

# Notes on the Financial Performance Indicators of the Lenzing Group

Interim Report 01-09/2017

Key financial performance indicators of the Lenzing Group are described in detail in the following section. These indicators are derived primarily from the condensed consolidated interim financial statements and the consolidated financial statements of the previous year of the Lenzing Group.

The Management Board believes these financial performance indicators provide useful information on the financial position of the Lenzing Group because they are used internally and are also considered important by external stakeholders (in particular investors, banks and analysts).

## EBITDA, EBITDA margin, EBIT and EBIT margin

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

EUR mn	01-09/2017	01-09/2016
Earnings before interest, tax, depreciation and amortization (EBITDA)	397.1	320.6
/ Revenue	1,726.6	1,578.4
<b>EBITDA margin</b>	<b>23.0%</b>	<b>20.3%</b>

  

EUR mn	01-09/2017	01-09/2016
Earnings before interest and tax (EBIT)	298.4	221.7
/ Revenue	1,726.6	1,578.4
<b>EBIT margin</b>	<b>17.3%</b>	<b>14.0%</b>

## EBT

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

## Gross cash flow

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

EUR mn	01-09/2017	01-09/2016
Net profit for the period	219.3	162.1
+ Amortization of intangible assets and depreciation of property, plant and equipment	100.7	100.9
- Income from the release of investment grants	(2.0)	(2.0)
+/- Change in non-current provisions	1.8	1.8
- Income/+ expenses from deferred taxes	2.7	2.0
+/- Change in current tax assets and liabilities	(3.0)	13.7
+/- Non-cash income from investments accounted for using the equity method	(0.6)	(1.3)
- Other non-cash income /+ expenses	6.4	5.7
Other non-cash income / expenses	5.3	19.8
<b>Gross cash flow</b>	<b>325.3</b>	<b>282.8</b>

## Free cash flow

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

EUR mn	01-09/2017	01-09/2016
Cash flow from operating activities	262.7	374.9
- Cash flow from investing activities	(125.0)	(60.5)
- Net inflow from the sale of subsidiaries and other business areas	(3.1)	(1.4)
+ Acquisition of financial assets	1.0	0.8
- Proceeds from the sale/repayment of financial assets	(1.2)	(3.1)
<b>Free cash flow</b>	<b>134.4</b>	<b>310.8</b>

## CAPEX

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

## Liquid assets

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

EUR mn	30/09/2017	31/12/2016
Cash and cash equivalents	388.0	559.6
+ Liquid bills of exchange (in trade receivables)	8.7	10.8
<b>Liquid assets</b>	<b>396.7</b>	<b>570.4</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	30/09/2017	31/12/2016
Inventories	322.4	329.4
+ Trade receivables	297.2	277.4
- Trade payables	(236.0)	(227.2)
<b>Trading working capital</b>	<b>383.6</b>	<b>379.6</b>
EUR mn	2017	2016
Latest reported quarterly group revenue	577.5	555.7
x 4 (= annualized group revenue)	2,310.1	2,222.9
<b>Trading working capital to annualized group revenue</b>	<b>16.6%</b>	<b>17.1%</b>

### Adjusted equity and adjusted equity ratio

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

EUR mn	30/09/2017	31/12/2016
Equity	1,451.0	1,368.5
+ Non-current government grants <sup>1</sup>	18.0	17.0
+ Current government grants <sup>1</sup>	8.6	11.9
- Proportional share of deferred taxes on government grants	(6.4)	(7.0)
<b>Adjusted equity</b>	<b>1,471.2</b>	<b>1,390.5</b>
/ Total assets	2,500.5	2,625.3
<b>Adjusted equity ratio</b>	<b>58.8%</b>	<b>53.0%</b>

<sup>1)</sup> This amount is included in the condensed consolidated statement of financial position in other liabilities (non-current, resp. current liabilities).

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

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

EUR mn	30/09/2017	31/12/2016
- Current financial liabilities	(103.6)	(249.2)
- Non-current financial liabilities	(276.3)	(328.3)
+ Liquid assets	396.7	570.4
<b>Net liquidity (+) / net financial debt (-)</b>	<b>16.9</b>	<b>(7.2)</b>

  

EUR mn	30/09/2017	31/12/2016
Net liquidity (+) / net financial debt (-)	16.9	(7.2)
/ Adjusted equity	1,471.2	1,390.5
<b>Net gearing</b>	<b>n. a. <sup>2</sup></b>	<b>0.5%</b>

  

EUR mn	30/09/2017	31/12/2016
Net liquidity (+) / net financial debt (-)	16.9	(7.2)
- Provisions for severance payments and pensions <sup>3</sup>	(108.8)	(108.6)
<b>Net debt</b>	<b>(91.9)</b>	<b>(115.8)</b>

<sup>2)</sup> Not applicable due to net liquidity.

<sup>3)</sup> This amount is included in the condensed consolidated statement of financial position in "provisions" (non-current liabilities, resp. current liabilities).

# Glossary

## Financial glossary

- **Adjusted equity**

Equity including non-current and current government grants less the proportional share of deferred taxes on these government grants.

- **Adjusted equity ratio**

Ratio of adjusted equity to total assets in percent.

- **CAPEX**

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

- **Earnings per share**

The share of net profit/loss for the year (/the period) attributable to the shareholders of Lenzing AG divided by the weighted average number of issued shares, calculated according to IFRS (IAS 33 earnings per share).

- **EBIT (earnings before interest and tax)**

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

- **EBIT margin**

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

- **EBITDA**

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

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

- **EBITDA margin**

EBITDA as a percent of revenue.

- **EBT (earnings before tax)**

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

- **Equity**

The equity item aggregates the equity instruments as defined by IFRS. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. This represents the funds provided to the entity by its owners.

- **Free cash flow**

Cash flow from operating activities less cash flow from investing activities and net cash inflow from the sale and disposal of subsidiaries and other business areas plus acquisition of financial assets and investments accounted for using the equity method less proceeds from the sale/repayment of financial assets. Free cash flow corresponds to the readily available cash flow.

- **Gross cash flow**

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

- **IAS**

Abbreviation for International Accounting Standard(s), which are internationally recognized accounting rules.

- **IFRS**

Abbreviation for International Financial Reporting Standard(s), which are internationally recognized accounting rules.

- **Liquid assets**

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

- **Liquid funds**

Cash and cash equivalents plus current securities.

- **Market capitalization**

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

- **Net debt**

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

- **Net financial debt/net liquidity**

Interest-bearing financial liabilities (= non-current and current financial liabilities) less liquid assets. Net liquidity is the excess of liquid assets over interest-bearing financial liabilities.

- **Net gearing**

Net financial debt as a percent of adjusted equity.

- **Net profit/loss for the year (/the period)**

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

- **Post-employment benefits**

Provisions for severance payments and pensions.

- **Total assets**

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

- **Trading working capital**

Inventories plus trade receivables less trade payables.

- **Trading working capital to annualized group revenue**

Trading working capital as a percent of the latest reported quarterly group revenue x 4.

- **Working capital**

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