC) after tax and the repayment terms.

The determined fair value would increase (decrease) in particular if EBITDA increased (decreased). The determined fair value would decrease (increase) if the WACC after tax increased (decreased). The determined fair value would increase if the repayment were to be made two years earlier.

Development of level 3 fair values of other financial assets **EUR '000**

	2021	2020
As at 01/01	4,087	4,087
Gain/loss included in financial result	0	0
As at 31/12	**4,087**	**4,087**

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

Sensitivity analysis of level 3 input factors for other financial assets **EUR '000**

	Financial result			
	31/12/2021		31/12/2020	
Other financial assets	Increase	Decrease	Increase	Decrease
EBITDA (+/- 5%)	133	(166)	133	(166)
Discount rate (WACC) after tax (+/- 1%)	(747)	926	(747)	926
Repayment 2 years earlier	395	n/a	395	n/a

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

Puttable non-controlling interests

The Dexco-Group (formerly known as Duratex Group) has a put option and has the right to sell its shares if a change of control occurs regarding the owner of the Lenzing Group (change of control clause). This obligation is recognized under liabilities from puttable non-controlling interests. Puttable non-controlling interests are allocated to the category "at fair value through other comprehensive income". The fair value of these puttable non-controlling interests is determined based on the planned or projected cash flows less cost of disposal and net debt at the measurement date. The budget approved by the Management and Supervisory Boards and the medium-term plans are the starting point for the cash flow projections. After the detailed planning period of five years, a 25-year return based on a sustainable EBITDA margin is expected based on last year's assumptions. The planning period for the calculation of fair value is contractually limited to a maximum of 30 years. Cash flows are discounted to their present value with a discounted cash flow method. The applied discount rate is calculated on an individual basis using the capital asset pricing model (CAPM) and represents a composite figure (weighted average cost of capital – WACC) that combines the average interest rate for debt and the anticipated return on equity employed. An after-tax WACC of 8,1 percent (December 31, 2020: 8.0 percent) was used at the measurement date. Fair value measurement is classified in full as level 3 of the fair value hierarchy because key input factors (in particular, cash flows) cannot be observed on the market.

Development of level 3 fair values of puttable non-controlling interest EUR '000

	2021	2020
As at 01/01	140,341	0
Addition due to change in shareholding interest recognised directly in equity	0	89,366
Measurement of puttable non-controlling interest recognized directly in equity	94,068	50,975
As at 31/12	**234,409**	**140,341**

The determined fair value would increase (decrease) if the operating margin increased (decreased) or if the after-tax WACC decreased (increased). A change these unobservable input factors would have the following effects on the measurement of puttable non-controlling interests:

Sensitivity analysis of level 3 input factors for puttable non-controlling interest EUR '000

	Measurement result offset against retained earnings			
	31/12/2021		31/12/2020	
Puttable non-controlling interests	**Increase**	**Decrease**	**Increase**	**Decrease**
EBITDA (+/- 5%)	8,223	(8,223)	8,104	(8,104)
Discount rate (WACC) after tax (+/- 0.25%)	(17,492)	18,266	(14,637)	15,274

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

The loan agreements, which were concluded for the construction of the dissolving wood pulp pant in Brazil (see note 30), include, at the project company level, financial covenants which refer in particular to the ratio of net financial debt to EBITDA and may trigger an obligation to repay the financial liabilities if the covenants are not met. At the Lenzing Group level, market restrictive covenants are in place. These financial covenants are regularly monitored by the Global Treasury department and are considered in the determination of distributions by the group companies involved. Lenzing AG and the joint venture partner have committed to a fixed debt/equity ratio of the project company (63/37) and guarantee the financial liabilities of the project company in the amount of their share in the capital. Lenzing AG therefore guarantees 51 percent. Due to the full consolidation, 100 percent of the project company's financial liabilities are included in the consolidated statement of financial position.

The fair values of the other financial liabilities are determined in accordance with generally accepted valuation methods based on the discounted cash flow method. The most important input factor is the discount rate, which incorporates the available market data (risk-free interest rates) and the credit standing of the Lenzing Group, which is not observable on the market. The fair values of the financial guarantee contracts represent the estimated expected default arising from the maximum possible payment obligation and the expected loss.

Derivative financial instruments and hedges

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

As a matter of principle, the Lenzing Group applies the hedge accounting rules defined by IFRS 9 to the following derivative financial instruments. The retrospective hedging effect or ineffectiveness is evaluated with the dollar-offset method, which compares the accumulated changes in the fair value of the hedged items with the accumulated changes in the fair value of the hedges in line with the compensation method.

The measurement of the hedged item is offset by the hedge and is therefore effective. Risks of ineffectiveness include the credit risk of a counterparty, a significant change in the credit risk of a contractual party in the hedging relationship or the change of time of payment of the hedged item, reduction of the total invoice amount or price of the hedged item. Risks are always hedged in their entirety. The hedging ratio for the hedged nominal values is 100 percent.

The critical terms of payment of the hedged items and hedging instruments (in particular, the nominal value and time of payment) are generally identical or offset one another ("critical terms match"). Therefore, the Managing Board considers the offsetting of value changes of the hedged items and hedging instrument resulting from changes in the exchange rate when forming a measurement unit as highly effective.

Cash flow hedge derivatives for currency risks

The Lenzing Group uses derivative financial instruments to hedge currency risks arising from investments and from the operating business. These derivative financial instruments serve to balance the variability of cash flows from future transactions. Hedges are determined in advance on the basis of the expected purchases and sales in the relevant foreign currency. In hedging future cash flows in foreign currencies (cash flow hedges), the Lenzing Group typically hedges the risk up to the time of the foreign currency payment. Hedge effectiveness is measured by grouping the hedged items and hedging instruments together in at least quarterly maturity ranges for each hedged risk. Cash flow hedges whose underlying hedged item was already recognized in profit or loss are used to hedge foreign currency receivables/liabilities that were recognized at the reporting date but do not impact cash until a later time.

Cash flow hedges were concluded during the 2020 financial year to hedge against the currency risk of highly probable additional capital contributions in a subsidiary. With the realization of the forward foreign exchange contracts, the amounts of the changes in value initially recognized in other comprehensive income were reclassified to the foreign currency translation reserves. As at December 31, 2021, EUR 850 thousand (December 31, 2020 EUR 24,018 thousand) were reclassified to the foreign currency translation reserve.

The nominal values and fair values of the cash flow hedges are as follows as at the reporting dates:

Nominal value, fair value and hedging period of cash flow hedge derivatives for currency risks

		31/12/2021						EUR '000
		Nominal value in '000	Positive fair value	Negative fair value	Net fair value	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffectiveness
Forward foreign exchange contracts								
CNY/CNH-sale / EUR-buy	CNY/CNH	1,084,600	450	(675)	(225)	12/2022	7.59	(3,200)
CNY/CNH-sale / GBP-buy	CNY/CNH	262,100	502	(391)	111	12/2022	8.86	(511)
EUR-buy / USD-sale	EUR	8,000	0	(246)	(246)	04/2022	1.17	(238)
BRL buy / EUR sale	BRL	155,000	0	(6,134)	(6,134)	06/2022	5.10	(6,134)
BRL buy / USD sale	BRL	288,000	56	(8,273)	(8,217)	07/2022	4.85	(8,217)
USD-buy / CNY-sale	USD	17,150	0	(47)	(47)	12/2022	6.49	(322)
EUR-buy / GBP-sale	EUR	1,000	0	(27)	(27)	05/2022	0.87	(28)
EUR-sale / GBP-buy	EUR	7,900	93	0	93	12/2022	0.86	103
USD-sale / CZK-buy	USD	113,200	387	(2,107)	(1,720)	12/2022	21.98	(2,238)
USD-sale / EUR-buy	USD	129,000	351	(1,286)	(936)	12/2022	1.14	(1,005)
IDR-buy / USD-sale	IDR	4,332,000	3	(43)	(40)	01/2022	14,440.00	3
Total			**1,841**	**(19,228)**	**(17,387)**			**(21,788)**

Fair value: + = receivable, – = liability from the Lenzing Group's perspective
The hedging period represents the period for the expected cash flows and their recognition in profit or loss.

Nominal value, fair value and hedging period of cash flow hedge derivatives for currency risks (previous year)

		31/12/2020						EUR '000
		Nominal value in '000	Positive fair value	Negative fair value	Net fair value	Hedging period until	Average hedging rate	Change in fair value used to calculate ineffectiveness
Forward foreign exchange contracts								
CNY/CNH-sale / EUR-buy	CNY/CNH	435,800	231	0	231	09/2021	8.28	(704)
CNY/CNH-sale / GBP-buy	CNY/CNH	136,200	217	(298)	(81)	12/2021	9.28	(395)
CZK-buy / EUR-sale	CZK	171,800	110	(28)	82	10/2021	26.78	96
EUR-buy / USD-sale	EUR	19,000	1,210	0	1,210	04/2022	1.17	1,236
CNY/CNH-buy / GBP-sale	CNY/CNH	6,600	0	(19)	(19)	07/2021	8.92	(7)
BRL buy / EUR sale	BRL	185,000	0	(7,844)	(7,844)	06/2022	5.08	(7,834)
BRL buy / USD sale	BRL	1,340,101	0	(46,447)	(46,447)	07/2022	4.27	(46,457)
THB-buy / USD-sale	THB	2,674,308	1,258	0	1,258	04/2021	30.49	1,440
USD-buy / CNY-sale	USD	8,250	0	(437)	(437)	10/2021	7.04	(315)
EUR buy / BRL sale	EUR	20,000	8	0	8	03/2021	5.08	18
EUR-sale / GBP-buy	EUR	1,100	4	0	4	12/2021	0.91	6
USD-sale / CZK-buy	USD	82,800	5,883	0	5,883	12/2021	23.14	5,519
USD-sale / EUR-buy	USD	47,470	2,418	0	2,418	12/2021	1.16	2,460
Total			**11,340**	**(55,074)**	**(43,734)**			**(44,936)**

Fair value: + = receivable, – = liability from the Lenzing Group's perspective
The hedging period represents the period for the expected cash flows and their recognition in profit or loss.

The carrying amounts and the ineffectiveness of the hedged items (purchases and sales) designated as hedging instruments as of the balance sheet dates are as follows:

Disclosures on hedged items of cash flow hedge derivatives for currency risks – ineffectiveness **EUR '000**

	2021			2020		
Currency risks	**Change in fair value used to calculate ineffectiveness**	**Ineffectiveness**	**Line item in the income statement**	**Change in fair value used to calculate ineffectiveness**	**Ineffectiveness**	**Line item in the income statement**
Sales	(13,249)	0	Financial result	6,994	0	Financial result
Purchases	(8,538)	0	Financial result	(51,930)	0	Financial result
Total	**(21,788)**	**0**		**(44,936)**	**0**	

Cash flow hedge derivatives for combined interest rate/currency risks

The Lenzing Group deploys derivative financial instruments in order to hedge interest rate/currency risks arising from private placements denominated in US dollars. Hedges are utilized to offset the variability of interest and principal payments resulting from the hedged item.

The nominal values of the cash flow hedge derivatives as at December 31, 2021 amount to EUR 39,704 thousand and EUR 17,646 thousand (December 31 2020: EUR 40,861 thousand and EUR 18,160 thousand). The fair value of the cash flow hedge derivatives as at December 31, 2021 amounts to EUR minus 1,442 thousand (December 31, 2020: EUR minus 6,279 thousand). The contracts of the hedging instruments and the underlying hedged items are linked to the USD-LIBOR reference interest rate as of the balance sheet date and have not yet been switched to an alternative reference interest rate.

The change in fair value used to calculate ineffectiveness amounts to EUR minus 911 thousand (for the tranche of USD 20 mn) (December 31, 2020: EUR minus 1,890 thousand) and EUR minus 1,311 thousand (for the tranche of USD 45 mn) (December 31, 2020: EUR minus 4,258 thousand). The ineffective portion as at December 31, 2020 amounts to EUR 0 thousand (December 31, 2020: EUR 0 thousand). Over the term, the average fixed interest rate amounts to 0.75 percent and the average hedging rate amounts to 1.10 USD/EUR. The hedge expires in December 2024.

Cash flow hedge derivatives for interest rate risks

The Lenzing Group uses derivative financial instruments to hedge interest rate risks arising from loans taken out with variable interest rates. These hedges are used to offset the variability of cash flows from future interest payments resulting from the hedged item.

The nominal values of the cash flow hedge derivatives as at December 31, 2021 amount to EUR 418,211 thousand (December 31, 2020: EUR 0 thousand). The fair value of the hedge derivatives as at December 31 2021 amounts to EUR minus 1,937 thousand (December 31, 2020: EUR 0 thousand). The contracts of the hedging instruments and the underlying hedged items are linked to the USD-LIBOR reference interest rate as of the balance sheet date and have not yet been switched to an alternative reference interest rate.

The change in fair value used to calculate the ineffectiveness amounts to EUR minus 1,937 thousand (December 31, 2020: EUR 0 thousand). The ineffective portion as at December 31, 2021 amounts to EUR 0 thousand. The average fixed interest rate amounts to 1.83 percent over the term. The hedge expires in June 2029.

Hedging Reserve

The change in the hedging reserve is as follows:

Changes in the hedging reserve EUR '000

	2021			2020		
	Hedging reserve	Cost of hedging	Total	Hedging reserve	Cost of hedging	Total
Hedging reserve as at 01/01	(77,628)	4,101	(73,527)	2,764	2,386	5,150
Currency risks	(29,325)	3,850	(25,474)	(113,953)	1,203	(112,750)
Combined interest rate/currency risks	3,305	775	4,079	(6,105)	5	(6,100)
Interest rate risks	(1,942)	0	(1,942)	0	0	0
Cash flow hedges – changes in fair value recognized during the year	(27,962)	4,625	(23,337)	(120,058)	1,208	(118,851)
Currency risks	2,055	360	2,415	3,483	542	4,025
Reclassification to revenue	2,055	360	2,415	3,483	542	4,025
Currency risks	631	0	631	563	(35)	529
Reclassification to inventories	631	0	631	563	(35)	529
Currency risks	62,271	0	62,271	35,744	0	35,744
Reclassification to property, plant and equipment	62,271	0	62,271	35,744	0	35,744
Combined interest rate/currency risks	758	0	758	(124)	0	(124)
Reclassification to financial result	758	0	758	(124)	0	(124)
Hedging reserve as at 31/12	**(39,875)**	**9,086**	**(30,790)**	**(77,628)**	**4,101**	**(73,527)**

Offsetting financial assets and liabilities

The Lenzing Group has concluded a number of framework netting agreements (in particular, master netting arrangements). The amounts owed by each counterparty under such agreements on a single day in the same currency based on the total outstanding transactions are aggregated into a single net amount to be paid by one party to the other.

The following tables present information on offsetting financial assets and liabilities in the consolidated statement of financial position on the basis of framework netting agreements. The (gross) amounts presented in the "Financial assets" and "Financial liabilities" columns correspond to the (net) financial assets and liabilities recognized. The column "effect of framework netting agreements" shows the amounts which result from these types of agreements, but which do not meet the criteria for offsetting in the IFRS consolidated statement of financial position.

Offsetting of financial instruments **EUR '000**

Financial assets as at 31/12/2021	**Financial assets (gross=net)**	**Effect of framework netting agreements**	**Net amounts**
Other financial assets – derivative financial instruments with a positive fair value	1,950	(896)	1,054
Financial assets as at 31/12/2020			
Other financial assets – derivative financial instruments with a positive fair value	13,178	(2,331)	10,847

Offsetting of financial instruments **EUR '000**

Financial liabilities as at 31/12/2021	**Financial liabilities (gross=net)**	**Effect of framework netting agreements**	**Net amounts**
Other financial liabilities – derivative financial instruments with a negative fair value	28,406	(896)	27,509
Financial liabilities as at 31/12/2020			
Other financial liabilities – derivative financial instruments with a negative fair value	68,258	(2,331)	65,927

Transfer of financial assets (sale of receivables/factoring)

Factoring agreements are in place which require the banks to purchase certain trade receivables from the Lenzing Group for a revolving monthly nominal amount. The Lenzing Group is entitled to sell these receivables. The agreements have indefinite terms, whereby each party has the right to cancel the agreements with notice and allow them to expire. The factoring agreements had a maximum usable nominal volume of EUR 73,235 thousand as at December 31, 2021 (December 31, 2020 EUR 72,214 thousand). They have been suspended since the 2017 financial year.

Note 38. Net interest and net result from financial instruments and net foreign currency result

Net interest and net result

The following table shows the net interest and net result from financial instruments by class/measurement category in accordance with IFRS 9:

Net interest and net result from financial instruments EUR '000

2021	Interest income	Interest expense	Net interest	From subsequent measurement at fair value through profit or loss	From subsequent measurement at fair value through other comprehensive income	Measured at fair value through other comprehensive income and reclassified to profit or loss	From impairment/ reversal of an impairment loss	Result on disposal	Net result (total)
Financial assets measured at amortized cost	3,955	0	**3,955**	0	0	0	(1,255)	(2,000)	**700**
Financial assets measured at fair value through profit or loss	155	0	**155**	(206)	0	0	(66)	1	**(116)**
Equity instruments measured at fair value through other comprehensive income	960	0	**960**	0	32,926	0	0	0	**33,885**
Debt instruments measured at fair value through other comprehensive income	37	0	**37**	0	(36)	124	0	(138)	**(13)**
Financial liabilities measured at amortized cost	0	(39,443)	**(39,443)**	0	0	0	0	0	**(39,443)**
Total	**5,107**	**(39,443)**	**(34,336)**	**(206)**	**32,890**	**124**	**(1,321)**	**(2,137)**	**(4,987)**

Net interest and net result from financial instruments (previous year) EUR '000

2020	Interest income	Interest expense	Net interest	From subsequent measurement at fair value through profit or loss	From subsequent measurement at fair value through other comprehensive income	Measured at fair value through other comprehensive income and reclassified to profit or loss	From impairment/ reversal of an impairment loss	Result on disposal	Net result (total)
Financial assets measured at amortized cost	1,764	0	**1,764**	0	0	0	(1,443)	0	**321**
Financial assets measured at fair value through profit or loss	150	0	**150**	(34)	0	0	(66)	0	**50**
Equity instruments measured at fair value through other comprehensive income	829	0	**829**	0	(2,646)	0	0	0	**(1,817)**
Debt instruments measured at fair value through other comprehensive income	73	0	**73**	0	(34)	0	0	(23)	**16**
Financial liabilities measured at amortized cost	0	(22,521)	**(22,521)**	0	0	0	0	0	**(22,521)**
Total	**2,817**	**(22,521)**	**(19,704)**	**(34)**	**(2,680)**	**0**	**(1,509)**	**(23)**	**(23,950)**

The net result from financial instruments comprises the following: net interest (current interest income and expenses, including the amortization of premiums and discounts and dividends from companies not accounted for using the equity method), gains/losses on fair value measurement which are recognized in profit or loss or through other comprehensive income and the result of impairment losses (recognition and reversal of bad debt provisions/valuation adjustments) and on disposals. Income from equity and debt instruments measured at fair value through other comprehensive income includes gains/losses from remeasurement and from the reclassification of remeasurement gains/losses to profit or loss. Net result from financial instruments does not include exchange rate gains/losses (with the exception of financial instruments carried at fair value through profit or loss) or gains/losses from hedging instruments (cash flow hedges).

The change in the bad debt provisions for receivables measured at amortized cost is mainly recognized under "Selling expenses".

The component recognized directly in equity from the subsequent measurement of equity and debt instruments measured at fair value through other comprehensive income is reported under the "reserve for financial assets measured at fair value through other comprehensive income". The remaining components of the net result are included under "income from non-current and current financial assets" and in "financing costs".

Net foreign currency result

In other operating income/expenses are included net foreign currency gains/losses in the amount of EUR plus 11.557 thousand (2020: EUR minus 7,521 thousand), in income from non-current and current financial assets in the amount of EUR plus 5.203 thousand (2020: EUR minus 6.696 thousand), and in financing costs in the amount of EUR plus 4.405 thousand (2020: EUR plus 6.391 thousand).

Note 39. Financial risk management

As an international company, the Lenzing Group is exposed to financial and other market risks. A company-wide risk management system, which is regulated comprehensively in guidelines, has been implemented to identify and assess potential risks at an early stage. This system is designed to achieve maximum risk transparency and provide high-quality information by quantifying all risk categories, with a particular emphasis on risk concentration. The efficiency of group-wide risk management is evaluated and monitored on an ongoing basis by both the internal control system (ICS) and the internal audit department.

The financial risks arising from financial instruments – credit risk, liquidity risk, currency risk (above all with regard to the BRL, CNY, CZK, HKD, IDR, THB and USD), commodity price risk and interest rate risk – are classified as relevant risks for the Lenzing Group. Corresponding hedging measures are used to minimize these risks wherever possible. Acquired shares in external companies are considered long-term investments and, therefore, are not viewed as a relevant market price risk over the short- to medium-term.

Credit risk

Credit risk represents the risk of asset losses that may result from the failure of individual business partners to meet their contractual obligations. The credit risk from transactions involving the provision of goods and services (in particular, trade receivables) is secured to a substantial extent by credit insurance and bank security (guarantees, letters of credit, bills of exchange etc.). Outstanding receivables and customer limits are monitored on an ongoing basis. The credit risk from investments with banks (above all, cash and cash equivalents) and derivatives with a positive market value is reduced by only concluding transactions with counterparties that can demonstrate a sound credit rating.

Receivables are measured individually. Individual bad debt provisions are recognized for receivables if there are indications of credit impairment (individual measurement) and if they are not expected to be collectible in full. This applies especially when the debtor has significant financial difficulties, is in default or has delayed payments or when there is an increased probability that the debtor will enter bankruptcy and the involved receivable is not sufficiently collateralized. The expected loss is low because of the Lenzing Group's comprehensive receivables management (extensive collateralization with credit insurance and bankable security as well as continuous monitoring of accounts receivable and customer limits).

To determine the required impairment for trade receivables for which no individual bad debt provisions were recognized, the defaults of the past years were evaluated in the Lenzing Group. The analysis has shown that there is only an immaterial risk for receivables overdue for a certain period.

The loss ratios are based on historical default rates of the last nine years and are distinguished by companies and periods overdue. The COVID-19 crisis did not result in any significant changes in default rates during the financial year. The relevant development is continuously monitored by the management.

For non-current debt instruments assigned to the category "at fair value through other comprehensive income", originated loans and other financial assets (current and non-current), which are measured at amortized cost, as well as cash and cash equivalents, the calculation of impairment is based on the average default rates. The impairment is based on the default rate per rating for the respective financial instrument. A significant change in credit risk is identified based on the rating and default of payment. Regarding instruments with a low credit risk, the Lenzing Group assumes that the credit risk has not increased significantly since the first recognition. Consequently, the twelve month credit loss is always recognized for such instruments. Since the expected impairment is immaterial, no expected credit loss is recorded for these financial assets.

The reduced earning power and uncertainties, in particular due to a fire at a plant of the buyer of EFB in 2018 (including its subsidiaries), result in a higher default risk for the receivables from these companies. Therefore, the calculation of bad debt provisions for these originated loans was changed from the expected twelve month credit loss to lifetime expected credit loss in 2018. The lifetime expected credit loss was determined based on the difference between the contractual payments and all payments expected by the management in the future.

Trade receivables are considered defaulted when they are overdue for more than 270 days or when it is unlikely that the debtor can meet the obligations without the realization of collateral. This long period of time results from the fact that about 90 percent of trade receivables are insured by credit insurance.

Financial assets are only derecognized directly if the contractual rights to payments cease to exist (particularly in the event of bankruptcy). An impairment loss is reversed up to amortized cost if the reasons for its recognition no longer exist.

The Group considers the risk concentration in trade receivables to be rather low because its customers are based in various countries, operate in different sectors and are active on largely independent markets. A rather small amount of the receivables is overdue and not individually impaired (see table "aging of receivables" below). Important effects for a change in bad debt provisions include possible default of payment by major customers or a general increase of receivables at the reporting date. During the financial year there was no significant increase in defaults. Trade receivables increased as at December 31, 2021.

The bad debt provisions developed as follows:

Development and reconciliation of bad debt provisions EUR '000

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

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

	Lifetime expected credit loss (portfolio measurement)	Lifetime expected credit loss (individual measurement)
Trade receivables		
Bad debt provisions as at 01/01/2020	439	10,729
Transfer to "Lifetime expected credit loss"	0	(57)
Reversal	(240)	(2,114)
Addition	283	70
Currency translation adjustment	(14)	(158)
Bad debt provisions as at 31/12/2020	**468**	**8,469**

Lifetime expected credit loss (individual measurement) EUR '000

	2021	2020
Originated loans at amortized cost		
Bad debt provisions as at 01/01	6,145	4,755
Utilization		
Reversal	(601)	0
Addition	14	1,400
Currency translation adjustment	42	(10)
Bad debt provisions as at 31/12	**5,600**	**6,145**
Other financial assets (non-current and current)		
Bad debt provisions as at 01/01	648	581
Utilization	0	0
Addition	66	66
Bad debt provisions as at 31/12	**713**	**648**

The bad debt provisions for trade receivables include bad debt provisions of EUR 1,810 thousand (2020: EUR 650 thousand) for companies accounted for using the equity method.

The bad debt provisions for trade receivables are related primarily to bad debt provisions for overdue, uninsured receivables.

The carrying amount of the impaired receivables is as follows:

Aging and expected credit loss for trade receivables EUR '000

31/12/2021	Gross carrying amount	Expected credit loss
Not overdue	287,584	439
Overdue up to 30 days	29,249	167
Overdue for 31 to 90 days	5,541	56
Overdue for 91 to 365 days	418	58
Overdue for more than one year	32	32
Credit impaired receivables (individual measurement)	12,860	0
Total	**335,685**	**753**

Aging and expected credit loss for trade receivables (previous year) EUR '000

31/12/2020	Gross carrying amount	Expected credit loss
Not overdue	231,900	303
Overdue up to 30 days	15,338	102
Overdue for 31 to 90 days	1,435	15
Overdue for 91 to 365 days	248	13
Overdue for more than one year	35	35
Credit impaired receivables (individual measurement)	9,643	0
Total	**258,598**	**468**

Development of expected credit loss not including credit impaired financial assets EUR '000

As at 01/01/2020	439
Change	29
As at 31/12/2020 = 01/01/2021	468
Change	286
As at 31/12/2021	753

Aging of financial receivables EUR '000

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

Aging of financial receivables (previous year) EUR '000

	Originated loans	Other financial receivables (current and non-current)
Gross carrying amount as at 31/12/2020	17,736	35,505
Thereof at the reporting date:		
Not overdue	5,913	30,366
Thereof impaired	11,823	5,139

Securities in the scope of the impairment provisions of IFRS 9 as well as cash and cash equivalents have a rating between AAA and BBB.

There are currently no doubts concerning the collectability of financial assets that are neither past due nor impaired.

The maximum exposure to credit risk from recognized financial assets is as follows:

Maximum exposure to credit risk from recognized financial assets EUR '000

	31/12/2021	31/12/2020
Carrying amount of asset financial instruments (see note 37)	1,529,076	1,394,910
Less risk reduction in relation to receivables due to		
Credit insurance received for trade receivables (not including deductibles)	(104,674)	(105,803)
Guarantees received for trade receivables	(35,600)	(4,597)
Total	**1,388,802**	**1,284,510**

The maximum exposure to credit risk from financial guarantee contracts and contingent liabilities is shown in note 42.

Liquidity risk

Liquidity risk represents the risk of not being able to obtain sufficient funds to settle incurred liabilities at all times. The management of liquidity risk has a high priority in the Lenzing Group. Corporate guidelines require uniform, proactive liquidity forecasts and medium-term planning throughout the entire Group. The Lenzing Group continuously monitors the risk of a possible liquidity shortage.

The Lenzing Group had liquid assets totaling EUR 1,124,120 thousand (December 31, 2020: EUR 1,081,122 thousand) in the form of cash and cash equivalents including money market funds and liquid bills of exchange (see note 36). Unused credit facilities of EUR 454,471 thousand were available as at December 31, 2021 (December 31, 2020: EUR 1,031,364 thousand) to finance necessary working capital and to cover any shortfalls caused by economic cycles. The medium- and long-term financing for the Lenzing Group is provided by equity and financial liabilities, in particular bonds, private placements and bank loans. Current financial liabilities can regularly be extended or refinanced with other lenders. Trade payables provide short-term financing for the goods and services purchased. The liabilities covered by reverse factoring agreements are settled in line with their agreed maturity, whereby the related cash outflows are included in liquidity planning. For this reason, the Group considers the concentration of risk with regard to sufficient financing sources as rather low.

The contractually agreed (undiscounted) interest and principal payments for primary financial liabilities (including financial guarantee contracts) are shown below:

Maturity analysis of non-derivative financial liabilities **EUR '000**

	Carrying amount as at 31/12/2021	Cash flows 2022	Cash flows 2023 to 2026	Cash flows from 2027
Private placements	637,841	80,641	550,691	29,234
Bank loans	1,342,661	63,715	1,052,698	379,378
Loans from other lenders	57,183	6,539	34,542	19,969
Lease liabilities	63,475	12,781	34,425	123,548
Trade payables	414,768	414,768	0	0
Puttable non-controlling interests	234,409	0	0	234,409
Other financial liabities[1]	40,442	40,442	0	0
Total	**2,790,781**	**618,886**	**1,672,357**	**786,539**
Thereof:				
Fixed interest		17,985	50,020	85,306
Fixed and floating rate interest		179	616	299
Floating rate interest		24,480	59,376	9,442
Repayment		576,243	1,562,345	691,492

1) The above includes the maximum possible payment obligations from financial guarantee contracts. The amounts are assumed to be due in the first year.

Maturity analysis of non-derivative financial liabilities (previous year) **EUR '000**

	Carrying amount as at 31/12/2020	Cash flows 2021	Cash flows 2022 to 2025	Cash flows from 2026
Private placements	689,114	8,585	448,508	274,658
Bank loans	733,188	103,352	640,482	57,643
Loans from other lenders	69,300	6,887	39,767	25,771
Lease liabilities	60,890	13,267	29,807	125,992
Trade payables	195,200	195,200	0	0
Puttable non-controlling interests	140,341	0	0	140,341
Other financial liabities[1]	30,548	30,548	0	0
Total	**1,918,581**	**357,839**	**1,158,564**	**624,404**
Thereof:				
Fixed interest		14,608	45,437	86,785
Fixed and floating rate interest		212	614	481
Floating rate interest		11,655	28,202	4,883
Repayment		331,365	1,084,311	532,255

1) The above includes the maximum possible payment obligations from financial guarantee contracts. The amounts are assumed to be due in the first year.

The above tables include all primary financial liabilities held at the reporting date, but exclude estimated future liabilities. Foreign currency amounts were translated with the spot exchange rate in effect at the reporting date. Floating rate interest payments were calculated according to the last interest rates set before the reporting date. Financial liabilities that are repayable at any time are always assigned to the earliest time period.

The contractually agreed (undiscounted) interest and principal payments for derivative financial instruments are as follows:

Maturity analysis of derivative financial instruments EUR '000

	Carrying amount as at 31/12/2021	Cash flows 2022	Cash flows 2023 to 2026	Cash flows from 2027
Currency, combined interest rate/currency and interest rate derivatives				
Derivatives with a positive fair value (cash flow hedges)	1,841	1,841	0	0
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	109	109	0	0
Positive fair value	**1,950**	**1,950**	**0**	**0**
Derivatives with a negative fair value (cash flow hedges)	(22,607)	(19,228)	(1,442)	(1,937)
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	(5,799)	(5,799)	0	0
Negative fair value	**(28,406)**	**(25,027)**	**(1,442)**	**(1,937)**
Total	**(26,456)**	**(23,077)**	**(1,442)**	**(1,937)**

Cash flows consist solely of principal and do not include any interest components.
Fair value: + = receivable, - = liability from the Lenzing Group's perspective

Maturity analysis of derivative financial instruments (previous year) EUR '000

	Carrying amount as at 31/12/2020	Cash flows 2021	Cash flows 2022 to 2025	Cash flows from 2026
Currency, combined interest rate/currency and interest rate derivatives				
Derivatives with a positive fair value (cash flow hedges)	11,340	10,876	465	0
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	1,838	1,838	0	0
Positive fair value	**13,178**	**12,714**	**465**	**0**
Derivatives with a negative fair value (cash flow hedges)	(61,353)	(42,660)	(18,693)	0
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	(1,358)	(1,358)	0	0
Negative fair value	**(62,711)**	**(44,018)**	**(18,693)**	**0**
Total	**(49,532)**	**(31,304)**	**(18,228)**	**0**

Cash flows consist solely of principal and do not include any interest components.
Fair value: + = receivable, - = liability from the Lenzing Group's perspective

Currency risk

Cash flows from capital expenditures and the operating business as well as investments and financing in foreign currencies expose the member companies of the Lenzing Group to currency risks. Risks from foreign currencies are hedged as far as possible if they influence the Group's cash flows. In the operating business, the individual group companies are exposed to currency risk in connection with planned incoming and outgoing payments outside their functional currency. Forward foreign exchange contracts, which are recognized at fair value, are used to hedge the exchange rate risk from foreign currency positions arising from expected future transactions in foreign currencies by group companies.

For companies with the same functional currency, the respective net foreign currency exposures are calculated for the following sales year as part of the budgeting process. Foreign currency purchases and sales are aggregated into separate groups for each currency. Approximately 62 percent of the budgeted net exposure for the following financial year was hedged for EUR/USD, the dominant currency pair in the Lenzing Group, as at December 31, 2021 (December 31, 2020: approximately 73 percent). The CNY also plays an important role. The resulting risk concentration at the reporting date can be seen in the following tables (especially the tables on "sensitivity analysis and risk exposure for foreign currency risks").

Translation risk is also regularly assessed and monitored at the Group level. Translation risk represents the risk arising from the consolidation of foreign investments whose functional currency is not the euro. The greatest risk exposure here is in relation to the US dollar.

Commodity risk

The gas price risk is hedged physically through supply contracts. The group is also subject to the usual market price risks in connection with its business activities (especially relating to wood, chemicals, pulp and energy) which are not hedged with derivatives or financial instruments, but protected through other measures (above all, long-term and short-term supply contracts with various suppliers).

Interest rate risk

The Lenzing Group is exposed to interest rate risk through its business-related financing and investing activities. Interest rate risks arise through potential changes in the market interest rate. They can lead to a change in the fair value of fixed rate financial instruments and to fluctuations in the cash flows from interest payments for floating rate financial instruments. Interest rate risks and the resulting risk concentrations are managed by monitoring and adjusting the composition of fixed rate and floating rate primary financial instruments on an ongoing basis and by the selective use of derivative financial instruments. The level of the resulting risk concentration as of the balance sheet date is presented in the following tables (see section "Sensitivity analysis and exposure for interest rate risks").

Sensitivity analysis and exposure for currency risks

The Lenzing Group uses the following assumptions for its sensitivity analysis:

- The sensitivity of profit or loss is based on the receivables and liabilities recognized by the group companies which are denominated in a currency other than the functional currency of the relevant company and the open derivatives from cash flow hedges for currency risks in cases where the hedged item was already recognized in profit or loss as at the reporting date. The carrying amounts of the receivables and liabilities, respectively the nominal values of the derivatives, correspond to the exposure. The individual exposures are presented consistently in relation to the US dollar and euro for the aggregation to the Group's exposure.
- The sensitivity of other comprehensive income as at the reporting date is based on the open derivatives from cash flow hedges for currency risks in cases where the hedged item has not yet been recognized in profit or loss. The nominal value of the open derivatives corresponds to the exposure.

The following tables show the sensitivities and exposure for currency risk as at the reporting dates:

Sensitivity analysis and risk exposure for foreign currency risks (EUR) EUR '000

	31/12/2021			31/12/2020		
	Group exposure in relation to EUR	Sensitivity to 10% devaluation of the EUR	Sensitivity to 10% revaluation of the EUR	Group exposure in relation to EUR	Sensitivity to 10% devaluation of the EUR	Sensitivity to 10% revaluation of the EUR
EUR-USD	380,790	31,589	(25,846)	326,704	25,842	(21,144)
EUR-GBP	1,533	136	(111)	(2,918)	(243)	199
EUR-CNY/CNH	65,576	5,465	(4,471)	9,222	769	(629)
EUR-CZK	(2,826)	(243)	199	(3,625)	(322)	264
EUR-HKD	(5,814)	(480)	393	(2,962)	(242)	198
Sensitivity of net profit or loss after tax (through receivables and payables)	**439,259**	**36,466**	**(29,836)**		**25,804**	**(21,112)**
Sensitivity of other comprehensive income after tax (through cash flow hedge derivatives)		(15,690)	12,843		(1,368)	1,120
Sensitivity of equity		**20,776**	**(16,993)**		**24,435**	**(19,993)**

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

Sensitivity analysis and risk exposure for foreign currency risks (USD/GBP) EUR '000

	31/12/2021			31/12/2020		
	Group exposure in relation to USD/GBP	Sensitivity to 10% devaluation of the USD/GBP	Sensitivity to 10% revaluation of the USD/GBP	Group exposure in relation to USD/GBP	Sensitivity to 10% devaluation of the USD/GBP	Sensitivity to 10% revaluation of the USD/GBP
USD-IDR	(13,177)	(1,142)	934	(5,104)	(442)	362
USD-GBP	(3,926)	(353)	289	(3,668)	(295)	242
USD-CNY/CNH	17,766	1,481	(1,212)	7,224	724	(593)
USD-CZK	(14,914)	(1,342)	1,098	(4,942)	(445)	364
USD-THB	809	72	(59)	(207,766)	(18,468)	15,110
USD-BRL	61,525	4,512	(3,692)	(53,303)	(3,909)	3,198
GBP-CNY/CNH	6,081	547	(448)	9,594	1,062	(869)
Sensitivity of net profit or loss after tax (through receivables and payables)	**54,164**	**3,775**	**(3,088)**		**(21,773)**	**17,815**
Sensitivity of other comprehensive income after tax (through cash flow hedge derivatives)		(12,202)	11,947		9,938	(8,085)
Sensitivity of equity		**(8,427)**	**8,858**		**(11,835)**	**9,730**

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

Sensitivity analysis and exposure for interest rate risks

The following tables show the exposure for interest rate risks at the reporting dates in the form of the carrying amounts of interest-bearing primary financial instruments:

Risk exposure for interest rate risks EUR '000

	31/12/2021				
	Fixed interest	Fixed and floating rate interest	Floating rate interest	No interest	Total
Cash and cash equivalents	0	0	1,113,279	0	1,113,279
Financial assets	42	0	11,278	59,780	71,101
Financial liabilities	(932,158)	(33,813)	(1,135,190)	0	(2,101,161)
Net risk position	**(932,116)**	**(33,813)**	**(10,633)**	**59,780**	**(916,782)**
Effects from derivative instruments (hedging)	(57,350)	0	57,350	0	0
Net risk position after hedging effect	**(989,465)**	**(33,813)**	**46,717**	**59,780**	**(916,782)**

+ Receivables, - Liabilities

Risk exposure for interest rate risks (previous year) EUR '000

	31/12/2020				
	Fixed interest	Fixed and floating rate interest	Floating rate interest	No interest	Total
Cash and cash equivalents	0	0	1,069,998	0	1,069,998
Financial assets[1]	46	0	10,678	30,166	40,890
Financial liabilities	(785,884)	(38,572)	(728,037)	0	(1,552,492)
Net risk position	**(785,838)**	**(38,572)**	**352,640**	**30,166**	**(441,604)**
Effects from derivative instruments (hedging)	(52,927)	0	52,927	0	0
Net risk position after hedging effect	**(838,765)**	**(38,572)**	**405,567**	**30,166**	**(441,604)**

+ Receivables, - Liabilities
1) Includes, among others, the GF 82 wholesale fund whose income is distributed or reinvested.

Sensitivity analyses are performed for the interest rate risks arising from floating rate financial instruments and from the fluctuation in the market values of cash flow hedge derivatives. They show the effects of hypothetical changes in interest rates on profit or loss, other comprehensive income and equity.

The Lenzing Group uses the following assumptions in its analysis of the interest rate risk arising from floating rate financial instruments:

- The sensitivity analysis includes all floating rate primary and derivative financial instruments as at the reporting date.
- The exposure corresponds to the carrying amount of the floating rate financial instruments.

The sensitivities and exposure for the interest rate risks arising from floating rate financial instruments are as follows as at the reporting dates:

Sensitivity analysis for interest rate risks from variable-rate primary and derivative financial instruments **EUR '000**

31/12/2021	Net risk position after hedging effect	Sensitivity to a 100 bp increase in the interest rate level	Sensitivity to a 100 bp decrease in the interest rate level[1]
Sensitivity of net profit or loss after tax	46,717	(5,331)	3,689[2]
31/12/2020			
Sensitivity of net profit or loss after tax	405,567	2,980	(5,043)[2]

1) A reduction in the basis points results in a proportional decrease in the sensitivity.
2) The evaluation is based on the assumption that negative interest rates are paid on cash and cash equivalents. The evaluation does not include liabilities for which no negative interest is calculated.

The Lenzing Group bases the sensitivity analysis for the interest rate risk from the fluctuation in market values of cash flow hedge derivatives for interest rate risks on the following assumptions:

- The sensitivity of other comprehensive income as at the reporting date is based on the open derivative from cash flow hedges for interest rate risks in cases where the hedged item has not yet been recognized in profit or loss.
- The exposure corresponds to the nominal value of the derivative amount of EUR 418,211 thousand (December 31, 2020: EUR 0 thousand).

An increase in the interest rate level by 1 percentage point would lead to an increase in other comprehensive income (after taxes) of EUR 9,543 thousand (December 31, 2020: EUR 0 thousand). A decrease in the interest rate level by 1 percentage point would lead to a reduction in other comprehensive income (after taxes) of EUR 9,532 thousand (December 31, 2020: EUR 0 thousand). The interest rate sensitivity has no effect on profit or loss, as the measurement of interest rate derivatives is recognized in the hedging reserve with no effect on profit or loss.

The Lenzing Group holds financial instruments that are linked to an IBOR reference interest rate and must be replaced as part of the IBOR reform. Until December 31, 2021, the previous reference interest rate, the Euro Overnight Index Average (EONIA), relating to affected financial liabilities was adjusted to the Euro Short-Term Rate (€STR) reference interest rate. The changeover of the USD-LIBOR reference interest rate relating to affected financial liabilities and corresponding cash flow hedge derivatives for combined interest rate/currency risks and for interest rate risks to an alternative reference interest rate has already begun. The Lenzing Group is monitoring the transition to alternative reference interest rates and is managing the resultant risks.

Additional information on financial risk management and financial instruments is provided in the risk report of the Lenzing Group's management report as at December 31, 2021.

Disclosures on Related Parties and Executive Bodies

Note 40. Related party disclosures

Overview

Related parties of the Lenzing Group include, in particular, the member companies of the B&C Group together with its subsidiaries, joint ventures and associates and its corporate bodies (executive board/management and supervisory board, where applicable) as well as close relatives of the members of the corporate bodies and companies under their influence (see note 1 "Description of the company and its business activities" and note 41). The amounts and transactions between Lenzing AG and its consolidated subsidiaries are eliminated through consolidation and are not discussed further in this section.

B&C Privatstiftung is managed by a board of trustees. No member of the Managing Board of Lenzing AG is a member of this board of trustees or the management/Managing Board of a subsidiary of B&C Privatstiftung, with the exception of subsidiaries of the Lenzing Group. The Lenzing Group has no influence over the business activities of B&C Privatstiftung.

The members of the corporate bodies of Lenzing AG (in particular, the Supervisory Board) and the above-mentioned entities are, in some cases, also members of the corporate bodies or shareholders of other companies with which Lenzing AG maintains ordinary business relationships. The Lenzing Group maintains ordinary business relationships with banks that involve financing, investing and derivatives.

Relationship with related companies

In connection with the tax group established with B&C Group (see note 31), the Lenzing Group recognized a tax credit of EUR 747 thousand through profit or loss in 2021 (2020: EUR 24 thousand). Contractual obligations resulted in the payment or advance payment of tax allocations totaling EUR 15,285 thousand in 2021 (2020: EUR 19,196 thousand). The Lenzing Group recognized a liability of EUR 28,000 thousand towards B&C Group from the tax allocation, after the deduction of advance payments, as at December 31, 2021 (December 31, 2020: receivable EUR 4,568 thousand). The tax loss of EUR 0 thousand (December 31, 2020: EUR 3,256 thousand) was recognized under deferred tax assets. Income tax expense of EUR 17,268 thousand was recognized in 2021 as a result of the tax allocation to B&C Group (2020: EUR 1,229 thousand).

Relationships with companies accounted for using the equity method and their material subsidiaries

Transactions with companies accounted for using the equity method and their material subsidiaries relate primarily to:

Material relationships with companies accounted for using the equity method

EQUI-Fibres Beteiligungsgesellschaft mbH and its subsidiaries (EFB)	Distribution of fibers, delivery of pulp, loan assignment
Lenzing Papier GmbH (LPP)	Provision of infrastructure and administrative services
RVL Reststoffverwertung Lenzing GmbH (RVL)	Operation of a recycling plant and purchase of the generated steam; letting of land
Hygiene Austria LP GmbH (HGA), the shares were sold in March 2021	Supply of raw materials, provision of services, loan receivable, guarantee given and purchasing of protective masks
Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck (GSG)	Provision of infrastructure and administrative services
PT. Pura Golden Lion (PGL)	Loan liability
Wood Paskov s.r.o. (LWP)	Purchase of wood
LD Florestal S.A. (LDF)	Land use rights, loan liability

The scope of material transactions and the outstanding balances with companies accounted for using the equity method and their major subsidiaries are as follows:

Relationships with companies accounted for using the equity method and their material subsidiaries EUR '000

2021	EFB	Other associates	LDF	Other joint ventures	Total
Goods and services provided	48,186	13,669	0	12,102	73,957
Goods and services received	0	99	0	12,414	12,513
Receivables as at 31/12	13,059	2,705	368	5	16,137
Liabilities as at 31/12	0	0	14,748	42	14,790

Relationships with companies accounted for using the equity method and their material subsidiaries (previous year) EUR '000

2020	EFB	Other associates	LDF	Other joint ventures	Total
Goods and services provided	36,737	8,009	0	11,630	56,376
Goods and services received	5	90	0	12,122	12,216
Receivables as at 31/12	10,842	909	0	9	11,760
Liabilities as at 31/12	0	2,696	21,318	19	24,032

Bad debt provisions of EUR 1,160 thousand for trade receivables from companies accounted for using the equity method were recognized to profit or loss as expense in 2021 (2020: EUR 2,100 thousand income).

Kelheim Fibers GmbH, Kelheim, Germany, a subsidiary of the equity-accounted investee EQUI-Fibres Beteiligungsgesellschaft mbH, Kelheim, Germany, received a long-term, unsecured loan of EUR 5,000 thousand from Lenzing AG in 2017. The interest reflects standard bank rates.

Hygiene Austria LP GmbH received a long-term, unsecured loan of EUR 2,000 thousand from Lenzing AG in the 2020 financial year. The interest reflects standard bank rates. In the 2021 financial year, this loan was waived as part of the divestiture of Hygiene Austria LP GmbH. Lenzing AG guaranteed up to a maximum of EUR 1,000 thousand to a supplier of Hygiene Austria LP GmbH until the divestiture of Hygiene Austria LP GmbH.

LD Florestal S.A., issued an unsecured loan of EUR 27,913 thousand to the fully consolidated subsidiary LD Celulose S.A. in 2019, which carries standard bank interest rates. EUR 14.748 thousand of the loan were drawn down as at December 31, 2021 (December 31, 2020: EUR 21,318 thousand). In addition, LD Florestal S.A. granted LD Celulose S.A. a land use right in the 2020 financial year. The carrying amount of the resulting lease liability amounts to EUR 36,941 thousand as at December 31, 2021 (December 31, 2020: EUR 39,620 thousand).

There were no major transactions with the other non-consolidated subsidiaries in 2020 and 2021.

Relationships with members of the Managing Board and Supervisory Board of Lenzing AG

The remuneration expensed for key management personnel, which comprises the active members of the Managing Board and Supervisory Board of Lenzing AG, in line with their functions is summarized below (including changes in provisions):

Remuneration for key management personnel (expensed) EUR '000

	2021	2020
Remuneration for the Managing Board		
Basic salary	2,541	2,377
Benefits in kind and other benefits (in particular use of company vehicles)	60	56
Short-term variable performance bonus (short-term incentive; STI)	2,035	0
Extraordinary remuneration (special bonuses)	1,880	120
Short-term employee benefits	**6,516**	**2,553**
Long-term variable performance bonus (long-term incentive; LTI)	139	947
Extraordinary remuneration (special bonuses)	0	100
Other long-term employee benefits	**139**	**1,047**
Contributions to multiemployer pension fund	285	289
Post-employment benefits	**285**	**289**
Compensation for non-competition clauses and one-off gratuity	2,280	0
Termination benefits	**2,280**	**0**
Remuneration for the Managing Board	**9,219**	**3,889**
Remuneration for the Supervisory Board		
Short-term employee benefits	907	864
Total	**10,126**	**4,754**

The benchmark for the long-term bonus component of the members of the Managing Board (long-term incentive/LTI) consists of selected key indicators of the Lenzing Group, each over a three-year calculation period. In addition, the company's capital market performance is assessed in comparison with a group of selected listed companies during these periods.

The employee representatives on the Supervisory Board who were delegated by the Works Council are entitled to regular compensation (wage or salary plus severance and jubilee benefits) under their employment contracts in addition to the compensation for their activity on the Supervisory Board (in particular attendance fees). This compensation represents appropriate remuneration for their role/activities performed in the company.

In line with customary market and corporate practice, Lenzing AG also grants additional benefits, which are considered non-cash benefits, to the members of the Managing Board, selected senior executives and Supervisory Board members. One example of such benefits is insurance coverage (D&O, accident, legal protection etc.), whereby the costs are carried by the Lenzing Group. The insurers receive total premium payments, i.e. there is no specific allocation to the Managing Board and the Supervisory Board. In addition, the members of the Managing Board and selected senior executives are provided with company vehicles. The members of the Managing Board and the Supervisory Board are also reimbursed for certain costs incurred, above all travel expenses. The principles of the remuneration system for the Managing Board and the Supervisory Board are described in detail and disclosed in the 2021 remuneration report of the Lenzing Group.

The members of the Managing Board and Supervisory Board received no advances, loans or guarantees. The Lenzing Group has not entered into any contingencies on behalf of the Managing Board or Supervisory Board.

Post-employment benefits of EUR 12 thousand were recognized for former members of the Managing Board of Lenzing AG or their surviving dependents in the form of income on the income statement and allocations to other comprehensive income (2020: EUR 607 thousand in the form of expenses). The present value of the pension provision recognized in this context, after deduction of the fair value of plan assets (net obligation), amounted to EUR 6,512 thousand as at December 31, 2021 (December 31, 2020: EUR 7,285 thousand).

Note 41. Executive Bodies

Members of the Supervisory Board

- Peter Edelmann
  Chairman
- Patrick Prügger
  Deputy Chairman (since April 14, 2021)
- Stefan Fida
  Deputy Chairman (since April 14, 2021)
- Helmut Bernkopf
- Christian Bruch
- Markus Fürst (since April 14, 2021)
- Franz Gasselsberger
- Melody Harris-Jensbach (since June 18, 2020)
- Cord Prinzhorn (April 14, 2021 up to November 3, 2021)
- Astrid Skala-Kuhmann

- Veit Sorger
  Deputy Chairman (up to April 14, 2021)
- Felix Fremerey (up to June 18, 2020)

Appointed by the Works Council

- Johann Schernberger
  Chairman of the Group Works Council
  Chairman of the Works Committee (up to January 18, 2021)
  Chairman of the Works Council for Waged Employees
- Helmut Kirchmair
  Chairman of the Works Committee (since January 18, 2021)
  Deputy Chairman of the Works Council for Waged Employees
- Georg Liftinger
  Deputy Chairman of the Works Committee
  Chairman of the Works Council for Salaried Employees
- Herbert Brauneis
  Deputy Chairman of the Works Council for Waged Employees
- Daniela Födinger
  Deputy Chairwoman of the Works Council for Salaried Employees

Members of the Managing Board

- Cord Prinzhorn
  Chairman of the Managing Board (since November 4, 2021)
- Thomas Obendrauf
  Chief Financial Officer
- Robert van de Kerkhof
  Member of the Managing Board
- Stephan Sielaff
  Member of the Managing Board (since March 1, 2020)
- Christian Skilich
  Member of the Managing Board (since June 1, 2020)

- Stefan Doboczky
  Chairman of the Managing Board (up to September 30, 2021)

Note 42. Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

The Lenzing Group has entered into contingent liabilities of EUR 4,905 thousand (December 31, 2020: EUR 5,484 thousand), above all to secure claims related to the sale of certain equity investments and claims by suppliers, for possible default on sold receivables (also see note 37 “Factoring“) and for claims by third parties outside the Group. Less important contingent liabilities involve granted retentions. The reported amounts represent the maximum payment obligation from the viewpoint of the Lenzing Group, and there is only a limited potential for recoveries.

The Lenzing Group provides committed credit lines of EUR 5,379 thousand (December 31, 2020: EUR 8,622 thousand) to third parties. These credit lines were not used as at December 31, 2021 and December 31, 2020 (also see note 22).

Bank guarantees of EUR 51,703 thousand (December 31, 2020: EUR 56,021 thousand) are in place for future equity injections of Lenzing AG for LD Celulose S.A. from 2021 to 2022. These bank guarantees were not drawn as at December 31, 2021 and December 31, 2020.

The Lenzing Group carries obligations for severance payments and anniversary benefits for former employees of certain sold equity investments up to the amount of the notional claims at the sale date. Provisions were recognized for these obligations as at the reporting date at an amount equal to their present value calculated in accordance with actuarial principles. Lenzing AG, in particular, has also assumed liabilities to secure third-party claims against consolidated companies; these claims are considered unlikely to be realized. The Managing Board is not aware of any other financial obligations with a significant impact on the financial position and financial performance of the Group.

The obligations arising from outstanding orders for intangible assets and property, plant and equipment amounted to EUR 248,062 thousand as at December 31, 2021 (December 31, 2020: EUR 354,390 thousand). The Lenzing Group has long-term purchase obligations related to raw material supplies, in particular for wood, pulp, chemicals and energy.

A lawsuit was filed in a US court against Lenzing AG for unspecified damages in connection with a former investment. Lenzing AG has rejected these claims. The management does not consider of damages to be probable.

As an international corporation, the Lenzing Group is exposed to a variety of legal and other risks. These risks are related, above all, to product defects, competition and antitrust law, patent law, tax law, employees and environmental protection (in particular, for environmental damage at production locations and climate risks). It is impossible to predict the outcome of pending or future legal proceedings, and rulings by the courts or government agencies or settlement agreements can lead to expenses that are not fully covered by insurance which could have a material impact on the group’s future financial position and financial performance. Additional information is provided in the risk report of the Lenzing Group’s management report as at December 31, 2021.

Note 43. Group companies

In addition to Lenzing AG, the Lenzing Group includes the following companies (list of group companies in accordance with Section 245a Para. 1 in conjunction with Section 265 Para. 2 of the Austrian Commercial Code):

Group companies		31/12/2021		31/12/2020	
	Currency	Share capital	Share in %	Share capital	Share in %
Consolidated companies					
Avit Investments Limited, Providenciales, Turks and Caicos	USD	-	-	2,201,000	100.00
Beech Investment s.r.o., Zlaté Moravce, Slovakia	EUR	6,639	100.00	6,639	100.00
BZL – Bildungszentrum Lenzing GmbH, Lenzing, Austria	EUR	43,604	75.00	43,604	75.00
LD Celulose S.A., Indianopolis, Brazil	BRL	2,278,921,980	51.00	2,078,154,000	51.00
Lenzing Biocel Paskov a.s., Paskov, Czech Republic	CZK	280,000,000	100.00	280,000,000	100.00
Lenzing E-commerce (Shanghai) Co., Ltd., Shanghai, China	CNY	11,869,055	100.00	9,002,120	100.00
Lenzing Elyaf Anonim Şirketi, Istanbul, Turkey	TRY	3,500,000	100.00	3,500,000	100.00
Lenzing Fibers (Shanghai) Co., Ltd., Shanghai, China	USD	200,000	100.00	200,000	100.00
Lenzing Fibers GmbH, Heiligenkreuz, Austria	EUR	363,364	100.00	363,364	100.00
Lenzing Fibers Grimsby Limited, Grimsby, UK	GBP	1	100.00	1	100.00
Lenzing Fibers Holding GmbH, Lenzing, Austria	EUR	35,000	100.00	35,000	100.00
Lenzing Fibers (Hongkong) Ltd., Hong Kong, China	HKD	30,300,000	100.00	26,100,000	100.00
Lenzing Fibers Inc., Axis, USA	USD	10	100.00	10	100.00
Lenzing Fibers India Private Limited, Coimbatore, India	INR	25,464,000	100.00	3,500,000	100.00
Lenzing Fibers Ltd., Manchester, UK	GBP	1	100.00	1	100.00
Lenzing Global Finance GmbH, Munich, Germany	EUR	25,000	100.00	25,000	100.00
Lenzing Holding GmbH, Lenzing, Austria	EUR	35,000	100.00	35,000	100.00
Lenzing Korea Yuhan Hoesa, Seoul, Republic of Korea	KRW	280,000,000	100.00	280,000,000	100.00
Lenzing Land Holding LLC., Dover, USA	USD	10,000	100.00	10,000	100.00
Lenzing Modi Fibers India Private Limited, Mumbai, India	INR	1,187,241,341	96.52	1,180,051,090	96.50
Lenzing (Nanjing) Fibers Co., Ltd., Nanjing, China	USD	117,440,000	100.00	108,440,000	100.00
Lenzing Singapore Pte. Ltd., Singapore, Republic of Singapore	EUR	1,000,000	100.00	1,000,000	100.00
Lenzing Taiwan Fibers Ltd., Taipei, Taiwan	TWD	5,300,000	100.00	5,300,000	100.00
Lenzing (Thailand) Co., Ltd., Prachinburi, Thailand	THB	4,000,000,000	100.00	2,884,000,000	100.00
Nanjing Fabor Waste Water Treatment Co., Ltd, Nanjing, China[1]	CNY	-	-	120,000,000	100.00
Penique S.A., Panama, Panama	USD	-	-	5,000	100.00
PT. South Pacific Viscose, Purwakarta, Indonesia[2]	IDR	106,275,869,000	95.12	72,500,000,000	92.85
Pulp Trading GmbH, Lenzing, Austria	EUR	40,000	100.00	40,000	100.00
Reality Paskov s.r.o., Paskov, Czech Republic	CZK	900,000	100.00	900,000	100.00
Wasserreinhaltungsverband Lenzing – Lenzing AG, Lenzing, Austria[3]	EUR	0	Membership	0	Membership
Companies accounted for using the equity method					
Associates					
EQUI-Fibres Beteiligungsgesellschaft mbH, Kelheim, Germany	EUR	2,000,000	20.00	2,000,000	20.00
Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck, Lenzing, Austria[4]	EUR	1,155,336	99.90	1,155,336	99.90
Lenzing Papier GmbH, Lenzing, Austria	EUR	35,000	40.00	35,000	40.00
PT. Pura Golden Lion, Jakarta, Indonesia	IDR	2,500,000,000	40.00	2,500,000,000	40.00
Joint ventures					
Hygiene Austria LP GmbH, Wiener Neudorf	EUR	-	-	35,000	50.10
LD Florestal S.A., Indianopolis, Brazil	BRL	177,452,357	50.00	177,452,357	50.00
RVL Reststoffverwertung Lenzing GmbH, Lenzing, Austria	EUR	36,336	50.00	36,336	50.00
Wood Paskov s.r.o., Paskov, Czech Republic	CZK	2,000,000	50.00	2,000,000	50.00

Comments:
1) In the 2021 financial year, the interest in Nanjing Fabor Waste Water Treatment Co., Ltd, Nanjing, China, was merged with Lenzing (Nanjing) Fibers Co., Ltd, Nanjing, China.
2) The share held directly by the Lenzing Group equals 91.87 percent (December 31, 2020: 88.08 percent). A further 8.13 percent of the shares are held indirectly via PT. Pura Golden Lion, Jakarta, Indonesia, an associate of the Lenzing Group. The total calculated share therefore equals 95.12 percent.
3) The Lenzing Group participates through a membership. It holds 50 percent of the voting rights and can appoint half of the Managing Board members. Since all assets are attributable to the respective landowner under company law, the entity is notionally a separate company (a so-called "silo structure"). Assets located on the Lenzing Group's land are therefore included in the consolidation.
4) This investment is not included in the consolidated financial statements as a subsidiary, even though the Lenzing Group holds 99.9 percent of the voting rights in the company. In light of the given circumstances, the Lenzing Group does not control this company because its power is limited and because the returns hardly vary or can hardly be influenced by the Lenzing Group. Significant influence is exercised by the Lenzing Group over the financial and operating policies of this company, in particular through representation on management bodies and participation in decision-making processes.

Note 44. Significant events after the end of the reporting period

On January 20, 2022, a gradual reduction in the corporate tax rate in Austria from 25 percent to 23 percent with effect from January 1, 2023 was approved. This reduction does not affect current or deferred taxes recognized as at December 31, 2021. However, this change will reduce the group's future effective tax burden accordingly. If the modified tax rates had been applied for the calculation of deferred taxes as at December 31, 2021, deferred tax liabilities would have decreased by EUR 2,708 thousand (see note 31).

Military clashes between Russia and Ukraine have arisen since February 24, 2022. The Lenzing Group has no investments, other assets or other significant business relationships in either of these countries. For this reason, the consolidated financial statements of the Lenzing Group as of December 31, 2021 are not affected.

Other than that, the Lenzing Group is not aware of any significant events occurring after the reporting date on December 31, 2021 which would have resulted in a different presentation of its financial position and financial performance.

Note 45. Authorization of the consolidated financial statements

These consolidated financial statements were approved on March 1, 2022 (consolidated financial statements as at December 31, 2020: March 8, 2021) by the Managing Board for review by the Supervisory Board, presentation to the Annual General Meeting and subsequent publication. The Supervisory Board may require changes to the consolidated financial statements as part of its review.

Lenzing, March 1, 2022
Lenzing Aktiengesellschaft

The Managing Board

Cord Prinzhorn
Chairman of the Managing Board

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

Auditor’s Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Lenzing Aktiengesellschaft, Lenzing, Austria, and its subsidiaries (the Group), which comprise the consolidated Statement of Financial Position as at 31 December 2021, and the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 (“AP Regulation”) and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities” section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor’s report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

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

Risk for the financial statements
In the financial year 2021 Lenzing Aktiengesellschaft asessed that there is an indication, that the cash-generating units "Fiber Site China" and "Fiber Site Indonesia" may be impaired. The estimated recoverable amounts (impairment test) of both cash-generating units exceeded their carrying amounts.

The measurement of the recoverable amount of cash-generating units in accordance with IAS 36 requires assumptions and estimates, such as the estimated future cash flows, as well as the determination of the applicable discount rate.

There is a risk that inappropriate assumptions and estimates used to measure the recoverable amount could have a significant impact on the recoverable amount and therefore the carrying amounts of the cash-generating units in the consolidated statement of financial position, as well as the operating result in the consolidated income statement.

Our response
We assessed the impairment tests carried out by the company with support of our internal valuation experts as follows:

- To assess the adequacy of the cash flow projections used by management to measure recoverable amount, we have evaluated managements planning process and discussed the assumptions for growth rates and operating results with management. Additionally, we have compared these cash flow projections with the most recent budget approved by the supervisory board as well as the mid-term planning approved by the managing board.
- To assess managements historical planning accuracy we have compared actual financial figures with prior years cash flow projections.
- Our internal valuation experts have assessed the methodology used for impairment testing for compliance with the applicable standards. Our experts furthermore compared the assumptions, on which the determination of capital cost rates were based, with market- and industry-specific reference values and verified the mathematical accuracy of the calculation.
- Additionally, we have verified whether the descriptions in the notes to the financial statements on impairment testing of the CGUs "Fiber Site China" and "Fiber Site Indonesia" were appropriate.

Valuation of puttable non-controlling interests
Refer to note 3 and note 37

Risk for the Consolidated Financial Statements
The minority shareholder of LD Cellulose S.A, Sao Paulo, Brazil, has an option to sell its non-controlling interests to Lenzing Aktiengesellschaft upon the occurrence of contractually agreed events. As of December 31, 2021, Lenzing Aktiengesellschaft recognized a liability at a fair value of EUR 234,409 thousand for these puttable non-controlling interests. Subsequent measurement of the liability is carried out using the present access method via retained earnings.

The fair value of the liability for the puttable non-controlling interests is determined in accordance with the contractual agreement with the minority shareholder according to a discounted cash flow method. This requires assumptions and estimates, such as estimating future cash flows and determining the discount rate to be applied.

There is a risk for the consolidated financial statements that inappropriate assumptions and estimates could have a significant impact on the fair value and thus the valuation of the liability for the puttable non-controlling interests in the consolidated statement of financial position and equity.

Our response
We assessed the valuation of puttable non-controlling interests as follows:

- We assessed whether the chosen valuation model is consistent with the contractual agreements for determining the option exercise price.
- In order to assess the appropriateness of the cash flows used in the valuation model, we gained an understanding of the planning process and discussed the assumptions about growth rates and operating results with management.
- We compared the planning data assumed in the valuation model with the current budget figures approved by the Management Board and the Supervisory Board and the medium-term plan.
- Our internal valuation experts assessed the adequacy of the valuation model and verified the mathematical accuracy. Our experts compared the determined country and maturity-specific capital costs with market and industry-specific benchmarks.
- Finally, we assessed whether the explanations on the determination of the fair value for the liability for puttable non-controlling interests in the consolidated financial statements are appropriate.

Other information
Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report, and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misprepresentations or override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law and other legal or regulatory requirements.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on April 14, 2021 and were appointed by the supervisory board on April 27, 2021 to audit the financial statements of Company for the financial year ending on December 31, 2021.

We have been auditors of the Company, without interruption, since the consolidated financial statements as at December 31, 2017.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner on this engagement is Ms Gabriele Lehner.

Linz, March 01, 2022

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Gabriele Lehner

Austrian Chartered Accountant

This report is a translation of the original report in German, which is solely valid.
The financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

Declaration of the Managing Board

Declaration of the Managing Board according to Section 124 (1) No. 3 of the Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements of the Lenzing Group as at December 31, 2021 that were prepared in accordance with the applicable accounting standards pursuant to International Financial Reporting Standards (IFRSs) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Lenzing Group and that the group management report gives a true and fair view of the development and performance of the business and the position of the Lenzing Group, together with a description of the principal risks and uncertainties the Lenzing Group faces.

Lenzing, March 1, 2022
Lenzing Aktiengesellschaft

The Managing Board

Cord Prinzhorn
Chairman of the Managing Board

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

Lenzing Group Five-Year Overview

Key earnings and profitability figures

EUR mn	2021	2020	2019	2018	2017
Revenue	2,194.6	1,632.6	2,105.2	2,176.0	2,259.4
EBITDA (earnings before interest, tax, depreciation and amortization)	362.9	192.3[1]	329.9[1]	382.7[1]	504.6[1]
EBITDA margin	16.5%	11.8%[1]	15.7%[1]	17.6%[1]	22.3%[1]
EBIT (earnings before interest and tax)	200.6	33.9[1]	165.3[1]	238.3[1]	373.1[1]
EBIT margin	9.1%	2.1%[1]	7.9%[1]	11.0%[1]	16.5%[1]
EBT (earnings before tax)	182.9	22.3	163.8	199.1	357.4
Net profit/loss for the year	127.7	(10.6)	114.9	148.2	281.7
Earnings per share in EUR	4.16	0.24	4.63	5.61	10.47
ROCE (return on capital employed)	5.4%	(0.5) %[1]	5.4%[1]	10.3%	18.7%[1]
ROE (return on equity)	9.1%	1.3%	10.5%	12.9%	24.5%
ROI (return on investment)	4.2%	0.9%[1]	5.7%[1]	9.3%	14.6%[1]

Key cash flow figures

EUR mn	2021	2020	2019	2018	2017
Gross cash flow	372.0	126.8	294.0	304.0	418.7
Cash flow from operating activities	394.0	48.9	244.6	280.0	271.1
Free cash flow	(445.5)	(614.8)	0.8	23.5	32.6
CAPEX	844.3	668.8	244.0	257.6	238.8
Liquid assets as at 31/12	1,124.1	1,081.1	581.0	254.4	315.8
Unused credit facilities as at 31/12	454.5	1,031.4	266.6	341.6	213.8

Key balance sheet figures

EUR mn as at 31/12	2021	2020	2019	2018	2017
Total assets	5,322.8	4,163.0	3,121.1	2,630.9	2,497.3
Adjusted equity	2,115.7	1,907.0	1,559.3	1,553.0	1,527.7
Adjusted equity ratio	39.7%	45.8%	50.0%	59.0%	61.2%
Net financial debt	977.0	471.4	400.6	219.4	66.8
Net financial debt / EBITDA	2.7	2.1[1]	0.7[1]	0.2[1]	0.0[1]
Net debt	1,079.3	575.0	511.4	322.8	172.2
Net gearing	46.2%	24.7%	25.7%	14.1%	4.4%
Trading working capital	387.4	383.8	403.5	444.4	414.4
Trading working capital to annualized group revenue	16.0%	21.9%	20.7%	20.6%	19.4%

Key stock market figures

EUR	2021	2020	2019	2018	2017
Market capitalization in mn as at 31/12	3,239.1	2,198.3	2,198.3	2,109.4	2,810.3
Share price as at 31/12	122.00	82.80	82.80	79.45	105.85
Dividend per share	4.35[2]	0.00	0.00	5.00	5.00

Employees

Employees	2021	2020	2019	2018	2017
Number (headcount) as at 31/12	7,958	7,358	7,036	6,839	6,488

1) Reclassification of capitalized borrowing costs, net interest from defined benefit plans and commitment fees from EBIT/EBITDA to the financial result (see note 2).
2) On the basis of proposed distribution of profits.

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