

Notes on the Financial Performance Indicators of the Lenzing Group

Interim Report 01-09/2016

Key financial performance indicators for the Lenzing Group will be described here in detail. They are largely derived from the Lenzing Group's condensed consolidated interim financial statements and 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	01-09/2016	01-09/2015
EBITDA (earnings before interest, tax, depreciation and amortization)	320.6	210.6
/ Revenue	1,578.4	1,458.9
EBITDA margin	20.3%	14.4%

EUR mn	01-09/2016	01-09/2015
EBIT (earnings before interest and tax)	221.7	112.0
/ Revenue	1,578.4	1,458.9
EBIT margin	14.0%	7.7%

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	01-09/2016	01-09/2015 ¹⁾
Net profit/loss for the period	162.1	84.8
+ Amortization of intangible assets and depreciation of property, plant and equipment	100.9	100.7
- Income from the release of investment grants	(2.0)	(2.1)
+/- Change in non-current provisions	1.8	(2.0)
- Income/+ expenses from deferred taxes	2.0	15.2
+/- Change in current tax assets and liabilities	13.7	0.7
+/- Income from investments accounted for using the equity method	(1.3)	13.3
- Other non-cash income/+ expenses	5.7	1.4
Gross cash flow	282.8	212.0

¹⁾ Amounts were partially adjusted, see below „Restatement according to IAS 8“.

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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	01-09/2016	01-09/2015
Cash flow from operating activities	374.9	185.0
- Cash flow from investing activities	(60.5)	(31.5)
- Net inflow from the sale and disposal of subsidiaries and other business areas ¹	(1.4)	(14.2)
+ Acquisition of financial assets ¹	0.8	2.1
- Proceeds from the sale/repayment of financial assets ¹	(3.1)	(0.6)
Free cash flow	310.8	140.9

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	30/09/2016	31/12/2015
Cash and cash equivalents	531.7	347.3
+ Liquid bills of exchange (in trade receivables)	11.1	8.1
Liquid assets	542.9	355.3

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	30/09/2016	31/12/2015
Inventories	313.1	338.5
+ Trade receivables	282.9	258.9
- Trade payables	(213.5)	(150.0)
Trading working capital	382.5	447.4

EUR mn	2016	2015
Most recent quarterly group revenue reported	543.5	518.0
x 4 (= annualized group revenue)	2,174.0	2,071.8
Trading working capital to annualized group revenue	17.6%	21.6%

¹ This amount is included in the Condensed Consolidated Statement of Cash Flows in "Other" in the cash flow from investing activities.

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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	30/09/2016	31/12/2015 ¹
Equity	1,283.8	1,198.9
+ Non-current government grants ²	16.8	17.8
+ Current government grants ²	7.2	8.0
- Proportionate deferred taxes on government grants	(5.7)	(6.1)
Adjusted equity	1,302.2	1,218.6
/ Total assets	2,537.0	2,410.6
Adjusted equity ratio	51.3%	50.6%

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

Net financial debt is used as the benchmark for the financial debt burden 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 borrowed funds 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	30/09/2016	31/12/2015
Current financial liabilities	277.0	172.3
+ Non-current financial liabilities	330.0	510.9
- Liquid assets	(542.9)	(355.3)
Net financial debt	64.2	327.9

EUR mn	30/09/2016	31/12/2015 ¹
Net financial debt	64.2	327.9
/ Adjusted equity	1,302.2	1,218.6
Net gearing	4.9%	26.9%

EUR mn	30/09/2016	31/12/2015
Net financial debt	64.2	327.9
+ Provisions for pensions and severance payments ³	104.9	96.5
Net debt	169.1	424.5

¹ Amounts were partially adjusted, see below "Restatement according to IAS 8". ² This amount is included in the Condensed Consolidated Statement of Financial Position in "Other non-current liabilities" and "Other current liabilities", respectively. ³ This amount is included in the Condensed Consolidated Statement of Financial Position in "Provisions" (non-current liabilities and current liabilities, respectively).

Restatement according to IAS 8

In the course of a random sample by the Austrian Financial Reporting Enforcement Panel (Österreichische Prüfstelle für Rechnungslegung - OePR) the consolidated annual financial report as at December 31, 2014 and the consolidated interim financial reports as at June 30, 2014 and as at June 30, 2015 of the Lenzing Group were selected and reviewed in accordance with section 2 (1) no. 2 (random review) of the Accounting Control Act (Rechnungslegungs-Kontrollgesetz RL-KG). Result of the review was that the deferred tax assets relating to a Chinese production site in the amount of EUR 15.9 mn - thereof EUR 4.7 mn on tax loss carryforwards - that were recognized in the annual financial statements as at December 31, 2014 should not have been recognized. This is about 0.7% of total assets as at December 31, 2014; EBIT and EBITDA are not affected. The required probability of a sufficient taxable profit as stipulated in IAS 12.29(a) in conjunction with IAS 12.35 as well as convincing other evidence of this could not be documented in the consolidated financial statements as at December 31, 2014. Hence, OePR stated a deficiency in this regard for the financial year ending at December 31, 2014 and subsequent reporting periods.

Prior period errors are accounted for retrospectively according to IAS 8 (Accounting policies, Changes in Accounting Estimates and Errors). The retrospective adjustment did not affect the information presented in the statement of financial position as at the beginning of the prior period (January 1, 2014). The effects on the items concerned by this retrospective adjustment are presented in the following tables:

Restatement according to IAS 8 in the Consolidated Income Statement EUR mn

07-09/2015	Previously	Restatement	Restated
Earnings before interest and tax (EBIT)	51.5		51.5
Financial result	(6.3)		(6.3)
Allocation of profit or loss to puttable non-controlling interests	(0.9)	(0.2)	(1.1)
Earnings before tax (EBT)	44.3	(0.2)	44.1
Income tax expense	(11.4)	0.7	(10.7)
Net profit/loss for the period	32.9	0.5	33.4
Profit/loss for the period attributable to shareholders of Lenzing AG	32.8	0.5	33.3
Attributable to non-controlling interests	0.1		0.1
Earnings per share	EUR	EUR	EUR
Diluted = undiluted	1.24	0.02	1.26

Restatement according to IAS 8 in the Consolidated Income Statement EUR mn

01-09/2015	Previously	Restatement	Restated
Earnings before interest and tax (EBIT)	112.0		112.0
Financial result	0.5		0.5
Allocation of profit or loss to puttable non-controlling interests	0.0	(0.2)	(0.1)
Earnings before tax (EBT)	112.6	(0.2)	112.4
Income tax expense	(28.1)	0.5	(27.6)
Net profit/loss for the period	84.4	0.4	84.8
Profit/loss for the period attributable to shareholders of Lenzing AG	85.6	0.4	85.9
Attributable to non-controlling interests	(1.1)		(1.1)
Earnings per share	EUR	EUR	EUR
Diluted = undiluted	3.22	0.01	3.24

Restatement according to IAS 8

Restatement according to IAS 8 in the Consolidated Income Statement

EUR mn

01-12/2015	Previously	Restatement	Restated
Earnings before interest and tax (EBIT)	151.1		151.1
Financial result	(3.5)		(3.5)
Allocation of profit or loss to puttable non-controlling interests	1.5	(1.7)	(0.2)
Earnings before tax (EBT)	149.1	(1.7)	147.4
Income tax expense	(25.1)	5.8	(19.3)
Net profit/loss for the year	124.0	4.0	128.1
Profit/loss for the year attributable to shareholders of Lenzing AG	122.9	4.0	127.0
Attributable to non-controlling interests	1.1		1.1
Earnings per share	EUR	EUR	EUR
Diluted = undiluted	4.63	0.15	4.78

Restatement according to IAS 8 in the Consolidated Statement of Comprehensive Income

EUR mn

07-09/2015	Previously	Restatement	Restated
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences arising during the reporting period	(6.1)	0.5 ¹	(5.6)
Investments accounted for using the equity method – share of other comprehensive income	0.0	(0.2)	(0.2)
	(6.1)	0.4	(5.7)

Restatement according to IAS 8 in the Consolidated Statement of Comprehensive Income

EUR mn

01-09/2015	Previously	Restatement	Restated
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences arising during the reporting period	32.0	(0.5) ¹	31.5
Investments accounted for using the equity method – share of other comprehensive income	0.0	(0.1)	(0.1)
	32.0	(0.6)	31.3

Restatement according to IAS 8 in the Consolidated Statement of Comprehensive Income

EUR mn

01-12/2015	Previously	Restatement	Restated
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences arising during the reporting period	41.5	(0.7) ¹	40.8
Investments accounted for using the equity method – share of other comprehensive income	0.0	0.0	0.0
	41.5	(0.7)	40.8

¹⁾ The tables above on the adjustments of the consolidated statement of comprehensive income also include adjustments due to the amendment of IAS 1 (Presentation of Financial statements) now requiring the mandatory separate presentation of the share of OCI of equity-accounted associates and joint-ventures in the line „investments accounted for using the equity-method – share of other comprehensive income “ in the following amounts: EUR 0.2 mn for the period July to September 2015, EUR 0.1 mn for the period January to September 2015 and EUR 0.0 mn for the period January to December 2015.

Restatement according to IAS 8

Restatement according to IAS 8 in the Consolidated Statement of Financial Position

EUR mn

31/12/2014 = 01/01/2015			
Assets	Previously	Restatement	Restated
Deferred tax assets	21.5	(15.9)	5.7
Other non-current assets	1,421.4		1,421.4
Non-current assets	1,443.0	(15.9)	1,427.1
Current assets	932.1		932.1
Total assets	2,375.1	(15.9)	2,359.2
Equity and liabilities			
Share capital	27.6		27.6
Capital reserves	133.9		133.9
Other reserves	(30.2)	(0.1)	(30.3)
Retained earnings	890.4	(11.0)	879.4
Equity attributable to shareholders of Lenzing AG	1,021.7	(11.1)	1,010.6
Non-controlling interests	23.9		23.9
Equity	1,045.6	(11.1)	1,034.5
Puttable non-controlling interests	12.4	(4.8)	7.6
Other non-current liabilities	741.5		741.5
Non-current liabilities	753.9	(4.8)	749.2
Current liabilities	575.5		575.5
Total equity and liabilities	2,375.1	(15.9)	2,359.2

Restatement according to IAS 8 in the Consolidated Statement of Financial Position

EUR mn

30/09/2015			
Assets	Previously	Restatement	Restated
Deferred tax assets	20.4	(16.3)	4.1
Other non-current assets	1,380.4		1,380.4
Non-current assets	1,400.8	(16.3)	1,384.5
Current assets	1,016.9		1,016.9
Total assets	2,417.6	(16.3)	2,401.4
Equity and liabilities			
Share capital	27.6		27.6
Capital reserves	133.9		133.9
Other reserves	15.3	(0.8)	14.6
Retained earnings	949.0	(10.6)	938.4
Equity attributable to shareholders of Lenzing AG	1,125.8	(11.4)	1,114.4
Non-controlling interests	24.5		24.5
Equity	1,150.3	(11.4)	1,138.9
Puttable non-controlling interests	13.1	(4.9)	8.2
Other non-current liabilities	764.1		764.1
Non-current liabilities	777.2	(4.9)	772.3
Current liabilities	490.1		490.1
Total equity and liabilities	2,417.6	(16.3)	2,401.4

Restatement according to IAS 8

Restatement according to IAS 8 in the Consolidated Statement of Financial Position

EUR mn

31/12/2015 = 01/01/2016			
Assets	Previously	Restatement	Restated
Deferred tax assets	17.3	(11.2)	6.1
Other non-current assets	1,375.8		1,375.8
Non-current assets	1,393.1	(11.2)	1,381.9
Current assets	1,028.8		1,028.8
Total assets	2,421.8	(11.2)	2,410.6
Equity and liabilities			
Share capital	27.6		27.6
Capital reserves	133.9		133.9
Other reserves	31.1	(0.9)	30.3
Retained earnings	986.8	(7.0)	979.8
Equity attributable to shareholders of Lenzing AG	1,179.4	(7.8)	1,171.6
Non-controlling interests	27.3		27.3
Equity	1,206.7	(7.8)	1,198.9
Puttable non-controlling interests	11.7	(3.4)	8.3
Other non-current liabilities	707.4		707.4
Non-current liabilities	719.1	(3.4)	715.7
Current liabilities	496.1		496.1
Total equity and liabilities	2,421.8	(11.2)	2,410.6

Restatement according to IAS 8 in the Consolidated Statement of Cash Flows

EUR mn

01-09/2015			
	Previously	Restatement	Restated
Net profit/loss for the period	84.4	0.4	84.8
- Deferred tax income/+ deferred tax expense	15.7	(0.5)	15.2
- Other non-cash income/+ expenses	1.2	0.2	1.4
+/- Other	110.5		110.5
Gross cash flow	212.0	0.0	212.0

Restatement according to IAS 8 in the Consolidated Statement of Cash Flows

EUR mn

01-12/2015			
	Previously	Restatement	Restated
Net profit/loss for the year	124.0	4.0	128.1
- Deferred tax income/+ deferred tax expense	4.7	(5.8)	(1.0)
- Other non-cash income/+ expenses	4.2	1.7	5.9
+/- Other	151.5		151.5
Gross cash flow	284.5	0.0	284.5

GLOSSARY

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

Share in the net profit/loss for the year (/the period) attributable to shareholders of Lenzing AG in relation to the weighted average number of shares issued, 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)

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

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.