

# Notes on the Financial Performance Indicators of the Lenzing Group

Interim Group Report 01-06/2016

Key financial performance indicators for the Lenzing Group will be described here in detail. For the most part, they are derived from the Lenzing Group's condensed consolidated interim financial statements or the consolidated financial statements of the previous year.

The Management Board is of the opinion that these financial performance indicators provide useful information about the financial position of the Lenzing Group. They are used in-house, and are usually of considerable importance to external stakeholders (in particular investors, banks and analysts).

## EBITDA, EBITDA margin, EBIT and EBIT margin

In the Lenzing Group, EBITDA and EBIT are considered to be the benchmarks for operating earnings strength and profitability (performance) before and after depreciation and amortization. Due to their significance, also for external stakeholders, these indicators are presented in the consolidated income statement and, in order to provide a comparison of margins, in relation to Group revenue (as the EBITDA margin and EBIT margin).

EUR mn	01-06/2016	01-06/2015
EBITDA (earnings before interest, tax, depreciation and amortization)	195.1	126.5
/ Revenue	1,034.8	955.4
<b>EBITDA margin</b>	<b>18.9%</b>	<b>13.2%</b>

  

EUR mn	01-06/2016	01-06/2015
EBIT (earnings before interest and tax)	129.7	60.5
/ Revenue	1,034.8	955.4
<b>EBIT margin</b>	<b>12.5%</b>	<b>6.3%</b>

## EBT

EBT measures the earnings strength of the Lenzing Group before tax. It is presented in the consolidated income statement.

## Gross cash flow

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

EUR mn	01-06/2016	01-06/2015 <sup>1</sup>
Net profit/loss for the period	94.6	51.4
+ Amortization of intangible assets and depreciation of property, plant and equipment	66.8	67.4
- Income from the release of investment grants	(1.4)	(1.4)
+/- Change in non-current provisions	2.2	(1.4)
- Income/+ expenses from deferred taxes	(0.5)	6.1
+/- Change in current tax assets and liabilities	8.5	12.3
+/- Non-cash income from investments accounted for using the equity method	(0.8)	13.8
- Other non-cash income/+ expenses	3.1	(1.7)
<b>Gross cash flow</b>	<b>172.4</b>	<b>146.4</b>

<sup>1</sup> Restatement according to IAS 8 (see note 2 in the consolidated interim financial statements).

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## Free cash flow

The free cash flow generated by the Lenzing Group serves as the benchmark for the readily available capital from the cash flow from operating activities less investments used to service debt capital providers and equity investors. Moreover, it is of importance to external stakeholders.

EUR mn	01-06/2016	01-06/2015
Cash flow from operating activities	268.8	99.7
- Cash flow from investing activities	(37.0)	(13.6)
- Net inflow from the sale of subsidiaries and other business areas	(1.4)	(13.8)
+ Acquisition of financial assets	0.6	1.8
- Proceeds from the sale/repayment of financial assets	(2.8)	(0.4)
<b>Free cash flow</b>	<b>228.3</b>	<b>73.7</b>

## CAPEX

In the Lenzing Group, CAPEX serves as a measure for capital expenditures in intangible assets and property, plant and equipment. It is presented in the consolidated statement of cash flows.

## Liquid assets

Liquid assets in the Lenzing Group are the benchmark for the ability to meet payment obligations falling due through immediately available liquidity. It is also used to calculate other financial indicators (e.g. net financial debt; see below).

EUR mn	30/06/2016	31/12/2015
Cash and cash equivalents	479.2	347.3
+ liquid bills of exchange (in the trade receivables)	8.0	8.1
<b>Liquid assets</b>	<b>487.2</b>	<b>355.3</b>

## Trading working capital and trading working capital to annualized group revenue

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

EUR mn	30/06/2016	31/12/2015
Inventories	316.6	338.5
+ Trade receivables	251.5	258.9
- Trade payables	(206.5)	(150.0)
<b>Trading working capital</b>	<b>361.6</b>	<b>447.4</b>

  

EUR mn	2016	2015
Most recent quarterly group revenue reported	522.0	518.0
x 4 (= annualized group revenue)	2,088.0	2,071.8
<b>Trading working capital to annualized group revenue</b>	<b>17.3%</b>	<b>21.6%</b>

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## Adjusted equity and adjusted equity ratio

In the Lenzing Group, adjusted equity measures the independence from providers of debt capital and the ability to raise new capital (financial strength). In addition to equity pursuant to IFRS, it also includes government grants less proportionate deferred taxes. Adjusted equity is used to compare equity and borrowed capital by relating it to total assets. This (or similar indicators) is occasionally used as a financial covenant with debt capital providers.

EUR mn	30/06/2016	31/12/2015 <sup>1</sup>
Equity	1,221.1	1,198.9
+ Non-current government grants	16.9	17.8
+ Current government grants	7.2	8.0
- Proportionate deferred taxes on government grants	(5.7)	(6.1)
<b>Adjusted equity</b>	<b>1,239.6</b>	<b>1,218.6</b>
<b>/ Total assets</b>	<b>2,468.2</b>	<b>2,410.6</b>
<b>Adjusted equity ratio</b>	<b>50.2%</b>	<b>50.6%</b>

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

Net financial debt is used as the benchmark for the financial debt and capital structure of the Lenzing Group, and is also an important indicator for external stakeholders. Net financial debt is related to EBITDA and thus provides an indication of how many periods the same EBITDA will have to be generated in order to cover net financial debt. The relation of net financial debt and adjusted equity (net gearing) illustrates the relation of net debt to adjusted equity. This (or similar indicators) is occasionally used as a financial covenant with debt capital providers. Net debt in the Lenzing Group measures the financial debt burden, taking account of provisions for severance payments and pensions.

EUR mn	30/06/2016	31/12/2015
Current financial liabilities	177.3	172.3
+ Non-current financial liabilities	460.0	510.9
- Liquid assets	(487.2)	(355.3)
<b>Net financial debt</b>	<b>150.1</b>	<b>327.9</b>

EUR mn	30/06/2016	31/12/2015 <sup>1</sup>
Net financial debt	150.1	327.9
/ Adjusted equity	1,239.6	1,218.6
<b>Net gearing</b>	<b>12.1%</b>	<b>26.9%</b>

EUR mn	30/06/2016	31/12/2015
Net financial debt	150.1	327.9
+ Provisions for pensions and severance payments <sup>2</sup>	104.4	96.5
<b>Net debt</b>	<b>254.4</b>	<b>424.5</b>

<sup>1</sup>) Restatement according to IAS 8 (see note 2 in the consolidated interim financial statements).

<sup>2</sup>) This amount is included in the consolidated statement of financial positions in „provisions“ (non-current liabilities or current liabilities).

# GLOSSARY

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## Definitions of Financial Key Figures

### Adjusted equity

Equity including non-current and current government grants less proportionate deferred taxes on government grants.

### Adjusted equity ratio

Ratio of adjusted equity to total assets as a percentage.

### CAPEX

Capital expenditures; equals acquisition of intangible assets, property, plant and equipment as per statement of cash flows.

### Earnings per share

Ratio of Lenzing AG shareholders' share in the net profit/loss for the year (/the period) to the weighted average number of shares issued as a percentage, calculated according to IFRS.

### EBIT (earnings before interest and tax)

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

### EBIT margin

Ratio of EBIT to revenue as a percentage; equals the return on sales (ROS).

### EBITDA

#### (earnings before interest, tax, depreciation and amortization)

Operating result before depreciation and amortization or earnings before interest, tax, depreciation on property, plant and equipment and amortization of intangible assets and before income from the release of investment grants; the precise derivation can be found in the consolidated income statement.

### EBITDA margin

Ratio of EBITDA to revenue as a percentage.

### EBT (earnings before tax)

Earnings before tax; profit/loss for the year (/the period) before income tax expense; the precise derivation can be found in the consolidated income statement.

### Equity

The equity item pools the equity instruments according to IFRS. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting the liabilities. This relates to funds provided to the entity by the owners.

### Free cash flow

Cash flow from operating activities less cash flow from investing activities less net cash inflow from the sale and disposal of subsidiaries and other business areas plus acquisition of financial assets less proceeds from the disposal or repayment of financial assets. Free cash flow corresponds to the readily available cash flow.

### Gross cash flow

Gross cash flow equals cash flow from operating activities before change in working capital; the precise derivation can be found in the consolidated statement of cash flows.

### IAS

Abbreviation for International Accounting Standard(s); these are internationally recognized accounting rules.

### IFRS

Abbreviation for International Financial Reporting Standard(s); these are internationally recognized accounting rules.

### Liquid assets

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

### Liquid funds

Cash and cash equivalents plus current securities.

### Market capitalization

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

### Net debt

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

### Net financial debt

Interest-bearing financial liabilities (= non-current and current financial liabilities) less liquid assets.

### Net gearing

Ratio of net financial debt to adjusted equity as a percentage.

### Net profit/loss for the year (/the period)

Profit/loss after tax; net profit/loss; the precise derivation can be found in the consolidated income statement.

### Post-employment benefits

Provisions for pensions and severance payments.

# GLOSSARY

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## Definitions of Financial Key Figures

### Total assets

Total of non-current and current assets or the total of equity and non-current and current liabilities; the precise derivation can be found in the consolidated statement of financial position.

### Trading working capital

Inventories plus trade receivables less trade payables.

### Trading working capital to annualized group revenue

Ratio of trading working capital to the most recent quarterly revenue reported x 4 as a percentage.

### Working capital

Inventories plus trade receivables plus other non-current and current assets less current provisions less trade payables less other non-current and current liabilities.