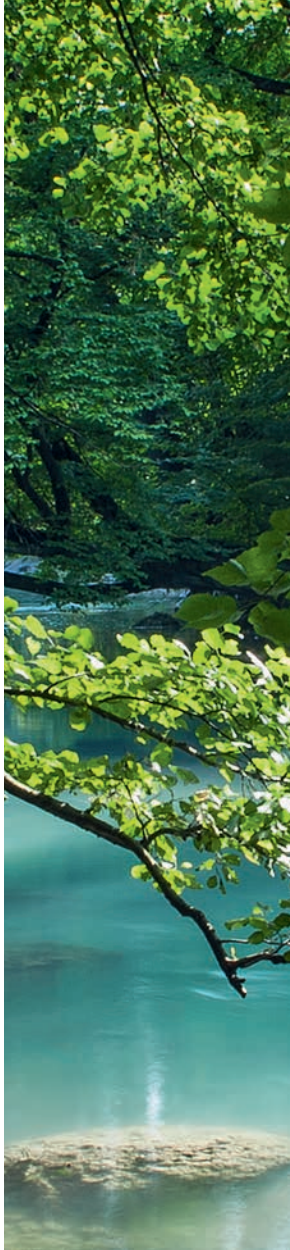


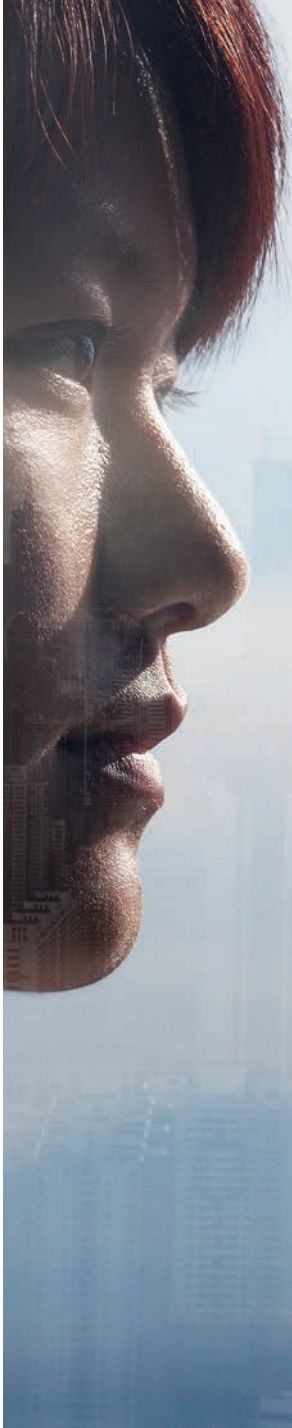
NATURE



THINKING AHEAD



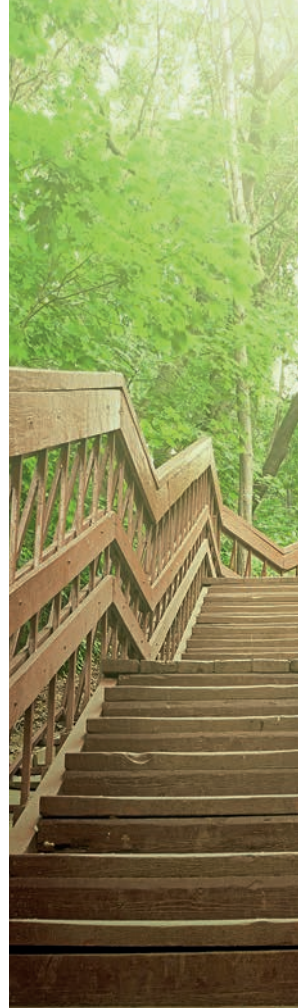
PROMISING  
PERSPECTIVES



TRUST



RESPONSIBILITY



# THE SOURCES OF OUR STRENGTH

ANNUAL REPORT 2013 . LENZING GROUP

# KEY DATA

## OF THE LENZING GROUP ACCORDING TO IFRS

### Business Results

EUR mn	2011	2012	2013
Sales	2,140.0	2,090.4	1,908.9
EBITDA	480.3	352.4	225.4
EBITDA margin in %	22.4	16.9	11.8
EBIT	364.0	231.5	86.4
EBIT margin in %	17.0	11.1	4.5
EBT	351.9	236.0	68.1
Tax rate in %	24.0	23.4	26.5
Profit for the year attributable to shareholders of Lenzing AG	258.7	175.6	50.1

### Financing Structure

EUR mn	31/12/2011	31/12/2012	31/12/2013
Liquid assets	499.6	528.8	296.0
Inventories	284.6	299.6	311.5
Receivables	312.8	365.3	332.3
Liabilities	639.5	604.4	529.6
Net financial debt	153.3	346.3	504.7
Net debt <sup>1</sup>	239.3	445.5	582.0
Retained earnings	828.2	941.7	906.2
Net gearing in %	14.6	30.0	45.5

### Capital Expenditure

EUR mn	2011	2012	2013
Capital expenditure (incl. BU Plastics)			
Lenzing AG	59.8	128.4	158.5
Group total	196.3	346.2	252.1
Group depreciation and amortization	120.6	124.5	142.1

### Cash Flow

EUR mn	2011	2012	2013
Gross cash flow	435.3	248.0	94.6
Operating cash flow	309.7	209.4	82.3
Cash flow after investments	113.4	-136.8	-169.9
Liquid assets	499.6	528.8	296.0

### Capital Structure

EUR mn	31/12/2011	31/12/2012	31/12/2013
Liabilities (w/o post employment benefits) <sup>4</sup>	1,206.4	1,380.3	1,252.9
Post employment benefits	85.9	99.2	77.4
Adjusted equity	1,048.1	1,153.1	1,109.6
ROCE in % <sup>5</sup>	23.3	13.7	3.7
ROE in % <sup>5</sup>	29.6	16.4	4.4

### Stock Exchange

EUR	31/12/2011	31/12/2012	31/12/2013
Share capital in mn	27.6	27.6	27.6
Market capitalization in mn	1,697.6	1,811.2	1,105.4
Share price as at 31 Dec.	63.9	68.2	41.6
Earnings per share <sup>2,3</sup>	9.88	6.61	1.89

### Production

in 1,000 tons	2011	2012	2013
Fibers (total)	705.1	778.5	864.1

<sup>1</sup> Including obligations for pension and severance payments

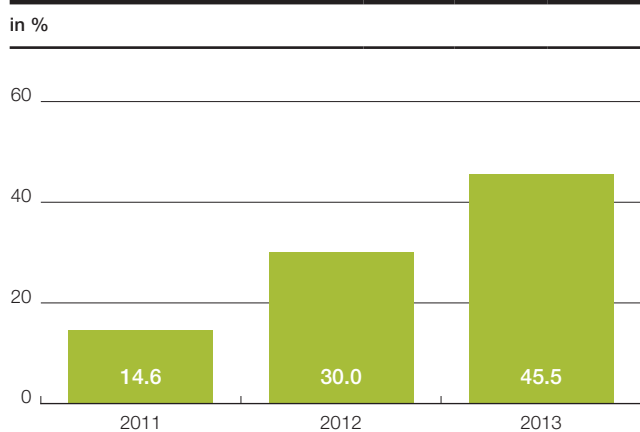
<sup>2</sup> Based on the proposed dividend distribution

<sup>3</sup> From continuing operations and discontinued operations

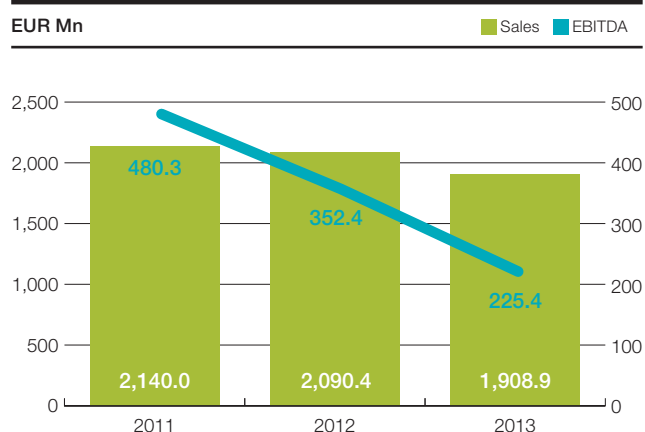
<sup>4</sup> Excluding government grants less associated deferred taxes

<sup>5</sup> Calculation: please see long-term comparison in the rear part of the annual report.

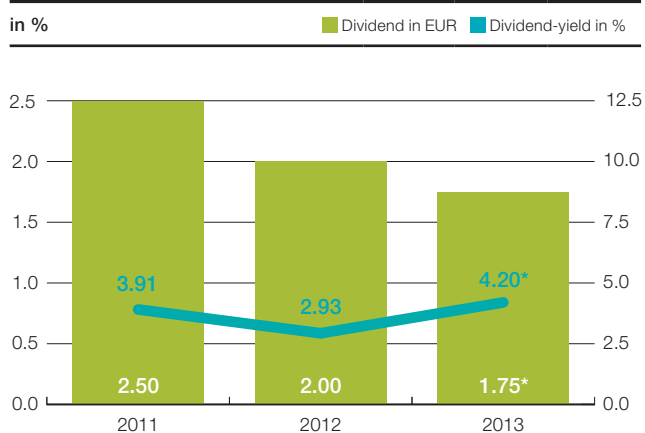
## Net Gearing



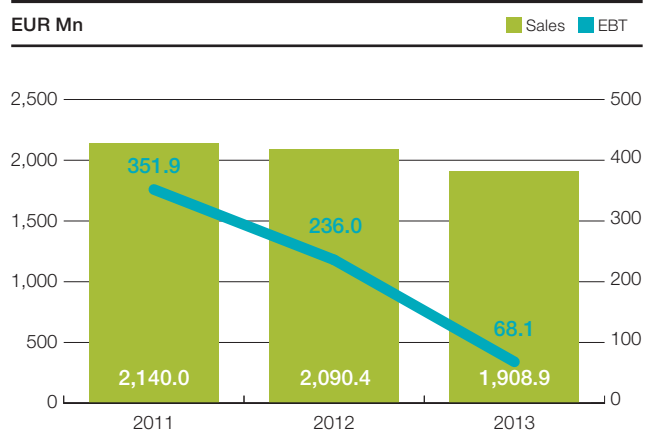
## Sales compared to EBITDA



## Dividend



## Sales compared to EBT



\*) Based on the proposed dividend distribution



## THE SOURCES OF OUR STRENGTH

Business is like natural life, marked by continuing growth but also consistently recurring ups and downs. For us 2013 was a year in which we proudly looked back at our dynamic growth, but also a year in which we embarked on a new future. On the one hand, we celebrated our 75<sup>th</sup> anniversary with a dazzling series of events. On the other hand, we also charted a new course for future growth. This is because the economic environment is changing – and thus the challenges we face. There is hardly any other company in our industry which can look back at more than seven decades of experience the way Lenzing can. Whoever knows us can rest assured that Lenzing will continue to keep pace with future challenges – as we did in the past. Lenzing has always been able to rely on its sources of strength. They are what we draw upon, enabling us to proactively shape the future.

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\*) Not part of the Management Report

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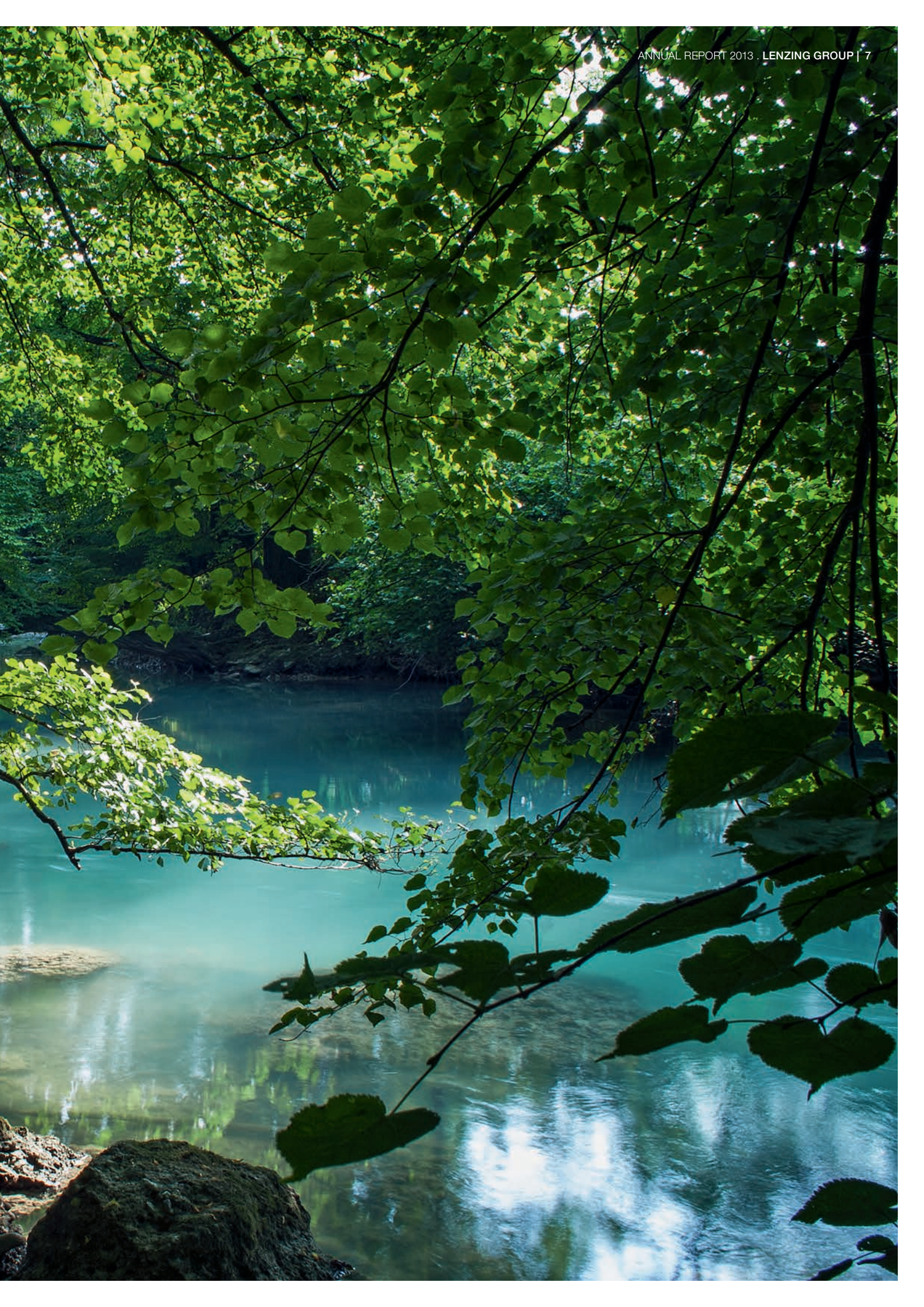
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# STRENGTH FROM NATURE

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## FOCUS ON TENCEL®

The global challenges facing the business world and the environment are formidable, and solutions are urgently needed. In the world of man-made cellulose fibers, TENCEL® is the predominant product of the 21<sup>st</sup> century in every respect, the true New Age fiber. Its natural raw material, the modern and environmentally compatible production technology and the enormous performance potential of the fiber itself make it unequalled in modern times. Only Lenzing successfully manages the industrial-scale production of TENCEL®, in which more than 99% of the solvent used is recycled in the closed-loop process. This means the ecological footprint of the fiber is unparalleled. The range of applications and product features (biodegradable, silky-soft to the touch but high-strength for technical uses) is far from being fully realized. On the basis of its 20 years of experience with TENCEL®, Lenzing will continue to draw upon the full potential of its innovative capabilities to focus on this fiber and its promising future.





# EDITORIAL BY THE CHAIRMAN OF THE MANAGEMENT BOARD

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The 2013 financial year proved to be a year of challenges for the Lenzing Group.

## Dear business partners,

From a market perspective, we struggled against considerable headwinds throughout the year in our core business, which is the manufacturing of man-made cellulose fibers. For the second straight year average fiber selling prices only moved in one direction, namely downwards. Prices declined by another 13% compared to the weak levels prevailing in the previous year. However, this was in contrast to the ongoing good volume demand for Lenzing fibers.

There are many different and complex reasons for the unsatisfactory market development with regard to selling prices at the backdrop of increasing production volumes. In essence, this can be attributed to developments in China, the world's largest fiber market. Sustainable surplus production capacities in the Chinese viscose fiber industry, the historically unique high cotton inventories as well as China's subsidy policy for cotton which seems to be intransparent from a European perspective have resulted in ongoing massive distortions on the marketplace. In turn, this impacts the global fiber industry and leads to major uncertainties. This difficult situation is likely to continue for quite some time.

The volume development of our cellulose fibers Lenzing Viscose®, Lenzing Modal® and TENCEL® comprises an impressive success story. Today Lenzing is the world market leader and an internationally established company in a growing

global fiber market. In the past thirteen years we have come close to tripling fiber shipment volumes from about 330,000 tons annually to close to 900,000 tons per year. This has been accompanied by a corresponding increase in yearly sales from approximately EUR 600 mn to almost EUR 2 bn.

For Lenzing there is no alternative but to focus on qualitative growth within the context of a globally-oriented strategy. Companies which fail to offer suitable fiber quantities on the quickly growing Asian market and have not yet established a local presence both as a producer and partner of customers will find it difficult to survive. Developments in recent years show that isolated regional markets no longer exist. Moreover, incidences of protectionist measures and non-tariff regulatory barriers have tended to increase instead of just the opposite. The bottom line is that the Chinese fiber market determines the direction the entire industry takes.

The fact that global viscose fiber prices are predominantly linked to developments in China is related to the dynamic expansion of capacity in Asia. China has more than doubled its viscose fiber production, from about 1.1 mn tons in 2007 to the current level of over 2.8 mn tons. This fact alone has dramatically changed the market. Today we are already talking about the "commoditization" of standard viscose fibers. However, this does not apply to fibers with special properties such as the Lenzing products Lenzing Modal® and TENCEL®. The Lenzing nonwovens qualities are successful niche products due to the fact that global

production volumes for these three product groups are each below the threshold of half a million tons per year.

Never before have so many man-made cellulose fibers been produced and consumed as in 2013, with total worldwide production at 5.8 mn tons, compared to only 2.8 mn tons\* in the year 2000.

Accordingly, production volumes for man-made cellulose fibers (CAGR of approx. 6% p.a.) have grown much more dramatically than the fiber market as a whole (about 3%).

This shows that in its core business of producing fibers, Lenzing indeed operates in an attractive growth market. Megatrends such as population growth, increasing prosperity in emerging markets and rising demand for ecologically compatible products will continue to serve as the long-term drivers of growth. These trends will continue to impact the marketplace in spite of current price developments, even if no easing of downward price pressures can be expected in upcoming quarterly periods.

The current phenomena influencing the cellulose fiber market led us to adapt our business strategy in the 2013 financial year. In upcoming quarters we will focus on minimizing risks in the entire Group as a reaction to the uncertain market development. More specifically, this means that for the time being we will not undertake any new large-scale growth investments. As a result, our net financial debt should not increase substantially any more.

The heart of our revised strategy is to ensure the best possible generation of cash flow. We will also achieve this by rapidly implementing our cost optimization program excellENZ 2.0 which we launched in the fourth quarter of 2013. This will serve as the basis for annual savings of about EUR 120 mn per year by 2016 and help the Lenzing Group regain its global competitiveness.

In other words, we are implementing the required measures in a targeted and timely manner so that we will not drop to second or third place in tough global competition. The spectrum ranges from quality assurance and innovation leadership to regaining cost leadership. It is not only quantity which counts but customer benefits, quality, service, availability and global marketing networks also make the difference.

At the same time, we will uncompromisingly work on continually improving the quality of our products and services. The new organization enables us to reach the market and our customers more quickly. We will also more intensely focus on process research and work flat out to develop further applications of our fibers and launch them on the marketplace.

All this is also made possible by a far-reaching reorganization program which we started at the beginning of 2014. The underlying objective is to create more effective decision-making structures on the basis of a new, functional organization. As a consequence a new sales and marketing organization was established around the world right at the start of the year 2014 which is more strongly oriented to customer and business development needs.

In the past financial year we celebrated the 75<sup>th</sup> anniversary of Lenzing. Looking back on history, it was the "Lenzing spirit" which has always allowed us to manage difficult periods on our own accord. In 2013 we charted the right course by implementing a series of measures. Now in 2014 it is up to us to do everything in our power to head in the right direction, full steam ahead.

I would like to take this opportunity to express my thanks to all our shareholders and investors for the confidence they have placed in us. I would also like to thank our successful customers for their loyalty to Lenzing as a company. Finally, I want to personally thank our employees for their untiring dedication and hard work for the benefit of the Lenzing Group and thus for the benefit of our many customers and shareholders in a truly difficult business environment.

Yours,



Peter Unterspinger

\* Source: CIRFS

# THE LENZING GROUP

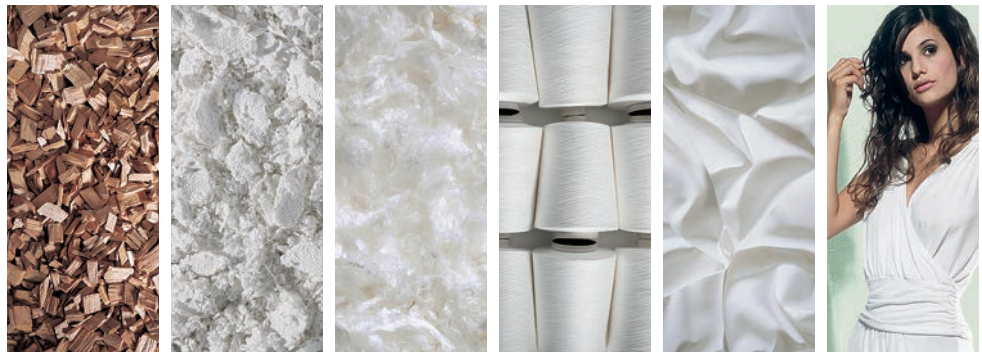
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**Lenzing quality and Lenzing innovative power set standards for man-made cellulose fibers worldwide.**

The Lenzing Group is an international, publicly listed group of companies with headquarters in Austria, production sites in all major markets as well as a worldwide network of sales and marketing offices. Lenzing supplies the global textile and nonwovens industry with high-quality man-made cellulose fibers. The portfolio ranges from dissolving pulp, standard and specialty cellulose fibers to engineering services.

Lenzing quality and innovative strength set global standards for man-made cellulose fibers. With 75 years of experience in fiber production, the Lenzing Group is the only company worldwide combining the manufacturing of all three man-made cellulose fiber generations on a large industrial scale under one roof – from the classic viscose to modal and lyocell (TENCEL®) fibers.

The success of the Lenzing Group is based on a unique combination of consistent customer orientation together with its leadership in innovation, technology and quality. Lenzing is committed to the principle of sustainable management and very high environmental standards.



Wood

Pulp

Fibers

Yarn

Fabric

End product

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Lenzing fibers are man-made cellulose fibers: they are made from the natural raw material wood which contains about forty percent cellulose. The natural origin contributes to the fibers' excellent properties such as absorbency and moisture management, the industrial production process provides purity and clearly defined, uniform quality.

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# NEW TENCEL® PRODUCTION PLANT IN LENZING (AUSTRIA)

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## Facts

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**Investments:**  
EUR 150 mn

**Construction time:**  
24 months

**Start of construction:**  
June 2012

**Completion:**  
Middle of 2014

**Production capacity:**  
67,000 tons p.a.

**Staff:** 140



With the new TENCEL® plant, the fiber technology of the future and the next generation of man-made cellulose fibers are returning to our corporate headquarters in Lenzing. The Lenzing pilot plant was the place where the first marketable, industrial-scale lyocell fibers in the history of the Lenzing Group were produced 20 years ago. Today they are marketed around the world under the TENCEL® brand name.

The new TENCEL® facility is of major strategic importance to the Lenzing site due to the fact that TENCEL® will also be produced on the premises in addition to the specialty fibers Lenzing Modal® and Lenzing FR®. As a consequence, the facility in Lenzing will further expand its position as the main specialty fiber production site for the Lenzing Group.

This new TENCEL® factory represents the next generation of TENCEL® technology. The longstanding experience of the Lenzing Group in the design and operation of TENCEL® plants is reflected in the landmark implementation of a facility with only one production line boasting a nominal capacity of 67,000 tons annually. Thanks to this new plant concept, Lenzing will be able to leverage lower specific operating costs, enhanced plant safety and availability and thus enjoy important competitive advantages. The proximity of the new facility to Lenzing's main research capabilities and the TENCEL® pilot plant also comprises a major advantage with respect to the further development of TENCEL® in the future.

# THE PRODUCTION SITES OF THE LENZING GROUP<sup>1</sup>



<sup>1</sup> All figures in metric tons as at December 31, 2013 <sup>2</sup> Air-dried



**Production site Paskov**

Czech Republic  
 ■ Dissolving pulp  
 Capacity: 240,000 tons p.a.<sup>2</sup>



**Production site Nanjing**

China  
 ■ Viscose fibers  
 Capacity: 178,000 tons p.a.  
 ■ Engineering and Technical Services

**Coimbatore**

India



**Production site Heiligenkreuz**

Austria  
 ■ Lyocell fibers (TENCEL®)  
 Capacity: 65,000 tons p.a.

**Shanghai**

China  
 ■ Asian fiber sales

**Hong Kong**

China

**Jakarta**

Indonesia



**Production site Purwakarta**

Indonesien  
 ■ Viscose fibers  
 Capacity: 320,000 tons p.a.

- Production site for fibers/pulp
- Production site Lenzing Technik
- Production site acrylic fibers
- Offices

# PRODUCTS OF THE LENZING GROUP

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## Segment Fibers

The Lenzing Group is the global leader in the production and marketing of man-made cellulose fibers for the textile and nonwovens industry.

### TENCEL®

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TENCEL® is produced using the lyocell process, which won the European Award for the Environment from the European Union as an environmentally friendly technology. Unique physical properties such as tenacity (especially when wet), moisture management and pleasantness to the skin make TENCEL® an appealing material for a wide range of uses.

#### Uses of TENCEL® in textiles

- Quilts, bedwear, mattresses, sleeping bags
- Shirts, blouses, pants, denim, sportswear, outerwear, workwear
- Various technical applications

#### Uses of TENCEL® in nonwovens

- Wipes for baby care, cosmetics and household use and for industrial applications
- Uses in female hygiene (panty liners, sanitary pads)
- Medical wound pads, surgical swabs and components for surgical outer garments in the medical field
- Various technical applications



### Lenzing Viscose®

---



With its 75 years of experience in producing viscose fibers, Lenzing sets the international quality standards in the industry for this product. Lenzing Viscose® is considered a premium product on the world market and is typically used in ladies' outer garments, such as elegantly flowing printed dresses. Because of its purity, pleasantness to the skin and natural absorbency, Lenzing Viscose® is an outstanding choice for sensitive hygiene applications.

#### Uses of Lenzing Viscose® in textiles

- Woven and knit garments (blouses, dresses, tops)

#### Uses of Lenzing Viscose® in nonwovens

- Wipes for baby care, cosmetics and household use and for industrial applications
- Wound dressings, surgical swabs and components for outer garments for medical surgery
- Tampons in the hygiene segment



## Segment Other

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#### Acrylic fibers:

Special homopolymeric and copolymeric acrylic fibers

#### Areas of application

- Car tops
  - Sun shades and awnings
  - Indoor and outdoor furniture
  - Technical fibers for filtration and building sectors
-

## Lenzing Modal®



Lenzing Modal® is manufactured from the natural raw material beech wood at the Lenzing facility for specialty products utilizing unique integrated process management (Edelweiss technology)\*. Besides being especially soft and pleasant to the skin, the fibers are known for their luster and brilliant colors. The lasting softness plus their high degree of absorbency lend them excellent traits and render them the ideal material for blending with cotton.

### Uses of Lenzing Modal® in textiles

- Homeware
- Fashion knitwear
- Underwear and socks
- Terry products



## Lenzing FR®



Made from the natural raw material wood, this fiber offers protection from heat in a variety of work areas. With its extraordinary characteristics with respect to heat insulation and moisture management, Lenzing FR® reduces the risk of heat stress or heatstroke and increases protection from first- to third-degree burns.

### Uses of Lenzing FR® in textiles

- Protective wear for industry, fire departments and the military
- Flame resistant fabrics for public transport (aircraft, trains)
- Flame resistant fabrics for furniture
- Thermal insulation systems for protective jackets



## Segment Engineering

The Segment Engineering encompasses Lenzing Technik GmbH and its subsidiaries Lenzing Engineering & Technical Services (Nanjing) Co., Ltd. and LENO Electronics GmbH. The segment employs a total of about 700 employees and implements projects, supply plant and equipment and provide services around the world in the following areas:

### Engineering and Contracting:

- Pulp technology
- Fiber and environmental technology
- Filtration and separation

### Industrial Plant Construction and Services

- Plant construction and mechanical engineering
- Mechanical construction
- Metal sheet technology
- Industrial services

### Automation and Mechatronics:

- Process automation
- Robotics
- Mechatronics

\*1) The full-scale integration at Lenzing's Austrian sites enables the fibers to be produced in a CO<sub>2</sub>-neutral manner thanks to energy surpluses and the recovery of co-products.





# STRENGTH FROM PROMISING PERSPECTIVES

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## FOCUS ON ASIA

The basis is good. Our fiber business is on a solid footing. A growing number of people in emerging markets are enjoying a rising standard of living and have a higher income at their disposal. Experience has shown that the consequence is higher quality requirements and increasing purchases of products such as hygienic wipes or high-quality textiles with pleasant wearing properties. Our promising perspectives are based on the fact that more and more people in the Asian markets, especially in China, are relying on man-made cellulose fibers. We have been working hand in hand with innovative partners and clever individuals in Asia for decades. Based on our feeling of deep respect for these partners and for Asian culture, we firmly intend to further improve our understanding of these markets.

# MANAGEMENT REPORT **2013**

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# MANAGEMENT REPORT 2013

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## General Market Environment

### Global economy<sup>1</sup>

In 2013 the global economy remained stuck in a phase of weakness. The International Monetary Fund (IMF) recently projected average global economic growth of 3.0% for the entire year under review, compared to 3.1% in 2012. The weaker development of the world economy was mainly due to the ongoing recession in the eurozone. Government cost reduction programs necessitated by the sovereign debt crisis led to shrinking economies in several eurozone peripheral countries. Domestic demand in the developing and emerging markets could not compensate for declining demand from Europe.

The latest IMF forecasts for the Western industrialized countries expect GDP to expand by 1.3% in 2013 (2012: 1.4%). According to the IMF, the eurozone will only report a 0.4% decline in economic output in 2013 compared to a contraction of 0.7% in 2012. The 1.9% economic growth in the USA in 2013 could not match the prior-year figure of 2.8%. Similarly, growth of the emerging market economies is anticipated to reach a level of 4.7% in 2013, down from 4.9% in the previous year.

For the current 2014 financial year, the IMF expects the global economy to expand by 3.7% on average. The improved outlook can be primarily attributed to the economic recovery in the industrialized nations. GDP growth of 2.2% is anticipated for the industrialized countries, whereas the emerging markets should expand by 5.1% in 2014. The IMF predicts 1.0% growth in 2014 for the eurozone, which will experience a turnaround and move from recession to a recovery phase.

The development of the Chinese economy has become increasingly important to the global fiber industry. The People's Republic of China is in the midst of transition from a strongly export-oriented economy marked by a high consumption of natural resources and low wage costs to a more sustainable growth model featuring growing domestic consumption and rising wages. Initial figures for the year 2013 show that this policy is having the desired effect. However, further specific reform measures are considered to be essential. Retail sales in China climbed 13.1%<sup>2</sup>, close to double the comparable rate as the overall economy. Similarly, minimum wages were subject to double-digit hikes in most Chinese provinces. Moreover, the declared aim of China's economic policy is to reduce existing and potential surplus production capacities in individual industrial sectors. For this reason, China's central authorities pursued a very restrictive fiscal policy in 2013, also as a means of further limiting the influence of the shadow banking system and its shadow lending.

However, this transformation is accompanied by significantly lower GDP growth compared to previous years. The latest IMF forecast predicts that the Chinese economy will expand by 7.5% in 2014, down from the already historically low level of 7.7% in 2013.

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<sup>1</sup> International Monetary Fund, World Economic Outlook Update, January 21, 2014 <sup>2</sup> Xinhua News, "China expects 13-pct rise in 2014 retail sales", January 23, 2014

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## World fiber market

### Continuing weak growth of global fiber production

Similar to 2012, growth of world fiber production in 2013 was once again below the comparable production figures for the years 2010 and 2011. The underlying reason was the persistently unsatisfactory state of the global economy, which correspondingly tended to weaken private consumption, especially in Europe. The global fiber market was characterized by a perceptible oversupply in 2013, which can be attributed to the further expansion of production capacities for chemical fibers and disproportionately high cotton inventories.

According to initial estimates, world fiber production only rose by 1.6% in 2013, less pronounced than the 2.8% increase in 2012, with total volume increasing from 84.0 mn tons to 85.4 mn tons.<sup>1</sup> As in previous years, growth was almost exclusively due to the higher production volumes of chemical fibers in China. In turn, preliminary figures point to 11.4% growth<sup>2</sup> on the part of the Chinese textile industry in 2013, further expanding its dominant position on the global market. However, there are increasing signs of a flattening of the growth curve towards more moderate growth.

### Renewed increase in cotton inventories<sup>3</sup>

Cotton production fell by about 4.1% in 2013, from 26.8 mn tons to 25.7 mn tons. This was in contrast to the 3.5% drop in cotton output in the previous year. However, this decrease was not sufficient to reduce the very high level of global cotton inventories. Cotton production in 2013 was still higher than actual cotton consumption, which only rose by 1.1% to 23.6 mn tons. For this reason, it is expected that cotton stocks will climb to a new unprecedented record level of 19.9 mn tons after the end of the current 2013/14 cotton harvest, up from 17.8 mn tons in the previous year. This means that the global stock-to-use ratio<sup>4</sup> in the middle of 2014 is likely to be around 84%.<sup>3</sup> In previous years, the stock-to-use ratio was at about 50%.

Wool production amounted to about 1.1 mn tons in 2013, a rise of 0.7% from 2012.

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<sup>1</sup>All production figures in this section were updated to the currently accepted values in comparison to the initial estimates published in Lenzing's Annual Report 2012. Sources: ICAC, CIRFS, Fiber Organon, CCFC, Trade Statistics, Fiber Year, Lenzing Estimates <sup>2</sup>Source: CNTAC <sup>3</sup>Source: ICAC 03/02/2014

<sup>4</sup>This measure of supply and demand indicates the level of carryover stock as a percentage of actual use.

# MANAGEMENT REPORT 2013

## Ongoing growth of chemical fiber production

### Fibers on the world market

Fibers					
Natural fibers		Man-made fibers			
		From natural polymers		From synthetic polymers	From anorganic substances
Protein-based	Cellulose-based	Cellulose-based	Protein-based		
Wool Silk Angora Cashmere etc.	Cotton Flax Hemp Jute etc.	Viscose Modal Lyocell Cupro Acetate etc.	Casein Collagen Ardein Zein	Polyester Polyamide Polypropylene Polyurethane (Elastan) Acrylic Polytetrafluoroethylene	Carbon Ceramics Glass Metal

In spite of the unsatisfactory level of end-use consumption, preliminary figures indicate that global chemical fiber production showed an increase of 4.3% in 2013, basically the same rate of growth as in 2012. Accordingly, a new record production level of 58.5 mn tons was reached in 2013, up from 56.1 mn tons in 2012. The synthetic fiber polyester, which posted growth of 4.0% in 2013, accounted for some three quarters of total chemical fiber production. The production of polyamide fibers also increased strongly by 3.9%, whereas the production of polypropylene rose slightly by 1.1% and acrylic fibers stagnated.

China generated the biggest rise in 2013, as it did in the previous years, with production up 6.1% (2012: 10.1%) to 38.5 mn tons. The country's share of total global chemical fiber production remained at about 65% in 2013. Indonesia generated the highest percentage growth in production during the reporting year, posting a rise of 8.2% to 1.4 mn tons. Chemical fiber production volumes also increased in the USA, Thailand and Turkey. In contrast, chemical fiber production stagnated in most other countries and regions, such as Western Europe, or even declined in India, Brazil and Mexico.

### Disproportionately high growth again of man-made cellulose fiber production

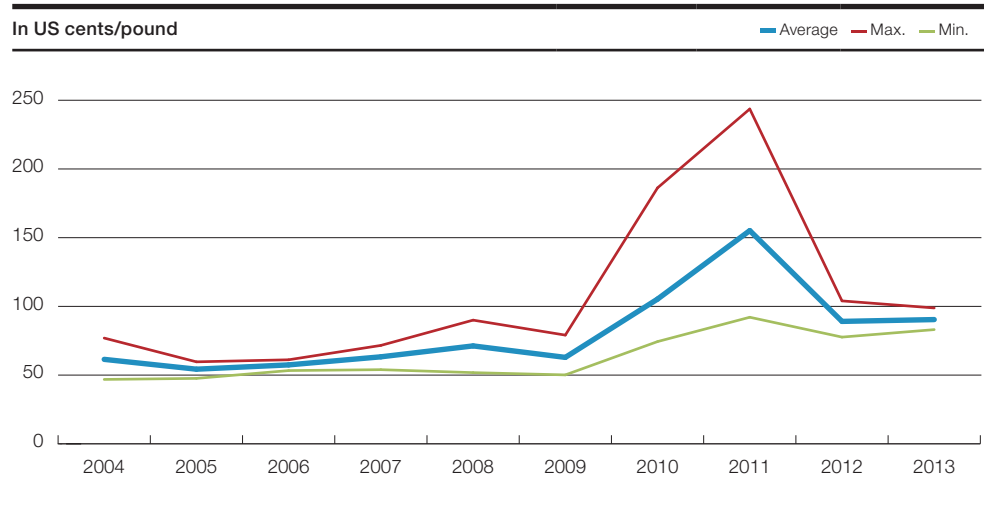
The upward trend for man-made cellulose fibers, which has achieved growth significantly higher than the global fiber market as a whole, continued in 2013. Following a 12.9% production increase in 2012, total man-made cellulose fiber production was up 9.6% during the year under review, according to preliminary estimates, rising to a new record level of 5.8 mn tons. This included 4.4 mn tons of cellulose staple fibers, comprising a considerable rise in a year-on-year comparison. For the most part, new production capacities were put into operation in China in 2013. The higher production volume can also be attributed to the higher capacity utilization on the part of the Chinese viscose fiber industry, with capacity utilization up by some 10 percentage points to about 85%.

### No perceptible recovery of fiber prices

The cotton price is considered to be one of the most important benchmarks for the entire fiber industry. The average on the Cotton A Index in the 2013 financial year was 90.4 US cents per pound, more or less unchanged from the average of 89.1 US cents per pound in 2012.

The long-term development is shown by the following chart:

### Development of the cotton price



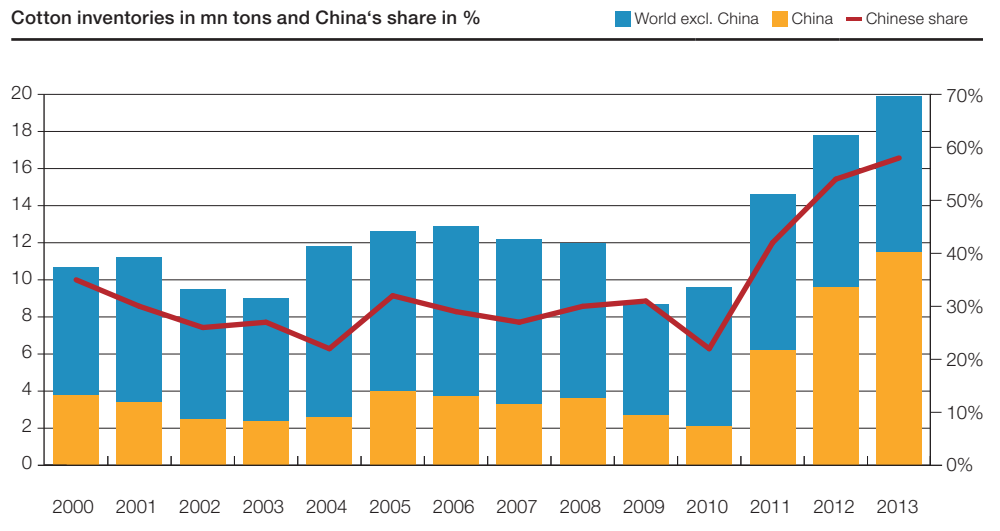
Source: Cotton Outlook



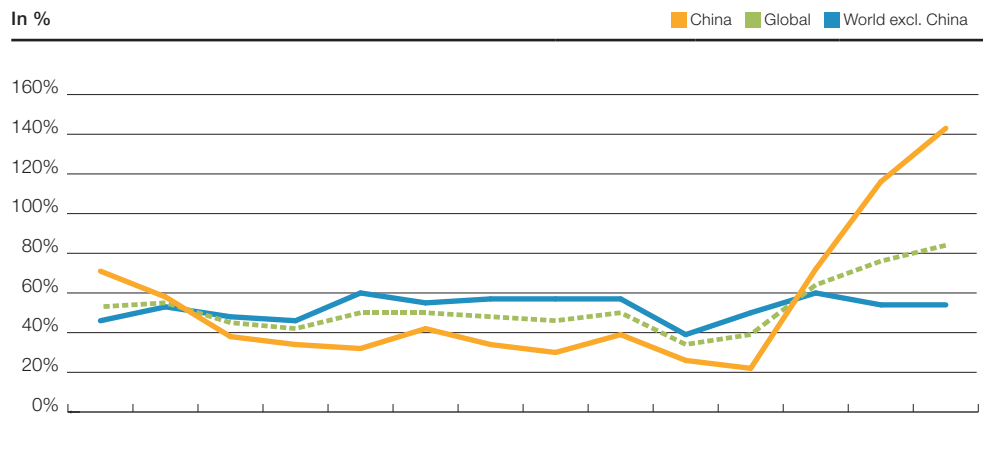
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Following the speculative excesses of the years 2010/11 and the resulting sharp decline in prices, the extensive annual fluctuations of fiber selling prices slowed down significantly. It subsequently became easier to calculate the cotton price. However, the dominance of China and the lack of transparency in its cotton stockpiling policy continue to pose risks which should not be underestimated.

## Further increase in China's importance



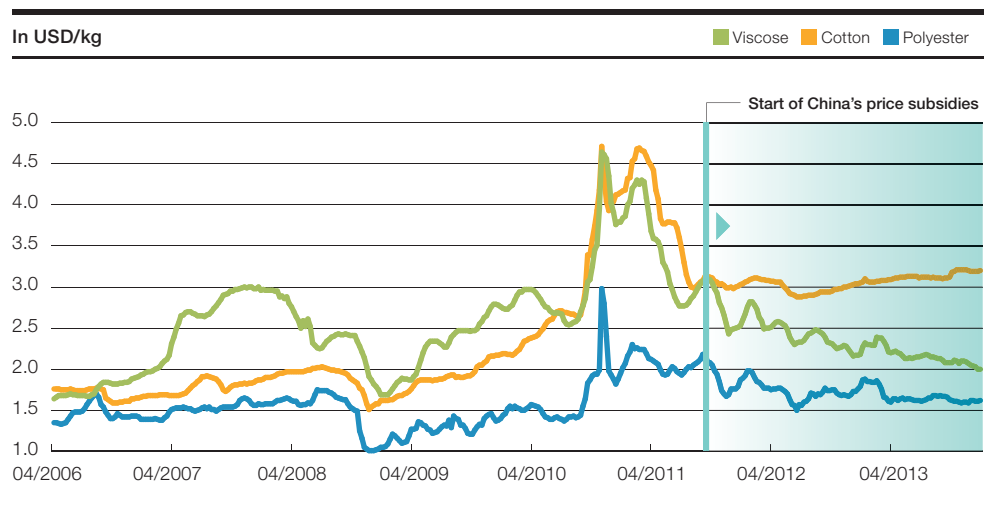
## Stock-to-use ratio for cotton



The significance of China's domestic fiber market for global fiber prices further increased in 2013. According to market experts, the lion's share of the world's cotton inventories is in China, which has been pursuing a state-initiated stockpiling policy for several years. At the end of the 2012/13 cotton harvest season (end of July/beginning of August 2013), the stock-to-use ratio in China amounted to about 116%. This figure is expected to increase to approximately 147% in 2013/14. China continued its clear protectionist policy for the benefit of Chinese cotton producers in 2013 by setting selling prices at a level which was up to 40% higher than world market prices.

For this reason, the development of selling prices (USD/kg) for the most important staple fibers in China, the world's largest fiber market, varied considerably.

### Staple fiber prices – Development in China



Source: CCFG, Cotton Outlook

Cotton selling prices on the Chinese market showed a slight upward trend, featuring an average price of CNY 19.24 per kilogram. Polyester prices remained largely stable during the course of the year at CNY 10.27 per kilogram, but were still below the comparable prior-year level. In contrast, prices of viscose fibers further declined.

### Global viscose fiber prices under pressure

Global viscose staple fiber prices were subject to downward pressure during the entire year in light of the fact that fiber prices steadily fell in China. The main reason were the continuing surplus production capacities for viscose fibers. Furthermore, Chinese manufacturers kept capacity utilization as high as possible in order to generate cash, even if profitability was at an unsatisfactory level. In several cases forward transactions were carried out in which the fibers

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were sold at cash cost. This development was supported by the partially lower prices for dissolving pulp, the most important raw material used in manufacturing viscose. Lower prices combined with high capacity utilization led to market share gains on the part of Chinese producers.

The cotton selling price in China, which is higher than the comparable world market price, also resulted in the Chinese massively importing cotton yarn. In turn, this caused a decline in local blended yarn production. As a consequence, a large number of Chinese cotton yarn spinning mills went out of business. Ultimately this had a negative impact on viscose fiber prices in China, which reached a peak level on the spot market<sup>1</sup> of CNY 14,980 in February 2013 before subsequently decreasing in price to CNY 12,280 by the end of 2013. This corresponds to a reduction of about 18%. During the year before the price of cotton had fallen by 23%.

The unsatisfactory viscose fiber prices in China stimulated Chinese fiber exports due to the fact that viscose prices outside of China were slightly higher than the prices prevailing on its domestic market. In the course of the year, viscose fiber selling prices for textile applications also declined on the most important sales markets in terms of volume, namely Indonesia, Pakistan and Turkey, and ultimately on all global markets.

## Development of the Lenzing Group

The business development of the Lenzing Group in 2013 was characterized by good volume demand, new record shipment volumes, full capacity utilization at all fiber production facilities as well as extremely unfavorable fiber prices. As a result, earnings were unsatisfactory in spite of all the initial measures taken to counteract this situation. For this reason, the new comprehensive cost optimization and cost reduction program *excellENZ 2.0* was launched in the fourth quarter of 2013.

Consolidated sales<sup>2</sup> of the Lenzing Group in the 2013 financial year were down by 8.7% to EUR 1.91 bn, compared to the prior-year level of EUR 2.09 bn. The underlying reasons for the sales decline were the significantly lower average fiber selling prices, which fell by about 13% from the previous year to EUR 1.70 per kilogram, as well as the divestment of Lenzing Plastics concluded in the middle of 2013. Moreover, there was a loss of external sales totaling EUR 61.8 mn as a consequence of the conversion and expansion of the Paskov pulp plant from paper to dissolving pulp which is used within the Lenzing Group.

The weak price development for standard fibers was counteracted by increased sales of Lenzing's fiber specialties Lenzing Modal<sup>®</sup> and TENCEL<sup>®</sup>. On balance, fiber sales volumes climbed by about 10% in 2013 to approximately 890,000 tons from 810,000 tons. However, the negative price effect in the standard fiber segment could not be offset by the higher sales and improved product mix.

The core Segment Fibers accounted for 91.9% of consolidated sales, whereas the Segment Engineering generated 2.6% and the Segment Other contributed 2.7% of consolidated sales. Discontinued operations accounted for the remainder (only external sales).

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<sup>1</sup> Source: ccfgroup.com <sup>2</sup> All figures include discontinued operations, unless explicitly stated otherwise.

Other operating income to the amount of EUR 68.1 mn (2012 adjusted: EUR 43.6 mn<sup>1</sup>) included, amongst other items, the positive effects derived from the disposal of the Business Unit Plastics in the middle of 2013.

Consolidated earnings before interest, taxes, depreciation on property, plant and equipment and amortization of intangible assets (EBITDA)<sup>2</sup> including the release of investment grants totaled EUR 225.4 mn, down from the adjusted figure of EUR 352.4 mn in 2012 but in line with the most recently published guidance. The EBITDA margin amounted to 11.8%, compared to the adjusted level of 16.9% in the previous year. The ratio of net financial debt to EBITDA was about 2.2 at the reporting date, thus below the targeted maximum of 2.5.

In spite of higher production and sales volumes, the cost of material and other purchased services actually decreased by 3.9% from EUR 1.30 bn (adjusted) to EUR 1.25 bn<sup>3</sup>. In particular, this development reflects the lower raw material prices for pulp. Chemical and energy costs remained stable or fell slightly. Substantial savings were achieved thanks to the excellENZ cost reduction program, for example in logistics and raw material procurement. These benefits were in contrast to higher wood prices at the pulp production sites in Lenzing and Paskov resulting from the strong demand for wood utilized in order to generate energy.

On balance, the cost of material comprised 65.7% of consolidated sales in the 2013 financial year compared to the adjusted level of 62.4% in 2012.

Personnel expenses increased from EUR 309.9 mn (adjusted) in the 2012 financial year to EUR 337.0 mn in 2013. The main reason was the allocation of EUR 19.7 mn in funds to a provision for the redundancy program ("Sozialplan") and additional employee-related provisions to cover personnel expenses designed to cushion the job cuts implemented within the context of the excellENZ 2.0 cost savings program. The higher costs were also due to the increase in the average workforce at the Lenzing site in Upper Austria related to the pre-production stage of the new TENCEL<sup>®</sup> plant as well as annual collective salary increases in Austria. Personnel expenses comprised 17.7% of consolidated sales (2012 adjusted: 14.8%).

The 3.9% decline in other operating expenses to EUR 224.8 mn can be attributed, amongst other reasons, to cost savings resulting from the first excellENZ cost reduction initiative.

The 14.2% increase in the amortization of intangible assets and depreciation of property, plant and equipment to EUR 142.1 mn (2012 adjusted: EUR 124.5 mn) is due to the higher level of investments on the part of the Lenzing Group. This was complemented by impairment losses reported for Lenzing (Nanjing) Fibers (China), Lenzing Modi Fibers (India) as well as the joint venture European Precursor GmbH (EPG) with SGL-Carbon and Kelheim Fibers, which had been decommissioned the year before.

Accordingly, consolidated earnings before interest and taxes (EBIT)<sup>4</sup> amounted to EUR 86.4 mn in the 2013 financial year, comprising a drop of 62.7% from the prior-year level of EUR 231.5 mn (adjusted). The EBIT margin was 4.5%, down from the adjusted figure of 11.1% in 2012.

<sup>1</sup> The previous years figures were subsequently partly adjusted (refer to Note 2 of the consolidated financial statements as at December 31, 2013).

<sup>2</sup> Consolidated EBITDA before restructuring amounted to EUR 219.4 mn (2012: EUR 358.7 mn). <sup>3</sup> Including material cost effects from discontinued operations.

<sup>4</sup> Consolidated earnings before interest and taxes before restructuring amounts to EUR 106.5 mn (2012: EUR 255.0 mn).

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The financial result amounted to minus EUR 26.7 mn, above the comparable figure of minus EUR 12.8 mn in the previous year. This deterioration was the result of the higher net financial debt, although Lenzing succeeded in securing more favorable terms and conditions when it increased the volume of its German Private Placement. Moreover, the company suffered foreign currency translation losses due to the devaluation of the Czech Koruna to the Euro. The average interest rate for financial liabilities was 2.8% in 2013, in contrast to about 3.0% in 2012.

As a result of these developments, earnings before taxes (EBT) of the Lenzing Group amounted to EUR 68.1 mn in the 2013 financial year (2012: EUR 236.0 mn). This comprises a decrease of about 70% from 2012. After deducting the income tax of EUR 18.1 mn (2012: EUR 55.1 mn), the profit for the year totaled EUR 50.0 mn (2012: EUR 180.9 mn). The profit for the year attributable to shareholders of Lenzing AG amounted to EUR 50.1 mn (2012: EUR 175.6 mn).

## Ongoing high equity ratio

The balance sheet total fell considerably in the past financial year, from EUR 2.63 bn to EUR 2.44 bn as at the end of 2013. This can be mainly attributed to the planned reduction in the recent high level of cash and cash equivalents in connection with the completion of current investment projects. The adjusted equity ratio rose from 43.8% to 45.5% of the balance sheet total. Adjusted equity of the Lenzing Group totaled EUR 1.11 bn at the end of 2013, a slight drop of 3.8% from the prior-year level of EUR 1.15 bn.

Net financial debt of the Lenzing Group climbed to EUR 504.6 mn at the end of 2013 (December 31, 2012: EUR 346.3 mn), primarily as a consequence of the investment activity designed to expand the fiber and pulp production capacities of the Lenzing Group during the past financial year. Accordingly, net gearing amounted to 45.5% (2012: 30.0%).

In 2013 the Lenzing Group succeeded in reducing its strategic liquidity reserve as planned. This reserve was at a very high level due to the extensive investment activity being carried out. At the end of 2013, Lenzing had liquid funds<sup>1</sup> of EUR 296.0 mn at its disposal (December 31, 2012: EUR 528.8 m). In addition, the company had sufficient additional unused lines of credit available for its use to the amount of EUR 296.2 mn (December 31, 2012: EUR 211.2 mn).

Investments in property, plant and equipment, intangible assets and non-controlling interests (cash CAPEX)<sup>2</sup> was significantly cut back in the 2013 financial year to EUR 252.2 mn from the prior-year figure of EUR 346.2 mn. The focal point of the investment activity carried out by the Lenzing Group was construction of the new TENCEL<sup>®</sup> production plant, urgently needed infrastructure investments at the Lenzing site and completion of the conversion and refitting work at the Paskov pulp plant. All other larger investment projects were postponed due to the difficult market situation.

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<sup>1</sup> Incl. current and liquid securities, cash and cash equivalents    <sup>2</sup> Incl. the Business Unit Plastics

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## Cost reduction programs excelLENZ and excelLENZ 2.0

Considerable savings could be generated in the course of the 2013 financial year as a result of the first cost savings initiative entitled excelLENZ. The cost reductions were achieved by postponing replacement and maintenance investments as well as optimizing Group purchasing. In addition, a series of originally planned investments will not be carried out for the time being. No capacity expansion projects have been underway in the Lenzing Group since the beginning of 2013 with the exception of the TENCEL® plant in Lenzing.

As a result of the continuing unsatisfactory market development which could extend far into the year 2015, an expanded cost optimization program called excelLENZ 2.0 was launched in the fourth quarter of 2013. The program has defined improvement potential for all cost modules encompassing all sites operated by the Group in order to achieve the declared objective of generating annual cost savings of EUR 120 mn p.a.

In addition to cutting material costs, the measures to be implemented on this basis will also involve massive reductions in operating expenses and overhead, extensive increases in operating efficiency as well as a reduction in the total number of employees. On balance, the total workforce in the Lenzing Group will decline by up to 600 employees (full-time equivalents).

The individual measures have been speedily implemented since the beginning of 2014, and will already positively impact earnings to the amount of up to EUR 60 mn in the course of 2014.

## Implementation of a functional organizational structure

As a further response to the changed global market environment in the fiber industry, the Lenzing Group resolved at the beginning of October 2013 to install a functional Group organizational structure, which also took effect as of January 1, 2014. It replaces the previous division-based Group structure, and upgrades production operations as well as business development and marketing activities. Moreover, the entire organization will focus on more resolutely implementing its specialty strategy. This new structure is particularly necessary in the light of the coming on stream of the TENCEL® plant at the Lenzing site. A Chief Commercial Officer on the Management Board responsible for sales and marketing will ensure the optimal marketing of future production capacities.

In this regard, the sales and marketing organization will be strengthened. The entire organization will sharpen its focus to more strongly orient its activities to the important fiber markets of Asia and Turkey. In particular, sales efforts in China will be expanded by deploying additional technical experts and market development capabilities. Research and development work will be bundled in a centralized research unit.

As a consequence of the new organizational structure, Lenzing's Management Board will consist of four members in the future instead of three. The Chief Executive Officer will not only be supported by a Chief Financial Officer and a Chief Operating Officer for Production, but also a Chief Commercial Officer.



# STRENGTH FROM TRUST

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## FOCUS ON CUSTOMERS

With our fiber products based on the raw material wood, we operate at the very beginning of the long textile value chain. For decades we have gained deeper insights into the complex textile world of our customers as far as the retail sector. In the field of hygienic fibers, Lenzing and its experts strive to further increase the confidence our customers have in the purity and consistent quality of our fiber products. Lenzing is proud to count the most important players in the world, whether in Europe, Asia or the USA, as its customers. And we are aware that there are still a whole lot of innovative and fabulous partners we have yet to win over on all continents. We will do all that we can to convince them of our technological leadership and innovative strength. Our customers can be sure that we will work hard to make the good things we have today even better in the future.



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## Segment Fibers

For the Segment Fibers of the Lenzing Group, the 2013 financial year more or less turned out to be a linear continuation of previous financial years. Good sales volumes of Lenzing fibers were achieved against the backdrop of the ongoing erosion of fiber selling prices. The substantial overcapacities in China made it increasingly difficult for Lenzing to detach itself from this price trend by offering superior quality and service in connection with its standard viscose fibers for textile applications. Nevertheless, Lenzing succeeded in fully utilizing all its production facilities in the 2013 financial year in spite of the increasingly fierce competition, thus achieving a new sales record.

Sales growth was driven by the first full-year availability of the fifth production line at the PT. South Pacific Viscose (SPV) viscose fiber plant in Indonesia, as well as the higher production volumes generated throughout the year at the TENCEL<sup>®</sup> factory in Mobile, Alabama (USA). However, on balance sales were somewhat below initial expectations. This can be attributed to a production interruption at the TENCEL<sup>®</sup> plant in Heiligenkreuz, Austria in March, damage caused by construction work to a wastewater pipeline of the infrastructure operator at the industrial park in Nanjing, China at the end of the second quarter, and a fire in the dryer system at SPV in the fourth quarter of the year. Accordingly, production volumes of TENCEL<sup>®</sup> as well as at the viscose fiber production site in Nanjing, China and at SPV were subsequently lower than originally planned.

Due to the high demand, inventories of the Lenzing Group were at a low level in 2013 but rose slightly in the fourth quarter of the year.

Lenzing counteracted the difficult price situation with a global marketing drive, an intensified focus on selling its specialty fibers Lenzing Modal<sup>®</sup> and TENCEL<sup>®</sup> as well as further expanding its business with nonwoven fibers. The specialty brands Lenzing Modal<sup>®</sup> and TENCEL<sup>®</sup> clearly defended their market position, and continued to achieve a high price premium vis-à-vis standard viscose fibers in spite of the very difficult conditions prevailing on the marketplace. Specialty fibers accounted for approximately one-quarter of total production volumes but about one-third of fiber sales in 2013.

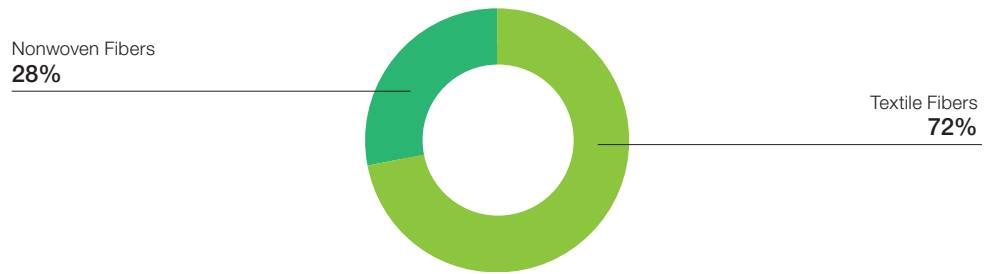
From a production perspective, an operational excellence drive was launched at the beginning of the year within the context of the excelLENZ program. It was initially implemented at the Lenzing facility and subsequently rolled out at all sites. This served as the basis for realizing additional cost savings and identifying earnings improvement potential. The relevant measures will be speedily implemented in the upcoming quarterly periods.

However, the Lenzing Group could not detach itself from the continuing price decline on the global viscose fiber market throughout 2013. Whereas average fiber selling prices in the first quarter of 2013 equaled EUR 1.77 per kilogram (Q1 2012: EUR 2.03), they continually decreased to a level of EUR 1.61 per kilogram in the fourth quarter of the year (Q4 2012: EUR 1.83). The generally lower fiber selling prices also led to moderate price adjustments for Lenzing Modal<sup>®</sup> and TENCEL<sup>®</sup>.

## Sales and earnings development

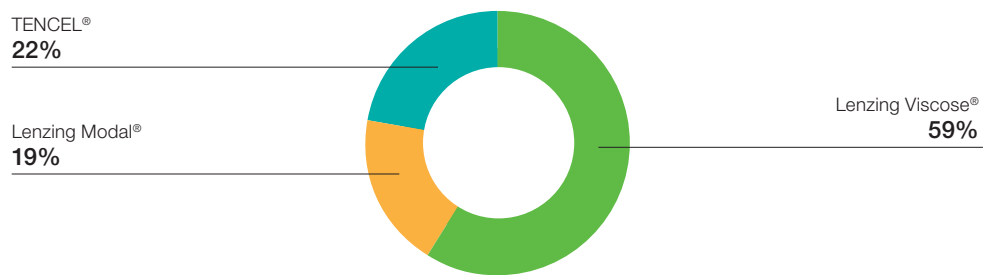
### Fiber sales volumes

By business unit in %



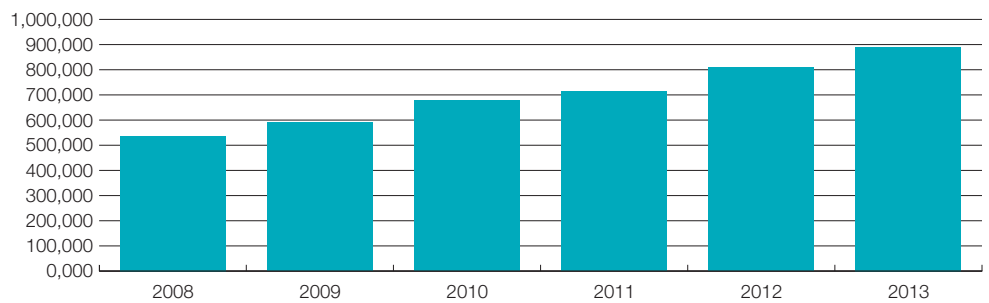
### Fiber sales volumes

By product group in %



### Fiber sales volumes

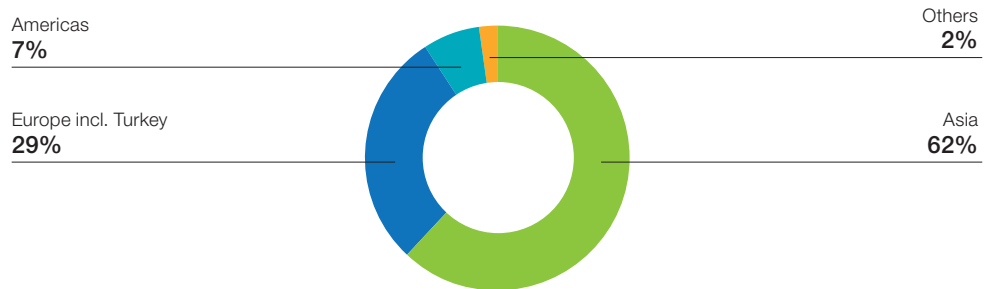
In tons



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## Fiber sales volumes by key market

In % (basis: 890.7 kilotons)



As a consequence of the price decline, segment sales in line with segment reporting of the Segment Fibers fell in 2013 to EUR 1,754.5 mn compared to EUR 1,883.0 mn in the previous year. Segment EBITDA was down to EUR 205.7 mn from the prior-year level of EUR 338.7 mn. The EBITDA margin of the Segment Fibers ended up to be 11.6% (2012: 17.9%). The deterioration in margins can be attributed to price pressure. Partially more favorable energy and chemical costs could not compensate for the drop in fiber selling prices.

Due to the current market situation along with market expectations for upcoming quarters, construction work on the planned viscose fiber plant in India has been postponed for the time being. Facilities which were acquired or constructed up until now were impaired in the consolidated financial statements for 2013, which in turn were recognized as non-cash charges amounting to EUR 3.4 mn.

### Construction of the TENCEL® production plant in Lenzing proceeding on schedule

Construction of the first TENCEL® jumbo production facility at the Lenzing site continued on schedule in 2013. The company was able to make up for weather-related delays in the first quarter. Almost all the technical equipment had been installed by the end of 2013. All piping and cabling work were well on track, so that the first tests of individual parts of the plant were already initiated. Lenzing plans to keep to its timetable, with the first TENCEL® fibers likely to leave the production lines of the new plant sometime around the middle of 2014. After the initial start-up phase, the new plant will boast a nominal annual capacity of 67,000 tons of TENCEL® fibers. Investment costs are expected to total EUR 150 mn due to adjustments made to the original plans in connection with improved plant safety and an increased production volume.

The new TENCEL® facility reflects next generation TENCEL® technologies. The longstanding experience of all existing TENCEL® factories of the Lenzing Group was incorporated in the plant design. Thanks to the single production line featuring high capacity, Lenzing expects

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lower specific operating costs during continuous operation, an enhanced high level of plant safety and availability and thus additional competitive advantages. TENCEL® production at the Lenzing site will create 140 new high-quality jobs. This will significantly cushion the separately planned downsizing at the main site in Lenzing.

### Business Unit Textile Fibers

The Business Unit Textile Fibers counteracted the weak price development for standard fibers in 2013 by entering into new markets and promoting its business there as well as by intensifying its sales and marketing activities for specialty fibers. Total textile fiber shipment volumes grew by about 9% to 621,000 tons from the comparable level of 572,000 tons in the previous year.

The market for standard viscose fibers was impacted by ongoing price pressure throughout the entire year as a consequence of excess production capacity in China. The exports of Chinese manufacturers also led to a steady erosion of prices on other important sales markets of the Lenzing Group such as Indonesia and Turkey.

Business with the specialty fiber Lenzing Modal® proved to be much more gratifying in 2013, reaching a new record sales volume in 2013. In particular, an increase in the sales of MicroModal® and MicroModal® AIR could be achieved thanks to relevant marketing measures. Demand for the newly launched spun-dyed modal fiber Modal® COLOR developed positively. The comparatively high price of cotton in China, the most important sales market for Modal, also helped drive demand for Lenzing Modal® as a fiber blend in high-quality fabrics. The price premium of Lenzing Modal® vis-à-vis viscose was at a high level throughout the entire year.

Sales of the specialty fiber Lenzing FR® were satisfactory in 2013, with sales volumes above the prior-year level. In particular, Lenzing FR® achieved success in the growth segment of industrial protective clothing. Modal fibers comprise the basis of Lenzing FR®. The first flame-retardant TENCEL® fibers were launched on the marketplace in 2013.

Sales of TENCEL® fibers for textile applications were at a high level in 2013 against the backdrop of an attractive price premium compared to viscose fibers. Lenzing succeeded in opening up new markets and new customer segments, which was also important in the light of the planned coming on stream of the new TENCEL® production facility in Lenzing in the middle of 2014. Despite the production interruption at the TENCEL® factory in Heiligenkreuz, shipment volumes still surpassed the comparable prior-year figures. The products TENCEL® LF and the new, extremely high-quality TENCEL® fibers Micro-LF and TENCEL® Micro were well received by Asian customers. Similarly, the use of TENCEL® fibers in the bed linen segment was further expanded.

From a regional perspective, Asia remained the strongest sales market for the textile applications of both Lenzing Modal® and TENCEL®.

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## Textile fiber innovations in 2013

At the end of the second quarter of 2013, Lenzing presented its flame-resistant Lenzing FR® “divan fiber” for use in public transportation vehicles. The guidelines which apply to public transportation vehicles are particularly strict. The impressive feature of Lenzing FR® is that the fiber does not melt, drip or afterglow in the event of a fire.

The color portfolio of the spun-dyed fiber Lenzing Modal® COLOR launched on the market-place in 2012 was extended in order to enable the development of further applications.

The priority for TENCEL® was on expanding the areas of application of this versatile fiber. In 2013, TENCEL® fibers were used for the first time as upholstery fabrics for sofas. In addition to the aesthetically pleasing advantages of intense colors and a velvety sheen, sofas with a fabric cover of TENCEL® boast a lower electrostatic charging compared to the conventional polyester covers. Moreover, the removable fabric covers can be laundered at home, and thus are easier to keep hygienically clean.

Furthermore, Lenzing intensively worked on opening up new fields of application for TENCEL® in the construction business. In addition to initial market success with TENCEL® powder in pasty plasters, one focal point in 2013 was on developing TENCEL® additives as a stabilizing factor for building materials, particularly concrete.

## Business Unit Nonwoven Fibers

The nonwoven fiber market in 2013 was once again characterized by attractive growth rates. According to initial estimates, global growth in the largest nonwovens segment, namely for wipes, once again reached a level of between 6% and 7%<sup>1</sup>. Increasing prosperity in the developing and emerging markets served as the basis for above-average sales increases in this segment. The North American market also showed ongoing growth in contrast to the stable development of the nonwovens market in Europe. Asia continued its upward trend towards catching up with the rest of the world in 2013.

## Clear focus of the Lenzing Group on growing its nonwovens business

Demand for Lenzing’s nonwoven fibers was stable but at a high level in 2013. In contrast to the textile market segment, prices were considerably less volatile. However, the weak price situation prevailing on the textile fiber market increasingly impacted the nonwovens business in Asia in the second half of the year. Europe and the USA were not affected as much by this development. On balance, average fiber selling prices in 2013 were below the prior-year level.

The nonwovens business of the Lenzing Group once again featured increasing sales volumes in 2013. Shipment volumes amounted to about 269,000 tons, about 13% higher than the 238,000 tons shipped in the previous years. More production capacities in the Group were made available for the production of nonwoven fibers in the course of the year due to the weak

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<sup>1</sup> Source: “The Future of Global Markets for Nonwoven Wipes to 2017”, Phillip Mango, Copyright Smithers Information Ltd. 2012

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development of the textile fiber segment. Furthermore, additional capacities which came on stream in the USA and Indonesia in 2012 were available all year for the first time.

Most of Lenzing's nonwoven fibers are used to produce wipes. Existing cooperation agreements in the wipes segment in the important American market were extended, new customers were attracted and new fields of application were conquered in spite of competition from China and India. In Asia, Lenzing nonwoven fibers scored top marks with customers in the high-quality cosmetic face mask segment as well as in the women's hygiene sector. Cooperation programs were set up with local partners in Indonesia for the first time.

Initial application tests for the first hydrophobic cellulose fiber TENCEL® Biosoft were carried out together with customers in the 2013 financial year.

In 2013 Lenzing presented "EUROCEL", a new fiber blend consisting of 50% high-quality Lenzing viscose fibers manufactured in Europe in an environmentally compatible manner along with 50% TENCEL®. EUROCEL is a new type of high-end nonwovens quality to be selectively used for hygienic applications (e.g. baby care) as well as in the household and industrial sectors. The underlying concept of supplying fibers verifiably manufactured in Europe for European products appeals to customers aiming to differentiate themselves from competitors on the basis of regional origin and sustainability.

## Business Unit Pulp

The Business Unit Pulp ensures the reliable supply of suitable dissolving pulp qualities to the production sites of the Lenzing Group. Dissolving wood pulp is the most important raw material used in the production of man-made cellulose fibers, and is derived from the renewable raw material wood. The Lenzing Group operates its own pulp production plants at the Lenzing site in Austria and in Paskov, Czech Republic. In addition, Lenzing also primarily procures pulp from external suppliers on the basis of long-term delivery contracts. Pulp purchasing takes clearly-defined economic criteria and ecological aspects into account by relying on certified forests and certified tree plantations.

During the reporting year, capacities on the global market for dissolving wood pulp once again rose by about 18% to 5.0 mn tons of air-dried pulp. As a consequence, following the dramatic drop in prices in the year 2012, average selling prices for dissolving pulp were once again subject to a renewed decline in 2013 of about 16% to USD 895 per ton of air-dried pulp (2012: USD 1,060; 2011: USD 1,870). The imposition in China of anti-dumping import duties on dissolving pulp from Canada, the USA and Brazil as of November 7, 2013 has only resulted in a slight rise in price levels up until now. For the time being, no sustainable increase in dissolving pulp prices is expected because of the current excess capacities on the global market.

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The Lenzing Group produced a total of 523,000 tons of pulp in 2013, up from about 407,000 tons in 2012. As a result, Lenzing was able to maintain its level of self-sufficiency with pulp at about 50% in spite of the higher fiber production volumes. The remaining required pulp was almost exclusively provided by existing long-term supply contracts. The strict principles guiding the Lenzing Group-wide pulp procurement policy ([www.lenzing.com/en/pulp/pulp-sourcing-policy](http://www.lenzing.com/en/pulp/pulp-sourcing-policy)) are applied in selecting suitable pulp suppliers and also in purchasing wood. Whenever possible, the Lenzing Group only sources pulp and wood certified in accordance with the FSC and PEFC standards.

The Lenzing Group secured a sufficient supply of pulp to cover its requirements during the reporting year.

## Pulp production in Lenzing (Austria) and Paskov (Czech Republic)

The annual production volume of 291,000 tons of dissolving pulp\* at the Lenzing site served as the basis for a physical full integration of pulp manufacturing in Lenzing. Small amounts of pulp were sold outside of the Lenzing Group.

The remodeling and expansion program in Paskov was completed for the most part in 2013. 232,000 tons of dissolving pulp were produced, with production fully converted to dissolving pulp in order to meet the priority needs of the Lenzing Group.

## Wood supply

In 2013, the wood supply for the two Lenzing pulp facilities in Lenzing, Austria and Paskov, Czech Republic was once again secured by a corresponding supply chain management.

At the Lenzing site, the procurement of wood across large areas and the longstanding cooperation with key international suppliers once again ensured an optimal supply of beech wood. The second half of 2013 in particular was characterized by a perceptible scarcity of conifer wood and hardwood related to the strong demand for wood to generate energy. The non-cascading use of wood exclusively for the purpose of producing energy inevitably leads to supply bottlenecks, rising costs and increasing competition for wood supplies. The Lenzing Group was able to build up a substantial reserve stock of wood by the end of the year thanks to the longstanding partnership with wood suppliers in Austria and neighboring countries.

The Lenzing pulp plant in Paskov profited from relatively high wood inventories during the winter which extended well into the first half of 2013. Starting in mid-year demand for wood and thus wood prices also began to increase in the Czech Republic against the backdrop of a new particleboard plant put into operation in Moravia as well as wood being stocked up for the 2013/14 heating season. Lenzing's wood sourcing efforts successfully dealt with this situation by increasing its wood imports, enabling it to once again build up the required stockpiles of wood for the winter.

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\*1 Air-dried

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## Co-products

The Lenzing Co-Products division of the Business Unit Pulp markets by-products (co-products) arising from fiber and pulp production. These high-quality co-products such as acetic acid, sodium sulfate and soda are further processed by customers in the food and animal feed industries as well as the pharmaceutical, detergent and construction industries.

During the reporting year, the Lenzing Group recorded a particularly gratifying level of demand and stable sales revenue for acetic acid required by the food and pharmaceutical sectors, as well as raw materials for xylose used as a sugar substitute. An excess supply of furfural was also discernible on the market in 2013. The selling prices for sodium sulfate were satisfactory.

## Business Unit Energy

The Business Unit Energy is responsible for ensuring the optimal availability of electricity, process water, steam and cooling energy to all global production sites of the Lenzing Group. It is also responsible for the conceptual development and ongoing optimization of all energy supply facilities of the Lenzing Group. Due to the fact that pulp and fiber production are extremely energy-intensive processes, the Business Unit Energy plays a very important role with respect to ensuring sufficient energy production and optimizing costs.

In the year 2013 the European electricity market was characterized by declining spot and forward market prices. The spot prices for natural gas in Europe hovered at a high level during the reporting year as a result of high oil prices and a low supply of liquid natural gas. Crude oil prices also remained high. The lion's share of the energy required by the Lenzing Group is procured on the basis of fixed-price supply contracts, which is why the company is largely unaffected by developments on spot markets.

The energy production facilities of the Lenzing Group operated normally for the most part in 2013, with only short downtimes.

## Lenzing, Upper Austria

Projects designed to further improve the energy supply at the Lenzing site were continuously being implemented in 2013. The sourcing of fossil fuels was reduced even more thanks to the increased use of waste materials. The company also took advantage of the more favorable electricity and coal prices. Moreover, a boiler was refitted and upgraded to optimize its output. Installation work on a new steam turbine was commenced during the year under review in order to safeguard the site's own electricity generation capabilities.



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## Fuel mix at the Lenzing site\*

Annual fuel input (2013): 13,246,873 GJ

Biogenic fuels and residual substances (CO<sub>2</sub> neutral)  
**87.3%**

Fossil fuels  
**12.7%**

Residual substances/Sludge  
**28.0%**

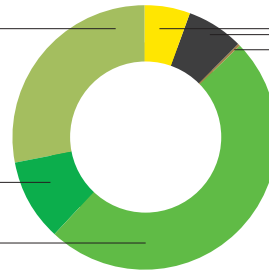
Natural gas  
**5.8%**

Bark/Sawdust  
**10.1%**

Coal  
**6.8%**

Liquor  
**49.2%**

Oil  
**0.1%**



\*) incl. RVL

## Heiligenkreuz, Burgenland

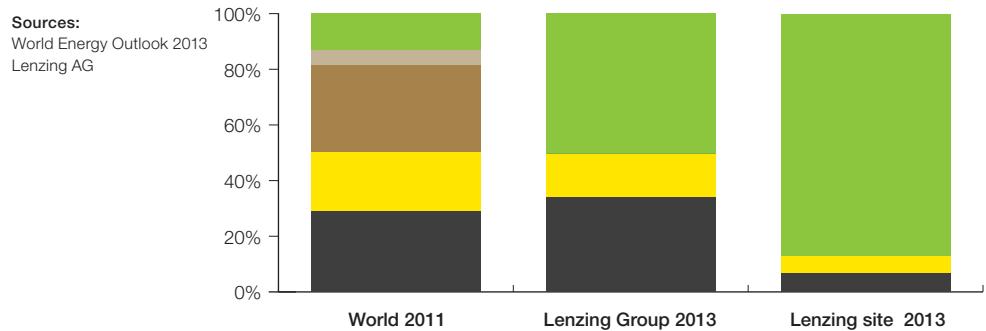
In 2013 the Heiligenkreuz site evaluated the possibility to take part in an electricity balancing market in cooperation with an Austrian utility company. The interim results of this analysis turned out to be consistently positive.

## Paskov, Czech Republic

Lenzing pressed ahead with the implementation of various energy-related projects within the context of its efforts to remodel and expand the Paskov pulp plant. For example, work on the evaporation plant for bleaching plant wastewater and feed water treatment was completed during the reporting year, and the facilities were successfully put into operation. Furthermore, modification work was carried out on two existing steam turbines.

## Comparison of energy sources

### Global, Lenzing Group and Lenzing site\*



\* incl. RVL

## Outlook Segment Fibers

No change in the consistently very difficult price situation for man-made cellulose fibers was perceptible at the beginning of 2014.

According to the latest assessment by the "International Cotton Advisory Committee" (ICAC)<sup>1</sup>, cotton production will decline in the current 2013/14 cotton harvest season by 4.1% to 25.7 mn tons. Demand is only expected to rise minimally by 1.1% to 23.6 mn tons. This would result in a significant surplus in production compared to consumption for the fourth straight season, and, as a consequence, a further increase in cotton inventories.

In the event of a free play of market forces, the excess supply of cotton would exert downward pressure on prices, which in turn could have a negative impact on all other fibers. The Chinese policy of granting state subsidies to prop up cotton continues to distort the market. For this reason, it is not possible at the present time to make any reliable price forecasts for cotton.

The ICAC predicts a good development in demand for the next 2014/15 cotton harvest season. Cotton production is anticipated to drop even further by 1.3% to 25.4 mn tons, whereas demand is expected to rise by 4.0% to 24.5 mn tons. Nevertheless, if this scenario takes place cotton inventories will reach a new record high level of 20.8 mn tons, accompanied by a huge potential for speculation and the threat of price fluctuations.

<sup>1</sup> ICAC press release, "World Prices High Despite Excess Production", 03/02/2014

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Against this backdrop, the Lenzing Group is also striving to achieve further volume growth in its core business of manufacturing fibers to boost fiber sales to a level slightly below one million tons. This increase will likely be driven by the first sales volumes from the new TENCEL® production plant at the Lenzing site as well as the stable year-round operation of the fifth production line at SPV. However, the added sales volumes will hardly be reflected in segment revenue due to the expected unfavorable development of fiber selling prices.

Raw material costs are expected to rise slightly, whereas the excellENZ 2.0 cost reduction and optimization program should have initial positive effects on personnel expenses.

Fundamentally speaking, Lenzing has secured a sufficient supply of wood for both of its pulp production facilities in 2014 and beyond. Lenzing will further increase its level of self-sufficiency with pulp in the future. The additional pulp required by the Lenzing Group will be procured on the basis of long-term delivery contracts and purchases on the spot market. No major price changes for energy are expected in the course of 2014.

## Segment Engineering

The Segment Engineering mainly encompasses Lenzing Technik GmbH and its subsidiaries Lenzing Engineering & Technical Services (Nanjing) Co., Ltd. and LENO Electronics GmbH. Lenzing Technik offers services around the world in the fields of engineering and contracting, mechanical construction and industrial services as well as automation and mechatronics.

In the year 2013, the Segment Engineering managed to raise sales and earnings compared to the prior-year performance in spite of the weaker investment climate. The business with external customers showed a more pronounced increase than sales derived from within the Lenzing Group. Capacity utilization was very good throughout the year across all segments.

In 2013 the Segment Engineering generated total sales of EUR 125.1 mn, compared to EUR 121.8 mn in 2012. Of this amount, approximately EUR 49.5 mn can be attributed to customers outside the Lenzing Group (2012: EUR 47.1 mn). EBITDA of the Segment Engineering in line with segment reporting amounted to EUR 9.1 mn (2012: EUR 10.2 mn). A total of 712 people (including trainees) were employed by the Segment Engineering as at December 31, 2013, practically the same as the level of 711 employees in the previous year. Temporary staff was also hired in 2013 to provide sufficient manpower for peak order times, as in previous years.

### Engineering and Contracting

In the Engineering and Contracting business area, Lenzing Technik offers engineering and project services as well as mechanical and special machine construction for industrial customers. The business area encompasses the fields of viscose and fiber technology, environmental technology, pulp technology as well as filtration and separation technology.

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The viscose and fiber technology business division is responsible, among other things, for the conceptual design and construction of the Lenzing Group's fiber production plants, and thus makes an important contribution to safeguarding the innovation and market leadership enjoyed by the Lenzing Group in the fiber segment. The environmental technology product group focuses on various technologies designed to reduce and eliminate waste gas emissions in industrial and municipal applications.

The pulp technology division carries out consulting and engineering projects for the pulp industry on a global basis. In the past financial year this division made a major contribution to the conversion of the Lenzing Group's pulp plant in Paskov, Czech Republic to the production of dissolving pulp.

The filtration and separation technology division was able to consolidate its strong global market position by successfully creating new applications and opening up new markets outside the Lenzing Group. Ongoing innovations and the expansion of the worldwide sales network were the basis for further growth in this area in 2013. One example in 2013 was the high-quality microfilter with backwashing, which Lenzing Technik is successfully marketing now under the OptiFil brand name, also to the food and paper industries.

The Engineering and Contracting business area showed a very good business development in 2013. Lenzing Technik not only profited from the strong investment activity within the Lenzing Group, but also from a series of large projects being carried out by external customers in the pulp industry as well as in the field of filtration and separation technology.

### **Mechanical Construction and Industrial Services**

The Mechanical Construction and Industrial Services business area of the Segment Engineering is positioned as a contract manufacturer for sophisticated applications. In the 2013 financial year, the mechanical construction segment and, in particular, the field of industrial services profited from the investment activity on the part of the Lenzing Group and strong demand by external customers. Sales efforts in 2013 focused on growing the business with external customers.

The subsidiary Lenzing Engineering & Technical Services (Nanjing) Co., Ltd recorded a gratifying volume of incoming orders in 2013 placed by both existing as well as new customers.

The sheet metal technology division defended its market position against the backdrop of a difficult market environment, and continued its successful development during the reporting year.

### **Automation and Mechatronics**

In its Automation and Mechatronics business area, Lenzing Technik is positioned as the specialist for producer-independent automation solutions for the processing industry as well as the construction of electromechanical devices and printed circuit board assembly.

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Sales in the process automation segment rose in 2013, and earnings could be significantly improved once again thanks to very good capacity utilization in comparison to the prior-year level. Innovative solutions in the field of robotics aroused great interest on the marketplace. Sales also increased in the mechatronics segment in the past financial year. Process optimization measures and the modernization of production facilities resulted in significantly improved margins.

## Outlook Segment Engineering

The Segment Engineering expects a significant decline in internal sales in the current 2014 financial year due to the completion of the major expansion projects within the Lenzing Group and as a consequence of the ongoing cost reduction program. This will also entail the planned end to hiring temporary staff. For these reasons, the Segment Engineering will focus on further expanding its business with external customers. The successful business development of Lenzing Technik should continue on the basis of offering innovative products and solutions as well as intensified marketing and sales activities. However, Lenzing Technik will likely be unable to fully compensate for the decline in orders from the Lenzing Group.

## Segments Discontinued Operations and Other

The Segment Discontinued Operations encompasses the divested Business Unit Plastics and European Precursor (EPG), the terminated joint venture set up with SGL Carbon und Kelheim Fibres. The Segment Other mainly includes the business activities of Dolan GmbH, Kelheim, a company which was formerly part of the Segment Plastics Products and which manufactures synthetic fibers, as well as the educational and training center Bildungszentrum Lenzing (BZL).

## Segment Discontinued Operations

The disposal of the Business Unit Plastics (Lenzing Plastics GmbH) was finalized on June 27, 2013. It was sold to an Austrian bidding consortium led by Invest AG, the investment company of the Raiffeisen Banking Group Upper Austria based in Linz. Following the complete sale of the former Business Unit Plastics, Lenzing acquired a 15% stake in LP Beteiligungs & Management GmbH, Linz. Lenzing's disposal of its plastics operations was due to its decision to strategically focus on its core business of manufacturing man-made cellulose fibers. In 2013 different options relating to the future utilization of European Precursor GmbH (EPG) were evaluated.

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## Segment Other

At Dolan sales of awnings and outdoor applications slightly increased in 2013 from the previous year. In particular, demand for awnings was strong on the US market. Demand for convertible tops returned to normal levels in the course of the year. However, sales of convertible tops were still down on the previous year. The filtration business area developed satisfactorily in the past financial year.

Total sales of the Segment Other amounted to EUR 51.6 mn in 2013 (2012 adjusted: EUR 42.2 mn). Segment earnings (EBITDA) totaled EUR 6.2 mn (2012 adjusted: EUR 3.5 mn), whereas EBIT was EUR 5.3 mn (2012 adjusted: 2.7 mn).

## Outlook Segments Discontinued Operations and Other

Potential utilization options for European Precursor GmbH will continue to be evaluated in 2014. The improved prospects for an economic recovery in Europe should stimulate demand at Dolan.

## Risk Report

### Current risk environment

Current surplus production capacities for viscose fibers and the all-time high level of cotton inventories pose a difficult-to-assess risk for the short and medium-term development of fiber prices. The International Cotton Advisory Committee (ICAC) estimates that global cotton inventories will reach 19.9 mn tons by the end of the current season (end of July 2014), of which China alone will have a reserve of 11.5 mn tons of cotton, corresponding to an inventory coverage of about 1.5 years<sup>1</sup>. Against this backdrop, the difficult market environment prevailing in the man-made cellulose fiber segment is expected to continue in 2014.

The tense price situation was also reflected in Chinese spot market prices for viscose staple fibers, which fell by 15% in the course of the year 2013 to an annual low of CNY 12,280 per ton and have risen slightly since then (January 23, 2014: CNY 12,400 per ton; February 28, 2014: CNY 12,300 per ton).

The pulp market stagnated during the reporting year to a price level of about USD 900 per ton. The pulp supply for Lenzing's fiber production facilities is considered to be well secured for the year 2014. The level of self-sufficiency for pulp including long-term delivery contracts is about 90%.

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<sup>1</sup> Source: ICAC press release 03/02/2014

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Raw material prices for chemicals and energy prices both moved slightly downwards in 2013 as a consequence of the cyclically-induced weak demand. Massive risks arising as a consequence of strong price fluctuations are not expected in the short term.

General risks such as natural catastrophes, fire hazards or the risk of explosions, environmental damage and product liability risks continue to be potential causes of extensive damage to the Group, and are still considered to be high risk factors. There was a fire at the Heiligenkreuz site in March 2013. However, the damage was covered by insurance.

Construction work on the new large TENCEL® production plant at the Lenzing site is proceeding on schedule. All other expansion projects which have not yet been initiated, especially in the viscose fiber segment, have been stopped for the time being due to the tense market situation. This includes the planned construction of a viscose fiber factory in India.

## Risk management

The Management Board of Lenzing AG and the corporate centers assigned to it carry out extensive coordination and controlling operations in collaboration with the heads of these departments. This is done within the framework of a comprehensive integrated internal control system covering all sites. Lenzing established a functional organizational structure effective January 1, 2014, in particular to be better positioned in the future to master the challenge of growing competition in Asia. The timely identification, evaluation and response to strategic and operational risks are essential components of the management activities of the business units.

A unified, Group-wide reporting system functioning on a monthly basis and ongoing monitoring of the strategic and operational plans comprise the basis of this approach.

Lenzing also operates a Group-wide risk management system which is responsible for the central coordination and monitoring of risk management processes throughout the Group. The central risk management team identifies and analyzes the main risks in cooperation with the operating units and directly conveys its findings to the Management Board and the top management of the business units. This includes anticipatory analyses of potential events or near-misses as well. Another task is to actively work to mitigate risks and to implement appropriate countermeasures in cooperation with the affected business entities, or to purchase additional external coverage on the insurance market as required.

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## Risk management strategy

As part of its risk management strategy, Lenzing pursues a four-step approach in dealing with risks:

### Risk analysis pursuant to the COSO<sup>®1</sup> framework

Central risk management regularly conducts risk assessments at all of Lenzing's production sites. In this case, the risks are evaluated according to the likelihood of occurrence and financial impact pursuant to the international COSO<sup>®</sup> standards. In this regard the financial impact of potential damage on EBITDA is taken into account.

### Risk mitigation

An attempt is made to minimize, avoid or intentionally accept risks in certain cases on the basis of appropriate measures, depending on the potential impact of the identified risk.

### Determining responsibility

The assignment of responsibility for dealing with a particular risk is carried out on the basis of the existing organization.

### Risk monitoring and control

During the year under review Deloitte Austria was contracted for the second time to evaluate the effectiveness of Lenzing AG's risk management system within the framework of an audit in accordance with Rule 83 of the Austrian Corporate Governance Code. The corresponding confirmation is available on the Website of Lenzing AG at [www.lenzing.com/en/concern/investor-center/corporate-governance.html](http://www.lenzing.com/en/concern/investor-center/corporate-governance.html)

Management holds regular meetings with the risk management team to discuss the development of the respective risk categories. The main risks are evaluated every six months and the findings are integrated in the reporting process.

In addition to fulfilling legal requirements, the main objective of the Group-wide risk management system is to increase the overall awareness of risk and to integrate subsequent findings into everyday business operations and strategic corporate development. The Risk Report only presents major risks which are not included in normal accounting standards (e.g. statement of financial position, income statement).

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<sup>1</sup> The Committee of Sponsoring Organizations of the Treadway Commission



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Strategic market risks are assessed on the basis of market reports and internal market analyses. The risks are evaluated jointly with the internal market research department at monthly sales meetings.

On balance, Lenzing's risk management identified a total of 29 risks and bundled them in five main areas, as described below.

## I. Market environment risks

### Market and substitution risk

The globally operating Lenzing Group is exposed to a multitude of general macroeconomic risks. Price and volume developments are cyclically dependent for textile fibers and to a lesser degree for nonwoven fibers. In turn, this is related to economic conditions on both a global and regional basis. Lenzing fibers compete with cotton and synthetics on some markets. Their price development thus affects Lenzing's fiber sales revenues and volumes.

A huge surplus of cotton inventories still prevails on the global fiber market. As a consequence, strong price pressure is expected to continue impacting the entire fiber industry in 2014.

Lenzing counteracts this risk by its already high share of specialty fibers in its global product portfolio. This share will be increased in the future on the basis of the further expansion of TENCEL® fiber production. High-quality standards combined with value-added services in the standard viscose fiber business are also designed to safeguard Lenzing's market leadership.

In addition, Lenzing relies on a strong international market presence, especially in Asia, combined with a top-notch regional customer service and support network as well as a highly customer-oriented product diversification.

### Sales risk

Lenzing derives about half of its fiber sales revenue from a comparatively small number of major customers. Sales losses caused by major clients or the loss of one or more major customers combined with the failure to attract new customers constitute a risk which Lenzing counteracts by way of its global presence and the continuous broadening of its client base, sales segments and sales markets. Due to the difficult market environment, the probability of default on accounts receivable is correspondingly higher.

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### Innovation risk and competition risk

As the world's leading manufacturer of man-made cellulose fibers and the global technology leader, Lenzing is exposed to the risk of losing its position on the fiber market due to increasing competition or new technologies developed by competitors. The loss of its market position could especially take place if Lenzing is no longer capable of offering its products at competitive prices, if the products do not fulfill customer specifications or quality standards, or if its customer service fails to meet customer expectations.

Lenzing counteracts this risk by carrying out research and development activities surpassing the industry average as well as a high level of proactive product innovation and active technology screening. The Lenzing Group and other producers of man-made cellulose fibers face the risk that acceptable or even superior alternative products may become available and obtainable at more favorable prices than man-made cellulose fibers. The Lenzing Group counteracts this risk by continually increasing its share of specialty products with lower substitution potential in its global product portfolio.

## II. Operational risks

### Procurement risk (incl. pulp supply)

Lenzing purchases large amounts of raw materials (wood, pulp, chemicals) and energy in order to manufacture man-made cellulose fibers. Fiber production and its margins are subject to risks related to raw material availability and the price development of these resources, which can fluctuate, decline or increase to the detriment of the Lenzing Group. Lenzing counteracts these risks by carefully selecting its suppliers according to specified criteria such as price, reliability and quality, but also focuses on establishing longstanding, stable supplier-customer partnerships, in some cases with supply agreements over a period of several years. Lenzing has also established long-term contractual relationships with several raw material suppliers and service partners (but with only a few customers). These agreements require Lenzing to purchase specified quantities of raw materials at standardized terms and conditions, which may also include price adjustment clauses. As a consequence, Lenzing may not be able to change prices, quantities purchased or other contractual terms in the short term as a means of appropriately responding to changed economic conditions. This risk is aggravated by the fact that the lion's share of Group revenue is derived from short-term contractual relationships.

Lenzing's pulp and energy strategy focuses on maintaining a maximum degree of self-sufficiency. In the 2013 financial year, the Lenzing Group's own pulp production capabilities were further increased by expanding the output of the pulp plant in Paskov, Czech Republic. The level of self-sufficiency for pulp including long-term delivery contracts is about 90%. Lenzing also compensates for price fluctuations by concluding long-term supply contracts, including gas forward delivery contracts.

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## Operating risk and environmental risk (incl. fire damage and natural catastrophes)

The production of man-made cellulose fibers requires a complex series of chemical and physical processes which entail certain environmental risks. These risks are well managed thanks to special, proactive and sustainable environmental management efforts, closed production cycles and the continuous monitoring of emissions on the basis of modern-day production technologies. For decades the Lenzing Group has operated production facilities for industrial purposes at several locations. For this reason, risks related to environmental damage caused in the past cannot be fully excluded. Although the Lenzing Group sets high technological and safety standards in the construction, operation and maintenance of its production sites, the risk of breakdowns, disruptions and accidents cannot be fully excluded. In particular, such difficulties can be caused by external factors over which the Lenzing Group has no control. There are no direct means of safeguarding against certain natural dangers (e.g. cyclones, earthquakes, floods). In addition, there is the risk of personal injury, material and environmental damage which could result in considerable claims for damages and even criminal liability. The Lenzing Group has concentrated its production operations at just a small number of sites. Any disruption at one of these facilities, for example in Lenzing, Austria or in Indonesia, the two sites with the largest production capacities, would impact a substantial part of the company's business operations.

## Product liability risk

Lenzing markets and sells its products and services to customers throughout the world. In this regard, customers could potentially suffer from damage attributable to the delivery of a defective product from Lenzing or one of its subsidiaries. Lenzing is subject to the prevailing local laws in the countries in which it operates or does business, and is exposed to a high level of liability risk in particular in the USA. Lenzing counteracts this risk with a special department exclusively focusing on problems experienced by customers in processing Lenzing products and on dealing with complaints. Liability claims and losses caused by Lenzing are insured within the context of a separate liability insurance program.

## III. Finance risks

### Exchange rate risk

The international business relationships of the subsidiaries of the Lenzing Group expose them to currency risks. In particular, transaction and exchange rate risks exist with respect to the USD, CNY and CZK (refer to Section V. Use of financial instruments). This risk is reduced by a hedging strategy authorized by the Management Board. The objective is to limit existing currency risks arising from already concluded or planned sales or procurement transactions. These derivatives are recognized as hedging instruments in hedge accounting on the basis of hedged transactions.

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### Counterparty risk

The Lenzing Group concludes transactions with a variety of banks to invest its liquid funds. The risk of a counterparty defaulting and the related negative effects are counteracted by an annually accepted investment limit specified by the Management Board for each counterparty (counterparty risk limit). The investment limits set for each counterparty are based on its probability of default. The limits are determined by taking the respective ratings into account as well as the publicized “corporate default swap” spreads and can be correspondingly adjusted during the year if changes in creditworthiness occur.

The potential default on accounts receivable is counteracted by a strict receivables management and covered by a global credit insurance policy.

### Tax risk

Lenzing’s production facilities are subject to local tax regulations in the respective countries, and are required to pay both income taxes as well as other taxes. Changes in tax laws or differing interpretations of prevailing regulations within the context of regular tax audits at individual local companies could lead to considerable subsequent tax liabilities.

### Compliance

The dynamic growth of the Lenzing Group and the ongoing tightening of international laws, codes of conduct and codes of practice increase the demands imposed upon Lenzing to comply with and monitor compliance to these regulations. Insufficient controls in business processes, a lack of adequate documentation or the personal misconduct of individual employees could potentially result in violations of relevant statutory provisions. Lenzing addressed this risk by developing a global compliance organization and the introduction of its own code of conduct binding throughout the Group.

## IV. Personnel risks

### Succession planning/qualified employees

Personnel risks may arise as a consequence of the fluctuation of employees serving in key positions, as well as recruiting of new staff at all global sites. Lenzing has established a Corporate Center Global Human Resources which continuously coordinates personnel planning with the respective sites, and centrally manages and monitors all personnel-related issues. This includes global management and training programs for potential executives which are organized by the Corporate Center Global Human Resources.

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## V. Other risks

### Risk related to the expansion of production capacity

The Lenzing Group plans to continue to grow its business by expanding production capacities as well as its product offerings and range of applications, especially in the TENCEL® segment. Furthermore, the Lenzing Group derives large quantities of pulp from its own pulp production sites. Developing and maintaining operations at a production site in the man-made cellulose fiber industry require considerable investments.

Adverse economic or legal conditions, in particular the current excess production capacities for viscose fibers in Asia and high cotton inventories, could negatively affect the implementation of and financing possibilities for long-term expansion plans. In addition, the Lenzing Group faces the risk that customer demand may prove to be insufficient in order to enable the full utilization of the increased production capacities.

### Use of financial instruments

Clearly-defined, written guidelines exist for the treatment of financial risks, and are being continually monitored and evaluated by the Management Board and the Corporate Center Treasury and Payment. The Lenzing Group exclusively makes use of foreign currency forward contracts to protect itself against exchange rate risks associated with business operations, mainly resulting from sales in USD, CNY and CZK. The objective of exchange rate risk management is to protect payment flows from business operations against adverse exchange rate fluctuations. Hedging activity as well as the correlation between risk and hedging instruments are continuously monitored and reported. Corresponding hedging transactions ensure that exchange rate changes do not influence payment flows. In principle currency translation risks are not hedged but are monitored on an ongoing basis. There is an active exchange of information between management and the treasury.

The risk of loss with regard to these derivative financial instruments is monitored on a regular basis and is rated as relatively small, taking into account the good creditworthiness of the contractual partners.

Allowances are made for the identifiable risk of loss related to primary financial instruments, such as loans, securities, receivables and cash held at banks. The carrying amounts of these financial instruments represent the maximum risk entailed. In addition, the Lenzing Group has accepted liability for associates. The risk of subsidiary liability is considered to be small as the concerned companies can be expected to meet their payment obligations.

The risk of changes in the market value of primary financial instruments and their derivatives is rated as relatively small. No increased volatility until maturity is expected for short-term financial instruments. 47.85% of the company's long-term liabilities are linked to variable interest rates.

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Liquidity risk, namely the risk of insufficient funds to meet obligations resulting from primary financial instruments and their derivatives, does not exist. The derivative financial instruments are exclusively employed for hedging. The resulting obligations are accordingly covered by the hedged business operations. Obligations resulting from primary financial instruments are covered by available liquid funds and if needed by internal financing.

Cash flow risks related to financial instruments arise from fluctuations in their respective payment flows. These cash flow risks are essentially limited to variable interest rate liabilities.

### Financing risk

The Lenzing Group requires extensive financial resources to implement its business plan and its strategy. Tighter credit markets and the resulting difficulty in obtaining credit could adversely affect the availability, terms and conditions and costs of procuring capital. In addition, declining demand or prices could also negatively impact business operations and thus the financial situation and earnings of the Lenzing Group.

## Report on Essential Elements of the Internal Control System (Section 243a para 2 of the Austrian Commercial Code – UGB)

The internal control system of the Lenzing Group is designed to ensure the reliability of financial reporting, compliance with legal regulations and internal guidelines and the presentation of off-balance sheet and income statement risks.

The organizational structure and process organization of the Lenzing Group comprise the main basis for the overall control environment and the internal control system of the company.

With respect to the organizational structure, competencies and responsibilities are clearly assigned to the different management levels and hierarchies of the company, including all its Austrian sites and international subsidiaries. Essential corporate functions are centralized in corporate centers, which reflect the Lenzing Group's global market presence as well as its decentralized business and site organization. The respective management is responsible for coordinating and monitoring business operations on a national level.

The process organization of the company is characterized by a clearly-defined and comprehensive set of guidelines which provide an appropriate basis for a strong control environment and control system. The "Lenzing Group Mandates" define essential Group-wide approval processes and competencies. The management of the respective business unit or corporate center is responsible for monitoring compliance with the respective regulations and controls.

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## Financial reporting

The Corporate Center Global Finance is centrally responsible for financial reporting, thus ensuring a clearly-defined structure and designated responsibilities for this area. A comprehensive set of regulations and guidelines detailing the way control functions are exercised has been developed and implemented. These rules are regularly discussed by the Audit Committee of the Supervisory Board and correspondingly modified.

Lenzing has established an internal control and risk management system for the accounting process aiming to ensure the uniform implementation of legal standards, generally accepted accounting principles, the accounting principles contained in the Austrian Commercial Code and for Group accounting purposes, the accounting principles laid out in the International Financial Reporting Standards (IFRS) as well as internal Group accounting guidelines, especially the accounting handbook and timetable applicable throughout the entire Group.

The accounting-related internal control system is designed to ensure the timely, uniform and accurate recording of information on all business processes and transactions in order to make reliable data available with respect to the financial position and financial performance of the Lenzing Group.

The subsidiaries included in the consolidated financial statements of the Lenzing Group prepare individual financial statements and IFRS financial statements on a company level in a timely manner. They are responsible for ensuring the decentralized implementation of existing rules with the support of the Corporate Consolidation Department. The consolidated financial statements are prepared on the basis of the data supplied by the Group companies. Corporate Consolidation is responsible for consolidation entries, reconciliations and monitoring compliance with reporting guidelines with respect to contents and deadlines.

Due to its direct access to the company's assets, the Corporate Center Treasury and Payment is considered to be a highly sensitive area. Correspondingly, comprehensive regulations and instructions have been developed to take account of the enhanced need for security in the relevant processes.

These clear guidelines stipulate the strict application of the four-eyes principle for implementing transactions, as well as the close cooperation and ongoing reporting to the central Corporate Center Treasury and Payment. The Corporate Center Internal Audit is responsible for monitoring the use of and compliance with controls.

A global Tax Management department is in charge of handling tax issues in the Group, reflecting the increasingly important need for evaluation and decision making with respect to globally applicable tax issues.

## Compliance with legal regulations and internal guidelines

Lenzing's Corporate Center Legal Management and the company's own in-house counsel are responsible for dealing with legal issues. This centralized function is in charge of handling

all legal issues within the Lenzing Group and in particular for those matters which go beyond standard business processes.

The Corporate Center Group Compliance is responsible for developing a compliance management system (CMS) for processes regulating compliance with statutory law and internal guidelines or preventing violations of the law or improper behavior. The Corporate Center Group Compliance reports directly to the Chief Financial Officer. The compliance management system is responsible for the following tasks: continually identifying compliance-relevant risks, taking measures to minimize risks, complementing existing compliance-relevant guidelines by adding provisions which may be lacking, training employees on a global basis, providing assistance on compliance issues, evaluating adherence to regulations, handling cases of improper behavior and preparing regular reports to the Management Board and Supervisory Board.

Lenzing AG has declared its commitment to adhering to the rules contained in the Austrian Code of Corporate Governance (ACCG), and prepares a corresponding public Corporate Governance Report within the context of Lenzing's Annual Report. The Corporate Governance Report requires the participation of the Supervisory Board, which for this purpose delegates responsibility to the Audit Committee for monitoring compliance with the obligations stipulated in the report.

The Corporate Center Internal Audit is independent of organizational units and business processes and reports directly to the Chief Executive Officer. Internal Audit also evaluates whether the deployed resources are used legally, sparingly, economically and properly in the spirit of sustainable development. Internal Audit orients its activities to the international standards laid down by the Institute of Internal Auditors (IIA). Regular comprehensive reporting to the Management Board and a report sent once annually directly to the Audit Committee ensure the proper functioning of the internal control system.

### Recognition of off-balance sheet and income statement risks

The Corporate Center Risk Management identifies and presents risks outside of the statement of financial position and income statement by preparing a semi-annual Risk Report. The main risks contained in the Risk Report are also mentioned in the Annual Report. The Risk Report is prepared according to the internationally recognized standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO®).

## Balance Sheet Structure and Liquidity

The Lenzing Group meets its obligations in a timely manner. The Group boasts a solid liquidity and equity basis as well as a sound balance sheet structure. Moreover, sufficient lines of credit which can be used for financing at any time have already been granted by various banks.

**On balance, the Management Board of Lenzing AG in its capacity as the management of the Lenzing Group is not aware of any risks as at the reporting date of December 31, 2013 that could endanger the continued existence of the company in the 2014 financial year.**



# STRENGTH FROM THINKING AHEAD

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## FOCUS ON INNOVATION

For decades innovation has been Lenzing's DNA. Our claim to be the innovation leader in the industry is a key aspect of the Lenzing Group's strategy. Based on its pioneering achievements, Lenzing has been a global technological trailblazer for ecologically compatible but profitable cellulose fiber production. Consumers across the globe are increasingly demanding environmentally- and climate-friendly products. Lenzing now boasts about 1,400 patents. In recent years it has implemented an impressive series of innovations featuring ecological objectives like no other fiber manufacturer. The fiber TENCEL® created by Lenzing represents the most innovative fiber product launched in the industry over the last few decades. We are working to further exploit the enormous potential of this fiber which is still in an early stage of development.





# MANAGEMENT REPORT 2013

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## Research and Development

Lenzing has been setting standards in the man-made cellulose fiber industry for decades, and is considered to be a trend-setter for the entire industry. Some 170 employees continuously conduct research at the Lenzing site on further developing process technologies for pulp as well as for fiber production (viscose, modal, lyocell/TENCEL®) and new applications for Lenzing fibers. This is designed to safeguard Lenzing's technological and innovation leadership position.

In the 2013 financial year, expenditures for research and development (calculated according to the Frascati method) in the Lenzing Group amounted to EUR 31.1 mn (2012: about EUR 28.3 mn).

### Process improvements

Process innovations in 2013 once again focused on further developing the TENCEL® technology with the objective of reducing specific investment costs, increasing productivity and optimizing quality. The Lenzing Group already operates a total of three TENCEL® pilot plants in order to more intensively investigate the processes and features of this fiber on a pilot scale.

The construction of the new TENCEL® production facility in Lenzing bundled, for the very first time, the technological experience gained from operating the former Courtaulds factories in Grimsby and Mobile and the Lenzing plant in Heiligenkreuz. These findings were used as the basis for developing a unified large-scale industrial TENCEL® technology. In this way, the new TENCEL® plant in Lenzing combines the best of technologies from both worlds, and can be considered to be the next generation TENCEL® technology. At the same time, the latest results of TENCEL® process research were integrated into the planning and construction of the factory. This made it possible to install a TENCEL® jumbo line with an annual nominal production capacity of about 67,000 tons of fibers.

The research activities relating to viscose and modal fibers in 2013 paid special attention to attaining steady quality improvements on the basis of developing new additives and also to the after-treatment of fibers. This is designed to ensure the ideal processability of these fibers in the textile chain. Another research priority during the year under review was on technologies aiming to optimize the recovery of chemicals used in the production process.

The chemical recovery facilities integrated into the production of pulp at the Lenzing site were optimized with the help of new technologies. The Lenzing Group is able to produce valuable co-products at the fully integrated site in Lenzing thanks to its longstanding experience in closed chemical cycles. The new co-product of granular soda bicarbonate, which will also be generated at the Paskov pulp plant in the future, was successfully established on the market in 2013. Moreover, the Paskov facility was completely converted to chlorine-free bleaching during the reporting year, requiring the modification of all upstream and downstream processing steps.

Research on process improvements is carried out within the context of research partnerships whenever it is possible and feasible, for example within the context of FFG<sup>1</sup> projects, in COMET<sup>2</sup> programs or in collaboration with universities.

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<sup>1</sup> The Austrian Research Promotion Agency (FFG) is the national funding agency for applied industrial research in Austria.

<sup>2</sup> Competence Center for Excellent Technologies; [www.ffg.ag/comet](http://www.ffg.ag/comet)

### TENCEL® in the shape of particles

Intensive research was carried out in 2013 on so-called “non-fiber” applications for TENCEL®, including all types of TENCEL® in the shape of particles, for example as a powder or gel. The areas of application for TENCEL® particles are many-sided and range from the construction industry and plastics reinforcement to cosmetics. A large number of additional potentially attractive applications for TENCEL® powder to be developed by Lenzing’s research team can be deduced from the already successfully established uses of the powder such as in wall plasters, foam mattresses, paints and varnishes.

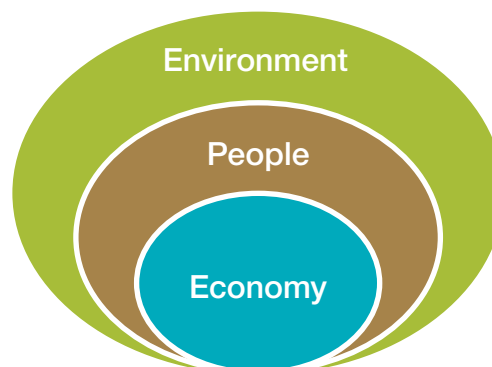
## Environment and Sustainability

### Sustainability in the Lenzing Group

The renewable raw material wood serves as the starting point for the Lenzing Group’s products, namely man-made cellulose fibers. The principles of sustainable business development are embedded at Lenzing due to this raw material basis, and are thus practiced on all levels throughout the entire Lenzing Group.

The Lenzing Group has been committed to the fundamental principles of sustainable development for many years. For Lenzing, operating profitably is equally important to achieving a social balance and safeguarding the ecological basis of life. The cornerstones of sustainable business development are the long-term, competitive creation of value in production as well as the most prudent use of resources. Lenzing is also aware of its corporate social responsibility, and thus focuses on creating human-friendly working conditions against the backdrop of a very difficult globally competitive environment.

### The sustainability model of the Lenzing Group\*



\*1) Not part of the Management Report

# MANAGEMENT REPORT 2013

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## Responsibility for the environment

Lenzing fibers are frequently an indispensable part of modern industrial society, and make an important contribution to a better and more comfortable way of life for many people, whether in clothing, home textiles, health care or for hygienic purposes and body care. Lenzing consistently pursues the goal of contributing to the production of these consumer goods with the least possible environmental impact. Whereas the viscose fiber industry was seen as a major environmental polluter in previous decades, Lenzing has shown that the sustainable manufacturing of these fibers is possible. For more than a quarter of a century, Lenzing has set standards for the environmentally compatible production of man-made cellulose fibers on the basis of sustainable process improvements, the closing of chemical cycles and the use of state-of-the-art wastewater and exhaust air purification processes.

### Voluntary Environmental Standards

By defining valid Group-wide Environment Standards, Lenzing has voluntarily committed itself to complying with specified environmental criteria. The basis for Lenzing's commitment is its orientation to strict benchmarks stipulated in various international standards such as the EU Ecolabel. The environmental standards adopted by the Lenzing Group apply to all regions of the world, and are considered to be a yardstick according to which the behavior of the company in the field of environmental protection will be oriented.

## Responsibility for people

The Lenzing Group operates globally but embodies values which are deeply rooted in European culture and practices them at all its global sites. Principles such as tolerance, openness and respect for all people are applied equally by Lenzing regardless of the particular region in which the company operates. Social commitment has continuously been an integrated aspect of its business activities. Lenzing has proven this for decades in its role as an Austrian globalization pioneer on Asian markets. It is an integral part of the company's identity and philosophy to offer its employees a fair and safe working environment even in economically difficult times, and to consistently pursue a dialogue with employees in a fair and just manner.

In the 2013 financial year, Lenzing demonstrated that compliance with these principles is also essential even if cost savings through job cuts are unavoidable as a consequence of the prevailing economic conditions (refer to details contained in the section on Human Resources).

Accordingly, Lenzing strives to offer its employees interesting and demanding tasks combined with long-term personal development and career advancement opportunities, even in the light of a challenging business environment.

## Responsibility for the economy

The production of man-made cellulose fibers requires a variety of input factors, from the raw materials and energy to human labor, know-how and capital. Lenzing strives to ensure that the generated value creation from fiber production is given back to all the stakeholders involved

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in a long-term, balanced and fair-minded manner, whether suppliers, employees or investors. The Lenzing Group has never oriented its corporate strategy to focus on short-term profit maximization but always on the long-term performance of the company. For this reason, sustainable economic success is an integral part of Lenzing's sustainability strategy.

### Activities in 2013

One highlight of the 2013 financial year was updating the Sustainability Report. It can be downloaded on the Website of the company under Investor Relations – Reports/Presentations – Sustainability and can be ordered via the link at [www.lenzing.com/en/concern/investor-center/reportspresentations/procurement-service.html](http://www.lenzing.com/en/concern/investor-center/reportspresentations/procurement-service.html)

The Sustainability Steering Committee initiated in 2012 convened on a quarterly basis in 2013 in order to make decisions on important upcoming issues. Within the context of the “Lenzing Sustainability Initiative”, a multifunctional project team is responsible for coordinating activities related to ecological, economic and social sustainability. Accordingly, the list of relevant sustainability criteria is being continually reviewed and updated in order to constantly expand transparency on sustainability issues in the Lenzing Group and gradually improve the quality of the implemented measures.

The waste sulphuric acid (WSA) facility at the viscose fiber production site of PT. South Pacific Viscose in Indonesia was largely completed. At present the plant is undergoing trial operations, and is scheduled to come on stream in the second quarter of 2014. The WSA converts sulphur-containing exhaust gases into sulphuric acid which is subsequently recycled again in the fiber production process. On the one hand, the facility contributes to reducing the level of exhaust gas emissions. On the other hand, it is a further step towards a fully closed chemical cycle.

In the context of the modification project converting the Paskov pulp production in the Czech Republic from a paper pulp to dissolving pulp manufacturing facility the production was adapted to eliminate the use of chlorinated bleaching chemicals in 2013. Now the factory in Paskov only supplies sustainable totally chlorine-free (TCF) pulp.

Furthermore, the anaerobic wastewater purification plant in Paskov was completed during the reporting year, thus increasing the overall water purification performance of the facility.

### Awards

The Lenzing share has been continuously listed in the VÖNIX index (VBV Austrian Sustainability Index) since the year 2005. This index consists of 22 publicly traded Austrian companies which are leaders with respect to their social and ecological performance. The evaluation takes place annually on the basis of 100 individual environmental and social criteria.

During the reporting period TENCEL® fibers were given a prestigious award in the field of sustainability. Due to its environmentally compatible manufacturing process, TENCEL® received the highest number of points among all established textile fibers in the Materials Sustainability Index

# MANAGEMENT REPORT 2013

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(MSI), which is the quantitative part of the Higg Index. This assessment takes account of the environment impact of production with regard to chemicals, energy, greenhouse gas emissions, water, land use and wastes. The Higg Index is the core component of the Sustainable Apparel Coalition, an association of leading companies in the textile and chemical industry, non-profit organizations as well as research and educational experts aiming to create a more sustainable international textile industry. Lenzing was the first fiber producer to accept the invitation issued by the members of the Sustainable Apparel Coalition to join the organization.

## Certifications

Certifications provide important information about the status of an organization with respect to its systems and products. Accordingly, business partners and customers can be sure that the corresponding quality, environmental and safety standards are adhered to.

### Certification status in the Lenzing Group

	ISO 9001	ISO 14001	OHSAS 18001
Lenzing (Austria)	✓	✓	✓
Heiligenkreuz (Austria)	✓	✓	✓
Grimsby (UK)	✓	✓	✓
Mobile (USA)	✓	✓	✓
Purwakarta (Indonesia)	✓	✓	✓
Nanjing (China)	✓	✓	✓
Paskov (Czech Republic)	✓	✓	✓

## Environmental protection at the Lenzing site

In 2013, the Corporate Center Environmental Protection was once again challenged by the high production output at the Lenzing site as a consequence of the capacity expansion measures. However, the continuing expansion of the environmental protection systems as well as the modification and upgrading of environmental protection measures enabled the company to ensure the least possible burden on the environment again.

The wastewater purification facility of the "Wasserreinholdungsverband Lenzing – Lenzing AG" (Lenzing Water Treatment Association) expanded in 2012 performed very well in meeting the requirements with respect to treating wastewater.

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The year 2013 not only featured construction of the new TENCEL® production plant but also the TENCEL® wastewater pre-treatment plant, which is unique in the world. The facility consists of a buffer tank and a biological wastewater treatment system with two activated sludge basins and a secondary clarification tank. The biologically pretreated TENCEL® industrial process water is then fed into the existing purification plant operated by the Lenzing Water Treatment Association. These wastewater treatment facilities will be available when TENCEL® production actually starts, and can be adapted to the specific wastewater conditions prevailing at a given time.

Several measures were carried out in 2013 to further reduce sulphur emissions and improve the immission situation, including the upgrading of systems designed to capture odorous gases, installation of an additional adsorber as well as a new chimney system for the recovery plant.

In 2013 the accredited Lenzing Testing Laboratory for Ecological Analysis once again demonstrated the high-quality level of its laboratory services in the field of wastewater and waste analysis as well as ecotoxicological tests. The annual surveillance audit carried out by an external inspector by order of the accreditation body, the Federal Ministry of Economy, Family and Youth, was successfully completed in October 2013.

### Responsible Care

Lenzing has already been taking part in the “Responsible Care” program of the European Chemical Industry Council and the Association of the Austrian Chemical Industry since 1996. This voluntary system enables chemical companies to document their willingness to fulfill stringent requirements with respect to environmental protection, occupational safety and health. In May 2013 the Responsible Care initiative was also subject to a renewal audit which is implemented every three years. This comprehensive and practice-oriented assessment implemented by a team of external experts confirmed Lenzing’s success in effectively meeting the demands placed on the company by Responsible Care.

## Human Resources

The Lenzing Group to a large extent owes its market leadership position and technological edge to the commitment, creativity and qualifications of its employees. Ultimately well trained and motivated employees comprise the basis for the sustainable success and further development of the company. For this reason, Lenzing continually implements a variety of measures for the promotion, continuing education and professional development of its individual employees, from specialized seminars to character development. The Lenzing Training Center (Bildungszentrum Lenzing) is a separate subsidiary based at the Lenzing site which organizes most of the continuing education and professional development activities of the company.

The Corporate Center Global Human Resources is responsible for coordinating Lenzing’s worldwide human resources strategy. During the year under review the focus was in further



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developing the Group-wide continuing education and professional development offering for executives.

Accordingly, the tried and tested Global Management Development Program was reworked and refocused in the course of 2013. The training consisted of five modules held at different sites of the Lenzing Group. During the reporting year 30 managers from Europe and Asia participated in this program designed to provide Lenzing's top executives with the tools they require for their everyday business activities as well as to create strong networks spanning individual sites and organizational units. The Lenzing Group's focus on Asian markets is reflected in this initiative. Two of the five modules took place in Nanjing, China and Jakarta, Indonesia.

A talent management program entitled "Springboard" was launched in 2013 in order to recruit the required experts and qualified successors for the company's middle management in the coming years as members of the current staff go into retirement. The Springboard program targets ambitious employees who display a high level of performance and commitment in their current positions, and who would like to jumpstart their professional careers in the Lenzing Group.

Furthermore, Lenzing continued to emphasize coaching as an appropriate management tool during the 2013 financial year. More than 50 Lenzing managers concluded such a coaching program in the past financial year. Coaching competencies enable executives to more effectively assist their employees in improving their qualifications and developing their own skills as well as support them within the context of the regular staff appraisal interviews. In addition, the top managers learn various methods and techniques for their leadership work thanks to the "Supportive Leadership" program which was developed on the basis of the coaching program. This 18-month training program, which also serves as a platform for the joint exchange of experience, was concluded by 13 Lenzing managers in 2013.

Making convincing presentations in the Group-wide language of English and being able to structurally summarize complex core messages in a nutshell have become an indispensable part of the company's daily business. For this reason, Lenzing once again prepared more than 20 employees in 2013 to master presentation challenges by offering a training program consisting of four modules.

The training course "Finance for Non-Financials" was offered once again in 2013 and successfully concluded by 25 executives. The participants were imparted a basic understanding of financial issues in order to be able to make sound decisions in day-to-day business operations.

Based on the reorganization of the Lenzing Group, a structure for succession planning was developed: It was already implemented at individual sites in the course of 2013 and will be rolled out throughout the Group in 2014. The objective is to ensure that suitable successors are waiting in the wings to fill key positions.

At the reporting date of December 31, 2013, the total number of employees working for the Lenzing Group comprised 6,675 people around the world (December 31, 2012: 7,033), thereof 182 trainees. This reduction of about 5.1% was for the most part the result of the sale of the Business Unit Plastics.

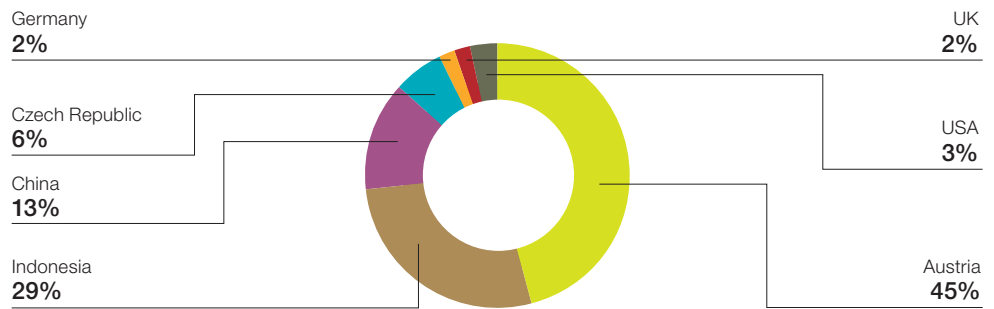
A total of 2,796 employees<sup>1</sup> were working at corporate headquarters in Lenzing, Austria at the reporting date of December 31, 2013, working for the companies Lenzing AG, Lenzing Technik, LENO Electronics GmbH and BZL – Bildungszentrum Lenzing GmbH (December 31, 2012: 3,058)<sup>2</sup>. Of these, 171 were trainees (December 31, 2012: 180). An additional 11 trainees received vocational instruction and training at the Lenzing sites in Heiligenkreuz, Austria and Grimsby, Great Britain.

All personnel recruiting measures were stopped at the beginning of the fourth quarter due to the difficult market situation, and the decision was made to implement staff-related cost reduction measures.

The redundancy program (“Sozialplan”) adopted in December 2013 stipulates that a high number of employees impacted by the job cuts will be accepted into the Lenzing Labor Foundation. The objective of the foundation is to enable Lenzing employees to optimally prepare for new career perspectives and challenges on the basis of suitable training and qualification measures. The offering ranges from concluding a traineeship program, seminars and courses to obtaining a school-leaving certificate or secondary technical school degree, or even pursuing studies at a university or university of applied sciences.

### Staff members by country

Number of Lenzing Group employees as at December 31, 2013: 6,675\*



\*1 headcount incl. trainees, excl. leased labor

### Occupational safety and health

The Corporate Center Global Safety, Health and Environment (SHE) is responsible for overseeing the Lenzing Group’s efforts with respect to occupational safety and health as well as environmental protection issues on a Group level. During the 2013 financial year, its top priorities were the further development of the reporting system and performance indicators in the field of occupational safety, the issuing of different handbooks on relevant issues along with emergency and crisis management.

<sup>1</sup> Incl. trainees, excl. leased labor    <sup>2</sup> Figure of 2012 incl. Lenzing Plastics GmbH

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An important project in 2013 was the introduction and implementation of a global incident reporting system in the Lenzing Group called SHEARS, which stands for Safety, Health and Environment Action Reporting System. This system encompasses the reporting of incidents or accidents or close calls, the accompanying risk evaluation as well as the investigation of the particular incident. Furthermore, the respective contact persons can be assigned tasks, and the company's handling of the incident also takes place via the new system. Assessments in the form of reports and indicators enable appropriate conclusions to be drawn for future measures. SHEARS was initially implemented at the Grimsby site in Great Britain, and subsequently rolled out to encompass the Heiligenkreuz and Lenzing sites in Austria. Comprehensive SHEARS trainings ensured that the new tool was well received and optimally deployed.

The annual "SHE" conference of all SHE managers in the Lenzing Group was held in June 2013. In addition to these personal meetings, monthly video conferences serve as the basis for discussions and an exchange of views on topical issues.

The CS<sub>2</sub> safety manual developed in the previous reporting year was issued in 2013 and used in trainings held at the three viscose fiber sites in Lenzing, Purwakarta and Nanjing. CS<sub>2</sub> or carbon disulphide is used to manufacture viscose fibers.

Furthermore, the emergency management system at the Lenzing and Heiligenkreuz sites was updated and the crisis management system of PT. South Pacific Viscose was evaluated.

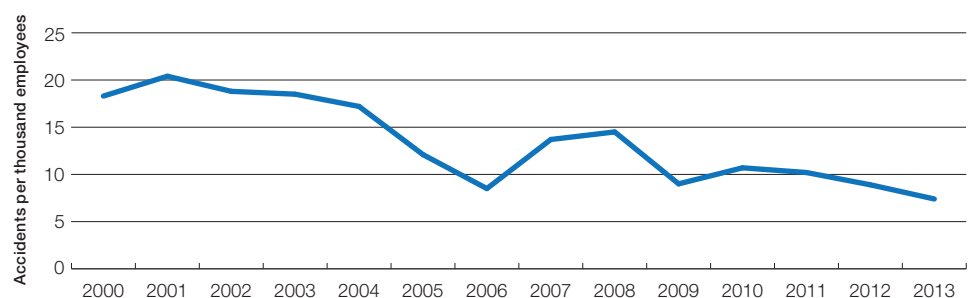
The access system to the Lenzing site was reorganized in 2013. All visitors to the site will be electronically recorded when entering and leaving the premises.

## Safety

Efforts made in recent years to further improve safety at the company once again significantly reduced the number of accidents per 1,000 employees in the year 2013.

### Development of accident rates

Lenzing Group



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## Health

The Lenzing Group has established health care standards at all its sites such as regular health checks for all employees, a strict ban on alcohol and regularly held trainings in how to properly deal with chemicals. In addition, various health promotion programs are implemented at the production facilities of the Lenzing Group. The offering ranges from health advice, cost-free vaccinations and smoking cessation programs to balanced nutrition in the company canteens and sporting events.

During the year under review, the measures offered in the field of health promotion and preventive healthcare, such as the Lenzing Health Days and spinal training programs were very well received by employees. In 2013 particular emphasis was put on implementing a health promotion project at Lenzing Technik. All employees working for the Segment Engineering were given the opportunity to take part in a survey and nine working groups and thus actively contribute to actively further shaping health-conducive workplaces and the organization of work flows. In this way close to 100 suggestions for improvement were submitted, most of which were considered to be feasible by the project steering group. Some of the ideas contained in the proposals were immediately put into practice. In addition, the project also foresees the training of healthcare facilitators and the holding of ergonomics consulting sessions.

## Corporate Communications

Continuous and transparent communications are essential pre-requisites for the Lenzing Group as a globally operating and publicly listed company. For this reason, ongoing communications with all external stakeholders as well as an open information policy with company employees comprise permanent features of Lenzing's corporate culture.

At a Group level, the communications processes are coordinated by the Corporate Center Corporate Communications, which ensures that effective and competent public relations work is being carried out. The corporate centers Corporate Communications and Investor Relations work closely together in order to ensure a holistic approach.

## Public Relations

In the past financial year, the Lenzing Group once again provided comprehensive and timely information to the interested public and employees. Information for external stakeholders was disseminated by means of regular press releases, media events and individual talks with journalists. Furthermore, the employee and customer magazines, newsletters and a specially designed TV format also comprised important communication tools.

Several employee magazines provided regular information on news from the world of Lenzing. Whereas publications at individual sites in Lenzing, Purwakarta and Paskov offered locally relevant information in the respective national language, the international magazine "Lenzing

# MANAGEMENT REPORT 2013

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Inside” once again appeared in bilingual editions in English and German, reporting about the latest developments in the entire Lenzing Group. This publication is distributed to employees at all company sites as well as interested stakeholders and customers.

Within the context of “Lenzing TV”, the company broadcasted 20 reports about issues of topical importance from the world of Lenzing. The TV program is produced in cooperation with the local Upper Austrian TV station “BTV”, which also broadcasts the stories. “Lenzing TV” is also available synchronized in English on the Lenzing Group Intranet to all employees around the world.

A key focus of the Corporate Center Corporate Communications in 2013 was on further globalizing its communications activities. In addition, successful additional steps were implemented to steadily improve internal communications. For example, info screens were installed at highly frequented spots at the Lenzing site in 2013, such as the factory restaurant or in the meeting center. Up-to-date information is continually being fed into these monitors so that employees in the production facilities without their own workplace PC can always find out the latest news in a timely manner.

## Festivities “75 Years of Innovation”

The Lenzing Group celebrated its 75<sup>th</sup> anniversary in 2013. The Corporate Center Corporate Communications provided communications support for this event by implementing a variety of communication measures.

For example, a book entitled “75 Years of Innovation” was published, giving readers a look behind the scenes of how innovations arise at Lenzing. The book is based on personal talks with people who served as the driving forces behind these innovations and thus helped to shape the destiny of the company over the past decades or with individuals who continue to be involved.

Companions and partners of Lenzing, some for many decades, took a close look at the past for a half-hour video documentation, and let viewers share their memories.

A separate Website [75years.lenzing.com](http://75years.lenzing.com) linked the most important statements made in the book with individual video clips. The Website also offered a picture gallery of archive footage, from construction of the plant in Lenzing to advertising visuals and fashion photos.

Several-page advertorials featuring soundly researched information on the topic of innovation along with advertisements placed in Austrian quality newspapers, business magazines and online at ORF.at rounded off the overall communications concept carried out by Lenzing on the occasion of its 75<sup>th</sup> anniversary.

Four gala evening events which took place in Lenzing at the beginning of June 2013 comprised the highlight of the festivities surrounding this company anniversary. Some 3,000 guests, including customers, partners, people accompanying the company on its path, political decision makers and business people and naturally employees accepted the invitation to attend.

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Under the motto “Trends, Trees and Technologies“, Lenzing presented a multimedia show in four parts devoted to the issues of sustainability, innovation, products and milestones, depicting the company’s impressive path to becoming a world market leader.

### **New Sustainability Report published**

The latest version of the Lenzing Sustainability Report coordinated by the Corporate Center Corporate Communications was published in the spring of 2013 and represents an important milestone in the company’s sustainability efforts. For the first time, the contents of the report were geared to the standards contained in the Global Reporting Initiative (GRI). In Lenzing’s view it also fulfilled the requirements of Application Level B. More information on sustainability is available in the section “Environment and Sustainability”.

### **Press trip to Asia**

Moreover, Lenzing collaborated with Semperit AG Holding to invite Austrian journalists to take part in a one-week press trip to Asia, with stopovers in China, Malaysia and Indonesia. The tight schedule included visits to production facilities, local presentations featuring first-hand information as well as personal talks with the Management Board and local managers. Lenzing offered media representatives the opportunity to visit Intertextile Shanghai, the world’s largest specialized textile trade show, and to gain an insight into the latest trends prevailing on this important market. Another item on the agenda was a tour of the factory grounds of PT. South Pacific Viscose in Purwakarta (Indonesia), the largest viscose fiber plant operated by the Lenzing Group.

### **Prizes and awards**

Lenzing once again won a variety of prestigious prizes and awards in the year 2013.

During the reporting year, Lenzing was given the OEKO-TEX® Sustainability Award in the Category Product Innovation. OEKO-TEX® is an independent testing and certification system for textile products at all stages of production (e.g. fibers, yarns, fabrics and ready-made articles including accessories) along the textile chain. All Lenzing fibers have been certified according to the OEKO-TEX® Standard 100. The jury consisting of representatives of NGOs, industry and research as well as the trade press justified its selection by pointing out the Lenzing Group’s consistent focus on innovation and close cooperation with research institutions and universities. This has served as the basis for the company’s global innovation and technology leadership.

Furthermore, vegetable packaging nets made of 100% Lenzing Modal® COLOR won first prize at the 2012 printissimo|emballissimo|fibre PLUS Award. The project entitled “Vegetable nets made from cellulose fibers” submitted by the Graz Packaging Center convinced the jury of its merits. The award was a clear signal for growing ecological awareness in the field of packaging.

# MANAGEMENT REPORT 2013

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In addition, in the past financial year Lenzing was given the Positioning Excellence Award from Trout & Partners, a globally leading consulting company for strategic positioning and differentiation. The award was justified on grounds that Lenzing resolutely pursues a clear positioning as the world market leader for man-made cellulose fibers, and already started intensifying its marketing activities 15 years earlier.

## Outlook 2014

For Corporate Communications, the current 2014 financial year will be fully geared to provide communications support for the measures being taken within the context of the excellENZ cost reduction program. Lenzing considers a reliable and sound information policy to be absolutely essential, especially in economically challenging times. This is the only way to continue ensuring sustainable relationships to all stakeholders.

## Investor Relations

### The Lenzing share

The Lenzing share is publicly traded on the Prime Market of the Vienna Stock Exchange, and in its role as one of the 20 largest listed companies is also traded on the benchmark ATX index (Austrian Traded Index).

In 2013 average daily turnover of the Lenzing share amounted to EUR 2.8 mn. On balance, 11,050,126 shares were traded in 2013. This corresponds to a total turnover of EUR 705,410,927.50. The market capitalization of the Lenzing share at the end of 2013 (December 30, 2013) was EUR 1,105,409,250.00. As a result, Lenzing was ranked 13<sup>th</sup> on the ATX with respect to share turnover and 19<sup>th</sup> for market capitalization.

In addition, the Lenzing share is listed on the Vienna Stock Exchange index WBI and on VÖNIX, the VBV Austrian Sustainability Index. Approximately 60 of the largest Austrian companies listed on the Vienna Stock Exchange were analyzed to compile the sustainability index, and evaluated on the basis of 100 different environmental and social criteria. 21 of these firms have been accepted for listing in the current VÖNIX Index. The Lenzing share has been listed uninterruptedly in the VÖNIX Index since the year 2005.

### Share information

ISINAT 0000644505

Ticker symbol	LNZ
Bloomberg	LNZ:AV
Reuters	LNZNF.PK
Listing	Vienna Stock Exchange
Initial listing	September 19, 1985

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Indices	ATX Prime, VÖNIX, WBI
Type of share	No-par-value shares
Number of shares	26,550,000
Nominal capital	EUR 27,574,071.43
Financial year	Jan. 1 to Dec. 31

#### Key indicators 2013

Trading volume	11,050,126 shares
Average daily turnover	EUR 2.8 mn
Total turnover	EUR 705,410,927.50
Year's high	EUR 75.92
Year's low	EUR 40.94
Closing price on Dec. 31	EUR 41.64
Annual performance	-40.18%
Market capitalization Dec. 31	EUR 1,105,409,250.00
Ranking stock exchange turnover	13
Ranking market capitalization	19

### Share performance

Global stock markets developed extremely positively in 2013 as a consequence of the more relaxed monetary policy pursued by the central banks. The MSCI World Index started 2013 at a value of 1,339 and ended the year at 1,661, corresponding to an increase of approximately 24%. The Eurostoxx 50 commenced the trading year at 2,711.25 points and closed at 3,109.00 points, a rise of about 15%. The Japanese benchmark index Nikkei even registered growth of 56%, its best performance in more than four decades. The German DAX also reached new record highs, and surpassed the 9,500 point threshold for the first time. On balance, the DAX gained 25.5% in value.

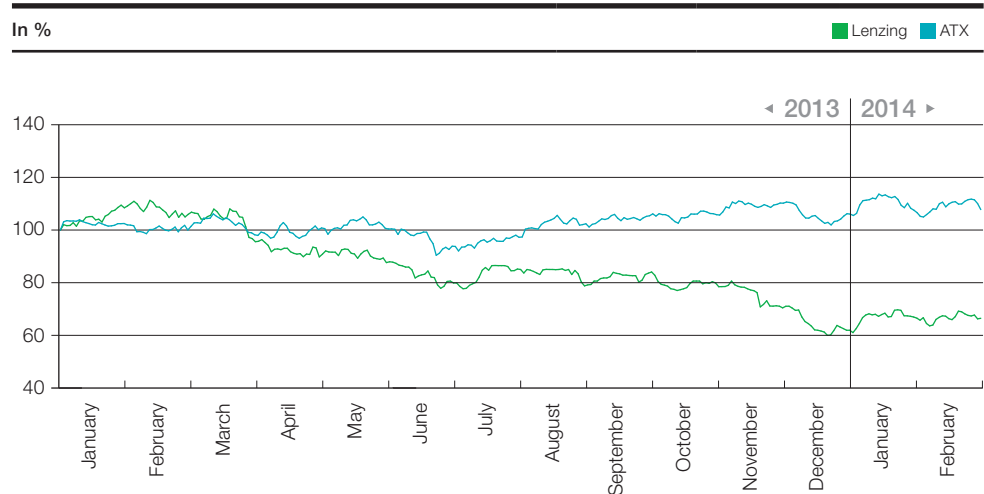
In 2013 the Vienna benchmark index ATX was not able to keep pace with the rapid development on international stock exchanges. In spite of the steady upward trend starting in June, the ATX only rose in value by about 6% in 2013 as a whole. The ATX began at a level of 2,402.22 points at the beginning of 2013 and closed the year at 2,546.54 points.

The difficult market environment for the Lenzing Group in the global fiber industry was also reflected in the share price development of the company. The Lenzing share began trading at EUR 69.60 and initially rose to its highest price of the year, reaching EUR 75.92 on February 8, 2013. After announcing a cautious outlook on March 22, 2014 for the rest of the year, the share price fell to below EUR 70, and continued its downward trend until it dropped below the EUR 60 mark in June. Up until November, the value of the Lenzing share was in the range of EUR 52 to EUR 59 before subsequently slipping to below EUR 50 when the company published a profit warning on November 13, 2013. The year's low of EUR 40.94 was reached on December 13, 2013 before the share barely moved up to close the year at EUR 41.64 on December 30, 2013. All in all, the Lenzing share lost 40.18% in value in 2013. In January 2014, the share price rebounded somewhat, and climbed to almost EUR 48.00 within just three weeks. This corresponds to an increase in value of more than 14%. By the end of February 2014, the Lenzing share was up 10.8% compared to its lowest point in 2013.



# MANAGEMENT REPORT 2013

## The Lenzing share price



### Further extension of capital markets communication

Transparent, timely, simultaneous and proactive communications with the capital market is a top priority for the Lenzing Group. The focus of the Corporate Center Investor Relations is to provide support services to institutional investors and analysts. In the light of the unfavorable market situation, explaining the Group strategy and the operational measures being taken by the Lenzing Group was at the heart of the investor relations work carried out in the past financial year. Another important goal was to increase the level of awareness of the company on international stock exchanges.

Although the comprehensive communication with the capital market made use of different communication channels, ranging from the regular disclosure of information via quarterly reports, ad-hoc announcements, press releases and making all relevant information available on the corporate Website [www.lenzing.com](http://www.lenzing.com), the personal contacts to analysts and institutional investors was at the forefront of the company's efforts.

In 2013 the Management Board and Investor Relations provided details about the current business development of the company, the economic environment and the business strategy of the Lenzing Group at 25 conferences and roadshows in Europe. Lenzing also presented itself at other events such as information days for stock markets and organized numerous discussions at its corporate headquarters and tours of the plant grounds. Furthermore, analysts and investors were regularly given an overview of the current strategic and corporate business development within the context of more than 100 conference calls and telephone conversations. On balance, the number of personal one-to-one contacts amounted to more than 500 in 2013, with more than 100 appointments with new contacts, especially from Germany, Great Britain, France and the USA.

## Capital Markets Day 2013

Another important component of Lenzing's capital market communication is its hosting of a "Capital Markets Day" for national and international analysts and investors. It took place for the second time at its corporate headquarters in September 2013. The approximately 25 international participants attending the event were informed about the short-term and long-term market perspectives of man-made cellulose fibers, especially the innovative and versatile fiber TENCEL<sup>®</sup>, which is the focus of Lenzing's strategic reorientation. In addition, innovative fiber applications incorporating TENCEL<sup>®</sup> were also presented and tested on site. The agenda was complemented by a visit to the construction site of the new TENCEL<sup>®</sup> jumbo plant in Lenzing with an annual capacity of 67,000 tons as well as an impressive experiment featuring flame-resistant Lenzing FR<sup>®</sup> modal fibers, another specialty produced by Lenzing AG.

## Expansion of analyst coverage

Analysts play an important role as financial intermediaries, and thus serve as an important source of information for investor decisions. Accordingly, the Corporate Center Investor Relations of the Lenzing Group maintains an ongoing intensive dialogue with analysts. The investment recommendations of analysts are regularly published as a so-called "consensus rating", for example on the financial platform Bloomberg and on the Lenzing Website.

In the 2013 financial year, Berenberg Bank launched its coverage by giving a hold recommendation. At the present time a total of seven analysts regularly monitor developments at Lenzing AG. Raiffeisen Centrobank AG, which interrupted coverage in the second half of 2013 because of a change in its team of analysts, resumed reporting on February 21, 2014, rating the share with a hold recommendation. Due to the difficult market situation, the judgments of several analysts changed in the course of the year. However, the long-term growth potential and the international positioning of Lenzing AG as the world market leader for man-made cellulose fibers continued to result in predominantly positive assessments.

## Analyst Research

Status: March 4, 2014

Analyst	Recommendation	Stock price target	Last update
Morgan Stanley Research Europe	Overweight	EUR 59,00	January 15, 2014
Deutsche Bank	Hold	EUR 62,50	September 23, 2013
Raiffeisen Centrobank AG, Vienna	Hold	EUR 52,00	February 21, 2014
ERSTE Group, Vienna	Hold	EUR 45,50	December 13, 2013
Bank of America Merrill Lynch	Underperform	EUR 42,00	January 13, 2014
Kepler Cheuvreux	Hold	EUR 50,00	November 18, 2013
Berenberg	Hold	EUR 47,00	November 22, 2013

The latest information about analyst research is available on the Lenzing Website:

<http://www.lenzing.com/en/concern/investor-center/analyst-research.html>

# MANAGEMENT REPORT 2013

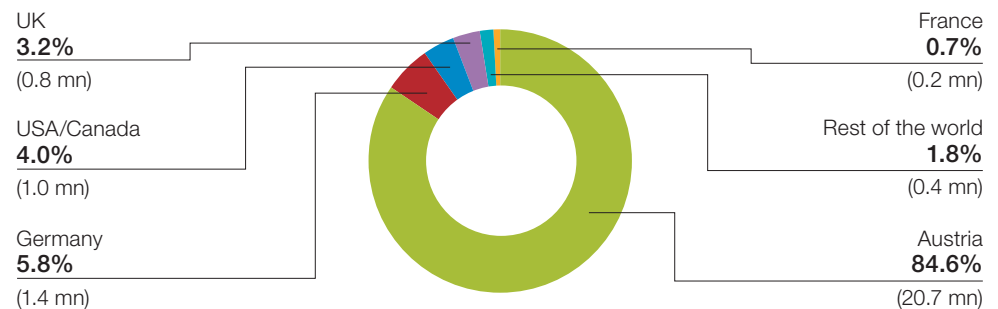
## Nominal capital and shareholder structure

The nominal capital of Lenzing AG amounts to EUR 27,574,071.43 and is divided into 26,550,000 individual shares. The majority owner is the B&C Group, which holds a 67.6% stake of the voting rights and sees itself as the long-term, industrially-oriented Austrian core shareholder of the Lenzing Group. Moreover, Oberbank AG, a leading Austrian regional bank, continues to hold about 5% of the voting rights of the company. The remaining 27.4% of the shares are in free float with international and Austrian investors. The company does not have any treasury stock.

The geographical breakdown of the identifiable share ownership as per January 31, 2014 is as follows:

### Share ownership by country

In % and millions of shares as of Jan. 31, 2014 (24,467,145 shares identified)



## Position of shareholders

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

There are no shares that confer special rights to control. No share buy-back program exists. There are no provisions other than those stipulated by law with respect to the appointment or dismissal of members of the Management Board and Supervisory Board.

## 2013 Shareholders' Meeting and dividend policy

The 69<sup>th</sup> Ordinary Shareholders' Meeting of Lenzing AG took place in Vienna on April 24, 2013. All the proposed resolutions met with the approval of more than 99% of the votes cast. The resolutions discharging the members of the Management Board and the use of the accumulated profits were adopted unanimously.

Lenzing AG attaches great importance to dividend continuity. For this reason, it was resolved in 2013 to distribute a minimum dividend of EUR 1.75 per share. The Shareholders' Meeting approved a dividend of EUR 2.00 per share for the 2012 financial year. This amount is comprised of the minimum dividend of EUR 1.75 per share along with a EUR 0.25 per share anniversary bonus on the occasion of the company's 75 years in business. Thus the dividend payout ratio in relation to the accumulated profits was 36.1%.

In the spirit of ensuring dividend continuity, the Management Board and Supervisory Board of the Lenzing Group will propose to the 70<sup>th</sup> Ordinary Shareholders' Meeting that a minimum dividend of EUR 1.75 per share be distributed to shareholders. The Ordinary Shareholders' Meeting will be held in Lenzing at the headquarter of the company.

## Outlook 2014

The top priority of the Corporate Center Investor Relations in 2014 will be on further increasing the international level of awareness with respect to the Lenzing Group. The communications work will focus on the progress being made in reorganizing the company and the impact of the cost reduction program as well as the further market penetration of TENCEL®.

## Outlook Lenzing Group

The generally difficult economic environment for the Lenzing Group hardly changed in the first weeks of 2014 in comparison to the conditions prevailing during the fourth quarter of 2013. All economic forecasts predict a slight upturn in the global economy in 2014, but an enduring improvement in the price situation on the world's fiber market is not yet in sight due to the historically high cotton inventories and the existing surplus production capacities for man-made cellulose fibers in China.

Volume demand for fibers remained strong at the turn of the year 2013/14. World market prices for standard viscose fibers stabilized but at a very low level. There was also virtually no change at all in the world market price for cotton during the first weeks of 2014.

The Lenzing Group has moved to counteract this unsatisfactory market development by rapidly implementing its cost reduction and efficiency enhancement program excellENZ 2.0<sup>1</sup>. In addition to generating considerable savings in material costs, it will also result in reductions in personnel expenses, purchased services and other operating costs. Cost savings of about

<sup>1</sup> For more information on excellENZ 2.0 refer to page 29

# MANAGEMENT REPORT 2013

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EUR 60 mn derived from this program are already budgeted for the current 2014 financial year, with cost reductions on an annualized basis of EUR 120 mn targeted for 2015. The effects of the excellENZ initiative will be fully felt starting in the 2016 financial year.

This program as well as the reorganization of the Group's structure effective as of the beginning of 2014 represents an important contribution to the Lenzing Group's efforts to regain its global competitiveness. Due to the fact that the required provisions with respect to the one-off expenses relating to excellENZ 2.0 were already made in the consolidated financial statements for the 2013 financial year, initial positive effects on earnings will likely be perceptible in the first half of 2014.

## **Redundancy program for employees in Lenzing impacted by the cost reduction program**

The job cutbacks to be carried out within the context of the excellENZ 2.0 cost reduction stipulate the Group-wide downsizing of about 600 full-time equivalent positions. This corresponds to approximately 390 full-time equivalent positions to be cut at the Lenzing site. In December 2013, the Management Board and the Works Council agreed on implementation of a comprehensive package of social measures designed to cushion the effects of the cost reduction plan. A binding redundancy program ("Sozialplan") will be put into effect at the production sites in Lenzing and Heiligenkreuz. Furthermore, Lenzing's existing Labor Foundation will be provided with sufficient funding. The measures took effect at the beginning of 2014 and are supported by the Austrian Public Employment Service and the Upper Austrian Provincial Government.

Of the planned 390 full-time equivalent positions at the Lenzing site, about 160 employees will be directly affected in the first half of 2014. Most of these people will take advantage of the offers encompassed in the redundancy program or the Lenzing Labor Foundation. Another 100 employees will leave the company within the context of retirement plans and natural attrition. The remaining employees impacted by the downsizing will remain in the company thanks to part-time early retirement plans, creative part-time working models and other alternative working time solutions, without diluting the cost savings effects.

The redundancy program and labor foundation model comprise tools which made a mutually acceptable agreement possible in the first place and avoid layoffs as best as possible. The redundancy program will apply until the end of the year 2014.

### Coming on stream of the new TENCEL® plant

Another priority in 2014 will be to put the new large TENCEL® production facility at the Lenzing site into operation. In 2013 Lenzing already commenced its preparations to sell the additional volumes on the marketplace and will intensify its efforts in the first half of 2014. From today's perspective the ramp-up will start around the middle of 2014. In line with the start-up curve for production, the additional quantities leaving the new facility will partially affect sales volumes in 2014 and totally impact sales in 2015.

The investments carried out by the Lenzing Group in 2014 will focus on completing the TENCEL® manufacturing facility and the related infrastructure. All other investments throughout the Group, also with respect to repair and maintenance work, will be scaled back to a minimum against the backdrop of the commitment to ensuring plant safety.

On balance, Lenzing expects 2014 to be a year of transition in light of the fact that there are no perceptible indications of a market recovery for the time being.

## Events after the Reporting Period

In the January 31, 2014 meeting of the Supervisory Board of Lenzing AG, Robert van de Kerkhof was appointed to serve as a Member of the Management Board and Chief Commercial Officer (CCO) for a period of three years starting on May 1, 2014.

No other significant events requiring disclosure took place after the reporting date.

Lenzing, March 4, 2014

### Lenzing Aktiengesellschaft

#### The Management Board

**Peter Untersperger**

Chief Executive Officer  
Chairman of the Management Board

**Friedrich Weninger**

Chief Operating Officer  
Member of the Management Board

# CORPORATE GOVERNANCE REPORT 2013

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The Austrian Code of Corporate Governance (ACCG) provides Austrian stock corporations with a framework for the management and supervision of companies. This framework includes internationally recognized standards for good corporate governance as well as relevant regulations of Austrian stock corporation law.

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

## Declaration of Commitment

Lenzing AG respects the Austrian Code of Corporate Governance. For the first time, the company committed itself in 2010 to complying with the stipulations contained in the code. The Supervisory Board also unanimously resolved to fully adhere to the ACCG. The code is available on the Internet at [www.corporate-governance.at](http://www.corporate-governance.at) in the currently valid version (July 2012). Lenzing AG is required to prepare and publish a Corporate Governance Report in accordance with Rule 60 of the ACCG.

This Corporate Governance Report is publicly available on the Website of Lenzing AG (C-Rule 61 ACCG).

## Corporate bodies of Lenzing AG

The division of responsibilities of the members of Lenzing's Management Board during the 2013 financial year was as follows:

### 1) Management Board

**Peter Untersperger** (born 1960)

Chairman of the Management Board

First appointed: January 1, 1999

Current mandate expires: March 31, 2016

**Responsibilities:** Business Unit Engineering, Corporate Communications, Global Human Resources, Internal Audit, Mergers & Acquisitions, Wood Purchasing

**Supervisory Board mandates in other companies:** none

**Friedrich Weninger** (born 1957)

Member of the Management Board

First appointed: January 1, 2009

Current mandate expires: December 31, 2014

**Responsibilities:** Business Unit Textile Fibers, Business Unit Nonwoven Fibers, Business Unit

Pulp, Business Unit Energy, Business Unit Plastics, Business Unit Filaments, Global Safety, Health & Environment, Environment Lenzing Site, Infrastructure Lenzing Site, Business Planning  
**Supervisory Board mandates in other companies:** none

**Thomas G. Winkler** (born 1963)

Member of the Management Board

First appointed: April 1, 2010

**Responsibilities:** Global Finance, Global Information Technology, Global Purchasing, Investor Relations, Legal Management, Risk Management, Group Compliance

**Supervisory Board mandates in other companies:** Österreichische Industrieholding AG

In mutual agreement with the Supervisory Board, Thomas G. Winkler stepped down from his position on the Management Board effective December 31, 2013.

Against the backdrop of a changed market environment, Lenzing proactively launched a reorganization project designed, in particular, to strengthen the sales and marketing organization. Within the framework of this initiative, the responsibilities assigned to the individual Management Board members were redefined effective January 1, 2014. In the January 31, 2014 meeting of the Supervisory Board of Lenzing AG, Robert van de Kerkhof was appointed to serve as a Member of the Management Board and Chief Commercial Officer (CCO) for a period of three years starting on May 1, 2014.

The Management Board manages the business operations of Lenzing Aktiengesellschaft in accordance with prevailing legal regulations, the Articles of Association and the internal rules of procedure applying to the Management Board. The distribution of responsibilities among the members of the Management Board is determined based upon the organizational plan stipulated in the internal rules of procedure, which also regulates the mode of cooperation among the Management Board members. Furthermore, the Management Board is required to fully comply with the rules stipulated in the Austrian Code of Corporate Governance.

## 2) Supervisory Board

### 2.1. Composition

**Michael Junghans** (born 1967)

Since March 29, 2011: Chairman (up to March 29, 2011: Deputy Chairman)

First appointed: April 30, 2010

Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2015 financial year

**Supervisory Board mandates in other companies:** Semperit AG Holding, AMAG Austria Metall AG

**Veit Sorger** (born 1942)

Since March 29, 2011: Deputy Chairman

First appointed: June 4, 2004



# CORPORATE GOVERNANCE REPORT 2013

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Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2014 financial year

**Supervisory Board mandates in other companies:** Mondi AG (Chairman), Semperit AG Holding (Chairman), Constantia Industries AG (Chairman), Binder AG, GrECo International Holding AG

**Helmut Bernkopf** (born 1967)

First appointed: April 23, 2009

Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2014 financial year

**Supervisory Board mandates in other companies:** CA Immobilien Anlagen AG, Schoellerbank AG (Chairman), Oesterreichische Kontrollbank AG, Card Complete Service Bank AG, Bausparkasse Wüstenrot AG, BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft

**Franz Gasselsberger** (born 1959)

First appointed: April 24, 2013

Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2015 financial year

**Supervisory Board mandates in other companies:** Bank für Tirol und Vorarlberg AG (Chairman), BKS Bank AG, voestalpine AG, AMAG Austria Metall AG

**Josef Krenner** (born 1952)

First appointed: April 23, 2009

Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2014 financial year

**Supervisory Board mandates in other companies:** voestalpine AG, Flughafen Linz GmbH, B&C Industrieholding GmbH, BioMed-zet Life Science GmbH, AMAG Austria Metall AG (Chairman)

**Martin Payer** (born 1978)

First appointed: June 15, 2007

Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2014 financial year

**Supervisory Board mandates in other companies:** none

**Patrick Prügger** (born 1975)

First appointed: March 29, 2011

Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2015 financial year

**Supervisory Board mandates in other companies:** Semperit AG Holding, AMAG Austria Metall AG, VA Intertrading AG

**Andreas Schmidradner** (born 1961)

First appointed: June 12, 2008

Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2014 financial year

**Supervisory Board mandates in other companies:** Semperit AG Holding, VAMED AG

**Astrid Skala-Kuhmann** (born 1953)

First appointed: April 19, 2012

Current mandate expires at the Annual Shareholders' Meeting resolving upon the 2014 financial year

**Supervisory Board mandates in other companies:** none

### Supervisory Board members designated by the Works Council:

**Rudolf Baldinger** (born 1954)

First appointed 1998

**Georg Liftingner** (born 1961)

First appointed 2008

**Ing. Gerhard Ratzesberger** (born 1951)

First appointed 2008

**Johann Schernberger** (born 1964)

First appointed 2001

## 2.2. Independence (C-Rules 53 and 54 ACCG)

The Supervisory Board has adopted the guidelines relating to the independence of its members pursuant to Appendix 1 of the Austrian Code of Corporate Governance.

All members of the Supervisory Board have declared themselves to be independent from the company and the Management Board.

Pursuant to C-Rule 54 of the ACCG, the Supervisory Board members Veit Sorger, Helmut Bernkopf and Josef Krenner declared in the 2013 financial year that they were neither shareholders with a stake of more than 10% in the company nor did they represent such a shareholder's interests.

## 2.3. Mode of operation of the Supervisory Board

To fulfill its responsibility of overseeing the work of the Management Board, the Supervisory Board of Lenzing AG convenes at least once every quarterly period for a meeting. A total of seven Supervisory Board meetings took place during the year under review (C-Rule 36 ACCG).

In the 2013 financial year the Supervisory Board of Lenzing AG constituted four committees consisting of its own members (C-Rules 34 and 39 ACCG):

### 2.3.1. Audit Committee

The Audit Committee carries out the responsibilities assigned to it pursuant to Section 92 para 4a Austrian Stock Corporation Act. This stipulates that these responsibilities are primarily in auditing and preparing the adoption of the annual financial statements and the evaluation of the proposal made by the Management Board on the distribution of profits as well as the

# CORPORATE GOVERNANCE REPORT 2013

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Management Report. The Audit Committee also examines the consolidated financial statements of the Group and the Group Management Report and makes a recommendation for the selection of the auditors. Furthermore, the Audit Committee examines the effectiveness of the internal control system (ICS), internal auditing and the risk management system of the company. The committee is required to report to the Supervisory Board about its activities. In the 2013 financial year the Audit Committee convened three times.

**Members:** Michael Junghans (Chairman), Veit Sorger, Patrick Prügger, Rudolf Baldinger, Georg Liftingner

## 2.3.2. Nomination Committee

The Supervisory Board has established a Nomination Committee which makes recommendations to the Supervisory Board on filling new or vacant positions on the Management Board, and also deals with issues relating to succession planning. Moreover, the committee makes proposals to the Annual Shareholders' Meeting for filling vacant positions on the Supervisory Board. Two meetings of the Nomination Committee were held in the course of the 2013 financial year, which focused on the premature termination of the Management Board contract of Thomas G. Winkler as well as the search and selection process for two Management Board candidates (CFO, CCO).

**Members:** Michael Junghans (Chairman), Veit Sorger, Rudolf Baldinger; non-voting guest: Georg Liftingner

## 2.3.3. Remuneration Committee

The Supervisory Board has set up a Remuneration Committee which deals with the terms and conditions of employment contracts with Management Board members, ensures compliance with C-Rules 27, 27a and 28 and also assesses the remuneration policy with respect to Management Board members in regular intervals. The Remuneration Committee convened eight times during the 2013 financial year, focusing in particular with evaluating the performance of the Management Board in the 2012 financial year and performance targets for 2013, the termination of the Management Board contract of Thomas G. Winkler and other remuneration issues relating to the Management Board.

**Members:** Michael Junghans (Chairman), Veit Sorger

## 2.3.4. Strategy Committee

The Supervisory Board established a Strategy Committee concerning itself with the business strategy of the company and monitoring the related company-specific key performance indicators. In 2013 the Strategy Committee primarily dealt with the issue of more intensively focusing the company's business on specialty fibers. Furthermore, the measures designed to implement the strategy are also subject to ongoing monitoring and an annual review by the Management Board. Three meetings of the Strategy Committee were held in the 2013 financial year.

**Members:** Michael Junghans (Chairman), Astrid Skala-Kuhmann, Veit Sorger, Andreas Schmidradner, Rudolf Baldinger, Georg Liftingner

## 2.4. Cooperation of the Management Board and Supervisory Board

The Management Board reports to the Supervisory Board on fundamental issues relating to the business policies of the company and the Group, as well as the future development of the financial position and financial performance of the Lenzing Group. In addition, the Management Board regularly informs the Supervisory Board about business developments and the current situation of the company and the Group in comparison to forecasts, taking the future development into account. The Management Board and Supervisory Board also discuss the long-term growth objectives of the Lenzing Group in a separate strategy meeting.

## 2.5. Self-evaluation of the Supervisory Board

For the second time, the Supervisory Board carried out a self-evaluation in the 2013 financial year in accordance with C-Rule 36 ACCG in the form of a questionnaire which focused on the effectiveness of the control functions of the Supervisory Board as well as the compliance with the Management Board's obligations to provide information to the Supervisory Board. The results of the self-evaluation show the activities of the Supervisory Board of Lenzing AG are given good marks. The Supervisory Board decided to follow up on several suggestions which were made during the first self-evaluation process. Furthermore, a list of measures designed to enhance the efficiency of the Supervisory Board's work was prepared.

## 3) Principles of Management Board and Supervisory Board remuneration (C-Rule 30 ACCG)

The remuneration models for the Management Board employment contracts were harmonized over the last two years, and the variable salary components in these contracts were expanded. The remuneration of all three Management Board members in the 2013 financial year consists of a fixed and a variable performance-oriented salary component. In addition, the Management Board is given a long-term bonus bank model. The maximum bonus is limited to 150% of the fixed annual salary in the future. A stock option program or a program for the beneficial transfer of shares does not exist.

- The short-term profit sharing scheme for the Management Board is primarily determined by the criteria of the Group net profit for the year and overall profitability as well as the cash flow and individual qualitative goals.
- With respect to the 2013 financial year, the targets used to determine the long-term bonus bank model are as follows: 2/3 of the bonus bank model will be calculated on the basis of the performance criteria of the Lenzing Group (sales, EBIT margin, total shareholder return) evaluated over a period of several years and compared to a peer group, and 1/3 will consist of the achievement of qualitative targets. Payment will be distributed over a three-year period.
- Furthermore, the Management Board is also entitled to the company making contributions to a pension fund. This amounted to TEUR 108 in the 2013 financial year (2012: TEUR 100).

# CORPORATE GOVERNANCE REPORT 2013

- Company pension benefits as well as severance payments and entitlements to benefits in case an employment contract of a board member is terminated are determined by valid federal regulations (Company Employee Pension Act).
- In the case of the premature termination of a Management Board contract, the conditions stipulated in Rule 27a ACCG are adequately taken into account.
- The company has taken out a Directors and Officers Liability Insurance (D & O) policy as well as legal protection insurance for the Management Board members.

## Amount expended for the current salaries of active Management Board members of Lenzing AG:

TEUR

	Peter Untersperger		Friedrich Weninger		Thomas Winkler		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Fixed current remuneration	566	484	434	433	435	405	1,434	1,322
Variable current remuneration	318	548	352	357	39	476	708	1,381
Termination pay	0	0	0	0	1,620	0	1,620	0
<b>Total</b>	<b>884</b>	<b>1,032</b>	<b>785</b>	<b>790</b>	<b>2,094</b>	<b>880</b>	<b>3,763</b>	<b>2,703</b>

The amounts reported for Mr. Untersperger and Mr. Weninger include variable salary components which were substantiated in previous years and recognized as an expense once the last condition was met in 2013.

In addition, a total of TEUR 300 was recognized as an expense in the 2013 financial year (2012: TEUR: 0) for entitlements derived from long-term bonus bank models (other long-term employee benefits). Remuneration for former members of the Lenzing Management Board or their surviving dependants amounted to TEUR 927 in 2013 (2012: TEUR 895).

The principles underlying the remuneration paid to members of the Supervisory Board are laid down in the Articles of Association of Lenzing AG (Section 13), which are published on the Website of the company. In accordance with the Articles of Association, the members of the Supervisory Board are granted an annual remuneration corresponding to their responsibilities as well as the overall situation and financial position of the company.

The remuneration of the Supervisory Board members for the 2012 financial year as resolved upon by the Ordinary Shareholders' Meeting of Lenzing AG held on April 24, 2013 amounted to the following:

- a. EUR 30,000 for the Chairman of the Supervisory Board
- b. EUR 25,000 for the Deputy Chairman of the Supervisory Board
- c. EUR 20,000 for each other member of the Supervisory Board
- d. EUR 2,500 for each member of a Supervisory Board committee

In addition, each Supervisory Board member receives an attendance fee for each Supervisory Board meeting amounting to EUR 1,000, and each member of a Supervisory Board committee is granted an attendance fee of EUR 500 for each committee meeting attended.

Accordingly, the total remuneration paid to the members of the Supervisory Board amounted to EUR 259,724. The remuneration paid during the 2013 financial year to the individual members is listed below:

Michael Junghans	EUR	53,527
Veit Sorger	EUR	48,522
Helmut Bernkopf	EUR	24,027
Josef Krenner	EUR	24,027
Martin Payer	EUR	24,022
Patrick Prügger	EUR	29,022
Andreas Schmidradner	EUR	28,527
Astrid Skala-Kuhmann	EUR	17,883
Hermann Bell (mandate ended March 2011)	EUR	4
Walter Lederer (mandate ended April 2012)	EUR	7,139
Franz Gasselsberger (mandate began April 2013)	EUR	-
Rudolf Baldinger	EUR	872
Georg Liftinger	EUR	1,008
Gerhard Ratzesberger	EUR	572
Johann Schernberger	EUR	572

#### 4) Promoting the career advancement of women on the Management Board, Supervisory Board and executive positions (L-Rule 60)

Lenzing AG observes a strict equal opportunity policy and actively promotes the career development of women in management positions in all business areas.

In recent years, the percentage of women holding qualified positions in the company has steadily increased. This includes Ms. Astrid Skala-Kuhmann, who has served on the Supervisory Board since 2012. Moreover, inasmuch as it is made possible by the respective position, the company promotes the compatibility of career and family life on the basis of flexible working time models and the possibility to work at home.

#### 5) Compliance

After establishing a separate staff unit, the "Group Compliance Office", and developing a Code of Conduct in 2012, the code was adopted as binding rules of behavior by all operating units and subsidiaries. The Code of Conduct was translated into all five local languages, and actively given to all active and newly-hired employees. A Group-wide compliance management system (CMS) was developed, communicated and implemented within the context of the Lenzing

# CORPORATE GOVERNANCE REPORT 2013

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Group Portal (Intranet). In addition to a help platform and various information systems, employees also have the opportunity to report suspected violations of compliance rules. The Group Compliance Officer carried out comprehensive compliance training for top executives and senior staff in all operating units and subsidiaries. About 200 employees were given the relevant training. The focus of the classroom-based instruction was CMS as well as anti-corruption issues and competition law. A series of guidelines were issued, including procedural instructions related to house searches. A report on compliance activities at Lenzing AG is submitted once a year to the Audit Committee according to section 18a. ACCG.

## 6) Director's Dealings

The disclosure of share purchases and sales by members of the Management Board and Supervisory Board is carried out in accordance with valid provisions contained in the Austrian Stock Exchange Act. A link to the Website of the Financial Market Authority can be found on the Website of Lenzing AG.

## 7) Risk management and internal auditing

The effectiveness of Lenzing's risk management system was evaluated by the auditor Deloitte Audit in accordance with Rule 83 ACCG and issued an unqualified opinion. The Management Board was informed about the results. Furthermore, the Head of Risk Management annually reports about current risks during a meeting of the Audit Committee.

The Internal Audit Department reports directly to the Management Board. The annual auditing plan is determined in close collaboration with the Management Board and the Audit Committee. Similarly, the Head of Internal Audit reports to the Audit Committee about the key audit findings.

## 8) External evaluation

In accordance with Rule 62 ACCG, Lenzing submits to an external evaluation of its compliance with the C-Rules and R-Rules of the Austrian Code of Corporate Governance on a regular basis at least every third year. Lenzing contracted KPMG Austria AG to evaluate its Corporate Governance Reports 2012 and 2013. The external evaluation concluded in both cases that the declaration provided by Lenzing AG committing the company to complying with the Austrian Code of Corporate Governance (July 2012 version) gives a true and fair view of the actual situation. The external evaluation report can be viewed on the company's Website at [www.lenzing.com](http://www.lenzing.com).

Lenzing Aktiengesellschaft  
Lenzing, March 3, 2014

# SELECTED KEY FIGURES

## Selected key figures

		31/12/2013	31/12/2012
Adjusted equity <sup>1</sup>	EUR '000	1,109,616	1,153,137
Adjusted equity in % <sup>1</sup>	%	45.5	43.8
Net financial debt	EUR '000	504,651	346,296
Net debt <sup>2</sup>	EUR '000	582,015	445,524
Net gearing	%	45.5	30.0
Open credit facilities	EUR '000	296,169	211,179
Liquid assets <sup>3</sup>	EUR '000	296,029	528,835
Number of employees at end of period <sup>4</sup>	(Headcount)	6,675	7,033
		<b>2013</b>	<b>2012</b>
CAPEX (incl. Plastics)	TEUR	252,149	346,233

## Selected income statement items (before/after restructuring)

		2013	2012
Sales	EUR '000	1,908,869	2,090,403
<b>EBITDA before restructuring</b>	<b>EUR '000</b>	<b>219,355</b>	<b>358,658</b>
EBITDA margin before restructuring	%	11.5	17.2
EBITDA (after restructuring)	EUR '000	225,411	352,380
EBITDA margin (after restructuring)	%	11.8	16.9
<b>EBIT before restructuring</b>	<b>EUR '000</b>	<b>106,457</b>	<b>254,994</b>
EBIT margin before restructuring	%	5.6	12.2
EBIT (after restructuring)	EUR '000	86,409	231,508
EBIT margin (after restructuring)	%	4.5	11.1

<sup>1</sup> Equity including government grants less associated deferred taxes

<sup>2</sup> Including obligations for pension and severance payments

<sup>3</sup> Comprising cash and cash equivalents, liquid securities and liquid bills of exchange

<sup>4</sup> 31/12/2013: after the disposal of BU Plastics





# STRENGTH FROM RESPONSIBILITY

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## FOCUS ON PROFITABLE GROWTH

Nature shows us the way. Growth is a complex process which comprises far more than just getting bigger. It involves unfolding and evolving in order to optimally use nutrients, achieving the right positioning in the interaction with nature. It comprises a process of exchange and harmonious balance but also involves competition. Plants grow larger and stronger in the spring and summer, when conditions are ideal. However, during the fall and winter seasons, they return to their roots to gather strength for the upcoming growth phase. At Lenzing we have put a period of steep growth behind us. Now the time has come for us to make use of our knowledge, insights and experience to reorient ourselves. For us responsibility means developing our creative potential – but maintaining a sense of proportion.



CONSOLIDATED  
FINANCIAL  
STATEMENTS  
**2013**

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# CONSOLIDATED FINANCIAL STATEMENTS 2013

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Lenzing AG

**Consolidated Income Statement**

for the period January 1 to December 31, 2013

EUR '000

	Note	Group 2013	Thereof continued operations 2013	Thereof discontin- ued opera- tions 2013	Group 2012	Thereof continued operations 2012	Thereof discontin- ued opera- tions 2012
Sales	(7)	1,908,869	1,858,971	49,898	2,090,403	1,978,151	112,252
Changes in inventories of finished goods and work in progress		11,532	12,286	(753)	8,229	7,889	340
Work performed by the Group and capitalized		52,223	52,087	136	57,736	57,480	255
Other operating income	(8)	68,090	36,642	31,448 <sup>1</sup>	43,633 <sup>4</sup>	38,105	5,528
Cost of material and other purchased services	(9)	(1,253,434)	(1,223,413)	(30,022)	(1,303,688) <sup>4</sup>	(1,228,676)	(75,013)
Personnel expenses	(10)	(337,034)	(325,985)	(11,049)	(309,928) <sup>4</sup>	(285,730)	(24,199)
Other operating expenses	(12)	(224,835)	(216,734)	(8,101)	(234,005) <sup>4</sup>	(221,651)	(12,354)
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>(13)</b>	<b>225,411</b>	<b>193,854</b>	<b>31,557<sup>1</sup></b>	<b>352,380<sup>4</sup></b>	<b>345,569</b>	<b>6,811</b>
Amortization of intangible assets and depreciation of property, plant and equipment	(11)	(142,103)	(138,297)	(3,805)	(124,461) <sup>4</sup>	(102,342)	(22,119)
Income from the release of investment grants		3,100	3,091	9	3,589 <sup>4</sup>	3,570	19
<b>Earnings before interest and taxes (EBIT)</b>	<b>(13)</b>	<b>86,409</b>	<b>58,648</b>	<b>27,761<sup>1</sup></b>	<b>231,508<sup>4</sup></b>	<b>246,798</b>	<b>(15,290)</b>
Income from investments accounted for using the equity method	(14)	3,831	3,831	0	5,796	6,616	(820)
Income from non-current and current financial assets	(15)	714	700	13	4,733	4,696	37
Financing costs	(16)	(31,269)	(31,265)	(4)	(23,309)	(22,191)	(1,117)
<b>Financial result</b>		<b>(26,725)</b>	<b>(26,734)</b>	<b>9</b>	<b>(12,780)</b>	<b>(10,879)</b>	<b>(1,901)</b>
Allocation of profit or loss to puttable non-controlling interests	(34)	8,430	9,049	(619)	17,314	2,892	14,422
<b>Earnings before taxes (EBT)</b>		<b>68,113</b>	<b>40,962</b>	<b>27,151<sup>1</sup></b>	<b>236,043</b>	<b>238,811</b>	<b>(2,769)</b>
Income tax expense	(17)	(18,079)	(10,332)	(7,747) <sup>2</sup>	(55,119)	(52,509)	(2,610)
<b>Profit for the year</b>		<b>50,034</b>	<b>30,630</b>	<b>19,404<sup>3</sup></b>	<b>180,924</b>	<b>186,302</b>	<b>(5,378)</b>
Attributable to shareholders of Lenzing AG		50,113	30,709	19,404 <sup>3</sup>	175,624	181,002	(5,378)
Attributable to non-controlling interests		(79)	(79)	0	5,300	5,300	0
<b>Earnings per share</b>	<b>(18)</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Diluted = undiluted		1.89	1.16	0.73	6.61	6.82	(0.20)

<sup>1</sup> Incl. gain on disposal before taxes of EUR 25,865 thousand relating to the sale of BU Plastics (see Note 5).<sup>2</sup> Incl. income taxes of EUR 7,689 thousand relating to the sale of BU Plastics (see Note 5).<sup>3</sup> Incl. gain on disposal after taxes of EUR 18,176 thousand relating to the sale of BU Plastics (see Note 5).<sup>4</sup> The prior-year figures have been restated due to changes in presentation (see Note 2).

# CONSOLIDATED FINANCIAL STATEMENTS 2013

Lenzing AG

## Consolidated Statement of Comprehensive Income

for the period January 1 to December 31, 2013

EUR '000

	Note	2013	2012
<b>Profit for the year</b>		<b>50,034</b>	<b>180,924</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit liability	(33)	(1,369)	(16,325)
Investments accounted for using the equity method – remeasurement of defined benefit liability	(21)	(25)	(592)
Income tax relating to these components of other comprehensive income	(29)	367	4,079
		<b>(1,027)</b>	<b>(12,838)</b>
<b>Items that may be reclassified to profit or loss</b>			
Foreign operations – foreign currency translation differences arising during the reporting period	(29)	(31,895)	(4,236)
Foreign operations – reclassification of foreign currency translation differences on loss of control		(580)	0
Available-for-sale financial assets – net fair value gains/losses on remeasurement recognized in the reporting period	(29)	(202)	323
Available-for-sale financial assets – reclassification of amounts relating to financial assets disposed of in the reporting period	(29)	(29)	171
Cash flow hedges – effective portion of changes in fair value recognized in the reporting period	(29)	1,997	8,057
Cash flow hedges – reclassification to profit or loss	(29)	(3,565)	16,762
Income tax relating to these components of other comprehensive income	(29)	787	(6,025)
		<b>(33,486)</b>	<b>15,053</b>
<b>Other comprehensive income – net of tax</b>		<b>(34,513)</b>	<b>2,214</b>
<b>Total comprehensive income for the period</b>		<b>15,521</b>	<b>183,138</b>
Attributable to shareholders of Lenzing AG		16,499	177,080
Attributable to non-controlling interests		(979)	6,058

Lenzing AG

## Consolidated Statement of Financial Position as of December 31, 2013

EUR '000

Assets	Note	31/12/2013	31/12/2012
Intangible assets	(19)	87,411	90,978
Property, plant and equipment	(20)	1,324,509	1,275,169
Investments accounted for using the equity method	(21)	39,083	35,761*
Financial assets	(22)	23,176	56,068
Deferred tax assets	(32)	11,271	6,445
Current tax assets		17,595	8,648*
Other non-current assets	(23)	5,173	7,443*
<b>Non-current assets</b>		<b>1,508,217</b>	<b>1,480,513</b>
Inventories	(24)	311,483	299,580
Trade receivables	(25, 26)	258,841	264,516
Current tax assets		10,531	11,832
Other current assets	(27)	62,970	88,914
Cash and cash equivalents	(36)	287,882	481,658
		<b>931,707</b>	<b>1,146,499</b>
Assets from discontinued operations, non-current assets held for sale and disposal groups	(5)	0	5,639
<b>Current assets</b>		<b>931,707</b>	<b>1,152,138</b>
<b>Total assets</b>		<b>2,439,924</b>	<b>2,632,651</b>
<b>Equity and liabilities</b>	<b>Note</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Share capital		27,574	27,574
Capital reserves		133,919	133,919
Other reserves		(44,234)	(11,599)
Retained earnings		950,390	953,262
<b>Equity attributable to shareholders of Lenzing AG</b>		<b>1,067,649</b>	<b>1,103,156</b>
Non-controlling interests		21,813	27,544
<b>Equity</b>	<b>(29)</b>	<b>1,089,462</b>	<b>1,130,700</b>
Financial liabilities	(31)	609,605	701,564
Government grants	(30)	22,990	24,496
Deferred tax liabilities	(32)	41,797	40,955
Provisions	(33)	106,786	140,046
Puttable non-controlling interests	(34)	19,534	28,974
Other liabilities	(35)	2,302	1,709
<b>Non-current liabilities</b>		<b>803,015</b>	<b>937,744</b>
Financial liabilities	(31)	191,075	173,568
Trade payables		176,592	200,259
Government grants	(30)	3,035	4,455
Current tax liabilities		14,782	43,726
Provisions	(33)	126,423	81,644
Other liabilities	(35)	35,540	41,859
		<b>547,447</b>	<b>545,511</b>
Non-current liabilities held for sale, liabilities included in disposal groups and discontinued operations	(5)	0	18,695
<b>Current liabilities</b>		<b>547,447</b>	<b>564,206</b>
<b>Total equity and liabilities</b>		<b>2,439,924</b>	<b>2,632,651</b>

\*) The prior-year figures have been restated due to changes in presentation (see Note 2).



# CONSOLIDATED FINANCIAL STATEMENTS 2013

Lenzing AG

## Consolidated Statement of Changes in Equity

for the period January 1 to December 31, 2013

	Note	Share capital	Capital reserves	Foreign currency translation reserve
<b>Balance as of 01/01/2012</b>		<b>27,574</b>	<b>133,919</b>	<b>16,336</b>
Profit for the year according to consolidated income statement		0	0	0
Other comprehensive income – net of tax		0	0	(4,300)
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>(4,300)</b>
Acquisition of non-controlling interests and other changes in scope of consolidation	(4, 29)	0	0	0
Dividends		0	0	0
Reclassification due to settlement or disposal of defined benefit plans	(33)	0	0	0
<b>Balance as of 31/12/2012 = 01/01/2013</b>		<b>27,574</b>	<b>133,919</b>	<b>12,036</b>
Profit for the year according to consolidated income statement		0	0	0
Other comprehensive income – net of tax		0	0	(30,969)
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>(30,969)</b>
Acquisition of non-controlling interests and other changes in scope of consolidation	(4, 29)	0	0	0
Dividends		0	0	0
Reclassification due to settlement or disposal of defined benefit plans		0	0	0
<b>Balance as of 31/12/2013</b>		<b>27,574</b>	<b>133,919</b>	<b>(18,932)</b>

See in particular Note 29.

Other reserves			EUR '000			
Available-for-sale financial assets	Hedging reserve	Actuarial gains/ (losses) on defined benefit plans	Retained earnings	Equity attributable to shareholders of Lenzing AG	Non-controlling interests	Equity
642	(16,365)	(15,307)	842,917	989,716	33,978	1,023,694
0	0	0	175,624	175,624	5,300	180,924
371	17,969	(12,584)	0	1,457	758	2,214
<b>371</b>	<b>17,969</b>	<b>(12,584)</b>	<b>175,624</b>	<b>177,080</b>	<b>6,058</b>	<b>183,138</b>
0	0	0	2,735	2,735	(8,603)	(5,868)
0	0	0	(66,375)	(66,375)	(3,889)	(70,264)
0	0	1,638	(1,638)	0	0	0
<b>1,013</b>	<b>1,605</b>	<b>(26,253)</b>	<b>953,262</b>	<b>1,103,156</b>	<b>27,544</b>	<b>1,130,700</b>
0	0	0	50,113	50,113	(79)	50,034
(173)	(1,306)	(1,167)	0	(33,614)	(900)	(34,513)
<b>(173)</b>	<b>(1,306)</b>	<b>(1,167)</b>	<b>50,113</b>	<b>16,499</b>	<b>(979)</b>	<b>15,521</b>
0	0	0	1,094	1,094	(4,564)	(3,471)
0	0	0	(53,100)	(53,100)	(188)	(53,288)
0	0	979	(979)	0	0	0
<b>840</b>	<b>299</b>	<b>(26,441)</b>	<b>950,390</b>	<b>1,067,649</b>	<b>21,813</b>	<b>1,089,462</b>

# CONSOLIDATED FINANCIAL STATEMENTS 2013

Lenzing AG

## Consolidated Cash Flow Statement

for the period January 1 to December 31, 2013

EUR '000

	Note	2013	2012
Profit for the year (of continued operations)		30,630	186,302
+ Profit for the year of discontinued operations		19,404	(5,378)
+ Amortization of intangible assets and depreciation of property, plant and equipment	(11)	138,297	102,342
- Income from the release of investment grants		(3,091)	(3,570)
+/- Change in non-current provisions		(30,341)	(3,794)
- Income/+ expenses from deferred taxes		(1,940)	14,029
+/- Change in receivables and liabilities from current income tax		(42,304)	(41,057)
- Non-cash income from investments accounted for using the equity method		(3,790)	(5,840)
- Other non-cash income/+ expenses	(37)	307	(5,276)
Other non-cash income/expenses from discontinued operations	(5)	(12,621)	10,245
<b>Gross cash flow</b>		<b>94,551</b>	<b>248,002</b>
+/- Change in inventories		(38,443)	(15,387)
+/- Change in receivables		(3,991)	(10,445)
+/- Change in liabilities		28,818	(18,473)
<b>Change in working capital</b>		<b>(13,615)</b>	<b>(44,305)</b>
Change in working capital of discontinued operations		1,345	5,749
<b>Cash flow from operating activities</b>		<b>82,281</b>	<b>209,446</b>
- Acquisition of intangible assets, property, plant and equipment <sup>1</sup>		(246,008)	(317,073)
- Acquisition of financial assets		(8,318)	(4,276)
+ Proceeds from the sale of intangible assets, property, plant and equipment		936	784
+ Proceeds from the sale/repayment of financial assets		40,712	41,016
Net cash flows from discontinued operations	(5, 37)	60,528	(2,245)
<b>Cash flow from investing activities</b>		<b>(152,151)</b>	<b>(281,794)<sup>2</sup></b>
- Distribution to shareholders		(53,288)	(70,264)
- Acquisition of non-controlling interests	(4)	(3,471)	(26,593)
+ Investment grants		1,051	806
+/- Change in current financial liabilities		(38,650)	20,702
+ Inflows from private placements	(31)	29,000	199,185
+ Inflows from non-current financial liabilities		9,294	129,703
- Repayments on non-current financial liabilities		(73,090)	(102,206)
Net cash flows from discontinued operations	(5)	5,081	(12,666)
<b>Cash flow from financing activities</b>		<b>(124,071)</b>	<b>138,666<sup>2</sup></b>
<b>Change in cash and cash equivalents before reclassification</b>		<b>(193,941)</b>	<b>66,318</b>
+/- Reclassification of cash and cash equivalents from discontinued operations, assets held for sale and disposal groups		2,406	(2,469)
<b>Total change in cash and cash equivalents</b>		<b>(191,535)</b>	<b>63,849</b>
Cash and cash equivalents at beginning of the year		481,658	417,282
Currency translation adjustment relating to cash and cash equivalents		(2,242)	528
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(36)</b>	<b>287,882</b>	<b>481,658</b>

<sup>1</sup> Excluding acquisition of intangible assets and property, plant and equipment of former BU Plastics (2013: EUR 2,671 thousand; 2012: EUR 2,567 thousand). <sup>2</sup> The prior-year figures have been restated due to changes in presentation (see Note 2).

Lenzing AG

# Notes to the Consolidated Financial Statements

as of December 31, 2013

## General Information

**NOTE 1****Fundamentals**

### Description of the company and its business activities

The Lenzing Group (the "Group") consists of Lenzing Aktiengesellschaft (Lenzing AG) and its consolidated companies. Lenzing AG is a listed stock corporation under Austrian law. It is entered in the Commercial Register of the Wels Commercial and Regional Court, Austria, under FN 96499 k. Its registered office is Werkstrasse 2, 4860 Lenzing, Austria. The shares of Lenzing AG are listed on the Prime Market (since April 18, 2011) and in the ATX benchmark index (since September 19, 2011) of the Vienna Stock Exchange in Vienna, Austria.

The main shareholder of Lenzing AG as of December 31, 2013 was the B & C Group, which directly and indirectly held 67.60% of the share capital of Lenzing AG (December 31, 2012: 67.60%). The direct majority shareholder of Lenzing AG is B & C Lenzing Holding GmbH, Vienna. In addition, B & C Iota GmbH & Co. KG, Vienna, also holds shares in Lenzing AG. The indirect majority shareholder of Lenzing AG, which prepares and publishes consolidated financial statements including the Lenzing Group, is B & C Industrieholding 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 man-made cellulose fibers. A significant portion of the pulp needed for production purposes is manufactured in the Group's own plants or partially bought in. The most important raw material for the manufacture of pulp is wood, which is bought in. The Lenzing Group also operates in mechanical and plant engineering and offers engineering services. Specialty products made of plastic polymers are also produced. The Lenzing Group has production locations in Austria (Lenzing and Heiligenkreuz), Germany (Kelheim), the Czech Republic (Paskov), the UK (Grimsby), the United States (Mobile), Indonesia (Purwakarta) and China (Nanjing). The sales network comprises sales companies in China (Hong Kong and Shanghai) and sales offices in Indonesia (Jakarta), India (Coimbatore) and the United States (New York).

### Presentation of the consolidated financial statements

The consolidated financial statements for the period from January 1 to December 31, 2013 were prepared in accordance with all International Financial Reporting Standards (IFRSs) and interpretations effective as of the end of the reporting period, as endorsed in the EU. The additional requirements of section 245a para 1 of the Austrian Commercial Code (österreichisches Unternehmensgesetzbuch – öUGB) were also fulfilled.

# CONSOLIDATED FINANCIAL STATEMENTS 2013

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The reporting currency is euro (EUR), which is also the functional currency of Lenzing AG and a majority of its subsidiaries. The figures shown in these consolidated financial statements and in the notes, unless stated otherwise, have been rounded up to the next thousand. Arithmetic differences due to rounding effects can occur when adding up rounded amounts and percentages using automatic tools.

The consolidated financial statements consist of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements.

## Use of estimates, assumptions and other judgments

In preparing the IFRS consolidated financial statements, the Management Board of Lenzing AG uses estimates and other judgments, including in particular assumptions about future developments. These estimates, assumptions and judgments are based on the circumstances assumed as of the end of the reporting period and can have a significant effect on the presentation of the financial position and financial performance of the Group. They concern the recognition and value of assets and liabilities, contingent assets and liabilities, the reporting of cash flows and income and expenses (including other comprehensive income) and the presentation of details in the notes to the consolidated financial statements.

In the case of the following estimates, assumptions and judgments, there is a not inconsiderable risk in the Lenzing Group that they could lead to a material adjustment of the financial position and financial performance in a subsequent reporting period:

- The assessment of the recoverability of intangible assets (including in particular goodwill and trademark rights with indefinite useful lives) and property, plant and equipment is based on assumptions about the future. Several assumptions are applied when determining the recoverable amounts in impairment tests. Future cash flows (including in particular price and volume developments with regard to sales volumes and purchase costs), the discount rate, the growth rate after the detailed planning period and the determination of the planning period play a particularly significant role in this context. In addition, assumptions concerning the existence of indicators of impairment or of a reversal of impairment are also required.
  - When measuring existing pensions and similar obligations, assumptions are made with regard to the actuarial, demographic and financial parameters (including in particular the discount rate, retirement age, life expectancy, personnel turnover and future salary increases).
  - The recognition of other provisions and accruals is based on estimates concerning the probability of the future outflow of benefits. In measuring these items, assumptions are also made with regard to the expected amount required to settle the obligations. These uncertainties particularly relate to provisions for restructuring measures (including in particular severance payments and settlements due to the headcount reduction), provisions for guarantees and warranties, provisions for anticipated losses and other risks, miscellaneous provisions (including in particular for legal disputes, mandatory maintenance
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expenses and obligations for environmental rehabilitation measures) and accruals for anticipated losses of revenue.

- The recognition of deferred tax assets under the deferred taxes (deferred tax assets) item is based on the assumption that sufficient taxable income will be generated in the future to utilize existing tax loss carryforwards or other deductible temporary differences.
- The recognition of development costs under intangible assets depends on the positive assessment of various criteria (including in particular the future use or sale of the capitalized asset and the generation of future economic benefits from the asset).
- To assess the recoverability of receivables (particularly trade receivables) and acquired bonds, the risk of default in particular is estimated.
- The measurement of construction contracts under trade receivables is based on estimates of the result and stage of completion of the contracts.
- When assessing the recoverability of inventories, assumptions are made with regard to the expected selling price less attributable costs to sell incurred prior to the sale, as well as with regard to any costs of completion yet to be incurred.
- Actuarial valuation techniques are used to measure and in particular to assess the recoverability of investments accounted for using the equity method and financial instruments. Some of the parameters used in determining the fair value are based on assumptions about the future.
- Amortization of amortizable intangible assets and depreciation of depreciable property, plant and equipment is calculated based on estimated useful lives.
- In the case of purchase price allocations in the context of company acquisitions, assumptions are made with regard to the existence and measurement of the assets acquired (including in particular intangible assets) and the liabilities and contingent liabilities assumed. The measurement of fair values in the context of purchase price allocation is based on several assumptions, particularly with regard to future cash flows and the discount rate.
- The use of cash flow hedge accounting for future cash flows is based in particular on the assumption that these future cash flows are highly likely to occur.

Specific estimates and judgments and the assumptions these involve are explained in the relevant sections. The carrying amounts of the assets and liabilities concerned are shown in the consolidated statement of financial position and in the notes.

Estimates and judgments are based on experience and other assumptions that the Management Board considers appropriate. However, the amounts that ultimately arise can deviate from these estimates, assumptions and judgments if the general conditions assumed develop differently from expectations as of the end of the reporting period. Changes are taken into account when better information is learned and the assumptions are adjusted accordingly.

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## Scope of consolidation

The consolidated financial statements of the Lenzing Group include Lenzing AG as the parent company and its subsidiaries, each on the basis of financial statements as of December 31, 2013. If the financial years of consolidated subsidiaries do not end on the reporting date for Lenzing AG on December 31, interim financial statements are prepared for the purposes of consolidation. This is the case for one subsidiary (December 31, 2012: one subsidiary), which has a different reporting date due to local legal requirements (see Note 47).

Investments in associates and jointly controlled entities are accounted for using the equity method.

The number of companies included in the consolidated financial statements developed as follows:

Development in number of companies included in consolidation	2013		2012	
	Full-consolidation	Equity-consolidation	Full-consolidation	Equity-consolidation
As of 01/01	35	8	34	8*
Included in consolidation for the first time in reporting period	0	0	1	0
Deconsolidated in reporting period	(4)	0	0	0
<b>As of 31/12</b>	<b>31</b>	<b>8</b>	<b>35</b>	<b>8*</b>
Thereof in Austria	14	4	15	4*
Thereof abroad	17	4	20	4

Changes in the scope of consolidation are described in Note 4. A list of the Group companies as of December 31, 2013 can be found in Note 47.

Lenzing AG controls assets in the wholesale fund GF 82, a special fund under section 20a of the Austrian Investment Fund Act (österreichisches Investmentfondsgesetz – öInvFG). For this reason, the fund is fully consolidated. The securities held in the fund serve to fulfill the fiscal securities coverage of the pension provisions from Austrian pension plans as required under section 14 of the Austrian Income Tax Act (österreichisches Einkommensteuergesetz – öEStG).

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).

## NOTE 2 Changes in accounting policies

### Overview

In financial year 2013, the Lenzing Group maintained the accounting policies applied in the previous financial year, with the exception of the changes described in this section. The accounting policies are described in detail in Note 3.

### Mandatory changes in accounting policies

#### Standards and interpretations applicable from financial year 2013

The following new and amended standards and interpretations were adopted into EU law and became mandatory for the Lenzing Group for the first time in financial year 2013:

Standards/interpretations	Publication by the IASB	Mandatory application according to IASB for financial years from	Adoption by the EU as of Dec. 31, 2013
IAS 19 Employee Benefits	16/06/2011	01/01/2013	Yes
IFRS 13 Fair Value Measurement	12/05/2011	01/01/2013	Yes
IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	16/12/2011	01/01/2013	Yes
IAS 1 Presentation of Items of Other Comprehensive Income	16/06/2011	01/07/2012	Yes
IFRS 1 Government Loans	13/03/2012	01/01/2013	Yes
IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (mandatory application according to the European Commission from January 1, 2013)	13/03/2012	01/07/2011	Yes
IAS 12 Deferred Tax: Recovery of Underlying Assets (mandatory application according to the European Commission from January 1, 2013)	19/10/2011	01/01/2012	Yes
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	19/10/2011	01/01/2013	Yes
Various Amendment of a number of IFRSs as a result of the 2009-2011 improvement process	17/05/2012	01/01/2013	Yes



# CONSOLIDATED FINANCIAL STATEMENTS 2013

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The new and amended standards and interpretations shown above have the following effects on the financial position and financial performance of the Lenzing Group as of December 31, 2013:

- **Amendments to IAS 19 Employee Benefits:** The Lenzing Group is not affected by the first-time adoption of the abolition of the corridor method and the requirement to recognize actuarial gains and losses of defined benefit plans in other comprehensive income, as all actuarial gains and losses occurring in a period are already recognized in full in other comprehensive income in the period in which they arise. In calculating the net interest expense, the same interest rate must be used to calculate the expected return on plan assets as is used for the discounting of the defined benefit obligation. Changes have also arisen for the Lenzing Group from the treatment of past service cost. The obligation must now be recognized in the consolidated statement of financial position in full and regardless of when it becomes vested. Expenses and income must be recognized immediately in profit or loss. The effects are immaterial to the Lenzing Group, hence the prior-year figures have been restated only in the notes and not in the other components of these financial statements. Amended or extended disclosures (particularly sensitivity analyses) are required in the notes to the annual financial statements (see Note 3 and Note 33, particularly the section on “Defined benefit plans [for pensions and severance payments]”). In compliance with the transition rules of IAS 19 the sensitivity analyses are presented without comparative information.
- **IFRS 13 Fair Value Measurement:** IFRS 13 compiles the requirements for the determination of fair value, thereby replacing the regulations formulated in the individual IFRSs. Barring few exceptions, IFRS 13 must be applied if fair value measurement or fair value disclosures are required or permissible under another standard. The first-time adoption of IFRS 13 resulted in amended or extended disclosures in the notes on financial instruments and other transactions, in particular relating to their fair values (see Note 39, Note 3, particularly the sections on “Financial assets and securities” and “Derivative financial instruments and hedges” and Note 5). According to the transition rules included in the standard, IFRS 13 was applied prospectively as of January 1, 2013.
- **Amendments to IFRS 7 Financial Instruments: Disclosures: Offsetting financial assets and financial liabilities:** These amendments resulted in slightly extended disclosures in the notes on offsetting financial instruments (see Note 39).
- **Other:** The changes of IAS 1 regarding the presentation of items of other comprehensive income were voluntarily adopted early. Items that will not be reclassified subsequently to profit or loss, such as actuarial gains or losses, are presented separately from those items that will be reclassified subsequently to profit or loss, such as income and expenses from cash flow hedges.

The other new or amended standards and interpretations that are applicable from January 1, 2013 do not result in any significant changes in the financial statements of the Lenzing Group. The accounting policies and measurement and presentation methods applied in the consolidated financial statements therefore remained largely unchanged in comparison to the last consolidated annual financial statements of the Lenzing Group as of December 31, 2012.

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### Standards and interpretations that are already published but not mandatory until subsequent financial years

The following new and amended standards and interpretations that had already been published by the IASB when the consolidated financial statements were prepared were not yet mandatory for the Lenzing Group for financial years beginning on or before January 1, 2013:

Standards/interpretations	Publication by the IASB	Mandatory application according to IASB for financial years from	Adoption by the EU as of Dec. 31, 2013	
IFRS 10	Consolidated Financial Statements (mandatory application according to the European Commission from January 1, 2014)	12/05/2011	01/01/2013	Yes
IFRS 11	Joint Arrangements (mandatory application according to the European Commission from January 1, 2014)	12/05/2011	01/01/2013	Yes
IFRS 12	Disclosure of Interests in Other Entities (mandatory application according to the European Commission from January 1, 2014)	12/05/2011	01/01/2013	Yes
IFRS 10, 11, 12	Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12 – mandatory application according to the European Commission from January 1, 2014)	28/06/2012	01/01/2013	Yes
IAS 27	Separate Financial Statements (mandatory application according to the European Commission from January 1, 2014)	12/05/2011	01/01/2013	Yes
IAS 28	Investments in Associates and Joint Ventures (mandatory application according to the European Commission from January 1, 2014)	12/05/2011	01/01/2013	Yes
IAS 32	Offsetting Financial Assets and Financial Liabilities	16/12/2011	01/01/2014	Yes
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	29/05/2013	01/01/2014	Yes
IFRS 10, 12, IAS 27	Investment Entities	31/10/2012	01/01/2014	Yes
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	27/06/2013	01/01/2014	Yes
IFRIC 21	Levies	20/05/2013	01/01/2014	No
IFRS 9	Financial Instruments	12/11/2009	01/01/2018	No
IFRS 9/ IFRS 7	Amendments to IFRS 9 and IFRS 7	16/12/2011	01/01/2018	No
IFRS 9, IFRS 7, IAS 39	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39	19/11/2013	01/01/2018	No
IAS 19	Defined Benefit Plans: Employee Contributions	21/11/2013	01/07/2014	No
Various	Amendment of a number of IFRSs as a result of the 2010-2012 improvement process	12/12/2013	01/07/2014	No
Various	Amendment of a number of IFRSs as a result of the 2011-2013 improvement process	12/12/2013	01/07/2014	No
IFRS 14	Regulatory Deferral Accounts	30/01/2014	01/01/2016	No

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With the exception of the amendments to IAS 36 (Recoverable Amount Disclosures for Non-Financial Assets), the new and amended standards and interpretations shown above were not applied early by the Lenzing Group. The amendments to IAS 36 resulted in extended disclosures in the notes on non-financial assets for which an impairment loss or a reversal of an impairment loss was recognized (see Note 20 in particular). The other new and amended standards and interpretations shown above are expected to have the following effects on the financial position and financial performance of the Lenzing Group in future financial years:

- **IFRS 10, 11 and 12, IAS 28:** Three new IFRSs (10, 11 and 12) were published in May 2011 in connection with the presentation of IFRS consolidated financial statements and IFRS separate financial statements. IFRS 10 introduces a uniform control model for determining whether an investee should be consolidated. It specifies that an investor controls an investee when the investor is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This new definition does not result in any changes in the type of consolidation for the consolidated companies of the Lenzing Group and therefore also does not result in any changes in the current accounting treatment of these consolidated companies.

Under IFRS 11, the structure of the joint arrangement, while still representing an important aid to decision-making, is no longer the main factor for determining the type of joint arrangement and thus for the subsequent accounting treatment. The Group's interest in a joint operation that constitutes an arrangement whereby the parties have rights to the assets and obligations for the liabilities is accounted for on the basis of the Group's interest in these assets and liabilities. The Group's interest in a joint venture that constitutes an arrangement whereby the parties have rights to the net assets is accounted for using the equity method. As the Lenzing Group already uses the equity method for its joint ventures, this does not result in any changes.

IFRS 12 combines all disclosure requirements for an entity's interests in subsidiaries, joint arrangements (joint operations and joint ventures), associates and unconsolidated structured entities in one standard. It gives rise to changes for the Lenzing Group, including with regard to disclosures on companies accounted for using the equity method, on underlying judgments, and on the assumptions for control, significant influence or a joint arrangement.

- **IFRS 9:** IFRS 9 stipulates changes with regard to the categorization and measurement of financial instruments, impairment of financial assets and regulations for hedge accounting. Due to the ongoing revision of and additions to this standard as a result of the open project phases, the effects on the Lenzing Group cannot yet be reliably estimated at present. The application of IFRS 9 is currently expected to have a particular impact on the financial assets (particularly their categorization and measurement) of the Lenzing Group and to result in simplifications in hedge accounting.
  - **Other:** There are a number of other standards, amendments and interpretations that either are not relevant to the Lenzing Group or do not have any significant impact on its earnings, assets, liabilities or cash flows. These standards and interpretations are to be applied following their endorsement by the EU in each case.
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## Voluntary changes in accounting policies

To improve the informative value and clarity of the consolidated financial statements, the following items of the financial statements and related notes were named differently:

- The term “Investments in associates” was replaced by the term “Investments accounted for using the equity method”. The term “Income from investments in associates” was replaced by the term “Income from investments accounted for using the equity method”. The corresponding notes (particularly Notes 6, 14 and 21) have been adjusted.
- The other comprehensive income items in the consolidated statement of comprehensive income have been given more exact descriptions, but remain unchanged in terms of their order and content.

The investment in Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck (GSG), Lenzing, in the amount of EUR 1,150 thousand as of December 31, 2012 (and December 31, 2011) was previously shown under other non-current financial assets in the consolidated statement of financial position. Due to the significant influence that can be exerted by the Lenzing Group, it is more appropriate to present this investment as an investment accounted for using the equity method. The change in presentation is applied retrospectively by restating all comparative information shown. It has the following effect on the consolidated financial statements:

### Changes in presentation in the consolidated statement of financial position

EUR '000

	Previously 31/12/2012	Restate- ment 31/12/2012	Restated 31/12/2012	Previously 31/12/2011	Restate- ment 31/12/2011	Restated 31/12/2011
Other non-current assets	17,241	(1,150)	16,091	9,311	(1,150)	8,161
Investments accounted for using the equity method	34,611	1,150	35,761	30,289	1,150	31,439

The change in presentation does not result in any differences in measurement. The prior-year figures including the affected notes designated in each case (particularly Notes 1, 21, 23, 39, 41 and 47) were adjusted accordingly for each period presented in the consolidated financial statements.

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The investment in LP Beteiligungs & Management GmbH, Linz, in the amount of EUR 1,050 thousand is reported under financial assets as of December 31, 2013. It was added in the second quarter of 2013 and was reported as other non-current financial assets under other non-current assets in the second and third quarters of 2013. The current change serves to present all non-consolidated investments consistently in one item. It does not result in any differences in measurement or any adjustment of the figures for the previous year.

The long-term portions of current tax receivables in the amount of EUR 8,648 thousand as of December 31, 2012 (EUR 0 thousand as of December 31, 2011) relate to current income tax and were previously presented as other non-current non-financial assets under other non-current assets. To improve the informative value and clarity of the consolidated financial statements, these long-term portions of current tax receivables were presented as a separate item in the consolidated statement of financial position. The change in presentation is applied retrospectively by restating all comparative information shown. It has the following effect on the consolidated financial statements:

## Changes in presentation in the consolidated statement of financial position

EUR '000

	Previously 31/12/2012	Restate- ment 31/12/2012	Restated 31/12/2012	Previously 31/12/2011	Restate- ment 31/12/2011	Restated 31/12/2011
Current tax assets	0	8,648	8,648	0	0	0
Other non-current assets	16,091	(8,648)	7,443	9,311	0	9,311

The change in presentation does not result in any differences in measurement. The prior-year figures including the affected notes specifically designated in each case (particularly Note 23) were adjusted accordingly for each period presented in the consolidated financial statements.

Changes in segment reporting are explained in Note 6.

The special effects from restructuring that affect the operating result/EBIT (Earnings before interest and taxes) were previously presented as a separate line item termed "Result from restructuring" in the consolidated income statement. To improve the comparability with the consolidated financial statements of other companies, this line item was dissolved and the revenues and expenses previously included in this item were allocated, depending on their nature, to the general items of the consolidated income statement. The line items "Earnings before interest and taxes (EBIT) before restructuring" and "Earnings before interest and taxes (EBIT) after restructuring" were eliminated from the consolidated income statement. In addition the operating result before depreciation/EBITDA (Earnings before interest, taxes, depreciation on property, plant and equipment and amortization of intangible assets taking into account the release of investment grants) was introduced to the consolidated income statement as an additional subtotal. To achieve this, the new line item "Income from the release of investment grants" was added and its contents taken out of "Other operating income". The changes in presentation are applied retrospectively by restating all comparative information shown. They have the following effects on the consolidated financial statements:

### Changes in presentation in the consolidated income statement EUR '000

	Previously 2012	Restate- ment 2012	Restated 2012
Sales	2,090,403	0	2,090,403
Changes in inventories of finished goods and work in progress	8,229	0	8,229
Work performed by the Group and capitalized	57,736	0	57,736
Other operating income	45,401	(1,768)	43,633
Cost of material and other purchased services	(1,303,180)	(508)	(1,303,688)
Personnel expenses	(307,756)	(2,172)	(309,928)
Other operating expenses	(228,586)	(5,419)	(234,005)
Amortization of intangible assets and depreciation of property, plant and equipment	(107,253)	(17,208)	(124,461)
Income from the release of investment grants	0	3,589	3,589
<b>Earnings before interest and taxes (EBIT) before restructuring</b>	<b>254,994</b>	<b>(23,486)</b>	<b>231,508</b>
Result from restructuring	(23,486)	23,486	0
<b>Earnings before interest and taxes (EBIT) after restructuring</b>	<b>231,508</b>	<b>0</b>	<b>231,508</b>

The earnings before interest, taxes, depreciation and amortization (EBITDA) before and after restructuring can be seen in Note 13 for both years. The change in presentation does not result in any differences in measurement. The earnings per share are not affected either. The prior-year figures including the affected notes designated in each case (particularly Note 13) were adjusted accordingly for each period presented in the consolidated financial statements. The previous result from restructuring and the earnings before interest and taxes (EBIT) before restructuring as well as the detailed break-down and the reconciliation to the earnings before interest and taxes (EBIT) after restructuring (being the EBIT according to the consolidated income statement) can still be seen in Note 13. The term "Earnings before interest and taxes (EBIT)" always refers to the previous term "Earnings before income and taxes (EBIT) after restructuring" unless stated otherwise. The consolidated income statement prior to 2012 was not adjusted retrospectively as in those periods no earnings before interest and taxes (EBIT) before restructuring were reported.

The reason for the presentation of special effects from restructuring is explained in Note 3, section "Result from restructuring and adjusted consolidated earnings".

The cash flows relating to the investment in non-controlling interests were previously reported as part of the cash flow from investing activities in the consolidated cash flow statement. Due to the financial nature of this transaction it is more appropriate to present related cash flows as cash flows from financing activities. The change in presentation is applied retrospectively by restating all comparative information shown and has the following effects on the consolidated financial statements:

### Changes in presentation in the consolidated cash flow statement EUR '000

	Previously 2012	Restate- ment 2012	Restated 2012
Cash flow from investing activities	(308,388)	26,593	(281,794)
Cash flow from financing activities	165,260	(26,593)	138,666

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The change in presentation does not result in any differences in measurement. The prior-year figures including the affected notes specifically designated in each case (particularly Note 36) were adjusted accordingly for each period presented in the consolidated financial statements.

## NOTE 3 Accounting policies

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### Presentation

The consolidated statement of financial position differentiates between current and non-current assets and liabilities based on their maturities. Deferred tax assets and liabilities are shown as non-current assets and liabilities. The consolidated income statement is structured in accordance with the nature of expense method. The consolidated cash flow statement is prepared using the indirect method. In the consolidated cash flow statement, interest paid and received, income taxes paid and dividends received are allocated to cash flow from operating activities. Dividends paid are reported in the cash flow from financing activities.

### Measurement

In the case of intangible assets, property, plant and equipment, loans granted, inventories, receivables and liabilities, historical cost represents the fundamental basis for measurement.

In the case of available-for-sale financial assets and derivative financial instruments, the basis for measurement is the fair value as of the reporting date. Plan assets in the context of defined benefit pension obligations and assets and liabilities from company acquisitions are also measured at fair value as of the reporting date. Assets classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

### Principles of consolidation for subsidiaries

Subsidiaries are companies whose financial and operating policies can be determined by Lenzing AG in a way that its own operations can benefit economically from their operations. This is assumed to be the case if Lenzing AG holds more than 50% of the voting rights of all shareholders with the right to vote. The inclusion of subsidiaries in the consolidated financial statements begins when control is obtained and ends when it is lost.

The acquisition of subsidiaries is accounted for using the acquisition method. Under this method, the assets acquired and the liabilities assumed (including contingent liabilities) are recognized at fair value as of the acquisition date. Goodwill corresponds to the surplus of the sum of the consideration transferred, the amount of non-controlling interests in the acquiree and, if applicable, the fair value of the equity interest previously held in the acquiree by the Lenzing Group, over the net assets as of the acquisition date. Any negative goodwill that arises is recognized as income after a reassessment of the measurement of net assets. Incidental acquisition costs are recognized in profit or loss for the period in which they are incurred.

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On addition, non-controlling interests are measured either at fair value or at the corresponding share of the recognized carrying amounts of net assets. They are reported in equity and in income as „Non-controlling interests“.

The capital shares attributable to the non-controlling shareholders of certain companies (currently Lenzing (Nanjing) Fibres Co., Ltd. and, until December 31, 2012, European Precursor GmbH) are reported outside equity. Owing to the limitation of the companies under company law, these capital shares do not constitute equity under IFRS. Initial measurement is at fair value, which generally corresponds to the fair value of the non-controlling shareholder's contribution at the time of the contribution. In subsequent measurement, the amount recognized in liabilities on initial measurement is increased by the gain accrued/reduced by the loss incurred up to the measurement date. In the statement of financial position, these third-party capital shares are reported in the „Puttable non-controlling interests“ item under liabilities or in the „Other current assets“ item under assets. The change in net assets attributable to those non-controlling interests that is recognized in profit or loss is reported in the item „Allocation of profit or loss to puttable non-controlling interests“ in the income statement. In addition, any amounts recognized directly in equity are included in the measurement of the liability/receivable. Distributions of profits to such non-controlling shareholders reduce the liability/increase the receivable.

Changes in shares in subsidiaries already controlled are treated as transactions between owners. The difference between the consideration and the pro rata carrying amount of non-controlling interests is recognized directly in retained earnings.

If control over a subsidiary is lost, the remaining interest in the former subsidiary is measured at fair value.

In the case of an acquisition achieved in stages that results in control being obtained, the difference between the carrying amount and the fair value as of the date of initial full consolidation is recognized in profit or loss.

Material assets and liabilities and expenses and income resulting from transactions between consolidated companies are eliminated on consolidation. Material intragroup profits resulting from trade relationships between consolidated companies are eliminated if the assets concerned are still on stock as of the reporting date.

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# CONSOLIDATED FINANCIAL STATEMENTS 2013

## Currency translation

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 functional currency is the main currency for the economic activity of the company in question. Apart from at PT. South Pacific Viscose, the functional currency is the currency of the country or region in which the respective subsidiary is based. The functional currency for PT. South Pacific Viscose is the US dollar.

Exchange rate gains or losses from transactions by consolidated companies in a currency other than the functional currency are recognized in profit or loss. Monetary items of consolidated companies that are not denominated in the functional currency are converted using the closing rate on the reporting date.

In the course of consolidation, the assets and liabilities of subsidiaries are converted from the functional currency to the reporting currency (euro) using the closing rate on the reporting date. Sales and other income and expenses are converted at the average rate for the month in which the income and expenses arise. Exchange differences resulting from the use of different exchange rates are recognized as a separate item in other comprehensive income. This item also includes exchange differences on receivables that represent a part of the net investment in a foreign operation.

In the case of company acquisitions, the carrying amounts of the assets acquired and the liabilities assumed are adjusted to their fair values as of the acquisition date. These adjustments and the goodwill from company acquisitions are treated as assets/liabilities of the acquired subsidiary and are thus subject to currency translation as part of consolidation.

The following key exchange rates were used for currency translation into the reporting currency (euro):

Exchange rates for key currencies		2013		2012	
Unit	Currency	Reporting date	Average	Reporting date	Average
1 EUR	USD US Dollar	1.3783	1.3281	1.3190	1.3119
1 EUR	GBP British Pound	0.8364	0.8493	0.8159	0.8124
1 EUR	CZK Czech Koruna	27.4800	25.9800	25.1450	25.2140
1 EUR	CNY Renminbi Yuan	8.3555	8.1646	8.2172	8.1809
1 EUR	HKD Hong Kong Dollar	10.6886	10.3016	10.2221	10.1679
1 EUR	INR Indian Rupee	85.3040	77.9300	72.4075	71.6946

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### Non-current assets and liabilities held for sale and disposal groups

An entity shall classify a non-current asset (or disposal group and directly associated liabilities) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before their classification as held for sale, the assets (or parts of a disposal group and directly associated liabilities) are measured in accordance with the Group's accounting policies. After the reclassification, non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses from the initial classification as held for sale and subsequent increases and decreases in value in the context of measurement are recognized in profit or loss. Intangible assets and property, plant and equipment classified as held for sale are no longer amortized/depreciated on a systematic basis.

### Discontinued operations

Discontinued operations are parts of a company that represent a separate major operation or geographic area of operations and that have been sold or are held for sale, or subsidiaries that are acquired solely for the purpose of resale. Operations are classified as discontinued operations on disposal or at an earlier date if they fulfill the criteria for discontinued operations. If operations are classified as discontinued operations, then the statement of comprehensive income and the statement of cash flows must be presented as if these operations had been classified as discontinued operations since the beginning of the comparative period.

### Intangible assets

Acquired intangible assets are reported at cost less accumulated amortization as of the reporting date. The option to apply the revaluation model is not exercised. The cost of production comprises all costs attributable to the production process (direct costs and overheads), as well as pro rata borrowing costs in the case of qualifying assets. Amortization, depreciation and impairment attributable to the financial year are reported under the item „Amortization of intangible assets and depreciation of property, plant and equipment“ in the income statement.

Development costs from internally generated intangible assets are capitalized if they fulfill the criteria of IAS 38. Otherwise, the development costs concerned are recognized as an expense. Research costs are generally recognized as an expense.

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Amortization is calculated using the straight-line method on the basis of the estimated useful lives. The estimated useful lives of these assets are as follows:

## Useful lives for intangible assets

	Years
Software/computer programs	3 to 4
Licenses and other intangible assets	
Purchased	4 to 20
Developed internally	5 to 15

Assets acquired second-hand are amortized over their remaining useful lives. Goodwill and certain trademark rights are amortized only if they are impaired.

## Property, plant and equipment

Property, plant and equipment is reported at cost less accumulated depreciation as of the reporting date. The option to apply the revaluation model is not exercised. The cost of production comprises all costs attributable to the production process (direct costs and overheads), as well as pro rata borrowing costs in the case of qualifying assets.

Amortization, depreciation and impairment attributable to the financial year are reported under the item „Amortization of intangible assets and depreciation of property, plant and equipment“ in the income statement.

Depreciation is calculated using the straight-line method on the basis of the estimated useful lives. The estimated useful lives of these assets are as follows:

## Useful lives for property, plant and equipment

	Years
Land use rights	30 to 99
Residential buildings	30 to 50
Office and factory buildings	10 to 50
Other buildings	7 to 33
Fiber production lines	10 to 15
Boiler plants, frequency converter stations, turbines and other energy systems	4 to 25
Other mechanical equipment	5 to 20
Vehicles	4 to 20
Office equipment and other fixtures and fittings	4 to 15
Computer hardware	3 to 10

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Assets acquired second-hand are depreciated over their remaining useful lives. Land is depreciated only if it is impaired. Major conversions are capitalized, whereas regular maintenance work, repairs and minor conversions are recognized as expenses at the time they are incurred.

The Lenzing Group does not have any investment property.

### Leases

If all material risks and rewards associated with ownership of a leased asset are transferred to the lessee, then the lease involved is a finance lease. All other leases are classified as operating leases.

In the case of finance leases in which the Lenzing Group is the lessee, the leased assets are capitalized at the fair value of the asset or, if lower, the present value of the future minimum lease payments. Depreciation is recognized over the economic life of the relevant item of property, plant and equipment or over the term of the lease if this is shorter. The assets resulting from the leases are capitalized under property, plant and equipment, while the payment obligations are recognized as liabilities under liabilities to other lenders. Each lease installment is split into an interest component and a repayment component in order to keep the interest charged on the liability at a constant level. The interest component is recognized in profit or loss.

The Lenzing Group does not currently recognize any finance leases as a lessor.

In the case of operating leases, the agreed lease payments are recognized on a straight-line basis over the lease term as expenses (if the Lenzing Group is the lessee) or income (if the Lenzing Group is the lessor) in the income statement.

### Impairments for intangible assets, property, plant and equipment, investments accounted for using the equity method and cash-generating units

Cash-generating units to which goodwill is allocated and intangible assets with indefinite useful lives are tested for impairment at least once a year, or more frequently if appropriate. The annual impairment tests are performed in the fourth quarter of each financial year. All other intangible assets, property, plant and equipment and investments accounted for using the equity method are tested for impairment if there is evidence to suggest that they are impaired.

An asset or cash-generating unit is impaired if its recoverable amount is lower than its carrying amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. The value in use corresponds to the present value of estimated future cash flows assuming a market interest rate that is adjusted for the specific risks of the asset. The cash flows are derived from current planning. To determine the fair value less costs to sell, any recent market transactions are taken into account. If no such transactions can be identified, a suitable measurement model is applied.

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When determining the recoverable amount, assumptions about future developments are made, particularly with regard to the development of production and sales volumes, which may not actually materialize. Furthermore, estimates are made with regard to the conditions of a potential sale of these assets on the market.

If the recoverable amount for an asset cannot be determined, the asset is included in a cash-generating unit. Cash-generating units are the groups of assets at the lowest level that generate cash flows independently of other assets. Goodwill and trademark rights with indefinite useful lives are allocated to the cash-generating units that are expected to benefit from synergies resulting from the relevant company acquisition and that represent the lowest level of management control of cash flows within the Group. In the Lenzing Group, these are individual production sites in particular.

In the case of cash-generating units to which goodwill has been allocated and cash-generating units with trademark rights that have an indefinite useful life, the Lenzing Group initially calculates the recoverable amount on the basis of fair value less costs to sell. The fair value less costs to sell of cash-generating units to which goodwill has been allocated and cash-generating units with trademark rights that have an indefinite useful life is derived based on budgets and cash flow projections approved by the Management Board for the next four years on a post-tax basis. In justified exceptions, the cash flow projections are extended to up to six years (2012: up to six years). This is the case for cash-generating units where there are plans for increased capital investments whose cash flow potential will not be fully reflected in the cash flows until after four years. Based on the assumptions of the past year, perpetuals taking account of a sustainable long-term growth rate of 0.9% to 1.3% (December 31, 2012: 1.0% to 3.1%) are anticipated after the detailed planning period. The estimate used for the sustainable long-term growth rate is half of the inflation rate for the next few years in the relevant country that is expected by an international economic research center. This value usually tends to offset general inflation. The planned/projected cash flows are discounted to their present value using a discounted cash flow method. Fair value measurement is classified in full in Level 3 of the fair value hierarchy, since key input factors (particularly cash flows) cannot be observed on the market. The discount rate used is a composite rate (weighted average cost of capital – WACC) combining the average interest rate for debt capital and the anticipated return on the equity employed and calculated on an individual basis using the capital asset pricing model (CAPM). This discount rate reflects current market assessments and the risks specific to the cash-generating units concerned. As of December 31, 2013, WACCs between 7.6% and 11.7% were used (as of December 31, 2012: between 7.7% and 14.0%).

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The WACCs were mainly determined based on externally available capital market data from comparable companies (particularly for determining the risk premium). Planning and projections of free cash flows are based in particular on internal assumptions with regard to anticipated future sales prices and volumes (sales development) and the costs required for this (particularly commodities and energy, as well as labor and taxes), taking into account the expected market environment and market positioning. In addition, anticipated investments, changes in working capital and the development of net debt also play a role. 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.

If the recoverable amount of the asset or cash-generating unit is lower than its carrying amount, an impairment loss is recognized in profit or loss in the amount of the difference. Impairment losses are recognized in the income statement under the item „Amortization of intangible assets and depreciation of property, plant and equipment“.

Impairment losses on cash-generating units to which goodwill is allocated firstly reduce the carrying amount of goodwill. Any further impairment losses reduce the carrying amounts of the cash-generating unit's assets.

If the impairment ceases to apply, it is reversed (written up) to fair value but at most to the value derived by applying the amortization/depreciation schedule to the original cost. Impairment losses on goodwill are not reversed again.

### **Investments accounted for using the equity method**

Investments accounted for using the equity method relate to investments in associates and jointly controlled entities. In the case of associates, the share of capital generally is between 20% and 50% and the Lenzing Group can exert significant influence over the company's financial and operating policies. Jointly controlled entities are managed jointly by the Lenzing Group and one or more partners.

Investments in associates and jointly controlled entities are accounted for using the equity method, under which acquired investments are initially recognized at cost. The measurement of the equity holding is then increased/decreased by pro rata changes in equity. The goodwill relating to an equity investment is included in the carrying amount of the investment and is not amortized on a systematic basis. The investments are tested for impairment if there is evidence to suggest that they are impaired.

Otherwise, the same principles of consolidation apply as for subsidiaries.

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## Financial assets and securities

The securities essentially consist of bonds. Securities also include equity shares and investment funds. The fair values of bonds are derived from their current quoted prices and change in particular according to changes in market interest rates and the credit rating of the bond's debtors. The fair values of shares are derived from the current quoted prices. The fair values of investment funds are derived from their current notional values. All securities are assigned to the "available-for-sale financial assets" category. The change in unrealized fair value measurement, less deferred taxes, can therefore be seen in other comprehensive income. Non-current securities are not intended to be sold within one year.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is objective evidence of impairment. A substantial decline in fair value is generally considered to exist if there is a decrease in value of more than 20% in relation to historical cost. Sustained impairment of equity instruments generally exists if the decline in fair value below cost lasts for longer than nine months. Any existing impairment is recognized in profit or loss.

If there is no market price on an active market and their market price cannot be measured reliably, or is of minor importance, investments in non-consolidated companies, other equity investments and related derivative financial instruments are measured at the lower of cost and cost less impairment.

Loans are recognized at amortized cost or, if they are impaired, at their lower fair value.

## Current taxes and deferred taxes (deferred tax assets and liabilities)

Current taxes and deferred tax assets and liabilities relate to income taxes. Current taxes are derived from the taxable income and the applicable tax rate in the country concerned.

Deferred tax assets and liabilities are calculated for the respective assets and liabilities on the basis of temporary differences between the values in the consolidated financial statements and the values used for calculating tax. In addition, the tax benefit from tax loss carryforwards must be taken into account in the context of deferred taxes if it is likely to be used. This is done on the basis of the tax rates that will be applicable in the year in which the differences are expected to reverse, according to the legal situation as of the reporting date. If it is likely that deferred tax assets – particularly on loss carryforwards – will be recovered, the values are maintained; otherwise they are written down. No deferred taxes are accrued on permanent differences. Deferred taxes are accrued in the case of elimination of intragroup profits.

Deferred tax assets and liabilities are reported on a net basis in the Group if there is a right to offset the taxes and the taxes relate to taxable entities within the same tax group.

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Lenzing AG and the subsidiaries included in the tax group agreement are members of the tax group concluded on September 25, 2009 between B & C Industrieholding GmbH as the group parent and Lenzing AG and other subsidiaries of Lenzing AG as group members in accordance with section 9 of the Austrian Corporation Tax Act (österreichisches Körperschaftsteuergesetz – öKStG).

As part of group taxation, tax gains and losses are offset between group members. Due to their joint tax assessment, deferred tax assets and liabilities of group members are offset. Future tax liabilities from offsetting losses of foreign subsidiaries are recognized in the consolidated financial statements without being discounted.

The group and tax equalization agreement requires Lenzing AG to pay a tax allocation in the amount of the corporation tax attributable to the taxable profit of the company and the subsidiaries included in the tax group.

Any domestic and foreign withholding taxes deductible from the overall group result at the group parent and minimum corporation taxes passed on reduce the tax allocation to be paid by Lenzing AG.

If current losses/loss carryforwards caused by the group parent B & C Industrieholding GmbH itself can be offset against positive earnings of Lenzing AG's tax group in the year of assessment, then the tax allocation to be paid by Lenzing AG is reduced. The reduction of the tax allocation is equivalent to 50% of the applicable corporation tax rate (therefore currently 12.5%) for the group parent's own current losses/loss carryforwards offset against positive earnings in a year of assessment of B & C Industrieholding GmbH.

Tax losses of Lenzing AG including the subsidiaries involved are kept on record and offset against future tax gains. An equalization payment is agreed for losses that are not offset on termination of the contract.

### **Trade receivables and other assets**

With the exception of derivative financial instruments, which are accounted for at market value, trade receivables and other assets are measured at amortized cost. Non-interest-bearing non-current receivables are discounted using the effective interest method. Bad debt provisions are recognized for those items likely to be deemed uncollectible or only partly collectible. Receivables denominated in a foreign currency are converted using the closing rate. All trade receivables are classified as current assets.

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## Construction contracts

If the result of a construction contract can be reliably estimated, the revenue and costs are recognized in line with the stage of completion on the reporting date (percentage-of-completion method). The stage of completion is calculated on an input-oriented basis from the ratio of the contract costs incurred to date to the estimated total contract costs (cost-to-cost method). The progress of projects is monitored on an ongoing basis. Deviations of any kind in the overall contract are taken into account in measurement.

If the result of a construction contract cannot be reliably estimated, contract revenue is recognized only in the amount of the contract costs incurred that are likely to be collectible. Contract costs are recognized as an expense in the period in which they are incurred.

If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Receivables from contract customers from long-term construction contracts in progress are reported under „Trade receivables“. Revenue impacting income on a pro rata basis is accounted for as sales revenue. If an excess of advance payments arises, this is reported under other liabilities.

## Inventories

Inventories are measured at the lower of cost and net realizable value at the reporting date. The cost of production comprises all costs attributable to the production process (direct costs and overheads). Net realizable value corresponds to the expected selling price less attributable costs to sell incurred prior to the sale, plus any costs of completion yet to be incurred. When the reasons for a write-down have ceased to exist, the write-down is reversed accordingly.

The cost of raw materials and supplies is calculated using the weighted average cost method. The change in inventories of finished goods and work in progress is shown in the item of the same name in the income statement.

## Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, amounts payable on demand, checks and short-term time deposits with banks. They are measured at their nominal amounts. Besides cash and cash equivalents, the liquid funds item relevant to the cash flow statement only includes liquid marketable securities with a remaining term of less than three months that are subject to minor fluctuations in value.

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## Equity instruments issued

Financial instruments issued by the Lenzing Group are classified as financial liabilities or as equity depending on the economic substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting the liabilities. Issue costs are those costs that would not have been incurred if the equity instrument had not been issued. Gains and losses from the issue, sale, repurchase or cancellation of equity instruments are recognized directly in equity less any tax effects.

## Emission certificates

Emission certificates are capitalized at fair value as of the date when they are allocated. The difference between the fair value and the amount spent by the company to purchase the emission certificates is reported in the „Government grants“ item. At each reporting date, a provision is recognized for the certificates used up until this date. If the used certificates are covered by the certificates held by the company as of this reporting date, the provision is measured at the asset value recognized for these certificates. If the used certificates exceed the certificates held, the provision is measured at the fair value of the certificates (to be purchased subsequently) as of the relevant reporting date. The deferred income item attributable to the certificates used up until this reporting date is reversed in profit or loss.

## Government grants

Investment grants are reported as liabilities items and recognized in profit or loss as income from the release of investment grants, distributed on a straight-line basis in line with the useful lives of the subsidized investments. The recognition and measurement of grants relating to emission certificates are described in the section „Emission certificates“.

Government grants for reimbursements are recognized as other income in the period in which the relevant costs are incurred, except if the inflow of the grant depends on conditions that are not yet sufficiently likely to occur.

## Obligations from pensions and severance payments

Obligations from employee pensions and severance payments are considered post-employment benefits under IFRS. A distinction is made between defined benefit plans and defined contribution plans.

Under defined benefit plans, the Lenzing Group's obligation is to provide the agreed benefits. In this case, actuarial risk and investment risk are chiefly assumed by the Lenzing Group. Obligations from defined benefit plans are calculated using the projected unit credit method. An actuarial valuation is performed at each reporting date, with the anticipated benefits distributed over the entire period of employment. Future increases in salaries and pensions are taken into account. Actuarial gains and losses are recognized in full in other comprehensive income in the period in which they arise. Past service cost is recognized immediately in profit or loss.

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The obligations from defined benefit plans recognized in the consolidated statement of financial position represent the present value of the defined benefit obligation. The fair value of existing plan assets is deducted from this. The remaining obligations after deducting plan assets are reported under provisions. Net interest expense from defined benefit plans (expenses from the interest accruing on the obligations and the return on plan assets) is recognized under personnel expenses. All other gains and losses, with the exception of remeasurements of the net liability, are also recognized in personnel expenses. Remeasurements of the net liability (relating to actuarial gains and losses and the return on plan assets not included in net interest expense, excluding amounts included in interest income) are included in other comprehensive income.

The main obligations from defined benefit plans consist of obligations for pensions and severance payments at Austrian companies of the Lenzing Group. A discount rate derived from high-quality fixed-income corporate bonds with an AA rating according to the standard of an international actuary was used for these obligations. Bonds with significantly higher or lower interest rates than the other bonds in their risk class („statistical outliers“) were not included here. The currency and terms of the bonds from which the rate is derived are based on the currency and expected terms of the obligations to be settled. The estimated salary and pension increases that are also considered realistic for the future were determined based on an examination of the averages over the past years. Rates of employee turnover were recognized for each company depending on the composition of the workforce and employees' length of service. The retirement age used for the calculation is based on the respective legal provisions. In the other countries, country-specific assumptions are used in determining the discount rate, salary increases, employee turnover rates and the retirement age.

Under defined contribution plans, the Lenzing Group's obligation is only to pay agreed contributions into a fund. In this case, actuarial risk and investment risk are chiefly assumed by the employee. Therefore, no provisions or other accruals are recognized after the agreed contributions have been paid.

## Obligations from jubilee benefits

Obligations from jubilee benefits for employees (long-service bonuses) are considered other long-term employee benefits under IFRS. Obligations from jubilee benefits are calculated using the projected unit credit method, with the anticipated benefits distributed over the entire period of employment. Future salary increases are taken into account. Actuarial gains and losses and past service cost are recognized immediately in profit or loss.

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The obligations from jubilee benefits recognized in the consolidated statement of financial position represent the present value of the obligation and are reported under provisions. Net interest expense from jubilee benefits (expenses from the interest accruing on the obligations) is recognized under personnel expenses. All other gains and losses, including remeasurements of the net liability (relating to actuarial gains and losses), are also recognized in personnel expenses.

The main obligations from jubilee benefits are at Austrian companies of the Lenzing Group. A discount rate derived from high-quality fixed-income corporate bonds with an AA rating according to the standard of an international actuary was used for these obligations. Bonds with significantly higher or lower interest rates than the other bonds in their risk class („statistical outliers“) were not included here. The currency and terms of the bonds from which the rate is derived are based on the currency and expected terms of the obligations to be settled. The estimated salary increases that are also considered realistic for the future were determined based on an examination of the averages over the past years. Rates of employee turnover were recognized for each company depending on the composition of the workforce and employees' length of service. In the other countries, country-specific assumptions are used in determining the discount rate, employee turnover rates and salary increases.

## Provisions

Provisions are recognized if there are legal or de facto obligations to third parties that are based on past business transactions or events and are likely to result in an outflow of cash or other assets that can be reliably determined. They are stated at the anticipated settlement amount with due regard to all identifiable risks attached. The amount of a provision corresponds to the best estimate of the settlement amount of the present obligation as of the reporting date. The measurement of provisions is based on historical data, current cost and price information, and estimates/appraisals by internal and external experts.

Restructuring provisions are recognized if there is a detailed formal restructuring plan and a valid expectation that the restructuring will be implemented has been raised in those affected.

The assumptions on which the provisions are based are reviewed on an ongoing basis. The actual values may deviate from the assumptions made if the general conditions develop differently from expectations as of the end of the reporting period. Changes are taken into account in profit or loss when better information is learned and the premises are adjusted accordingly. Reversals of provisions are reported as income in the expense items that were originally expensed when the provision was recognized.

Long-term provisions are discounted if the effect of discounting is material and the discounting period can be reliably estimated.

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The provisions item also includes accruals. Compared to provisions in a narrower sense, accruals are generally certain in terms of their existence and involve only an insignificant level of risk with regard to the amount and timing. Accruals are reported separately in the development of provisions. If they constitute financial instruments, they are treated as financial liabilities accounted for at amortized cost.

## Liabilities

With the exception of derivative financial instruments, which are accounted for at market value, liabilities are measured at amortized cost. Liabilities denominated in a foreign currency are converted using the closing rate.

Non-current liabilities with non-market interest rates are discounted using the effective interest method.

## Contingent liabilities

Contingent liabilities are present obligations that arise from past events for which an outflow of resources is not considered probable. If, in extremely rare cases, an existing liability cannot be recognized as a provision in the consolidated statement of financial position because a reliable estimate of the liability is not possible, this also constitutes a contingent liability. Contingent liabilities are not recognized in the consolidated statement of financial position, but are disclosed in the notes to the consolidated financial statements.

## Sales and revenue recognition and causation of expenses

Sales comprise all income resulting from the normal business activities of the Lenzing Group. They include income from product sales (particularly sales of man-made cellulose fibers in Segment Fibers) and services provided (particularly from mechanical and plant engineering in Segment Engineering), less trade discounts and other sales deductions not including sales tax. Any other operating revenue is recognized as other operating income.

Income is recognized when ownership of the products has been transferred to the customer (thus including transfer of risks) or the service has been provided, the amount of the income/ the associated costs can be reliably determined and it is probable that the economic benefits from the transaction will arise.

The Segment Fibers mainly sells man-made cellulose fibers, as well as products such as sodium sulfate, black liquor and pulp. Income is recognized when ownership of the products has been transferred to the customer (thus including transfer of risks), the amount of the income/ the associated costs can be reliably determined and it is probable that the economic benefits from the transaction will arise.

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Segment Engineering operates in the field of mechanical and plant engineering and performs engineering services. The majority of its income results from construction contracts. Income from construction contracts is recognized based on the stage of completion in line with the cost-to-cost method (see the section „Construction contracts“ above).

The change in inventories of finished goods and work in progress serves to neutralize expenses for goods that were still held in inventory as of the reporting date. Work performed by the Group and capitalized serves to neutralize expenses to be capitalized as part of the cost of non-current assets.

Operating expenses are recognized at the time the given service is made use of or when they are caused.

Dividends are generally taken into account once the legal claim to payment has arisen. Interest and other financial expenses and income are recognized as income or expenses on an accrual basis using the effective interest method.

### **Result from restructuring and adjusted consolidated earnings**

EBITDA (earnings before interest, taxes, depreciation on property, plant and equipment and amortization of intangible assets taking into account the release of investment grants and before restructuring) and, particularly, EBITDA before restructuring are important key figures for measuring performance in the Lenzing Group. EBITDA (after restructuring) is presented as a separate line item in the consolidated income statement. EBITDA before restructuring is used as segment result in the context of segment reporting (see Note 6). In addition, EBIT (earnings before interest and taxes) is also of particular interest. For the purposes of measuring performance, these two key figures, adjusted for one-off effects from restructuring, are shown as adjusted consolidated earnings (see Note 13). The consolidated amounts of these key figures are adjusted performance measures (pro forma figures) that are published voluntarily and are not regulated by the IFRS accounting rules.

One-off effects from restructuring are significant one-time effects that do not regularly recur in terms of their type or amount, particularly in connection with business combinations, impairments and restructuring and similar measures. The presentation of EBITDA/EBIT before restructuring is intended to provide internal and external users with a picture of the Lenzing Group's financial performance that is more accurate and allows for a better comparison over time than the presentation of these two key figures after restructuring.

### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost. 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. They are capitalized in the item „Work performed by the Group and capitalized“ and the associated asset investment account, and are written down in the item „Amortization of intangible assets and depreciation of property, plant and equipment“.

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All other borrowing costs are recognized in the financial result in the period in which they are incurred.

## Earnings per share

Earnings per share are calculated by dividing the annual earnings attributable to ordinary shareholders by the average number of ordinary shares outstanding during the financial year.

## Financial instruments

Financial instruments comprise financial assets and financial liabilities. Initial recognition of a financial asset is at fair value plus transaction costs incurred. Initial recognition of a financial liability is at fair value less transaction costs incurred. Transaction costs incurred in the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Depending on their classification/measurement category, financial instruments are recognized either at (amortized) cost or at fair value on initial measurement.

The Lenzing Group uses the measurement categories „Loans and receivables“, „Available-for-sale financial assets“ and „Financial liabilities at amortized cost“. The category of „Financial instruments at fair value through profit or loss“ is only used for trading derivatives. The fair value option is not currently exercised. The Lenzing Group does not have any held-to-maturity investments. The item measured is the relevant individual financial instrument.

If there is evidence to suggest impairment (particularly significant financial difficulties of the debtor, default or delay in making payments, an increased probability that the debtor will become bankrupt), non-collateralized financial assets are written down in profit or loss. Write-downs are recognized via an allowance account. Financial assets are derecognized directly only if the contractual rights to payments from the financial assets no longer exist (particularly in the event of bankruptcy). If the reasons for the write-down cease to apply, it is reversed up to cost.

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a contractual party to a financial instrument. Financial assets are derecognized when the contractual rights to payments from the financial assets no longer exist or the financial assets are transferred together with all material risks and rewards. Financial liabilities are derecognized when the contractual obligations are settled, canceled or have expired. Financial instruments are recognized/derecognized as of the settlement date.

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## Derivative financial instruments and hedges

The Lenzing Group uses derivative financial instruments to hedge against currency risks from operating business and to manage commodity price risks. These derivative financial instruments are intended to compensate for the variability of cash flows from future transactions. Hedges are determined in advance on the basis of the expected revenue and planned consumption of commodities in the relevant foreign currency.

The Lenzing Group applies the hedge accounting regulations under IAS 39 with respect to these derivative financial instruments. The use of hedge accounting is subject to the requirements that the hedging relationship must be documented and the effectiveness of the hedge must be measured on a regular basis and must be between 80% and 125%. Effective offsetting between unrealized losses and profits is demonstrated by means of effectiveness tests. In measuring effectiveness, the hedged items and the hedging instruments are grouped together in at least quarterly maturity ranges for each hedged risk. The prospective hedging effect of the hedges is demonstrated by comparing the main conditions. The planned hedged items are compared against the hedging instruments concluded. The retrospective hedging effect is assessed using the dollar-offset method, which compares periodic changes in the fair value of the hedged items with periodic changes in the fair value of the hedges in line with the compensation method.

If the criteria for using hedge accounting are fulfilled, the profit or loss from changes in the fair value of the derivative financial instruments is recognized either in profit or loss or in other comprehensive income, depending on whether the hedge is a fair value hedge or a cash flow hedge. In the case of fair value hedges, the results of the fair value measurement of the hedges and of the related hedged items (basis adjustment) are offset in income. Unrealized gains and losses from changes in the fair value of cash flow hedges are initially reported in other comprehensive income and do not impact profit or loss until the underlying hedged items are implemented. In hedging future cash flows in foreign currencies (cash flow hedges), the Lenzing Group typically hedges the risk until the time that the payment in the foreign currency is made. Reclassification from other comprehensive income to profit or loss takes place when the foreign-currency sales are generated or when the foreign-currency cost of materials is incurred. Subsequently, changes in the fair value of the derivatives are recognized in profit or loss. From this point on, changes in fair value are shown alongside the foreign currency valuation of the foreign-currency trade receivables/payables as of the reporting date. Ineffective portions of changes in the fair values of cash flow hedges and the measurement of derivatives for which no hedging relationship can be established (trading derivatives) are recognized immediately in the income statement.

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Derivatives embedded in other financial instruments or other host contracts are treated as stand-alone derivatives if their economic characteristics and risks are not closely related to the host contract and the entire contract is not measured at fair value through profit or loss.

Derivatives are measured at fair value. Their fair value is equal to their market value, if available, or calculated using standard methods on the basis of the market data available on the measurement date (particularly exchange rates, commodity prices and interest rates). The fair value of derivatives reflects the estimated value that would be payable or receivable by the Lenzing Group if the deal were closed on the reporting date. Currency and commodity forwards are measured using the respective forward rate or price at the end of the reporting period. The forward rates or prices are based on the spot rates or prices taking into account forward premiums and discounts. Valuations by banks and other parties are used in addition to the Group's own models to estimate measurement.

In measuring derivatives, the contractant risk (credit risk/counterparty risk/non-performance risk) that a market participant would recognize when setting prices is also taken into account in the form of discounts from the fair value. Netting agreements are not taken into account here. The future exposure is considered to be constant and the creditworthiness of the counterparty and of the company itself are derived from historical probabilities of default. This is mainly done on the basis of externally available capital market data. Due to the counterparties' consistently good creditworthiness on the basis of experience, the company's own good creditworthiness and the predominantly short remaining terms of the derivatives, the given nominal values were only subject to low levels of discounts that did not require recognition.

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of non-financial items in accordance with the expected purchase, sale or usage requirements (internal consumption contracts) are not accounted for as derivative financial instruments, but rather as open transactions.

## NOTE 4

### Changes in entities included in consolidation and business combinations

In financial year 2012, non-proportional capital increases in the amount of EUR 3,136 thousand were carried out at Lenzing Modi Fibers India Private Limited, with the result that the Lenzing Group's equity interest rose from 95.4% (as of December 31, 2011) to 96.3% (as of December 31, 2012). As a result of these transactions, non-controlling interests declined by a total of EUR 12 thousand.

As of September 26, 2012, the Lenzing Group acquired 100% of the shares in a previously non-operational shell company based in Munich, Germany, for EUR 28 thousand. The company had share capital and bank balances of EUR 25 thousand each as of the acquisition date. No tax-deductible goodwill arose on acquisition. The acquisition was carried out primarily to save time in comparison to establishing a separate company. The acquired company was renamed Lenzing Global Finance GmbH. Within the Lenzing Group, Lenzing Global Finance GmbH serves particularly to issue private placements and to pass on the financial resources received to affiliated companies. Between its establishment and its acquisition by the Lenzing Group, the company did not generate any significant income or cause any significant expenses.

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As of October 1, 2012, the Lenzing Group acquired another 25% of the shares in Biocel Paskov a.s. (Biocel), Paskov, Czech Republic, which was already fully consolidated, for EUR 26,593 thousand. The interest in this company thus increased from 75% to 100%. As a result of this transaction, non-controlling interests declined by EUR 8,591 thousand. The liability from the dividend guarantee for non-controlling interests fell by EUR 19,666 thousand as a result of this transaction. The difference from this transaction of EUR 1,661 thousand was offset against retained earnings.

In April 2013, the Lenzing Group reached an agreement with a minority shareholder for the acquisition of a further 2.29% of shares in the already fully consolidated PT. South Pacific Viscose, Purwakarta, Indonesia, for a sum equivalent to around EUR 3,471 thousand. The closing of the acquisition and the payment of the purchase price took place in July 2013. Thus, the Lenzing Group's interest in this company increased from 90.56% to 92.85%. As a result of this transaction, non-controlling interests declined by EUR 4,564 thousand. The difference from this transaction of EUR 1,094 thousand was offset against retained earnings.

The sale of the former Business Unit Plastics was closed in June 2013. The closing led to the loss of control over and deconsolidation of Lenzing Plastics GmbH or rather Lenzing Plastics GmbH & Co KG, Lenzing, which was previously fully consolidated. Details of this can be found in Note 5.

The previously fully consolidated companies Lyocell Holding Ltd., Manchester, UK, and Tencel Holding Overseas Ltd., St. Helier, Jersey, were deconsolidated in June 2013 as their liquidation had been largely completed from a business perspective. A gain of EUR 580 thousand was recognized in other operating income as a result of the loss of control. There were no notable cash flows or disposals of cash and cash equivalents, other assets or liabilities and consideration received.

The acquisition of a further 44% of shares in the previously already fully consolidated European Precursor GmbH, Kelheim, Germany, by the Lenzing Group was completed in October 2013. The company was also deconsolidated in October 2013, as its liquidation was largely completed from an economic perspective. Details of this can be found in Note 5.

Otherwise there were no business combinations or changes in the entities included in consolidation.

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# CONSOLIDATED FINANCIAL STATEMENTS 2013

## NOTE 5

### Non-current assets and liabilities held for sale, disposal groups and discontinued operations

#### Details on Business Unit Plastics

Lenzing Plastics GmbH, Lenzing, which was the Business Unit Plastics, was a fully consolidated company of the Lenzing Group. In April 2013, as part of its ongoing concentration on its core business of fibers, the Lenzing Group reached an agreement on the sale of shares in Business Unit Plastics (i.e. in Lenzing Plastics GmbH) to an Austrian syndicate of bidders led by Invest AG. The deal was closed in June 2013 following the approval of the antitrust authorities, as a result of which the Lenzing Group also lost control over the business unit. This led to its deconsolidation. As part of the transaction, Lenzing Plastics GmbH was transformed into the limited commercial partnership Lenzing Plastics GmbH & Co KG, Lenzing, and a previously non-operational shell company was acquired to serve as the general partner to that limited commercial partnership and subsequently renamed Lenzing Plastics GmbH, Lenzing. Both entities were acquired by LP Beteiligungs & Management GmbH, Linz.

The following net assets were deconsolidated as a result of the loss of control:

Deconsolidated net assets	EUR '000
Intangible assets and property, plant and equipment (incl. EUR 1,600 thousand for licenses)	26,279
Financial assets and other non-current assets	350
Other current assets	31,166
Cash and cash equivalents	6,995
<b>Deconsolidated assets</b>	<b>64,790</b>
Financial liabilities and other non-current liabilities	177
Provisions (incl. deferred and current tax liabilities)	14,093
Other current liabilities	7,348
<b>Deconsolidated liabilities</b>	<b>21,617</b>
<b>Deconsolidated net assets</b>	<b>43,173</b>

The consideration received for the sale for 100% of shares amounted to EUR 69,037 thousand in total. There was a gain on disposal before taxes of EUR 25,865 thousand. Income taxes of EUR 7,689 thousand (including deferred taxes) relate to the gain on disposal.

The net cash inflow from the disposal is presented under net cash flows from discontinued operations in the cash flow from investing activities and breaks down as follows:

<b>Net inflow from the sale of subsidiary</b>	<b>EUR '000</b>
	<b>2013</b>
Consideration received (cash and cash equivalents)	68,647
- Holdings of cash and cash equivalents sold	(6,995)
<b>Net inflow from the sale of subsidiary</b>	<b>61,652</b>

Following the complete sale of Business Unit Plastics, the Lenzing Group acquired a 15% interest in LP Beteiligungs & Management GmbH, Linz, for EUR 1,050 thousand. This stake is reported in the consolidated financial statements of the Lenzing Group under financial assets in the category "available-for-sale financial assets (measured at cost)".

### Details on EPG

European Precursor GmbH (EPG), Kelheim, Germany, was a fully consolidated company of the Lenzing Group. In December 2012 the Management Board of Lenzing AG resolved to liquidate EPG. The liquidation was initiated after the Shareholders' Meeting of EPG held in January 2013. The closing of the acquisition of a further 44% of shares in EPG by the Lenzing Group was completed in October 2013. Thus, the Lenzing Group's interest in this company increased from 51% to 95%. The claim vis-à-vis puttable non-controlling interests (December 31, 2012: EUR 12,601 thousand) was settled by means of this transaction. The transaction did not result in any difference to be offset against equity.

The company was also deconsolidated in October 2013, as its liquidation was largely completed from an economic perspective. The deconsolidation resulted in a loss of EUR 2 thousand that was recognized in other operating expenses. There were no notable cash flows or disposals of cash and cash equivalents, other assets or liabilities and no consideration received.

# CONSOLIDATED FINANCIAL STATEMENTS 2013

The assets and liabilities of EPG as of December 31, 2012 are shown in separate line items on the respective sides of the consolidated statement of financial position. These items break down as follows:

<b>Assets and liabilities of discontinued operations</b>	<b>EUR '000</b>
	<b>31/12/2012</b>
Intangible assets and property, plant and equipment	3,000
Financial assets	2
Other current assets	168
Cash and cash equivalents	2,469
<b>Assets of discontinued operations</b>	<b>5,639</b>
Financial liabilities	9,707
Provisions	8,336
Other current liabilities	653
<b>Liabilities of discontinued operations</b>	<b>18,695</b>
Assets and liabilities offset within the Group	12,659
<b>Net assets of discontinued operations</b>	<b>(25,716)</b>

In the context of the liquidation of EPG, impairment on property, plant and equipment of EUR 3,000 thousand (2012: EUR 17,203 thousand) and amortization of intangible assets of EUR 0 thousand (2012: EUR 5 thousand) from fair value measurement less costs to sell were recognized in 2013. Income taxes of EUR 0 thousand (2012: EUR 200 thousand) were incurred on impairment losses on property, plant and equipment. In both years, the impairments mainly related to technical equipment and machinery. The fair value less costs to sell amounts to EUR 0 thousand as of December 31, 2013 (EUR 3,000 thousand as of December 31, 2012). The fair value in 2013 was derived from a transaction on a market that is not active and was therefore completely allocated to Level 2 of the fair value hierarchy. In the course of the measurement process the observable market data needed were collected and the input factors not observable on the market were tested against internally available information and updated if necessary.

## Common disclosures for both discontinued operations

Both discontinued operations – the former Business Unit Plastics and EPG – were part of the Segment Plastics Products as of December 31, 2012. They are now shown in the consolidated income statement, the consolidated statement of cash flows and in segment reporting (see Note 6) – including the comparative prior-year figures – under discontinued operations. The comparative prior-year figures have been shown as if the operations discontinued in the current year had already been discontinued at the start of the previous year.

The profit for the period from discontinued operations breaks down as follows:

**Profit for the period from discontinued operations** **EUR '000**

	2013	2012
Revenues	55,640	118,432
Expenses	(50,735)	(118,414)
Allocation of profit or loss to puttable non-controlling interests	(619)	14,422
<b>Earnings before taxes from operating activities</b>	<b>4,286</b>	<b>14,440</b>
Current income taxes from operating activities	(58)	(2,409)
<b>Earnings after taxes from operating activities</b>	<b>4,228</b>	<b>12,030</b>
Gain from the sale of discontinued operations	25,865	0
Taxes on the gain from the sale (or abandonment) of discontinued operations	(7,689)	0
Measurement at fair value less costs to sell	(3,000)	(17,208)
Taxes due to fair value measurement less costs to sell (or abandon)	0	(200)
<b>Profit for the period from discontinued operations</b>	<b>19,404</b>	<b>(5,378)</b>

Other comprehensive income of EUR -13 thousand is allocated to discontinued operations (2012: EUR -487 thousand). Total comprehensive income from discontinued operations is fully attributable to the shareholders of the parent company.

# CONSOLIDATED FINANCIAL STATEMENTS 2013

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## NOTE 6 Segment reporting

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### Information on business segments

In the Lenzing Group the segments are classified according to the differences between their products and services; they require different technologies and market strategies. Each segment is managed separately based on the responsibilities of the different members of the Management Board. The chief operating decision maker relevant to segment reporting is the Management Board of Lenzing AG as a whole. The following segments are presented separately in the internal reporting of the Lenzing Group to the Management Board:

### Segment Fibers:

The Segment Fibers manufactures man-made cellulose fibers and markets them under the umbrella brands Lenzing Viscose®, Lenzing Modal® (including Lenzing FR®) and TENCEL®. A significant portion of the pulp needed for production purposes is manufactured in the Group's own plants or partially bought in. The most important raw material for the manufacture of pulp is wood, which is bought in. The Segment Fibers represents the core business of the Lenzing Group.

The Segment Fibers comprises the business units Textile Fibers (production and distribution of textile fibers), Nonwoven Fibers (production and distribution of fibers for nonwoven fabrics) and Pulp (manufacture and purchase of pulp; purchase of wood), as these are comparable with regard to the key business characteristics of the cellulose fiber industry (products, production process, customers and distribution methods). These business units are part of an integrated value chain (from raw material wood via pre-product pulp to the finished product fiber) with comparable risks and opportunities. Moreover, the Business Unit Energy (production and purchase of energy) is assigned to the Segment Fibers as the Segment Fibers has by far the highest energy requirements in the Lenzing Group on account of the energy-intensive nature of the fiber and pulp production process.

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### Segment Engineering:

The Segment Engineering operates in the field of mechanical and plant engineering and offers engineering services. It comprises the Business Unit Engineering.

### Business Unit (BU) Plastics and European Precursor GmbH (EPG) (discontinued operations):

As of December 31, 2012, the Segment Plastics Products was a separate segment in segment reporting. The Segment Plastics Products produced specialty products from plastic polymers. It comprised the Business Unit Plastics (formerly Lenzing Plastics GmbH, Lenzing) and the Business Unit Filaments (essentially the business activities of Dolan GmbH, Kelheim, Germany, and European Precursor GmbH/EPG, Kelheim, Germany).

The Business Unit Plastics and EPG are now reported under discontinued operations and – with the comparative prior-year figures – shown separately in segment reporting (see also Note 5). The rest of the Business Unit Filaments (essentially Dolan GmbH), including its comparative prior-year figures, is shown in the residual Segment Other for reasons of materiality. The comparative prior-year figures have been shown as if the operations discontinued in the current year had already been discontinued at the start of the previous year.

### Other:

The residual Segment Other essentially comprises the business activities of Dolan GmbH, Kelheim, Germany. This company manufactures specialty products from plastic polymers (particularly acrylic fibers). It also includes the business activities of BZL-Bildungszentrum Lenzing GmbH, Lenzing (training and personnel development).

The residual Segment Other does not contain any business segments that would exceed the quantitative thresholds for reportable segments.

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# CONSOLIDATED FINANCIAL STATEMENTS 2013

## Information on business segments

1-12/2013 and 31/12/2013	Fibers	Engineering
Sales to external customers	1,754,524	49,486
Inter-segment sales	11,325	75,649
<b>Total sales</b>	<b>1,765,849</b>	<b>125,135</b>
EBITDA (Segment result)	205,661	9,058
EBIT	91,179	7,264
Amortization of intangible assets and depreciation of property, plant and equipment	117,569	1,799
Thereof impairment	116	0
Thereof reversals of impairment losses	0	0
Share of income from investments accounted for using the equity method	3,788	0
Other material non-cash income and expenses	70,154	11,350
Investments in intangible assets and property, plant and equipment	249,992	3,119
<b>EBITDA margin</b>	<b>11.6%</b>	<b>7.2%</b>
<b>EBIT margin</b>	<b>5.2%</b>	<b>5.8%</b>
Segment assets	2,015,868	44,790
Segment liabilities	430,842	34,493
Investments accounted for using the equity method	37,203	0

## Information on business segments (prior year)\*

1-12/2012 and 31/12/2012	Fibers	Engineering
Sales to external customers	1,883,023	47,052
Inter-segment sales	12,965	74,706
<b>Total sales</b>	<b>1,895,988</b>	<b>121,758</b>
EBITDA (Segment result)	338,684	10,173
EBIT	239,532	8,515
Amortization of intangible assets and depreciation of property, plant and equipment	102,718	1,662
Thereof impairment	0	0
Thereof reversals of impairment losses	954	0
Share of income from investments accounted for using the equity method	5,801	0
Other material non-cash income and expenses	35,358	9,803
Investments in intangible assets and property, plant and equipment	318,854	2,192
<b>EBITDA margin</b>	<b>17.9%</b>	<b>8.4%</b>
<b>EBIT margin</b>	<b>12.6%</b>	<b>7.0%</b>
Segment assets	1,945,428	46,782
Segment liabilities	450,311	41,821
Investments accounted for using the equity method	33,883	0

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).

EUR '000

BU Plastics and EPG (discontinued operations)	Other	Segment total	Reconciliation	Group
53,218	51,641	1,908,869	0	1,908,869
776	1,734	89,483	(89,483)	0
<b>53,994</b>	<b>53,375</b>	<b>1,998,352</b>	<b>(89,483)</b>	<b>1,908,869</b>
5,754	6,233	226,706	(1,295)	225,411
4,953	5,325	108,720	(22,311)	86,409
810	908	121,086	21,017	142,103
0	0	116	26,104	26,220
0	0	0	0	0
0	42	3,831	0	3,831
(8,852)	3,811	76,463	0	76,463
2,671	989	256,771	(8,092)	248,679
<b>10.7%</b>	<b>11.7%</b>	<b>11.3%</b>		<b>11.8%</b>
<b>9.2%</b>	<b>10.0%</b>	<b>5.4%</b>		<b>4.5%</b>
0	22,743	2,083,401	356,523	2,439,924
0	10,256	475,591	874,871	1,350,462
0	1,880	39,083	0	39,083

EUR '000

BU Plastics and EPG (discontinued operations)	Other	Segment total	Reconciliation	Group
118,112	42,215	2,090,403	0	2,090,403
1,532	6,860	96,062	(96,062)	0
<b>119,644</b>	<b>49,075</b>	<b>2,186,465</b>	<b>(96,062)</b>	<b>2,090,403</b>
13,088	3,541	365,486	(13,106)	352,380
8,128	2,645	258,820	(27,312)	231,508
4,979	896	110,255	14,205	124,461*
0	0	0	17,208	17,208
0	0	954	0	954
0	(5)	5,796	0	5,796
3,445	3,627	52,234	0	52,234
2,567	748	324,361	(4,721)	319,640
<b>10.9%</b>	<b>7.2%</b>	<b>16.7%</b>		<b>16.9%</b>
<b>6.8%</b>	<b>5.4%</b>	<b>11.8%</b>		<b>11.1%</b>
74,291	21,475	2,087,975	544,675	2,632,651
16,454	9,633	518,219	983,731	1,501,951
0	1,878	35,761	0	35,761*

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Other material non-cash expenses relate to non-cash measurement effects from provisions and accruals.

With the exception of the change in the presentation of the former Segment Plastics Products described above, the same principles were applied in the presentation of segment reporting as in the consolidated financial statements.

The performance of the segments is measured using EBITDA before restructuring (earnings before interest, taxes, depreciation on property, plant and equipment and amortization of intangible assets taking into account the release of investment grants and before restructuring). The reconciliation of segment earnings to income from operations (EBIT) to income before tax (EBT) is as follows:

## Reconciliation of segment result (EBITDA) to the earnings before taxes (EBT)

EUR '000

	2013	2012
Segment result (EBITDA)	226,706	365,486
Consolidation	(7,351)	(6,828)
Restructuring (see Note 13)	6,056	(6,278)
<b>Group result (EBITDA)</b>	<b>225,411</b>	<b>352,380</b>
Segment amortization of intangible assets and depreciation of property, plant and equipment	(121,086)	(110,255)
Consolidation	5,087	3,003
Income from the release of investment grants	3,100	3,589
Impairment of property, plant and equipment (from restructuring – see Note 13)	(26,104)	(17,208)
<b>Earnings before interest and taxes (EBIT)</b>	<b>86,409</b>	<b>231,508</b>
Financial result	(26,725)	(12,780)
Allocation of profit or loss to puttable non-controlling interests	8,430	17,314
<b>Earnings before taxes (EBT)</b>	<b>68,113</b>	<b>236,043</b>

The reconciliation from income before taxes (EBT) to profit for the year can be viewed in the consolidated income statement. The result from restructuring is explained in detail in Notes 5 and 13.

The reconciliation of segment EBIT to income from operations (EBIT) after restructuring is as follows:

## Reconciliation of segment EBIT to earnings before interest and taxes (EBIT)

EUR '000

	2013	2012
Segment-EBIT	108,720	258,820
Result from restructuring	(20,048)	(23,486)
Consolidation	(2,264)	(3,825)
<b>Earnings before interest and taxes (EBIT)</b>	<b>86,409</b>	<b>231,508</b>

The reconciliation of segment amortization and depreciation to consolidated amortization and depreciation is as follows:

<b>Reconciliation of segment amortization and depreciation to consolidated amortization and depreciation</b>	<b>EUR '000</b>	
	<b>2013</b>	<b>2012</b>
Segment amortization of intangible assets and depreciation of property, plant and equipment	121,086	110,255
Consolidation	(5,087)	(3,003)
<b>Amortization of intangible assets and depreciation of property, plant and equipment</b>	<b>115,999</b>	<b>107,253</b>
Impairment of property, plant and equipment due to fair value measurement less costs to sell (from restructuring – see Note 13)	26,104	17,208
<b>Consolidated amortization and depreciation</b>	<b>142,103</b>	<b>124,461</b>

Segment assets chiefly consist of intangible assets and property, plant and equipment, inventories, trade receivables and other receivables, except for income tax receivables. The reconciliation of segment assets to consolidated assets (corresponding to total assets) is as follows:

<b>Reconciliation of segment assets to consolidated assets</b>	<b>EUR '000</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
Segment assets	2,083,401	2,087,975
Investments accounted for using the equity method	39,083	35,761*
Assets not allocated to the segments		
Securities and other financial assets	23,176	56,068*
Deferred tax assets and current tax receivables	39,396	27,098
Cash and cash equivalents	287,882	481,658
Non-current assets held for sale and disposal groups	0	5,639
Consolidation	(33,014)	(61,549)
<b>Consolidated assets</b>	<b>2,439,924</b>	<b>2,632,651</b>

\*1) The prior-year figures have been restated due to changes in presentation (see Note 2).

# CONSOLIDATED FINANCIAL STATEMENTS 2013

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Segment liabilities chiefly relate to trade payables, provisions and other liabilities, except for current tax liabilities. The reconciliation of segment liabilities to consolidated liabilities is as follows:

Reconciliation of segment liabilities to consolidated liabilities	EUR '000	
	31/12/2013	31/12/2012
Segment liabilities	475,591	518,219
Liabilities not allocated to the segments		
Financial liabilities	800,680	875,132
Deferred tax liabilities and current tax liabilities	56,578	84,681
Government grants	26,025	28,952
Liabilities held for sale and disposal groups	0	18,695
Consolidation	(8,413)	(23,729)
<b>Consolidated liabilities</b>	<b>1,350,462</b>	<b>1,501,951</b>

The reconciliations of segment items to consolidated items that are not described in more detail above (sales and investments) comprise consolidation effects only.

Goods and services are supplied between the segments at arm's length conditions.

The valuations for segment reporting are in line with the accounting policies applied to the IFRS consolidated financial statements.

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## Information about products and services

Revenues from external customers break down by products and services as follows:

Sales to external customers by products and services	EUR '000	
	2013	2012
Lenzing Viscose®	982,903	1,020,688
Lenzing Modal® (including Lenzing FR®)	237,978	232,598
TENCEL®	291,401	331,547
<b>Man-made cellulose fibers</b>	<b>1,512,281</b>	<b>1,584,833</b>
Sodium sulfate and black liquor	54,012	49,364
Pulp, wood, energy and other	199,556	261,791
<b>Segment Fibers</b>	<b>1,765,849</b>	<b>1,895,988</b>
<b>Mechanical and plant engineering and engineering services - Segment Engineering</b>	<b>125,135</b>	<b>121,758</b>
<b>Specialty products from plastic polymers</b>	<b>103,870</b>	<b>159,942</b>
Other and consolidation	(85,985)	(87,285)
<b>Sales according to consolidated income statement</b>	<b>1,908,869</b>	<b>2,090,403</b>

There is no single external customer that accounts for more than 10% of external revenues.

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## Information about geographic areas

Revenues from external customers by sales market and total assets, non-current assets (as per statement of financial position), non-current assets (not including financial instruments and deferred tax assets) and investments in intangible assets and property, plant and equipment break down by geographic areas as follows:

## Information about geographic regions

EUR '000

	Sales		Non-current assets		Total assets		Investments	
	2013	2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	2013	2012
Austria	176,136	185,873	772,828	699,518*	987,720	981,886	156,249	135,736
Europe (without Austria including Turkey)	609,448	740,851	219,833	198,480	296,608	296,514	53,851	67,761
Asia	931,393	973,520	419,529	459,091	732,893	737,481	37,155	92,626
America	158,950	153,596	39,243	45,041	66,180	72,094	1,424	23,516
Rest of the world	32,942	36,563	0	0	0	0	0	0
<b>Subtotal</b>	<b>1,908,869</b>	<b>2,090,403</b>	<b>1,451,433</b>	<b>1,402,130*</b>	<b>2,083,401</b>	<b>2,087,975</b>	<b>248,679</b>	<b>319,640</b>
Reconciliation to consolidated figures	0	0	56,784	78,383*	356,523	544,675	0	0
<b>Consolidated total</b>	<b>1,908,869</b>	<b>2,090,403</b>	<b>1,508,217</b>	<b>1,480,513</b>	<b>2,439,924</b>	<b>2,632,651</b>	<b>248,679</b>	<b>319,640</b>

Sales are allocated based on the geographic region of the customer, while assets and investments are allocated depending on the geographic location of the asset.

The figures above comprise all segments of the Lenzing Group.

The production sites in the Segment Fibers are located in Austria, including the main plant in Lenzing, which manufactures both standard viscose fibers and specialty fibers – Lenzing Modal® (including Lenzing FR®) – and the lyocell production site (TENCEL®) in Heiligenkreuz. There are additional lyocell production sites in the UK (Grimsby) and in the USA (Mobile). The Group also has two standard viscose fiber production sites in Asia: Indonesia (Purwakarta) and China (Nanjing). The pulp plants are located in Austria (Lenzing) and in the Czech Republic (Paskov). The sales network in the Segment Fibers comprises sales companies in China (Hong Kong and Shanghai) and sales offices in Indonesia (Jakarta), India (Coimbatore) and the United States (New York).

The production sites of the Segment Engineering are located in Austria (Lenzing) and in China (Nanjing).

Further information on the segments can be found in the management report of the Lenzing Group as of December 31, 2013.

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).

## Notes on the Consolidated Income Statement

### NOTE 7 Sales

Sales break down as follows:

Sales	EUR '000	
	2013	2012
Revenue from the sale of man-made cellulose fibers	1,512,281	1,584,833
Revenue from the sale of other products and services	373,263	479,249
<b>Sales invoiced</b>	<b>1,885,544</b>	<b>2,064,082</b>
Sales from long-term construction contracts	23,325	26,321
<b>Total</b>	<b>1,908,869</b>	<b>2,090,403</b>

Further breakdowns of sales are shown in the segment report (see Note 6, particularly the information about products and services and about geographic areas).

### NOTE 8 Other operating income

Other operating income breaks down as follows:

Other operating income	EUR '000	
	2013	2012
Income from internal cost allocation, other products and energy	20,021	22,269
Income from the release of the deferred income item for emission certificates and from subsidies	6,512	12,280*
Gain on disposal from the sale of subsidiaries	25,865	0
Various other income	15,691	9,085*
<b>Total</b>	<b>68,090</b>	<b>43,633*</b>

Income from energy includes income from remuneration for green electricity in the amount of EUR 9,659 thousand (2012: EUR 6,511 thousand).

The gain on disposal from the sale of subsidiaries entirely relates to the sale of Lenzing Plastics GmbH (or rather Lenzing Plastics GmbH & Co. KG, see Note 5).

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).



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Miscellaneous other income includes rental income of EUR 3,364 thousand (2012: EUR 2,709 thousand), income from the disposal of fixed assets in the amount of EUR 917 thousand (2012: EUR 711 thousand) and insurance compensation in the amount of EUR 3,600 thousand (2012: EUR 874 thousand).

## NOTE 9 Cost of material and other purchased services

The cost of material and other purchased services breaks down as follows:

Cost of material and other purchased services		EUR '000	
	2013	2012	
Material	1,090,503	1,158,410*	
Other purchased services	162,931	145,279	
<b>Total</b>	<b>1,253,434</b>	<b>1,303,688*</b>	

The cost of material primarily relates to the input factors consumed, namely pulp (and wood for internal production of pulp), key chemicals (sodium hydroxide, carbon disulfide and sulfuric acid), and merchandise. The cost of other purchased services mainly relates to energy consumed.

## NOTE 10 Personnel expenses

Personnel expenses break down as follows:

Personnel expenses		EUR '000	
	2013	2012	
Wages and salaries	244,744	239,976*	
Severance payment expenses	24,695	6,235	
Retirement benefit expenses	5,545	5,923	
Statutory social security expenses	57,298	53,054	
Other social security expenses	4,753	4,739	
<b>Total</b>	<b>337,034</b>	<b>309,928*</b>	

The increase in the collective wage agreement at the Austrian sites from May 3, 2013 was between 3.2% and 3.3%. Comparable agreements at the subsidiaries led to increases of 3.84% in the UK, 4.0% in the Czech Republic and 4.3% in Indonesia. There were no comparable, generally binding agreements in the other countries. The increase in the collective wage agreement at the Austrian sites from May 1, 2012 was between 4.35% and 4.5%. Comparable agreements at the subsidiaries led to increases of 4.7% in the UK, 2.0% in the Czech Republic and 3.79% in Indonesia. There were no comparable, generally binding agreements in the other countries.

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).

Severance payment expenses chiefly include expenses for the statutory obligations of Lenzing AG and its Austrian subsidiaries towards their employees, as well as voluntary severance payments and severance pay in the course of restructuring (see Note 33).

The number of employees in the Lenzing Group breaks down as follows:

### Number of employees

	2013	2012
Average	6,854	6,739
As of December 31	6,675	7,033

The number of employees at Lenzing AG and the Austrian subsidiaries of the Lenzing Group breaks down as follows:

### Average number of employees in Austria

	2013	2012
Hourly workers	1,813	2,168
Salaried employees	1,187	1,215
<b>Total</b>	<b>3,000</b>	<b>3,383</b>

## NOTE 11

### Amortization of intangible assets and depreciation of property, plant and equipment

The item for amortization of intangible assets and depreciation of property, plant and equipment breaks down as follows:

### Amortization of intangible assets and depreciation of property, plant and equipment

EUR '000

	2013	2012
Depreciation and amortization	115,883	108,207
Impairment	26,220	17,208*
Reversals of impairment losses	0	(954)
<b>Total</b>	<b>142,103</b>	<b>124,461*</b>

In financial year 2013, impairment contains EUR 3,000 thousand (2012: EUR 17,208 thousand) from fair value measurement of non-current assets held for sale less costs to sell (see Note 5). The other impairments and reversals of impairment losses are explained in Notes 19 and 20.

\*) The prior-year figures have been restated due to changes in presentation (see Note 2).

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## NOTE 12 Other operating expenses

Other operating expenses break down as follows:

Other operating expenses	EUR '000	
	2013	2012
Costs to sell	103,563	106,486
Expenses for maintenance, repairs and other third-party services	24,558	35,344
Legal, consulting and audit expenses	12,377	10,262
Insurance expenses	10,410	9,903
Travel expenses	9,135	10,466
Waste disposal expenses	11,833	7,000
Other	52,959	54,543*
<b>Total</b>	<b>224,835</b>	<b>234,005*</b>

Costs to sell mainly include expenses for outgoing freight in the amount of EUR 81,850 thousand (2012: EUR 79,038 thousand) and for commissions and advertising in the amount of EUR 21,714 thousand (2012: EUR 26,854 thousand).

Miscellaneous other operating expenses include rental and lease expenses of EUR 9,474 thousand (2012: EUR 7,437 thousand), foreign currency losses of EUR 8,775 thousand (2012: EUR 12,144 thousand), property tax and similar taxes of EUR 4,552 thousand (2012: EUR 3,785 thousand), expenses for patents and trademarks of EUR 3,516 thousand (2012: EUR 3,681 thousand), expenses for food and drink of EUR 2,964 thousand (2012: EUR 2,767 thousand) and expenses from emission certificates in the amount of EUR 1,947 thousand (2012: EUR 3,368 thousand). In addition, the item comprises losses on the disposal of fixed assets in the amount of EUR 58 thousand (2012: EUR 515 thousand).

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).

## NOTE 13

## Result from restructuring and adjusted consolidated earnings

The result from restructuring and the adjusted consolidated earnings (EBITDA and EBIT before restructuring) break down as follows:

## Adjusted consolidated earnings

EUR '000

2013	EBITDA	EBITDA margin	EBIT	EBIT margin
<b>Group result after restructuring</b>	<b>225,411</b>	<b>11.8%</b>	<b>86,409</b>	<b>4.5%</b>
<b>Adjustment for restructuring in Fibers and Engineering</b>				
<b>Restructuring measures</b>				
Severance payments and settlements for headcount reduction (particularly personnel expenses); see Note 33	19,747	1.0%	19,747	1.0%
Impairment of fixed assets (depreciation); see Notes 19 and 20	0	0.0%	23,104	1.2%
<b>Adjustment for restructuring in Discontinued Operations</b>				
<b>Disposal effects of Business Unit Plastics</b>				
Gain on disposal before taxes (other operating income); see Note 5	(25,865)	(1.4%)	(25,865)	(1.4%)
<b>Liquidation effects of EPG</b>				
Adjustment of provisions due to settlement of payment obligations on liquidation (other operating income/expenses); see Note 5	62	0.0%	62	0.0%
Impairment of fixed assets due to fair value measurement less costs to sell (depreciation); see Note 5	0	0.0%	3,000	0.2%
<b>Result from restructuring</b>	<b>(6,056)</b>	<b>(0.3%)</b>	<b>20,048</b>	<b>1.1%</b>
<b>Group result before restructuring</b>	<b>219,355</b>	<b>11.5%</b>	<b>106,457</b>	<b>5.6%</b>

## Adjusted consolidated earnings (prior year)

EUR '000

2012	EBITDA	EBITDA margin	EBIT	EBIT margin
<b>Group result after restructuring</b>	<b>352,380*</b>	<b>16.9%*</b>	<b>231,508*</b>	<b>11.1%*</b>
<b>Adjustment for restructuring in Discontinued Operations</b>				
<b>Liquidation effects of EPG</b>				
Adjustment of provisions due to settlement of payment obligations on liquidation (other operating income/expenses); see Note 5	6,278	0.3%	6,278	0.3%
Impairment of fixed assets due to fair value measurement less costs to sell (depreciation); see Note 5	0	0.0%	17,208	0.8%
<b>Result from restructuring</b>	<b>6,278</b>	<b>0.3%</b>	<b>23,486</b>	<b>1.1%</b>
<b>Group result before restructuring</b>	<b>358,658*</b>	<b>17.2%*</b>	<b>254,994*</b>	<b>12.2%*</b>

\* The prior-year figures have been restated due to changes in presentation (see Note 2).

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The group results (EBITDA and EBIT) after restructuring shown above equal the earnings (EBITDA and EBIT) according to the consolidated income statement.

## NOTE 14 Income from investments accounted for using the equity method

Income of EUR 3,831 thousand (2012: EUR 5,796 thousand) results from the Group's share in the current earnings of associates and jointly controlled entities.

## NOTE 15 Income from non-current and current financial assets

Income from non-current and current financial assets breaks down as follows:

Income from non-current and current financial assets	EUR '000	
	2013	2012
<b>Income from non-current and current financial assets</b>		
Interest income from bank balances, loans and receivables	2,402	4,798
Interest income from available-for-sale securities (Available-for-sale) and other	300	673
Gain on the disposal of available-for-sale securities	33	0
	<b>2,735</b>	<b>5,471</b>
<b>Expenses from non-current and current financial assets</b>		
Interest accruing on loans	(9)	(15)
Loss on the disposal of available-for-sale securities	0	(68)
Net foreign currency losses from financial assets	(2,012)	(655)
	<b>(2,022)</b>	<b>(738)</b>
<b>Total</b>	<b>714</b>	<b>4,733</b>

## NOTE 16 Financing costs

Financing costs break down as follows:

Financing costs	EUR '000	
	2013	2012
Net foreign currency gains/losses from financial liabilities	(5,170)	1,532
Interest expense from bonds and private placements	(5,905)	(5,621)
Interest expense from bank loans, other interest and similar expenses	(20,194)	(19,220)
<b>Total</b>	<b>(31,269)</b>	<b>(23,309)</b>

**NOTE 17** **Income tax expense**

Current income tax expense and income/expense from deferred taxes (changes in deferred tax assets and liabilities) of the companies included in the consolidated financial statements are reported as income tax expense.

Income tax expense breaks down as follows:

**Income tax expense by source** **EUR '000**

	2013	2012
<b>Current income tax expense</b>		
Austria	20,344	24,224
Abroad	403	15,550
	<b>20,747</b>	<b>39,774</b>
<b>Income/expense from deferred taxes</b>	<b>(2,668)</b>	<b>15,344</b>
<b>Total</b>	<b>18,079</b>	<b>55,119</b>

**Income tax expense by cause** **EUR '000**

	2013	2012
<b>Current income tax expense</b>		
Current tax expense for current year	19,976	51,949
Reduction due to use of tax losses	(698)	(174)
Adjustment for prior-period income tax	1,469	(12,001)
	<b>20,747</b>	<b>39,774</b>
<b>Income/expense from deferred taxes</b>		
Formation and reversal of temporary differences	9,173	20,599
Effects of changes in tax rates	(200)	(666)
Change in capitalized loss carryforwards	(5,984)	(4,361)
Effects of previously unrecognized temporary differences from prior periods	(4,416)	1,176
Changes in valuation allowances relating to temporary differences (without loss carry forwards)	(1,241)	(1,403)
	<b>(2,668)</b>	<b>15,344</b>
<b>Total</b>	<b>18,079</b>	<b>55,119</b>

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The reconciliation from the calculated income tax expense in line with the Austrian corporation tax rate of 25% (December 31, 2012: 25%) to the effective income tax expense is as follows:

Tax reconciliation	EUR '000	
	2013	2012
<b>Earnings before tax</b>	<b>68,113</b>	<b>236,043</b>
Calculated income tax expense (25% of earnings before tax)	17,028	59,011
Tax-free income and tax allowances (particularly research allowance)	(1,033)	(2,507)
Non-deductible expenses and withholding taxes	3,234	6,034
Income from investments accounted for using the equity method	(958)	(1,449)
Effect of different tax rates	389	(153)
Changes of tax rates	(202)	(666)
Tax income from prior periods	(2,947)	(10,825)
Exchange rate differences due to the translation of deferred tax items from local into functional currency	8,816	2,470
Change in unrecognized deferred tax assets from loss carryforwards and other temporary differences	(4,195)	7,892
Tax portion of puttable non-controlling interests	(2,107)	(4,329)
Other	53	(360)
<b>Effective income tax expense</b>	<b>18,079</b>	<b>55,119</b>

This corresponds to an average tax rate of 26.5% (2012: 23.4%).

The item „Tax income from prior periods“ includes a tax credit of EUR 1,773 thousand (2012: EUR 10,115 thousand) from the tax group with B & C Industrieholding GmbH (see also Note 44).

Lenzing AG and the Austrian subsidiaries of the Lenzing Group are subject to an income tax rate of 25% (December 31, 2012: 25%). The income tax rates applied for foreign companies range between 16.5% and 34.0% (December 31, 2012: between 16.5% and 34.0%).

In comparison to the previous financial year, there was a change in the applicable tax rate in the UK from 24% to 23% in 2013. From April 1, 2015 a tax rate of 20% will be applicable there and was already applied for deferred taxes as of December 31, 2013.

The tax returns of the Lenzing Group companies are regularly reviewed by the tax authorities. Taking account of a number of factors, including interpretations, commentaries and legal decisions relating to the respective tax jurisdiction as well as past experience, sufficient provisions have been recognized for possible future tax obligations as far as can be seen.

**NOTE 18 Earnings per share**

Earnings per share are calculated as follows:

<b>Earnings per share</b>	<b>EUR '000</b>	
	<b>2013</b>	<b>2012</b>
Profit for the year attributable to shareholders of Lenzing AG used in the calculation of earnings per share	50,113	175,624
Weighted average number of shares	26,550,000	26,550,000
	<b>EUR</b>	<b>EUR</b>
Diluted = undiluted	1.89	6.61



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

### NOTE 19 Intangible assets

#### Development

Intangible assets developed as follows:

#### Development of intangible assets EUR '000

2013	Goodwill	Concessions, industrial property rights, licenses and similar rights	Internally generated intangible assets	Total
<b>Costs of acquisition and production</b>				
01/01/2013	82,091	17,709	14,396	114,196
Currency translation adjustment	(3,836)	(38)	0	(3,873)
Changes in scope of consolidation*	0	(81)	(946)	(1,027)
Additions	0	780	713	1,492
Disposals	0	(472)	(308)	(780)
Reclassifications	0	0	0	0
Reclassification to assets held for sale and disposal groups	0	0	0	0
31/12/2013	78,255	17,898	13,854	110,007
<b>Development of amortization</b>				
01/01/2013	(124)	(12,357)	(10,736)	(23,218)
Currency translation adjustment	(84)	15	0	(68)
Changes in scope of consolidation*	0	79	934	1,013
Amortization	0	(708)	(359)	(1,067)
Impairment	0	(36)	0	(36)
Reclassifications	0	0	0	0
Reclassification to assets held for sale and disposal groups	0	0	0	0
Disposals	0	472	308	780
Reversals of impairment losses	0	0	0	0
31/12/2013	(208)	(12,535)	(9,853)	(22,597)
Carrying amount 01/01/2013	81,967	5,351	3,660	90,978
<b>Carrying amount 31/12/2013</b>	<b>78,047</b>	<b>5,362</b>	<b>4,001</b>	<b>87,411</b>

\*1 The changes in scope of consolidation relate to disposals of the deconsolidated companies.

## Development of intangible assets (prior year)

EUR '000

2012	Goodwill	Concessions. industrial property rights. licenses and similar rights	Internally generated intangible assets	Total
<b>Costs of acquisition and production</b>				
<b>01/01/2012</b>	<b>83,143</b>	<b>17,699</b>	<b>24,447</b>	<b>125,289</b>
Currency translation adjustment	(1,052)	(5)	0	(1,056)
Changes in scope of consolidation	0	0	0	0
Additions	0	663	2,387	3,050
Disposals	0	(589)	0	(589)
Reclassifications	0	(19)	0	(19)
Reclassification to assets held for sale and disposal groups	0	(41)	(12,438)	(12,479)
<b>31/12/2012</b>	<b>82,091</b>	<b>17,709</b>	<b>14,396</b>	<b>114,196</b>
<b>Development of amortization</b>				
<b>01/01/2012</b>	<b>(122)</b>	<b>(12,302)</b>	<b>(22,792)</b>	<b>(35,216)</b>
Currency translation adjustment	(2)	9	0	6
Changes in scope of consolidation	0	0	0	0
Amortization	0	(653)	(382)	(1,035)
Impairment	0	(5)	0	(5)
Reclassifications	0	0	0	0
Reclassification to assets held for sale and disposal groups	0	41	12,438	12,479
Disposals	0	553	0	553
Reversals of impairment losses	0	0	0	0
<b>31/12/2012</b>	<b>(124)</b>	<b>(12,357)</b>	<b>(10,736)</b>	<b>(23,218)</b>
Carrying amount 01/01/2012	83,021	5,397	1,655	90,072
<b>Carrying amount 31/12/2012</b>	<b>81,967</b>	<b>5,351</b>	<b>3,660</b>	<b>90,978</b>

The additions to internally generated intangible assets shown above in the amount of EUR 713 thousand (2012: EUR 2,387 thousand) relate to additions from internal development. All other additions relate to additions from separate acquisition.

## Research and development expenses

Research and development expenses totaling EUR 24,866 thousand (2012: EUR 18,246 thousand) were incurred in the Lenzing Group in financial year 2013. These research and development expenses are calculated according to IFRS criteria. They comprise costs incurred in connection with the targeted search for new knowledge regarding the development and significant improvement of products, services or processes and in the context of research activities. They do not include investments subject to mandatory capitalization but do include income from reimbursements (particularly subsidies). Research and development expenses are recognized in income from operations (EBIT).

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## Impairment losses and reversals of impairment losses

The impairment tests performed did not show any need for impairment of goodwill and trademark rights with indefinite useful lives in either of the periods presented.

Under other intangible assets, there were impairment losses of EUR 36 thousand (2012: EUR 5 thousand). The impairment loss in financial year 2013 relates to a Chinese production site (refer to Note 20 for details). The impairment loss in financial year 2012 relates to EPG (refer to Note 5 for details).

There were no reversals of impairment losses in either of the periods presented.

## Goodwill and trademark rights with indefinite useful lives

Goodwill and trademark rights with indefinite useful lives are allocated to the following segments/cash-generating units (CGUs) as of the reporting date:

### Goodwill and trademark rights with indefinite useful lives by segment/CGU

EUR '000

	31/12/2013	31/12/2012
<b>Segment Fibers</b>		
CGU Fiber Site Indonesia	64,931	67,852
CGU Pulp Site Czech Republic	9,611	10,503
Other	3,283	3,389
	<b>77,825</b>	<b>81,744</b>
Segment Other*	3,313	3,313
<b>Total</b>	<b>81,137</b>	<b>85,057</b>

In the table above, the Segment Other includes trademark rights with indefinite useful lives in the amount of EUR 3,090 thousand as of the reporting date (December 31, 2012: EUR 3,090 thousand). No changes in the value of these trademark rights have been recognized, meaning that their carrying amount corresponds to cost. These trademark rights are classified as having indefinite useful lives because there is currently no foreseeable end to their economic use. The other amounts relate entirely to goodwill.

The recoverable amount for the largest CGUs to which goodwill has been allocated – the Indonesia Fiber Site CGU and the Czech Republic Pulp Site CGU – is determined on the basis of the fair value less costs to sell using a discounted cash flow method. Fair value measurement is classified in full in Level 3 of the fair value hierarchy, since key input factors (particularly cash flows) cannot be observed on the market. The fundamental methods and assumptions used for

\*1 Operated as separate Segment Plastics Products until December 31, 2012

this are described in Note 3 in the section on „Impairments“. The following individual assumptions are also relevant to the Indonesia Fiber Site CGU and the Czech Republic Pulp Site CGU:

### Assumptions for impairment test of the largest CGUs to which goodwill has been allocated (financial year 2013)

<b>CGU Fiber Site Indonesia</b>	
Cash flow planning/forecast period	6 years
Long-term growth rate of perpetuals	1.1%
Discount rate (WACC)	11.7%
<b>CGU Pulp Site Czech Republic</b>	
Cash flow planning/forecast period	4 years
Long-term growth rate of perpetuals	1.0%
Discount rate (WACC)	9.1%

### Assumptions for impairment test of the largest CGUs to which goodwill has been allocated (financial year 2012)

<b>CGU Fiber Site Indonesia</b>	
Cash flow planning/forecast period	6 years
Long-term growth rate of perpetuals	3.1%
Discount rate (WACC)	14.0%
<b>CGU Pulp Site Czech Republic</b>	
Cash flow planning/forecast period	4 years
Long-term growth rate of perpetuals	1.1%
Discount rate (WACC)	9.0%

Planning and projections of free cash flows of the Indonesia Fiber Site CGU are based in particular on internal assumptions with regard to anticipated future sales prices and volumes as well as fiber production volumes and the costs required for this (particularly for pulp and energy), taking into account the expected market environment and market positioning. They anticipate average sales growth of 3.3% p.a. in the planning period (2012: 7.1% p.a.). These internal assumptions are supplemented by external market assumptions.

Planning and projections of free cash flows of the Czech Republic Pulp Site CGU are based in particular on internal assumptions with regard to anticipated future sales prices and volumes as well as pulp production volumes and the costs required for this (particularly for wood and energy), taking into account the expected market environment and market positioning. They anticipate average sales growth of 1.4% p.a. in the planning period (2012: 7.1% p.a.).

The estimates made for the fair value less costs to sell of the Indonesia Fiber Site CGU and the Czech Republic Pulp Site CGU are considered appropriate. However, corrections may be required in the event of changes in assumptions or circumstances. As part of a sensitivity

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analysis, the following table shows hypothetical scenarios for the key assumptions and the possible changes in value as of the reporting date for which, if they occurred, the recoverable amount would be equal to the carrying amount of the CGU plus goodwill.

## Assumptions for impairment test of the largest CGUs to which goodwill has been allocated

	Values relating to key assumptions	Change in values relating to key assumptions for which the recoverable amount would be equal to the carrying amount
<b>CGU Fiber Site Indonesia</b>		
Free Cash Flow	100%	minus 10.1%
Long-term growth rate of perpetuals	1.1%	minus 2.4 percentage points
Discount rate (WACC)	11.7%	plus 1.2 percentage points
<b>CGU Pulp Site Czech Republic</b>		
Free Cash Flow	100%	minus 7.6%
Long-term growth rate of perpetuals	1.0%	minus 1.0 percentage points
Discount rate (WACC)	9.1%	plus 0.8 percentage points

## Sensitivity analysis of assumptions for impairment test of the largest CGUs to which goodwill has been allocated (prior year)

	Values relating to key assumptions	Change in values relating to key assumptions for which the recoverable amount would be equal to the carrying amount
<b>CGU Fiber Site Indonesia</b>		
Free Cash Flow	100%	minus 19.0%
Long-term growth rate of perpetuals	3.1%	minus 4.1 percentage points
Discount rate (WACC)	14.0%	plus 2.1 percentage points
<b>CGU Pulp Site Czech Republic</b>		
Free Cash Flow	100%	minus 15.3%
Long-term growth rate of perpetuals	1.1%	minus 1.5 percentage points
Discount rate (WACC)	9.0%	plus 1.1 percentage points

## NOTE 20 Property, plant and equipment

### Development

Property, plant and equipment developed as follows:

### Development of property, plant and equipment EUR '000

	Land and buildings	Technical equipment and machinery, factory and office equipment	Advance payments and assets under construction	Total
<b>2013</b>				
<b>Costs of acquisition and production</b>				
<b>01/01/2013</b>	<b>395,566</b>	<b>2,005,323</b>	<b>197,046</b>	<b>2,597,935</b>
Currency translation adjustment	(9,583)	(27,057)	(8,205)	(44,844)
Changes in scope of consolidation*	0	(65,660)	(243)	(65,903)
Additions	15,603	91,716	137,713	245,032
Disposals	(884)	(16,867)	(200)	(17,951)
Reclassification	27,634	84,022	(111,656)	0
Reclassification to assets held for sale and disposal groups	0	0	0	0
<b>31/12/2013</b>	<b>428,337</b>	<b>2,071,477</b>	<b>214,455</b>	<b>2,714,269</b>
<b>Development of depreciation</b>				
<b>01/01/2013</b>	<b>(181,468)</b>	<b>(1,141,311)</b>	<b>13</b>	<b>(1,322,766)</b>
Currency translation adjustment	1,674	10,261	(30)	11,904
Changes in scope of consolidation*	0	41,239	0	41,239
Depreciation	(13,087)	(101,729)	0	(114,815)
Impairments	(5,413)	(14,336)	(3,435)	(23,184)
Reclassifications	0	0	0	0
Reclassification to assets held for sale and disposal group	0	0	0	0
Disposals	863	16,798	200	17,862
Reversals of impairment losses	0	0	0	0
<b>31/12/2013</b>	<b>(197,430)</b>	<b>(1,189,078)</b>	<b>(3,251)</b>	<b>(1,389,760)</b>
Carrying amount 01/01/2013	214,098	864,012	197,059	1,275,169
<b>Carrying amount 31/12/2013</b>	<b>230,906</b>	<b>882,399</b>	<b>211,204</b>	<b>1,324,509</b>

\*1 The changes in scope of consolidation relate to disposals of the deconsolidated companies.

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## Development of property, plant and equipment (prior year)

EUR '000

	Land and buildings	Technical equipment and machinery, factory and office equipment	Advance payments and assets under construction	Total
<b>2012</b>				
<b>Costs of acquisition and production</b>				
<b>01/01/2012</b>	<b>371,167</b>	<b>1,844,978</b>	<b>122,073</b>	<b>2,338,218</b>
Currency translation adjustment	(808)	(4,091)	(2,220)	(7,118)
Changes in scope of consolidation	0	0	0	0
Additions	8,791	91,548	216,251	316,590
Disposals	(455)	(13,757)	0	(14,212)
Reclassifications	20,058	119,019	(139,058)	19
Reclassification to assets held for sale and disposal groups	(3,188)	(32,374)	0	(35,562)
<b>31/12/2012</b>	<b>395,566</b>	<b>2,005,323</b>	<b>197,046</b>	<b>2,597,935</b>
<b>Development of depreciation</b>				
<b>01/01/2012</b>	<b>(172,410)</b>	<b>(1,074,585)</b>	<b>473</b>	<b>(1,246,521)</b>
Currency translation adjustment	(124)	1,892	(460)	1,309
Changes in scope of consolidation	0	0	0	0
Depreciation	(12,201)	(94,971)	0	(107,172)
Impairment	(0)	(17,204)	0	(17,204)
Reclassifications	1	(1)	0	0
Reclassification to assets held for sale and disposal groups	3,188	29,374	0	32,562
Disposals	78	13,228	0	13,306
Reversals of impairment losses	0	954	0	954
<b>31/12/2012</b>	<b>(181,468)</b>	<b>(1,141,311)</b>	<b>13</b>	<b>(1,322,766)</b>
Carrying amount 01/01/2012	198,757	770,393	122,547	1,091,697
<b>Carrying amount 31/12/2012</b>	<b>214,098</b>	<b>864,012</b>	<b>197,059</b>	<b>1,275,169</b>

## Pledges of property, plant and equipment and other physical security or restrictions on title encumbering property, plant and equipment

Property, plant and equipment also includes assets from finance leases (see Note 42).

In addition, there is physical security in the form of property, plant and equipment for loans borrowed by the Group. Please refer to the information in Note 31. The carrying amount of property, plant and equipment pledged to secure financial liabilities is EUR 253,664 thousand (December 31, 2012: EUR 258,517 thousand).

### Capitalization of borrowing costs

In financial year 2013, borrowing costs for property, plant and equipment were capitalized in the amount of EUR 4,941 thousand (2012: EUR 3,171 thousand), using a borrowing cost rate of 2.6% to 3.0% (2012: 2.2% to 3.0%).

### Impairment losses and reversals of impairment losses

Based on the impairment tests performed, impairment losses relating to property, plant and equipment in the amount of EUR 23,184 thousand (2012: EUR 17,204 thousand) are recognized under "Amortization of intangible assets and depreciation of property, plant and equipment" and in the fixed assets schedule above.

In financial year 2013, EUR 19,633 thousand of the impairment of property, plant and equipment related to an Chinese production site in Segment Fibers with EUR 5,413 thousand of this impairment relating to land and buildings and EUR 14,220 thousand relating to technical equipment and machinery (particularly fiber production facilities) as well as factory and office equipment. The impairment losses are required as a result of reduced economic performance.

The recoverable amount of the Chinese production site is EUR 57,028 thousand as of December 31, 2013 (EUR 91,471 thousand as of December 31, 2012). The recoverable amount is determined on the basis of the fair value less costs to sell using a discounted cash flow method. Fair value measurement is classified in full in Level 3 of the fair value hierarchy, since key input factors (particularly cash flows) cannot be observed on the market. The fundamental methods and assumptions used for this correspond analogously to those used to determine the fair value less costs to sell of cash-generating units to which goodwill has been allocated, and are described in Note 3 in the section on „Impairments“. The following individual assumptions are also relevant to this Chinese production site:

#### Assumptions for impairment test of the Chinese production site (financial year 2013)

Cash flow planning/forecast period	6 years
Long-term growth rate of perpetuals	1.9%
Discount rate (WACC)	10.8%

#### Assumptions for impairment test of the Chinese production site (financial year 2012)

Cash flow planning/forecast period	6 years
Long-term growth rate of perpetuals	2.1%
Discount rate (WACC)	10.6%

Planning and projections of free cash flows of the Chinese production site are based in particular on internal assumptions with regard to anticipated future sales prices and volumes as well as fiber production volumes and the costs required for this (particularly for pulp and energy), taking into account the expected market environment and market positioning. They anticipate average sales growth of 4.6% p.a. in the planning period (2012: 11.6% p.a.).



# CONSOLIDATED FINANCIAL STATEMENTS 2013

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Other impairment of property, plant and equipment in financial year 2013 primarily consists of impairment of EUR 3,435 thousand on assets under construction at an Indian site in Segment Fibers. The impairment losses are required due to further delay of the investments originally planned. The recoverable amount is EUR 7,166 thousand as of December 31, 2013 (EUR 33,387 thousand as of December 31, 2012) and is estimated by internal experts based on fair value less costs to sell from estimated disposal possibilities that are, to some extent, not observable on the market. Fair value measurement is therefore classified in full in Level 3 of the fair value hierarchy.

In addition, there were impairment losses of another EUR 116 thousand on machinery in the Segment Fibers in financial year 2013. These were required due to technical and commercial obsolescence.

No reversals of impairment losses on property, plant and equipment were recognized in financial year 2013. In financial year 2012, reversals of impairment losses on property, plant and equipment amounting to EUR 954 thousand were recognized under "Amortization of intangible assets and depreciation of property, plant and equipment". The reversals of impairment losses on property, plant and equipment in financial year 2012 related to technical equipment and machinery at an Austrian production site in Segment Fibers. They were required due to the increased economic performance of previously impaired items of property, plant and equipment and adjustments of acquisition costs. The recoverable amount is EUR 1,000 thousand as of December 31, 2013 and is estimated by internal experts based on fair value less costs to sell from estimated disposal possibilities that are not observable on the market. Fair value measurement is therefore classified in full in Level 3 of the fair value hierarchy.

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## NOTE 21

## Investments accounted for using the equity method

Investments accounted for using the equity method break down as follows:

**Carrying amounts of investments accounted for using the equity method**

EUR '000

	31/12/2013	31/12/2012
<b>Associates</b>		
EQUI-Fibres Beteiligungsgesellschaft mbH (EFB)	33,755	30,188
Lenzing Papier GmbH (LPP)	0	0
PT Pura Golden Lion (PGL)	3,386	3,632
WWE Wohn- und Wirtschaftspark Entwicklungsgesellschaft m.b.H. (WWE)	726	728
Gemeinnützige Siedlungsgesellschaft m.b.H. (GSG)	1,154	1,150*
<b>Jointly controlled entities</b>		
RVL Reststoffverwertung Lenzing GmbH (RVL)	37	37
Wood Paskov s.r.o. (LWP)	25	26
LKF Tekstil Boya Sanayi ve Tikaret A.S. (LKF)	0	0
<b>Total</b>	<b>39,083</b>	<b>35,761*</b>

These investments developed as follows:

**Development of the carrying amounts of investments accounted for using the equity method**

EUR '000

	2013	2012
As of January 1	35,761	31,439*
Income from investments accounted for using the equity method	3,831	5,796
Share of other comprehensive income from investments accounted for using the equity method	(25)	(592)
Currency translation adjustment	(443)	(107)
Distributions	(40)	(775)
<b>As of December 31</b>	<b>39,083</b>	<b>35,761*</b>

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).

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The financial position and financial performance of these investments is as follows (100% in each case, i.e. not adjusted in line with the ownership interests held by the Lenzing Group):

## Aggregated key earnings and balance sheet figures for investments accounted for using the equity method

EUR '000

	EFB	LPP <sup>1</sup>	RVL	GSG <sup>2</sup>	PGL	LWP	WWE	LKF <sup>1</sup>
<b>2013</b>								
Income (operating)	211,080	75,575	11,517	0	0	328	4	431
Thereof sales	180,231	70,492	11,511	0	0	271	0	0
Expenses (operating)	(201,241)	(74,798)	(11,515)	0	(24)	(316)	(9)	(422)
Profit/loss for the year	6,095	295	1	0	706	1	(8)	9
<b>31/12/2013</b>								
Non-current assets	78,267	8,285	0	0	2,395	16	0	1
Current assets	57,368	20,667	152	0	1,503	150	2,995	1,962
Non-current liabilities	20,905	7,243	0	0	0	13	0	0
Current liabilities	40,794	17,427	78	0	23	109	92	1,869
Government grants	1,075	9	0	0	0	0	0	0
Equity	72,862	4,272	74	0	3,874	42	2,903	94

## Aggregated key earnings and balance sheet figures for investments accounted for using the equity method (prior year)

EUR '000

	EFB	LPP	RVL	GSG	PGL	LWP	WWE	LKF
<b>2012</b>								
Income (operating)	202,270	74,208	11,996	18,319	0	407	4	197
Thereof sales	181,041	73,522	11,992	13,460	0	339	0	0
Expenses (operating)	(184,370)	(73,154)	(11,994)	(16,718)	(34)	(393)	(22)	(243)
Profit/loss for the year	9,904	1,037	1	1,637	3,329	11	(20)	(46)
<b>31/12/2012</b>								
Non-current assets	71,884	8,566	0	137,926	2,604	27	0	1
Current assets	61,022	20,545	79	13,052	1,724	146	2,995	2,011
Non-current liabilities	21,860	7,717	0	115,847	0	22	0	0
Current liabilities	41,895	17,349	6	10,339	109	106	84	1,906
Government grants	2,328	11	0	0	0	0	0	0
Equity	66,823	4,034	73	24,791	4,219	45	2,911	107

<sup>1</sup>) Preliminary figures    <sup>2</sup>) Not available by the time these consolidated financial statements were prepared

**NOTE 22 Financial assets**

Financial assets break down as follows:

Financial assets	EUR '000	
	31/12/2013	31/12/2012
Non-current securities	14,632	53,828
Other investments	1,064	19
Loans	7,480	2,221
<b>Total</b>	<b>23,176</b>	<b>56,068</b>

Non-current securities are measured at their current quoted prices or other market prices (particularly notional values for investment funds) and break down as follows:

Non-current securities by asset class		EUR '000	
2013	Market value 31/12	Average effective interest rate in %	Income for the financial year
Government bonds	6,563		
Bonds from other issuers	100		
Other securities and book-entry securities	7,969		
<b>Total</b>	<b>14,632</b>	<b>0.94</b>	<b>556</b>

Non-current securities by asset class (prior year)		EUR '000	
2012	Market value 31/12	Average effective interest rate in %	Income for the financial year
Government bonds	27,160		
Bonds from other issuers	18,690		
Other securities and book-entry securities*	7,979		
<b>Total</b>	<b>53,828</b>	<b>2.38</b>	<b>1,019</b>

Government bonds mainly comprise bonds issued by the Republic of Germany, in the amount of EUR 2,386 thousand (December 31, 2012: EUR 12,154 thousand), by the Republic of France, in the amount of EUR 1,864 thousand (December 31, 2012: EUR 1,879 thousand), and bonds issued by the Republic of Austria, in the amount of EUR 1 thousand (December 31, 2012: EUR 10,800 thousand). Under bonds from other issuers, EUR 100 thousand (December 31, 2012: EUR 2,124 thousand) relates to bank bonds and EUR 0 thousand (December 31, 2012: EUR 16,257 thousand) to corporate bonds. Other securities and book-entry securities chiefly relate to shares.

\* Without investments

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Other investments as of December 31, 2013 mainly include the investment in LP Beteiligungs & Management GmbH, Linz, in the amount of EUR 1,050 thousand.

Loans totaling EUR 7,480 thousand (December 31, 2012: EUR 2,221 thousand) relate entirely to loans to third parties.

## NOTE 23 Other non-current assets

Other non-current assets break down as follows:

Other non-current assets	EUR '000	
	31/12/2013	31/12/2012
<b>Other non-current financial assets</b>		
Share held in a non-consolidated company	0	0*
Derivatives not yet settled (open positions)	231	162
Non-current receivables	3,612	1,731
	<b>3,843</b>	<b>1,892*</b>
<b>Other non-current assets (non-financial)</b>		
Other tax receivables	900	5,330*
Deferred income	430	221
	<b>1,330</b>	<b>5,551*</b>
<b>Total</b>	<b>5,173</b>	<b>7,443*</b>

## NOTE 24 Inventories

Inventories break down as follows:

Inventories	EUR '000	
	31/12/2013	31/12/2012
Raw materials and supplies	199,996	188,552
Work in progress	4,591	10,332
Finished goods and merchandise	103,525	98,919
Down payments	3,371	1,776
<b>Total</b>	<b>311,483</b>	<b>299,580</b>

\* The prior-year figures have been restated due to changes in presentation (see Note 2).

Raw materials and supplies primarily include beechwood for pulp production, pulp and chemicals for cellulose fiber production and various incidentals.

Finished goods and work in progress include Lenzing Viscose®, Lenzing Modal® (including Lenzing FR®) and TENCEL® cellulose fibers, sodium sulfate, acetic acid, furfural and plastic products, as well as products of the Segment Engineering.

In financial year 2013, write-downs on inventories were recognized in profit or loss in the amount of EUR 8,959 thousand (2012: EUR 1,585 thousand). The carrying amount of inventories carried at net realizable value is EUR 215,417 thousand (December 31, 2012: EUR 146,853 thousand). Expenses for inventories are mainly recognized in cost of material. Inventories recognized as cost of material in the reporting period amount to EUR 1,090,503 thousand (2012: EUR 1,158,410 thousand).

The carrying amount of inventories pledged to secure financial liabilities is EUR 78,279 thousand (December 31, 2012: EUR 66,610 thousand).

**NOTE 25****Trade receivables**

Trade receivables break down as follows:

<b>Trade receivables</b>	<b>EUR '000</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
Trade receivables (gross)	266,395	272,373
Bad debt provisions	(7,554)	(7,857)
<b>Total</b>	<b>258,841</b>	<b>264,516</b>

The carrying amount of receivables pledged to secure financial liabilities or assigned as collateral is EUR 0 thousand (December 31, 2012: EUR 0 thousand).

Further information on trade receivables can be found in Note 41 (section on „Credit risk“).

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## NOTE 26 Construction contracts

Construction contracts	EUR '000	
	31/12/2013	31/12/2012
Contract costs incurred by the reporting date	1,954	4,413
Profits accrued by the reporting date	175	806
Losses incurred by the reporting date	(30)	(147)
<b>Balance from contract manufacturing (gross)</b>	<b>2,099</b>	<b>5,072</b>
Less advance payments received (total)	(1,058)	(3,399)
<b>Balance from contract manufacturing (net)</b>	<b>1,042</b>	<b>1,673</b>
Thereof gross amount due from customers for contract work (trade receivables)	1,809	3,012
Thereof gross amount due to customers for contract work (trade payables)	(767)	(1,338)
Retentions included therein	0	0
Provisions for onerous contracts relating to construction contracts	0	0

Revenue of EUR 23,325 thousand (2012: EUR 26,321 thousand) was generated from long-term construction contracts in financial year 2013.

## NOTE 27 Other current assets

Other current assets break down as follows:

Other current assets	EUR '000	
	31/12/2013	31/12/2012
<b>Other current financial assets</b>		
Derivatives settled (closed positions) and prepayments	0	2,081
Derivatives not yet settled (open positions)	6,068	5,538
Puttable non-controlling interests	0	12,601
Creditors with debit balances	2,155	1,921
Offset maintenance	3,200	5,000
Insurance compensation	0	529
Other	7,696	5,390
<b>Carrying amount 31/12</b>	<b>19,119</b>	<b>33,058</b>
<b>Other current assets (non-financial)</b>		
Receivables from other taxes	36,447	42,012
Advance payments	2,954	5,693
Emission certificates	1,624	4,477
Deferred income	2,760	3,142
Other	66	531
<b>Carrying amount 31/12</b>	<b>43,851</b>	<b>55,856</b>
<b>Total</b>	<b>62,970</b>	<b>88,914</b>

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**NOTE 28** **Current securities**


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There were no current securities on both reporting dates presented in these financial statements.

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**NOTE 29** **Equity**


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### Consolidated Statement of Changes in Equity

The amount of and changes in Group equity are presented in the consolidated statement of changes in equity.

### Share capital and capital reserves

The share capital of Lenzing AG amounts to EUR 27,574,071.43 as of December 31, 2013 (December 31, 2012: EUR 27,574,071.43) and is divided into 26,550,000 no-par-value shares (December 31, 2012: 26,550,000). The proportion of the share capital attributable to one share amounts to roughly EUR 1.04. Each ordinary share represents an equal interest in the capital and conveys the same rights and obligations, particularly the right to a resolved dividend and the right to vote at the Annual General Meeting. The issuing amount of the shares is fully paid up. No other classes of shares have been issued.

By resolution of the General Meeting on December 10, 2010, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the share capital by a maximum of EUR 13,358,625.00 (equivalent to 12,862,500 shares or 50% of the share capital as of December 31, 2010) within five years – possibly in tranches – in exchange for cash contributions and contributions in kind („authorized capital“).

Effective June 17, 2011 (the first trading day of the new shares), Lenzing AG implemented a capital increase as authorized in the extraordinary General Meeting on December 10, 2010. A total of 825,000 new shares were issued. The share capital was fully paid up.

In addition, the Management Board was authorized by resolution of the General Meeting on December 10, 2010, subject to the approval of the Supervisory Board, to issue convertible bonds granting a subscription right or specifying a conversion obligation for up to 12,862,500 ordinary shares (equivalent to 50% of the share capital as of December 31, 2010) by no later than December 9, 2015 („contingent capital“).

After the implementation of the capital increase in financial year 2011, the number of new shares to be issued and convertible bonds decreased to 12,037,500.

The capital reserves constitute restricted reserves of Lenzing AG that may only be used to offset an accumulated loss of Lenzing AG. They were recognized based on the inflow of funds that Lenzing AG received from the shareholders above and beyond the share capital.

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## Other reserves

Other reserves include all accumulated other comprehensive income and consist of the foreign currency translation reserve, the reserve for available-for-sale financial assets, the hedging reserve and actuarial gains/losses. The foreign currency translation reserve comprises all exchange rate differences resulting from the translation of annual financial statements of consolidated subsidiaries prepared in foreign currencies into the group currency (euro). The reserve for available-for-sale financial assets consists of measurements recognized directly in equity from the assets concerned, less deferred taxes. The hedging reserve comprises the effective portion of cash flow hedges until the hedged items are recognized in profit or loss, less deferred taxes. Actuarial gains/losses comprise the effects recognized directly in equity from the measurement of pensions and similar obligations, less deferred taxes.

The amounts attributable to components of other comprehensive income for the financial year break down as follows:

	2013			2012		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Currency translation	(32,475)	467	(32,008)	(4,236)	0	(4,236)
Remeasurement of available-for-sale financial assets	(230)	58	(173)	494	(124)	371
Cash flow hedge	(1,568)	262	(1,306)	24,819	(5,901)	18,918
Actuarial effects from defined benefit plans	(1,369)	367	(1,002)	(16,325)	4,079	(12,246)
Share of other comprehensive income of investments accounted for using the equity method	(25)	0	(25)	(592)	0	(592)
	<b>(35,668)</b>	<b>1,154</b>	<b>(34,513)</b>	<b>4,160</b>	<b>(1,946)</b>	<b>2,214</b>

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

<b>Changes in the hedging reserve</b>	<b>EUR '000</b>	
	<b>2013</b>	<b>2012</b>
<b>Gains/losses recognized in the reporting period from the valuation of cash flow hedges</b>		
From gas swaps	1,191	503
From forward foreign exchange contracts	806	7,554
From other derivatives	0	0
	<b>1,997</b>	<b>8,057</b>
<b>Reclassification to profit or loss of amounts relating to cash flow hedges</b>		
From gas swaps	(545)	630
From forward foreign exchange contracts	(3,206)	15,946
From other derivatives	185	185
	<b>(3,565)</b>	<b>16,762</b>
<b>Total</b>	<b>(1,568)</b>	<b>24,819</b>

The above amounts from the reclassification to profit or loss of cash flow hedges from gas swaps are reported under cost of material. The above amounts from the reclassification to profit or loss of cash flow hedges from forward foreign exchange contracts are mainly reported under sales in earnings before interest and taxes (EBIT). The above amounts from the reclassification to profit or loss of cash flow hedges from other derivatives are reported under financing costs in the financial result.

### Retained earnings

Retained earnings break down as follows:

<b>Retained earnings</b>	<b>EUR '000</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
Unappropriated revenue reserves of Lenzing AG	257,447	257,447
Accumulated profits of Lenzing AG under Austrian law (Austrian Commercial Code - öUGB)	151,217	147,111
Retained earnings of the subsidiaries including the effect of adjusting the financial statements of Lenzing AG and its subsidiaries from local regulations to IFRS	541,726	548,703
<b>Total (not including other reserves)</b>	<b>950,390</b>	<b>953,261</b>

The unappropriated revenue reserves of Lenzing AG can be released at any time and distributed to the shareholders as part of the accumulated profits.

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Under Austrian law, dividends can only be distributed from the accumulated profits according to the approved annual financial statements of the parent company pursuant to the Austrian Commercial Code (öUGB).

The following dividends were resolved and paid out to the shareholders of Lenzing AG:

<b>Dividends of Lenzing AG resolved and paid</b>	<b>Total</b>	<b>Number of shares</b>	<b>Dividend per share</b>
	<b>EUR '000</b>		<b>EUR</b>
Dividend for the financial year 2012 resolved at the Annual General Meeting on April 24, 2013 (payment April 30, 2013)	53,100	26,550,000	2.00
Dividend for the financial year 2011 resolved at the Annual General Meeting on April 19, 2012 (payment April 25, 2012)	66,375	26,550,000	2.50

The Management Board makes the following proposal for the appropriation of the accumulated profits for 2013 in the annual financial statements of Lenzing AG pursuant to the öUGB:

<b>Proposal on the appropriation of the accumulated profits for 2013</b>	<b>EUR '000</b>
Lenzing AG closed financial year 2013 with a profit under Austrian law (öUGB) of	57,206
After adding the profit carried forward from 2012 of	94,011
<b>This results in accumulated profits of</b>	<b>151,217</b>
The Management Board proposes the following appropriation of the accumulated profits:	
Distribution of a dividend in line with an amount of EUR 1,75 per share for the share capital entitled to dividend payments of EUR 27,574,071.43 or 26,550,000 shares	46,463
<b>Amount carried forward to new account</b>	<b>104,754</b>

The dividend from the above proposal is subject to approval by the shareholders at the Annual General Meeting and is therefore recognized in equity as of the reporting date.

The dividends are subject to a capital gains tax deduction of 25%. In the case of individuals with unlimited tax liability, the income tax is thereby settled (final taxation). Corporations with unlimited tax liability that hold at least 10% of the share capital are exempt from capital gains tax. In the case of entities with limited tax liability, the relevant double taxation agreements must also be taken into account.

There are no income tax consequences for Lenzing AG arising from the dividend payments to its shareholders.

## Non-controlling interests

Non-controlling interests comprise the shareholdings of third parties (non-controlling interests) in the Group companies.

Changes in non-controlling interests in subsidiaries already controlled due to changes in ownership interests as a result of the Lenzing Group acquiring shares without losing control are reported in the consolidated statement of changes in equity and had the following effects on non-controlling interests:

<b>Effects of the acquisition of further shares in subsidiaries already controlled</b>	<b>EUR '000</b>	
	<b>2013</b>	<b>2012</b>
Biocel Paskov a.s. (+ 25%)	0	8,591
Lenzing Modi Fibers India Private Limited (+ 0.9%)	0	12
PT. South Pacific Viscose (+ 2.29%)	4,564	0
<b>Decrease in non-controlling interests in equity</b>	<b>4,564</b>	<b>8,603</b>

**NOTE 30****Government grants**

The amount accrued in this item primarily results from grants provided for promoting investments in economically underdeveloped regions and investments in environmental protection and from grants provided for promoting investments in general.

In the reporting period, government grants amounting to EUR 5,053 thousand (2012: EUR 8,604 thousand), mainly resulting from the promotion of research activities, were recognized in profit or loss.

Any conditions attached to these grants were fulfilled, meaning that it is considered unlikely that they will have to be repaid, even just in part.

Government grants also include the fair value of the emission certificates as of December 31, 2013 in the amount of EUR 286 thousand (December 31, 2012: EUR 1,720 thousand). Based on Directive 2003/87/EC of the European Parliament and the European Council on a system for trading greenhouse gas emission certificates, a total of 55,633 emission certificates were allocated free of charge to the relevant companies in the Lenzing Group for 2013 through national allocation plans (2012: 341,780 emission certificates). Emission certificates developed as follows:

<b>Development of emission certificates</b>	<b>Units</b>	
	<b>2013</b>	<b>2012</b>
<b>As of 01/01</b>	<b>541,842</b>	<b>431,703</b>
Allocation for the year	55,633	341,780
Returned for actual emissions in the prior year	(297,207)	(251,641)
Net purchases and sales during the year	13,680	20,000
<b>As of 31/12</b>	<b>313,948</b>	<b>541,842</b>

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As at December 31, 2013, a provision of EUR 144 thousand was set aside to cover the shortfall of emission certificates. As at December 31, 2012, there was no shortfall of emission certificates in the Lenzing Group.

## NOTE 31 Financial liabilities

As of December 31, financial liabilities break down as follows:

Financial liabilities				EUR '000
31/12/2013	Currency	Nominal amount	Carrying amount	Average effective yield in %
<b>Bond</b>				
Fixed interest	EUR	120,000	119,609	3.91
			<b>119,609</b>	
<b>Private placements</b>				
Fixed interest	EUR	139,500	139,049	3.07
Floating-rate interest	EUR	89,500	89,287	1.87
			<b>228,335</b>	
<b>Liabilities to banks</b>				
<b>Loans:</b>				
Fixed interest	EUR	71,073	71,073	3.09
Floating-rate interest	EUR	149,038	148,618	1.40
Floating-rate interest	USD	163,333	117,020	2.54
Floating-rate interest	CNY	110,480	13,222	6.53
<b>Operating loans*:</b>				
Floating-rate interest	USD	19,168	14,090	2.57
Floating-rate interest	CNY	455,000	54,455	6.21
			<b>418,478</b>	
<b>Lease liabilities</b>				
Fixed interest	EUR	1,882	1,882	4.00
			<b>1,882</b>	
<b>Liabilities to other lenders (miscellaneous)</b>				
Fixed interest	EUR	5,075	5,075	1.60
Fixed and floating-rate interest	EUR	25,416	25,416	1.52
Floating-rate interest	USD	2,598	1,885	3.63
			<b>32,376</b>	
<b>Total</b>			<b>800,680</b>	
Thereof current			191,075	
Thereof non-current			609,605	

\*1 Revolving loan agreements and checking accounts

## Financial liabilities (prior year) EUR '000

31/12/2012	Currency	Nominal amount	Carrying amount	Average effective yield in %
<b>Bond</b>				
Fixed interest	EUR	120,000	119,504	3.91
			<b>119,504</b>	
<b>Private placements</b>				
Fixed interest	EUR	120,000	110,112	3.07
Floating-rate interest	EUR	89,500	89,091	1.88
			<b>199,202</b>	
<b>Liabilities to banks</b>				
<b>Loans:</b>				
Fixed interest	EUR	72,384	72,384	3.69
Floating-rate interest	EUR	212,070	211,556	1.72
Floating-rate interest	USD	213,333	159,490	2.79
Floating-rate interest	CNY	170,480	20,747	6.49
<b>Operating loans*:</b>				
Floating-rate interest	CNY	450,000	54,764	6.54
			<b>518,940</b>	
<b>Lease liabilities</b>				
Fixed interest	EUR	1,831	1,831	4.00
			<b>1,831</b>	
<b>Liabilities to other lenders (miscellaneous)</b>				
Fixed interest	EUR	3,152	3,152	1.73
Fixed and floating-rate interest	EUR	30,139	30,139	1.32
Floating-rate interest	EUR	79	79	1.00
Floating-rate interest	USD	3,011	2,283	2.72
			<b>35,654</b>	
<b>Total</b>			<b>875,131</b>	
Thereof current			173,568	
Thereof non-current			701,565	

In financial year 2010, the Lenzing Group issued a seven-year bond with a fixed interest rate of 3.875% and a nominal value of EUR 120,000 thousand. It matures on September 27, 2017.

In financial year 2012, the Lenzing Group issued a private placement with an issue volume of EUR 200,000 thousand. Terms of four and seven years with fixed and floating-rate interest respectively and a term of ten years with fixed interest only were agreed. The average term is around six years. In financial year 2013, the Lenzing Group issued another private placement. The issue volume amounts to EUR 29,000 thousand. A term of five years with fixed interest was agreed. The average effective interest rates of all private placements are shown in the table above.

\*1 Revolving loan agreements and checking accounts

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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 bear floating-rate interest.

Others loans primarily relate to obligations to the Forschungsförderungsfonds der gewerblichen Wirtschaft (Austrian fund for the promotion of research in industry) and the ERP fund and loans from non-controlling shareholders.

Of the reported financial liabilities, EUR 130,003 thousand (December 31, 2012: EUR 176,740 thousand) is collateralized with land charges and other physical security and EUR 0 thousand (December 31, 2012: EUR 0 thousand) is collateralized with receivables. Shares in Biocel Pas-kov a.s. were pledged to finance the purchase price for the interest in this company.

## NOTE 32

### Deferred taxes (deferred tax assets and liabilities)

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

Deferred tax assets	EUR '000	
	31/12/2013	31/12/2012
Intangible assets	12	13
Property, plant and equipment	5,427	348
Financial assets	10,276	3,608
Other assets	4,028	6,635
Provisions	14,124	14,208
Government grants	175	202
Other liabilities	645	1,507
Tax loss carry forwards (thereof tax credits: EUR 133 thousand; 2012: EUR 0 thousand)	15,730	8,673
<b>Gross deferred tax assets - before valuation allowance</b>	<b>50,418</b>	<b>35,194</b>
Valuation allowance on deferred tax assets	(5,254)	(4,224)
Thereof relating to tax loss carryforwards	(5,236)	(3,176)
<b>Gross deferred tax assets</b>	<b>45,164</b>	<b>30,970</b>
Offsettable against deferred tax liabilities	(33,893)	(24,525)
<b>Net deferred tax assets</b>	<b>11,271</b>	<b>6,445</b>

**Deferred tax liabilities****EUR '000**

	<b>31/12/2013</b>	<b>31/12/2012</b>
Intangible assets	1,550	1,513
Property, plant and equipment	60,844	52,561
Financial assets	677	0
Other assets	2,852	466
Special depreciation/amortization for tax purposes	6,087	4,782
Provisions	401	116
Investment grants	256	2,105
Other liabilities	3,024	3,938
<b>Gross deferred tax liabilities</b>	<b>75,690</b>	<b>65,480</b>
Offsettable against deferred tax assets	(33,893)	(24,525)
<b>Net deferred tax liabilities</b>	<b>41,797</b>	<b>40,955</b>

Of the gross deferred tax assets, EUR 11,976 thousand (December 31, 2012: EUR 10,552 thousand) is due within one year. Of the gross deferred tax liabilities, EUR 2,760 thousand (December 31, 2012: EUR 782 thousand) is due within one year. The remaining amounts are due in more than one year.

In 2013, there were deferred tax receivable surpluses from temporary differences and loss carryforwards in the amount of EUR 11,279 thousand (2012: EUR 3,231 thousand) at subsidiaries that generated losses in the past year or the previous year. These were considered to be recoverable, as future taxable profits are expected for these companies.



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Deferred taxes developed as follows:

## Development of deferred taxes

	As of 01/01/2012	Recognized in profit or loss	Recognized in other compre- hensive income
Intangible assets	(950)	(551)	0
Property, plant and equipment	(37,218)	(15,273)	0
Financial assets	4,930	(1,198)	(124)
Other assets	6,096	1,499	(1,387)
Special depreciation/amortization for tax purposes	(4,889)	107	0
Provisions	14,779	(4,572)	4,062
Government grants	(2,079)	177	0
Other liabilities	3,245	(1,213)	(4,493)
Tax loss carryforwards and tax credits	8,957	14,219	0
Valuation allowance	(10,298)	(8,540)	(5)
<b>Total</b>	<b>(17,426)</b>	<b>(15,344)</b>	<b>(1,946)</b>

As of December 31, 2013, there were income tax loss carryforwards of EUR 71,792 thousand in the Group (not including loss carryforwards of the disposal group EPG; December 31, 2012: EUR 38,332 thousand). The existing tax loss carryforwards can be utilized as follows:

Loss carryforwards (measurement basis)	EUR '000	
	31/12/2013	31/12/2012
<b>Total</b>	<b>71,792</b>	<b>38,332</b>
Thereof capitalized loss carryforwards	48,032	24,112
Thereof non-capitalized loss carryforwards	23,760	14,220
<b>Possible expiration of non-capitalized loss carryforwards</b>		
Within 1 year	0	0
Within 2 years	37	0
Within 3 years	35	40
Within 4 years	8,370	38
Within 5 years	2,290	31
Can be carried forward without restrictions	13,029	14,111

EUR '000

Reclassification to assets held for sale and disposal groups	Currency translation adjustment	As of 31/12/2012 = 01/01/2013	Recognized in profit or loss	Recognized in other comprehensive income	Changes in scope of consolidation and other reclassifications	Currency translation adjustment	As of 31/12/2013
0	0	(1,500)	(44)	0	5	2	(1,537)
0	278	(52,213)	(7,867)	0	1,948	2,715	(55,417)
0	0	3,608	8,153	58	(2,219)	0	9,599
0	(38)	6,169	(5,067)	176	(1)	(101)	1,176
0	0	(4,782)	100	0	(1,405)	0	(6,087)
(31)	(145)	14,093	(3)	368	(514)	(220)	13,724
0	(1)	(1,903)	(79)	0	1,910	(9)	(81)
0	30	(2,431)	4	85	0	(37)	(2,379)
(14,707)	204	8,673	8,598	0	0	(1,542)	15,730
14,738	(121)	(4,224)	(1,128)	0	0	98	(5,254)
<b>0</b>	<b>207</b>	<b>(34,510)</b>	<b>2,668</b>	<b>687</b>	<b>(277)</b>	<b>907</b>	<b>(30,526)</b>

In addition to the amounts shown above, the disposal group EPG includes non-capitalized loss carryforwards equivalent to a measurement basis of EUR 49,946 thousand as of December 31, 2012.

There are restrictions with regard to economic utilization of the non-capitalized loss carryforwards. If it had been possible to utilize the loss carryforwards in full, then theoretically the total amount of deferred tax assets from loss carryforwards to be recognized would have been EUR 15,597 thousand (December 31, 2012: EUR 8,673 thousand) rather than EUR 10,361 thousand (December 31, 2012: EUR 5,497 thousand) (2012: not including non-capitalized loss carryforwards of the disposal group EPG).

Under deferred tax assets, the financial assets item includes amounts for outstanding sevenths from tax write-downs on investments in accordance with section 12 para 3 no. 2 of the Austrian Corporation Tax Act (österreichisches Körperschaftsteuergesetz – öKStG) totaling EUR 34,225 thousand (December 31, 2012: EUR 10,254 thousand). Sevenths from write-downs were recognized in the amount of EUR 2,727 thousand in the current year (2012: EUR 3,728 thousand).

No deferred tax liabilities were recognized for temporary differences from investments in subsidiaries, associates and jointly controlled entities held by Group companies in the amount of EUR 148,344 thousand (December 31, 2012: EUR 194,070 thousand), as the temporary differences probably will not reverse in the foreseeable future.

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## NOTE 33 Provisions

The provisions item of the Lenzing Group breaks down as follows:

	Provisions						EUR '000	
	Total		Thereof current		Thereof non-current			
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012		
<b>Provisions for pensions and similar obligations</b>								
Pensions and severance payments	77,364	99,228	4,424	4,257	72,940	94,971		
Jubilee benefits	13,320	13,774	1,139	1,346	12,181	12,429		
	<b>90,684</b>	<b>113,002</b>	<b>5,563</b>	<b>5,602</b>	<b>85,121</b>	<b>107,400</b>		
<b>Other provisions</b>								
Restructuring measures	37,211	0	37,211	0	0	0		
Guarantees and warranties	4,266	12,294	1,766	1,494	2,500	10,800		
Anticipated losses and other risks	25,262	7,918	12,096	3,371	13,166	4,546		
Emission certificates	1,754	2,757	1,754	2,757	0	0		
Other	8,846	21,212	2,846	3,912	6,000	17,300		
	<b>77,338</b>	<b>44,181</b>	<b>55,673</b>	<b>11,535</b>	<b>21,666</b>	<b>32,646</b>		
<b>Accruals</b>								
Staff costs (non-financial)	37,115	37,709	37,115	37,709	0	0		
Other (financial)	28,073	26,798	28,073	26,798	0	0		
	<b>65,187</b>	<b>64,507</b>	<b>65,187</b>	<b>64,507</b>	<b>0</b>	<b>0</b>		
<b>Total</b>	<b>233,210</b>	<b>221,690</b>	<b>126,423</b>	<b>81,644</b>	<b>106,786</b>	<b>140,046</b>		

### 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.

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### Defined benefit plans (for pensions and severance payments)

In the case of defined benefit plans for pensions and severance payments, the benefits are based on the final salary and length of service. They do not require any contributions by the employees.

The defined benefit pension plans are based on contractual obligations.

The Lenzing Group's most significant defined benefit pension plan is in Austria. This defined benefit pension plan 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 years of service. A retirement age of 58 to 63 years is assumed for the beneficiaries, depending on their gender. At present, the plan mainly covers employees who have already retired. In some cases, there are qualifying insurance policies recognized as plan assets and part of obligations are covered by securities that do not qualify as plan assets.

There are also pension plans in Hong Kong and Germany. The defined benefit pension plan in Hong Kong applies to employees who joined the Group before January 1, 2000 and decided to remain in the plan. It is chiefly financed by employer contributions to an external pension fund. The level of the employer contributions is redefined every three years after an evaluation of the plan's financial position. The claims are settled with a lump sum payment immediately on occurrence of the insured event. The defined benefit pension plan in Germany applies to employees who joined the Group before June 1, 2005 and whose pensionable income exceeds the contribution assessment ceiling for statutory pension insurance. The claims arise after a vesting period of five years. There are no assets covering the defined benefit pension plans in Germany; they are financed entirely with provisions.

The defined benefit pension plans in the USA were terminated in financial year 2012. The pension benefits were settled either with lump sum payments made directly to the beneficiaries or by acquiring individual annuities from an external pension fund. Additional contributions of EUR 2,570 thousand were made in financial year 2012 to fully settle the annuities concerned. The resulting expense from settlement of plans amounted to EUR 471 thousand in financial year 2012.

The defined benefit severance plans are based on statutory obligations and obligations under collective agreements.

The Lenzing Group's most significant defined benefit severance plan is in Austria. Under this plan, employees whose employment relationships are subject to Austrian law and started before January 1, 2003 are legally entitled 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 amount of the employee's salary at the time the employment relationship is terminated and on the length of the employment relationship.

There are also significant similar defined benefit severance plans in Indonesia and the Czech Republic. Here they apply to all employees irrespective of when they joined the Group. There are no assets covering the defined benefit severance plans; they are financed entirely with

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provisions.

Parts of the defined benefit severance plans for which provisions were recognized were reclassified to other provisions for restructuring measures in financial year 2013 (see section on „Other provisions and accruals“ below).

The defined benefit pension and severance plans primarily involve the following risks that influence the amount of the obligations to be recognized:

- **Investment risk:** The present value of the obligations and plan assets is calculated using a discount rate derived from high-quality fixed-income corporate bonds (see Note 3). If the return on plan assets falls short of this rate, this 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:** The obligations are measured based on assumed future salary and pension trends. If the actual development is higher than the currently assumed trend, this will result in an increase in the obligations.
- **Personnel turnover and departure risk:** In measuring the obligations, probabilities of departure depending on the length of service are calculated for each country. A decrease in the anticipated personnel turnover rates will result in an increase in the obligations.
- **Longevity risk:** The obligations are calculated taking account of the average life expectancy on the basis of country-specific biometric data. A rise in the life expectancy of the beneficiaries will result in an increase in the obligations.

The Lenzing Group takes various measures to reduce the risks from defined benefit plans. These include in particular financing the defined benefit plans externally with plan assets or covering the obligations with securities that do not qualify as plan assets, and settling existing defined benefit plans with installments. In addition, new defined benefit plans are now only concluded in the form of defined contribution commitments, where possible and legally permissible.

The objectives of the investment policy are to create an optimized composition of the plan assets and ensure that they cover the existing claims of the employees concerned. The investment strategies (asset allocations) for the plan assets are contractually regulated. A reinsurance policy has been concluded for part of the claims from the Austrian pension plan and is shown under plan assets. The policy is a conventional life insurance policy that chiefly invests in debt instruments in line with the maturity profile of the underlying claims with the aim of high investment security. To a lesser extent, the insurance policy's premium reserve fund also includes real property assets and equity instruments. The policy offers a guaranteed minimum return. The Lenzing Group no longer pays contributions to the insurance. The pension fund for covering the defined benefit plans as plan assets in Hong Kong invests with the goal of a medium-term to long-term performance that exceeds the inflation rate. To achieve this goal, it primarily invests in equity instruments. Details of the breakdown of plan assets as of the reporting date can be found in the table further below.

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The main actuarial parameters applied for defined benefit pension and severance plans are as follows:

### Actuarial assumptions for defined benefit pension and severance plans

<b>Discount rate p.a. in %</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Austria - pensions	3.0	3.5
Austria - severance payments	3.3	3.5
Other countries:		
Germany	4.0	3.5
USA	N/A	3.5
Indonesia	9.0	6.0
Hong Kong	2.3	0.6
Czech Republic	3.0	3.2
<b>Salary increases p.a. in %</b>		
Austria - pensions	3.0	3.0
Austria - severance payments	3.0	3.0
Other countries:		
Germany	2.5	2.5
USA	N/A	0.0
Indonesia	8.0	7.5
Hong Kong	5.0	5.5
Czech Republic	3.0	3.0
<b>Pension increases p.a. in %</b>		
Austria - pensions	0.0-3.0	0.0-3.0
Austria - severance payments	N/A	N/A
Other countries:		
Germany	2.0	2.0
USA	N/A	0.0
Indonesia	N/A	N/A
Hong Kong	N/A	N/A
Czech Republic	N/A	N/A
<b>Staff turnover deductions p.a. in %</b>		
Austria - pensions	0.0	0.0
Austria - severance payments	0.0-4.2	0.0-5.2
Other countries:		
Germany	0.0-12.5	0.0-12.5
USA	N/A	N/A
Indonesia	2.0-10.0	2.0-10.0
Hong Kong	0	0
Czech Republic	0	0

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In both financial years, the defined benefit pension plans in Austria were calculated using the biometric data from Pagler & Pagler AVÖ 2008 P – bases for calculating pension insurance for salaried employees. The defined benefit severance plans in Austria were calculated in both financial years using a personnel turnover rate that includes all reasons for departure without entitlement to severance payments.

In the other countries, the following biometric data and assumptions are used:

- **Indonesia:** Indonesia mortality table (Tabel Mortalita Indonesia TMI '99)
- **Germany:** 2005 G actuarial tables (Heubeck)
- **Czech Republic:** AVÖ 2008-P (Pagler & Pagler)
- **Other:** Due to the low number of beneficiaries, no biometric assumptions were made.

The obligations (carrying amounts) from defined benefit pension and severance plans reported in the consolidated statement of financial position break down as follows:

## Carrying amounts from defined benefit pension and severance plans EUR '000

31/12/2013	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
Present value of obligations covered by plan assets (DBO) - gross	27,197	0	1,206	28,403
Fair value of plan assets	(3,648)	0	(1,036)	(4,684)
Present value of obligations covered by plan assets (DBO) - net	23,549	0	170	23,719
Present value of obligations not covered by plan assets (DBO)	0	44,641	9,004	53,646
<b>Amounts recognized in statement of financial position</b>	<b>23,549</b>	<b>44,641</b>	<b>9,174</b>	<b>77,364</b>
Thereof reported under:				
Non-current provisions	21,486	42,378	9,076	72,940
Current provisions	2,063	2,263	98	4,424
<b>Total</b>	<b>23,549</b>	<b>44,641</b>	<b>9,174</b>	<b>77,364</b>

<sup>\*)</sup> The DBO as of December 31, 2012 was adjusted for past service cost as a result of the amendments to IAS 19 (EUR -35 thousand; see Note 2).

### Carrying amounts from defined benefit pension and severance plans (prior year)

EUR '000

31/12/2012	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
Present value of obligations covered by plan assets (DBO) - gross	26,219	0	1,482	27,701
Fair value of plan assets	(3,763)	0	(945)	(4,708)
Present value of obligations covered by plan assets (DBO) - net	22,456	0	537	22,993
Present value of obligations not covered by plan assets (DBO)	0	63,025	13,210 <sup>1</sup>	76,235
<b>Amounts recognized in statement of financial position</b>	<b>22,456</b>	<b>63,025</b>	<b>13,747</b>	<b>99,228</b>
Thereof reported under:				
Non-current provisions	20,438	60,943	13,590	94,971
Current provisions	2,018	2,082	157	4,257
<b>Total</b>	<b>22,456</b>	<b>63,025</b>	<b>13,747</b>	<b>99,228</b>

The net liability (provision) for defined benefit pension and severance plans developed as follows:

### Net liability (provision) for defined benefit pension and severance plans

EUR '000

2013	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
<b>Net liability (provision) as of 01/01</b>	<b>22,456</b>	<b>63,025</b>	<b>13,747<sup>2</sup></b>	<b>99,228</b>
Expense for the period (profit or loss):				
Current service cost	8	2,504	903	3,415
Past service cost	0	0	33	33
Net interest	755	2,094	673	3,521
Administrative and other costs	0	0	1	1
Remeasurement of period (other comprehensive income)	2,233	1,092	(1,957)	1,369
Changes in scope of consolidation	0	(3,593)	0	(3,593)
Obligations assumed	0	0	3	3
Cashflows	(1,903)	(3,926)	(872)	(6,701)
Currency translation adjustment	0	0	(2,440)	(2,440)
Reclassification to other provisions for restructuring measures	0	(16,555)	(917)	(17,472)
<b>Net liability (provision) as of 31/12</b>	<b>23,549</b>	<b>44,641</b>	<b>9,174</b>	<b>77,364</b>

<sup>1</sup> The DBO as of December 31, 2012 was adjusted for past service cost as a result of the amendments to IAS 19 (EUR -35 thousand; see Note 2).

<sup>2</sup> The DBO as of January 1, 2013 was adjusted for past service cost as a result of the amendments to IAS 19 (EUR -35 thousand; see Note 2).



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## Net liability (provision) for defined benefit pension and severance plans (prior year)

EUR '000

2012	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
<b>Net liability (provision) as of 01/01</b>	<b>20,084</b>	<b>53,661</b>	<b>12,202</b>	<b>85,946</b>
Expense for the period (profit or loss):				
Current service cost	6	2,362	858	3,225
Past service cost	0	0	52	52
Expense from settlement of plans	0	0	471	471
Net interest	858	2,346	759	3,963
Administrative and other costs	0	0	1	1
Remeasurement of period (other comprehensive income)	3,482	9,194	3,650	16,326
Obligations assumed	0	0	108	108
Cashflows	(1,974)	(4,537)	(3,510)	(10,021)
Currency translation adjustment	0	0	(803)	(803)
Reclassification of liabilities held for sale and disposal groups	0	0	(41)	(41)
<b>Net liability (provision) as of 31/12</b>	<b>22,456</b>	<b>63,025</b>	<b>13,747*</b>	<b>99,228</b>

The net liability (provision) of the defined benefit pension and severance plans shown above comprises the present value of the pension and severance payment obligation (defined benefit obligation/DBO) less the fair value of the plan assets. These two components of the net liability developed as follows:

\*1) The DBO as of December 31, 2012 was adjusted for past service cost as a result of the amendments to IAS 19 (EUR -35 thousand; see Note 2).

### Present value of the pension and severance payment obligation EUR '000

2013	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
<b>Present value of obligation (DBO) as of 01/01</b>	<b>26,219</b>	<b>63,025</b>	<b>14,692<sup>1</sup></b>	<b>103,936</b>
Changes in scope of consolidation	0	(3,593)	0	(3,593)
Obligations assumed	0	0	3	3
Service cost (profit or loss):				
Current service cost	8	2,504	903	3,415
Past service cost	0	0	33	33
Interest expense (profit or loss)	882	2,094	679	3,654
Cash flows:				
Payments made from the plan	(279)	0	0	(279)
Direct payments from employer	(1,903)	(3,926)	(832)	(6,661)
Settlement payments	0	0	0	0
Remeasurement of period (other comprehensive income):				
Based on demographic assumptions	0	0	0	0
Based on financial assumptions	1,207	1,251	(2,165)	293
Due to experience adjustments	1,064	(159)	295	1,200
Currency translation adjustment	0	0	(2,480)	(2,480)
Reclassification to other provisions for restructuring measures	0	(16,555)	(917)	(17,472)
<b>Present value of obligation (DBO) as of 31/12</b>	<b>27,197</b>	<b>44,641</b>	<b>10,210</b>	<b>82,048</b>

### Present value of the pension and severance payment obligation (prior year) EUR '000

2012	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
<b>Present value of obligation (DBO) as of 01/01</b>	<b>23,960</b>	<b>53,661</b>	<b>15,535<sup>2</sup></b>	<b>93,156</b>
Changes in scope of consolidation	0	0	0	0
Obligations assumed	0	0	108	108
Service cost (profit or loss):				
Current service cost	6	2,362	858	3,225
Past service cost	0	0	52 <sup>2</sup>	52
Expense from settlement of plans	0	0	471	471
Interest expense (profit or loss)	1,034	2,346	878	4,258
Cash flows:				
Payments made from the plan	(277)	0	(154)	(431)
Direct payments of employer	(1,974)	(4,537)	(606)	(7,117)
Settlement payments	0	0	(5,255)	(5,255)
Remeasurement of period (other comprehensive income):				
Based on demographic assumptions	0	0	0	0
Based on financial assumptions	2,186	6,460	2,000	10,646
Due to experience adjustments	1,284	2,734	1,668	5,686
Currency translation adjustment	0	0	(823) <sup>2</sup>	(823)
Reclassification to liabilities held for sale and disposal groups	0	0	(41)	(41)
<b>Present value of obligation (DBO) as of 31/12</b>	<b>26,219</b>	<b>63,025</b>	<b>14,692<sup>2</sup></b>	<b>103,936</b>

<sup>1</sup> The DBO as of January 1, 2013 was adjusted for past service cost as a result of the amendments to IAS 19 (EUR -35 thousand; see Note 2).

<sup>2</sup> The DBO as of December 31, 2012 was adjusted for past service cost as a result of the amendments to IAS 19 (EUR -35 thousand; see Note 2).

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## Fair value of plan assets

EUR '000

2013	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
<b>Fair value of plan assets as of 01/01</b>	<b>3,763</b>	<b>0</b>	<b>945</b>	<b>4,708</b>
Changes in scope of consolidation	0	0	0	0
Interest income (profit or loss)	127	0	6	132
Cash flows:				
Payments made to the plan (employer contributions)	0	0	40	40
Payments made from the plan	(279)	0	0	(279)
Settlement payments	0	0	0	0
Administrative and other costs	0	0	(1)	(1)
Remeasurement of period based on return on plan assets excluding amounts included in interest income (other comprehensive income)	37	0	90	127
Currency translation adjustment	0	0	(43)	(43)
<b>Fair value of plan assets as of 31/12</b>	<b>3,648</b>	<b>0</b>	<b>1,036</b>	<b>4,684</b>

## Fair value of plan assets (prior year)

EUR '000

2012	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
<b>Fair value of plan assets as of 01/01</b>	<b>3,876</b>	<b>0</b>	<b>3,334</b>	<b>7,209</b>
Changes in scope of consolidation	0	0	0	0
Interest income (profit or loss)	176	0	120	295
Cash flows:				
Payments made to the plan (employer contributions)	0	0	2,904	2,904
Payments made from the plan	(277)	0	(154)	(431)
Settlement payments	0	0	(5,255)	(5,255)
Administrative and other costs	0	0	(1)	(1)
Remeasurement of period based on return on plan assets excluding amounts included in interest income (other comprehensive income)	(11)	0	17	6
Currency translation adjustment	0	0	(20)	(20)
<b>Fair value of plan assets as of 31/12</b>	<b>3,763</b>	<b>0</b>	<b>945</b>	<b>4,708</b>

The plan assets break down by asset class as follows:

### Breakdown of plan assets EUR '000

31/12/2013	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
Cash and cash equivalents	0	0	21	21
Equity instruments	0	0	816	816
Debt instruments	0	0	200	200
Insurance policies qualifying as plan assets	3,648	0	0	3,648
<b>Balance</b>	<b>3,648</b>	<b>0</b>	<b>1,036</b>	<b>4,684</b>

### Breakdown of plan assets (prior year) EUR '000

31/12/2012	Pensions in Austria	Severance payments in Austria	Pensions and severance payments in other countries	Total
Cash and cash equivalents	0	0	9	9
Equity instruments	0	0	728	728
Debt instruments	0	0	208	208
Insurance policies qualifying as plan assets	3,763	0	0	3,763
<b>Balance</b>	<b>3,763</b>	<b>0</b>	<b>945</b>	<b>4,708</b>

The fair values of the equity and debt instruments shown above are determined based on price quotations on an active market. The fair value of the insurance policy is not determined on an active market; it corresponds to the cover funds reported in the statement of financial position of the insurance company. The insurance company chiefly invests in debt instruments and, to a lesser extent, in real property assets and equity instruments. The plan assets do not include any financial instruments issued by or assets used by the Lenzing Group. The fair value of cash and cash equivalents corresponds to the nominal value as of the reporting date.

# CONSOLIDATED FINANCIAL STATEMENTS 2013

The actual return on plan assets amounts to EUR 259 thousand (return in 2012: EUR 302 thousand).

Sensitivity analyses are performed for the risk of changes in actuarial parameters for measuring the present value of the obligations from defined benefit plans. The sensitivity analyses show the effects on the present value of the obligations from hypothetical changes in key parameters that could reasonably have changed on the reporting date. This relates to the parameters of discount rates, salary increases and pension increases. In each case, one parameter was changed while the other parameters were kept constant. The sensitivity analyses are performed based on the present values of the obligations as of the reporting date before deducting plan assets (defined benefit obligation/DBO) and before reclassification to other provisions for restructuring measures. The sensitivities of the parameters are as follows as of the reporting dates:

## Sensitivity analysis of the defined benefit pension and severance payment obligations

EUR '000

31/12/2013	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	10,733	(9,176)
Salary increase	1.0	(6,676)	7,647
Pension increase	1.0	(2,387)	2,732

The sensitivity analyses shown above represent hypothetical changes based on the assumptions made. Actual deviations from the assumptions will result in other effects. In particular, the parameters altered on an isolated basis above may correlate with one another in reality. The deduction of plan assets and of the amount reclassified to other provisions for restructuring measures will lead to a further reduction of the effects.

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

### Weighted average terms of the defined benefit pension and severance payment obligations in years

	Years	
	31/12/2013	31/12/2012
Austria - pensions	10	9
Austria - severance payments	10-14	12
Other countries		
Germany	20	22
Indonesia	15	14
Hong Kong	12	11
Czech Republic	9	9

The Lenzing Group expects contributions for the pension and severance plans to amount to EUR 42 thousand in the coming year (2012: EUR 43 thousand).

### 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 Lenzing Group's most significant defined contribution pension and severance plans are in Austria. The defined contribution pension plan in Austria is based on contractual obligations. It applies to all employees who joined the Group after December 31, 1999, with the exception of apprentices, and to employees who joined before this date and decided to change from the defined benefit pension plan to this plan. Starting from the beginning of the employment relationship or from a certain length of service, a certain percentage that depends on the beneficiary's salary is paid into an external pension fund by the employer. Each beneficiary is entitled to make their own contribution, the maximum amount of which is equivalent to the amount that the employer makes for the beneficiary. The claims generally become vested five years after the employer begins paying contributions.

The defined contribution severance plan in Austria is based on statutory obligations („new severance payment system“). Under this plan, the Lenzing Group must pay 1.53% of the gross salary into an employee provision fund in the case of employees whose employment relationships are subject to Austrian law and started after December 31, 2002.

Most of the Lenzing Group's foreign locations also offer defined contribution pension plans, the majority of which are based on contractual obligations and cover almost all employees at the respective locations. Depending on the contractual arrangement, a certain percentage of the beneficiaries' remuneration is paid to an external fund or insurance company. The claims either become vested immediately or have a vesting period of up to several years, depending on the contract.

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Under defined contribution plans, the Lenzing Group's obligation is only to pay agreed contributions into a fund. In this case, actuarial risk and investment risk are chiefly assumed by the employee. Therefore, no provisions or other accruals are recognized after the agreed contributions have been paid.

Expenses for defined contribution plans break down as follows:

Expenses for defined contribution plans	EUR '000	
	2013	2012
Austria - pensions	1,304	1,277
Austria - severance payments	1,113	994
Other countries	1,934	1,754
<b>Total</b>	<b>4,350</b>	<b>4,025</b>

## Provisions for jubilee benefits

On the basis of collective agreement regulations, Lenzing AG and a number of subsidiaries, particularly Austrian, German and Czech subsidiaries, are required to pay jubilee benefits to employees who have been with the company for a certain length of time. These payments are based on the amount of the salary at the time of the relevant employee anniversary and are payable as of the employee anniversary. No assets have been eliminated from the company and no contributions have been made to a pension fund or any other external fund to cover these obligations. They do not require any contributions by the employees.

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

## Actuarial assumptions for the obligations for jubilee benefits

	31/12/2013	31/12/2012
<b>Discount rate p.a. in %</b>		
Austria	3.1	3.5
Germany	3.0	3.5
Czech Republic	3.0	3.5
<b>Salary increases p.a. in %</b>		
Austria	3.0	3.0
Germany	2.5	2.5
Czech Republic	3.0	3.0
<b>Staff turnover deductions p.a. in %</b>		
Austria	1.3-7.0	1.0-7.9
Germany	0.0-12.5	0.0-12.5
Czech Republic	N/A	N/A

In both financial years, the obligations for jubilee benefits in Austria were calculated using a personnel turnover rate that depends on the length of service and includes all reasons for departure. In the other countries, there are country-specific assumptions regarding personnel turnover probabilities and biometric data.

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

<b>Development of the obligation (provision) for jubilee benefits</b>	<b>EUR '000</b>	
	<b>2013</b>	<b>2012</b>
<b>Present value of obligation (DBO) as of 01/01</b>	<b>13,774</b>	<b>12,075</b>
Changes in scope of consolidation	(929)	0
Obligations assumed	0	0
Current service cost (profit or loss)	674	593
Interest expense (profit or loss)	447	524
Remeasurement of period (profit or loss):		
Based on demographic assumptions	0	0
Based on financial assumptions	487	1,154
Due to experience adjustments	148	518
Payments made from the plan	0	0
Direct payments of employer	(1,274)	(1,023)
Currency translation adjustment	(7)	2
Reclassification to liabilities held for sale and disposal groups	0	(69)
<b>Present value of obligation (DBO) as of 31/12</b>	<b>13,320</b>	<b>13,774</b>



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## Other provisions and accruals

Other provisions and accruals developed as follows:

### Development of other provisions and accruals

2013	As of 01/01	Currency translation adjustment	Changes in scope of consolidation	Reclassification to liabilities held for sale, discontinued operations and other reclassifications
<b>Other provisions</b>				
Restructuring measures	0	(8)	0	17,472
Guarantees and warranties	12,294	(1)	(2,187)	0
Anticipated losses and other risks	7,918	(9)	0	0
Emission certificates	2,757	(52)	0	0
Other	21,212	(93)	(953)	0
	<b>44,181</b>	<b>(164)</b>	<b>(3,140)</b>	<b>17,472</b>
<b>Accruals</b>				
Staff costs (non-financial)	37,709	(349)	(2,068)	0
Other (financial)	26,798	(385)	(917)	0
	<b>64,507</b>	<b>(734)</b>	<b>(2,985)</b>	<b>0</b>
<b>Total</b>	<b>108,688</b>	<b>(898)</b>	<b>(6,125)</b>	<b>17,472</b>

### Development of other provisions and accruals (prior year)

2012	As of 01/01	Currency translation adjustment	Changes in scope of consolidation	Reclassification to liabilities held for sale, discontinued operations and other reclassifications
<b>Other provisions</b>				
Restructuring measures	0	0	0	0
Guarantees and warranties	22,919	(22)	0	(7,314)
Anticipated losses and other risks	22,872	79	0	0
Emission certificates	3,828	19	0	0
Other	33,642	11	0	(8,099)
	<b>83,262</b>	<b>87</b>	<b>0</b>	<b>(15,413)</b>
<b>Accruals</b>				
Staff costs (non-financial)	46,766	(94)	0	(109)
Other (financial)	29,293	(83)	0	7,295
	<b>76,059</b>	<b>(177)</b>	<b>0</b>	<b>7,186</b>
<b>Total</b>	<b>159,321</b>	<b>(89)</b>	<b>0</b>	<b>(8,226)</b>

EUR '000

Utilization	Reversal	Additions	Accrued interest	As of 31/12	Thereof current	Thereof non-current
0	0	19,747	0	37,211	37,211	0
(268)	(6,245)	673	0	4,266	1,766	2,500
(1,890)	(868)	19,218	893	25,262	12,096	13,166
(2,708)	0	1,757	0	1,754	1,754	0
(2,060)	(12,400)	3,140	0	8,846	2,846	6,000
<b>(6,926)</b>	<b>(19,514)</b>	<b>44,536</b>	<b>893</b>	<b>77,338</b>	<b>55,673</b>	<b>21,666</b>
(31,213)	(789)	33,825	0	37,115	37,115	0
(18,830)	(5,120)	26,526	0	28,073	28,073	0
<b>(50,043)</b>	<b>(5,908)</b>	<b>60,351</b>	<b>0</b>	<b>65,187</b>	<b>65,187</b>	<b>0</b>
<b>(56,969)</b>	<b>(25,422)</b>	<b>104,887</b>	<b>893</b>	<b>142,526</b>	<b>120,860</b>	<b>21,666</b>

EUR '000

Utilization	Reversal	Additions	Accrued interest	As of 31/12	Thereof current	Thereof non-current
0	0	0	0	0	0	0
(247)	(4,079)	1,036	0	12,294	1,494	10,800
(1,520)	(15,441)	1,389	539	7,918	3,371	4,546
(3,851)	0	2,761	0	2,757	2,757	0
(6,864)	(6,799)	9,322	0	21,212	3,912	17,300
<b>(12,482)</b>	<b>(26,319)</b>	<b>14,507</b>	<b>539</b>	<b>44,181</b>	<b>11,535</b>	<b>32,646</b>
(43,052)	(2,610)	36,807	0	37,709	37,709	0
(21,307)	(9,335)	20,935	0	26,798	26,798	0
<b>(64,360)</b>	<b>(11,944)</b>	<b>57,742</b>	<b>0</b>	<b>64,507</b>	<b>64,507</b>	<b>0</b>
<b>(76,842)</b>	<b>(38,264)</b>	<b>72,249</b>	<b>539</b>	<b>108,688</b>	<b>76,041</b>	<b>32,646</b>

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Other provisions for restructuring measures particularly relate to provisioning due to the headcount reduction as part of the reorganization and the cost optimization program excelLenz 2.0. As a result of the reorganization, the entire Lenzing Group is being realigned in organizational terms, with the production operations as well as the sales and marketing organization being strengthened in particular. In addition, the focus of the organization is being geared even more strongly towards the most important fiber markets, Asia and Turkey. As part of the accompanying cost optimization program, savings in material costs, operating expenses, overheads and personnel costs and increases in operating efficiency are planned or have already been implemented. All of the Lenzing Group's global sites are affected by the headcount reduction, including around 390 employees at Lenzing. Provisions have been recognized particularly for the resulting severance payments and settlements. Provisions in the amount of EUR 17,472 thousand (2102: EUR 0 thousand) that had already been set aside (particularly from the regular severance payment provision; see section on "Defined benefit plans" above) were used for this and are now reported in provisions for restructuring measures. The top-up for the necessary provisions in the amount of EUR 19,747 thousand was recognized in personnel expenses and other operating expenses (adjusted for minor currency translation differences).

Other provisions for guarantees and warranties mainly include provisions for warranty risks from the sale of defective products and guaranteed obligations for the benefit of third parties. Other provisions for anticipated losses and other risks mainly include provisions for obligations from infrastructure services to be performed and provisions for additional claims from procurement contracts and other onerous contracts. Other provisions for emission certificates comprise the equivalent value of the emission certificates used.

Miscellaneous other provisions primarily relate to obligations for legal disputes, mandatory maintenance expenses, dismantling and environmental rehabilitation measures. Mandatory maintenance expenses relate to expenses for the maintenance of assets for which there is a legal or constructive obligation. Provisions for environmental rehabilitation measures are recognized if it is probable that there will be future outflows of funds to comply with environmental regulations or for rehabilitation measures, if the costs can be estimated with sufficient reliability, and if no future inflow of benefits is expected from these measures. The Lenzing site has been used for industrial purposes for decades and therefore carries an inherent risk of environmental damage. In 1990, Lenzing AG was informed that there is an area of potential pollution here that was previously used as a sedimentation pond and could therefore be contaminated. The company sealed off the area to prevent contamination of the groundwater.

Accruals for personnel costs primarily include liabilities for short-term claims of existing and former employees (particularly for vacation and comp time not yet taken, overtime and performance bonuses).

Other accruals chiefly comprise anticipated losses of income from revenue reductions/increases in expenses from transactions with customers and suppliers (particularly discounts and rebates) and liabilities for goods deliveries and services already performed by third parties but not yet invoiced.

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In the case of other short-term provisions and accruals, it is considered likely that the outflow of funds will take place within the next 12 months. In the case of the long-term portion of other provisions, the outflow of funds depends on various different factors (particularly guarantee and warranty periods, contract terms and other events):

- In the case of other provisions for guarantees and warranties, the outflow of funds is expected by December 31, 2020 at the latest (December 31, 2012: by December 31, 2015 at the latest).
- In the case of other provisions for anticipated losses and other risks, the outflow of funds is expected by:

#### Expected outflow of fund in the case of other provisions for anticipated losses and other risks (estimated as of the reporting date)

EUR '000

	31/12/2013	31/12/2012
In the 2nd year	5,885	1,400
In the following 3-5 years	3,990	1,760
In the following 6-10 years	2,184	798
Thereafter	1,106	588
<b>Total</b>	<b>13,166</b>	<b>4,546</b>

- In the case of miscellaneous other provisions, the exact timing of the outflow of funds is currently uncertain; previous developments indicate that the outflow of funds is probably not to be expected within the next 12 months.

## NOTE 34

## Puttable non-controlling interests

Puttable non-controlling interests developed as follows:

#### Development of the carrying amounts of puttable non-controlling interests

EUR '000

	2013	2012
<b>Carrying amount as of 01/01</b>	<b>16,373</b>	<b>33,906</b>
Changes in scope of consolidation*	11,973	0
Share of annual profit	(8,430)	(17,314)
Share of other comprehensive income	8	(3)
Currency translation adjustment	(391)	(215)
<b>Carrying amount as of 31/12</b>	<b>19,534</b>	<b>16,373</b>
Thereof recognized under:		
Other current assets	0	12,601
Non-current liabilities	19,534	28,974

\* The changes in scope of consolidation relate to disposals of the deconsolidated companies.

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## NOTE 35 Other liabilities

Other liabilities break down as follows:

Other liabilities	EUR '000	
	31/12/2013	31/12/2012
<b>Other non-current financial liabilities</b>		
Derivatives not yet settled (open positions)	645	738
Deferred interest	4	18
	<b>649</b>	<b>756</b>
<b>Other non-current liabilities (non-financial)</b>		
Partial retirement	1,596	870
Deferred income	57	83
	<b>1,653</b>	<b>953</b>
<b>Total other non-current liabilities</b>	<b>2,302</b>	<b>1,709</b>
<b>Other current financial liabilities</b>		
Derivatives settled (closed positions)	0	1,417
Derivatives not yet settled (open positions)	3,111	3,344
Debtors with credit balances	1,458	1,093
Other	4,430	6,979
	<b>8,999</b>	<b>12,832</b>
<b>Other current liabilities (non-financial)</b>		
Liabilities from other taxes	3,974	6,058
Wage and salary liabilities	5,274	4,983
Social security liabilities	4,751	4,942
Partial retirement	1,017	925
Advance payments received	11,468	10,886
Deferred income	57	1,233
	<b>26,541</b>	<b>29,027</b>
<b>Total other current liabilities</b>	<b>35,540</b>	<b>41,859</b>

## Notes on the Consolidated Cash Flow Statement

### NOTE 36 Liquid funds and free cash flow

#### Liquid funds

The cash flow statement shows how liquid funds changed during the year under review as a result of cash inflows and outflows. Liquid funds break down as follows:

Liquid funds	EUR '000	
	31/12/2013	31/12/2012
Cash and cash equivalents	287,882	481,658
<b>Total</b>	<b>287,882</b>	<b>481,658</b>

#### Free cash flow

Free cash flow corresponds to the readily available cash flow. It comprises the cash flows from operating activities and from investing activities. Free cash flow can be seen as an indicator of the amount of cash and cash equivalents available to the company for dividend payments or the repayment of financing. Adjusted for investments/divestments in subsidiaries and financial assets, free cash flow breaks down as follows:

Free cash flow	EUR '000	
	2013	2012
Cash flow from operating activities	82,281	209,446
Cash flow from investing activities	(152,151)	(281,794)*
<b>Free cash flow (unadjusted)</b>	<b>(69,870)</b>	<b>(72,349)*</b>
- Net inflow from the sale of subsidiary	(61,652)	0
+ Acquisition of other financial assets	8,318	4,276
- Proceeds from the sale/repayment of other financial assets	(40,712)	(41,016)
<b>Free cash flow (adjusted)</b>	<b>(163,916)</b>	<b>(109,089)</b>

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).

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## NOTE 37

### Other disclosures on the consolidated cash flow statement

Other non-cash income and expenses break down as follows:

Other non-cash income and expenses	EUR '000	
	2013	2012
+ Impairment of financial assets	9	15
- Reversals of impairment losses on financial assets	(22)	(11)
- Gains/+ losses from sales of intangible assets and property, plant and equipment	(907)	91 <sup>1</sup>
- Gains/+ losses from sales of financial assets and current securities	(60)	(25)
+ Allocation of profit or loss to puttable non-controlling interests	(9,049)	(2,892) <sup>1</sup>
- Miscellaneous other non-cash income/+ expenses	10,336	(2,454) <sup>2</sup>
<b>Total</b>	<b>307</b>	<b>(5,276)<sup>2</sup></b>

In financial year 2013, miscellaneous other non-cash income/expenses include unrealized foreign exchange gains/losses.

The consolidated cash flow statement includes, amongst others, the following payments:

Selected payments in the cash flow statement	EUR '000	
	2013	2012
Interest payments received	4,245	6,485
Interest payments made	23,183	23,149
Income taxes paid	59,137	78,672
Distributions received from investments accounted for using the equity method	40	775
Distributions paid to shareholders	53,288	70,264

With the exception of distributions paid to shareholders, the above payments are included in the cash flow from operating activities. Distributions paid to shareholders are included in the cash flow from financing activities.

In the acquisition of non-controlling interests by the Lenzing Group, payments of EUR 3,471 thousand (2012: EUR 26,593 thousand) were made to the shareholders of the non-controlling interests (see also Note 4).

The net cash flows from discontinued operations include, in particular, the net inflow from the disposal of subsidiaries of EUR 61,652 thousand (2012: EUR 0 thousand; see also Note 5) and payments for the acquisition of intangible assets and property, plant and equipment of the former Business Unit Plastics in the amount of EUR -2,671 thousand (2012: EUR -2,567 thousand).

<sup>1</sup> The prior-year figures have been restated due to the segregation of continued operations and discontinued operations.

<sup>2</sup> The prior-year figures have been restated due to changes in presentation (see Note 2).

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## Notes on Capital Risk Management and Financial Instruments

### NOTE 38 Capital risk management

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#### Fundamentals

The Lenzing Group manages its equity and debt capital with the clear objective of optimizing the income, costs and assets of the individual operations/business units and of the Group as a whole so as to achieve a sustainably high economic performance and a sound balance sheet structure. Important factors here include financial leverage capacity, sufficient liquidity at all times and a clear focus on cash-related key figures and performance indicators in view of the Group's strategic course and long-term goals.

This ensures that the Group companies can operate on a going concern basis. In addition, the authorized capital and the contingent capital contribute to enabling Lenzing AG to raise additional equity flexibly in order to take advantage of market opportunities that arise in the future.

Lenzing AG is subject to the minimum capital requirements of Austrian company law. There are no minimum capital requirements stipulated in the Articles of Association. The Lenzing Group's equity management strategy is aimed at ensuring that Lenzing AG and the Group companies have capital resources that fulfill the local requirements. Some loan agreements with banks also include financial covenants, particularly in relation to the amount of equity, the ratio of net debt to EBITDA and other key financial ratios or financial criteria of the Group or individual Group companies. If these financial covenants are breached, the banks can demand early repayment of the financial liabilities in some cases. Depending on the volume of the financial liabilities concerned and the refinancing options prevalent on the market at that time, this could lead to a refinancing risk and thus a liquidity risk for the Lenzing Group. For this reason, the financial covenants are monitored by the Treasury department on an ongoing basis and are taken into account when calculating distributions of the relevant Group companies.

In the year under review, all related capital requirements were fulfilled. In the case of one loan agreement for a subsidiary of the Lenzing Group, the management became aware by the time the 2011 consolidated financial statements were prepared that the related financial covenants were not complied with. The resulting negotiations were concluded in financial year 2012 with the outcome that the loans concerned were refinanced.

The management uses an adjusted equity ratio internally for control purposes. Adjusted equity is calculated in accordance with IFRS. In addition to equity, it also includes investment grants less the associated deferred taxes. The adjusted equity ratio was 45.5% as of December 31, 2013 (December 31, 2012: 43.8%).

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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 with the aim of promoting the future development of the company, distributing dividends to the shareholders in line with the company's opportunity and risk situation, and also taking account appropriately of the interests of all other stakeholders crucial to the company's success. It is based on the Lenzing Group's net profit.

## Net financial debt

Together with the Supervisory Board, the Management Board of Lenzing AG regularly reviews the development of the capital structure and the performance indicators, key figures and influencing factors behind this development. In connection with this review, various risk profiles/sensitivities are taken into account and calculated for all investments in intangible assets and property, plant and equipment, as well as for specific projects and acquisitions. Depending on country risks and micro risks, differently weighted discount factors (WACCs) for the cash flows to be expected in the coming years are applied for the projects/investments. These procedures are subject to regular review, modification and coordination with the Management Board. Developments in the competition and market parameters/elasticity play an important role here.

Particular emphasis is placed on the development of net financial debt, as the two key figures of net financial debt and EBITDA before restructuring have become extremely important key performance indicators in recent years, both in the Group's management and on the part of the financing banks. The continued optimal development of the Lenzing Group is only possible with very strong self-financing capacity as the basis for increased debt capacity.

The interest-bearing financial liabilities break down as follows:

Interest bearing financial debt	EUR '000	
	31/12/2013	31/12/2012
Non-current financial liabilities	609,605	701,564
Current financial liabilities	191,075	173,568
<b>Total</b>	<b>800,680</b>	<b>875,132</b>

Liquid assets consist of the following:

Liquid assets	EUR '000	
	31/12/2013	31/12/2012
Cash and cash equivalents	287,882	481,658
Current securities	0	0
Liquid securities (in the financial assets)	0	38,646
Liquid bills of exchange (in trade receivables)	8,147	8,531
<b>Total</b>	<b>296,029</b>	<b>528,835</b>

The financial instruments under liquid assets are payable on demand or have a term of less than one year.

The net financial debt and EBITDA before restructuring are as follows:

**Net financial debt** **EUR '000**

	31/12/2013	31/12/2012
Interest bearing financial debt	800,680	875,132
Liquid assets (-)	(296,029)	(528,835)
<b>Total</b>	<b>504,651</b>	<b>346,296</b>

**EBITDA before restructuring** **EUR '000**

	2013	2012
Earnings before interest and taxes (EBIT) before restructuring (see Note 13)	106,457	254,994
Amortization of intangible assets and depreciation of property, plant and equipment before restructuring (+)	115,999	107,253
Release of investment grants (-)	(3,100)	(3,589)
<b>Total</b>	<b>219,355</b>	<b>358,658</b>
<b>Net financial debt/EBITDA before result from restructuring</b>	<b>2.30</b>	<b>0.97</b>

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## NOTE 39 Classes and categories of financial instruments

### Carrying amounts and measurement categories

The carrying amounts and measurement categories of financial assets (asset financial instruments) broke down by class as follows as of December 31, 2013 and December 31, 2012:

### Carrying amounts and measurement categories by classes of financial assets EUR '000

	Carrying amount		Valuation pursuant to IAS 39			
	31/12/2013	31/12/2012	At amortized cost	At cost	At fair value through profit or loss	At fair value directly in equity
Cash and cash equivalents (see Note 36)	287,882	481,658	✓			
Trade receivables (see Note 25)	258,841	264,516	✓			
Financial assets – loans (see Note 22)	7,480	2,221	✓			
Other non-current financial assets – non-current receivables (see Note 23)	3,612	1,731	✓			
Other current financial assets (not including derivatives - open positions) (see Note 27)	13,052	14,920	✓			
<b>Loans and receivables</b>	<b>570,866</b>	<b>765,045</b>				
Financial assets – non-current securities (see Note 22)	14,632	53,828				✓
Financial assets – other equity investments (see Note 22)	1,064	19		✓		
<b>Available-for-sale financial assets</b>	<b>15,696</b>	<b>53,847*</b>				
Other financial assets – derivative financial instruments at positive fair value (trading) (see Note 27)	124	26			✓	
<b>Financial assets at fair value through profit or loss</b>	<b>124</b>	<b>26</b>				
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges) (see Note 27)	4,563	5,330				✓
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss) (see Note 27)	1,612	343			✓	
Puttable non-controlling interests (see Note 27)	0	12,601				
<b>Other</b>	<b>6,175</b>	<b>18,274</b>				
<b>Total</b>	<b>592,861</b>	<b>837,193*</b>				
<b>Thereof:</b>						
At amortized cost	570,866	765,045				
At cost	1,064	19*				
At fair value through profit or loss	1,735	370				
At fair value directly in equity	19,196	59,158				
Non-allocable	0	12,601				
<b>Total</b>	<b>592,861</b>	<b>837,193*</b>				

\* The prior-year figures have been restated due to changes in presentation (see Note 2).

The carrying amounts and measurement categories of financial liabilities (liability financial instruments) broke down by class as follows as of December 31, 2013 and December 31, 2012:

### Carrying amounts and measurement categories by classes of financial liabilities

EUR '000

	Carrying amount		Valuation pursuant to IAS 39				
	31/12/2013	31/12/2012	At amortized cost	At cost	At fair value through profit or loss	At fair value directly in equity	Valuation pursuant to IAS 17
Financial liabilities – bond (see Note 31)	119,609	119,504	✓				
Financial liabilities – private placements (see Note 31)	228,335	199,202					
Financial liabilities – liabilities to banks (see Note 31)	418,477	518,940	✓				
Financial liabilities – liabilities to other lenders (miscellaneous) (see Note 31)	32,376	35,654	✓				
Trade payables	176,592	200,259	✓				
Other non-current financial liabilities (see Note 35)	4	18	✓				
Other current financial liabilities (not including derivatives - open positions) (see Note 35)	5,888	9,488	✓				
Provisions – accruals – other (financial) (see Note 33)	28,073	26,798	✓				
<b>Financial liabilities at amortized cost</b>	<b>1,009,354</b>	<b>1,109,864</b>					
Other financial liabilities – derivative financial instruments at negative fair value (trading) (see Note 35)	0	233			✓		
<b>Financial liabilities at fair value through profit or loss</b>	<b>0</b>	<b>233</b>					
Financial liabilities – lease liabilities (see Note 31)	1,882	1,831					✓
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges) (see Note 35)	3,061	2,042					✓
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss) (see Note 35)	695	1,808			✓		
Puttable non-controlling interests (see Note 34)	19,534	28,974					
<b>Other</b>	<b>25,173</b>	<b>34,655</b>					
<b>Total</b>	<b>1,034,527</b>	<b>1,144,751</b>					
<b>Thereof:</b>							
At amortized cost	1,009,354	1,109,864					
At fair value through profit or loss	695	2,041					
At fair value directly in equity	3,061	2,042					
Valuation pursuant to IAS 17	1,882	1,831					
Non-allocable	19,534	28,974					
<b>Total</b>	<b>1,034,527</b>	<b>1,144,751</b>					

### Fair value hierarchy

The following breakdowns analyze the financial instruments according to the type of measurement method in the consolidated statement of financial position/in the notes. The item measured is the relevant individual financial instrument. Three levels of measurement methods have been defined:

**Level 1:** Prices for identical assets or liabilities on an active market (used without adjustment)

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**Level 2:** Input factors that can be directly (e.g. as prices) or indirectly (e.g. derived from prices) observed for assets or liabilities and that do not fall under level 1

**Level 3:** Input factors for assets or liabilities that are not data observable on the market

The following table shows the carrying amounts and fair values of financial assets and liabilities whose fair value is measured on a recurring basis in the consolidated statement of financial position by class of financial instrument and by the level of the fair value hierarchy to which the fair value measurement is to be allocated, as of December 31, 2013 and December 31, 2012:

## Carrying amounts, fair values and fair value hierarchy of financial instruments (recurring measurement in statement of financial position) EUR '000

	31/12/2013			31/12/2012		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
<b>Financial assets</b>						
Financial assets - non-current securities (see Note 22)	14,632	14,632	Level 1	53,828	53,828	Level 1
<b>Available-for-sale financial assets</b>	<b>14,632</b>	<b>14,632</b>		<b>53,828</b>	<b>53,828</b>	
Other financial assets - derivative financial instruments at positive fair value (trading) (see Note 27)	124	124	Level 2	26	26	Level 2
<b>Financial assets at fair value through profit or loss:</b>	<b>124</b>	<b>124</b>		<b>26</b>	<b>26</b>	
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges) (see Note 27)	4,563	4,563	Level 2	5,330	5,330	Level 2
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss) (see Note 27)	1,612	1,612	Level 2	343	343	Level 2
<b>Other</b>	<b>6,175</b>	<b>6,175</b>		<b>5,673</b>	<b>5,673</b>	
<b>Total</b>	<b>20,931</b>	<b>20,931</b>		<b>59,527</b>	<b>59,527</b>	
<b>Financial liabilities</b>						
Other financial liabilities - derivative financial instruments at negative fair value (trading) (see Note 35)	0	0	Level 2	233	233	Level 2
<b>Financial liabilities at fair value through profit or loss:</b>	<b>0</b>	<b>0</b>		<b>233</b>	<b>233</b>	
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges) (see Note 35)	3,061	3,061	Level 2	2,042	2,042	Level 2
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss) (see Note 35)	695	695	Level 2	1,808	1,808	Level 2
<b>Other</b>	<b>3,756</b>	<b>3,756</b>		<b>3,850</b>	<b>3,850</b>	
<b>Total</b>	<b>3,756</b>	<b>3,756</b>		<b>4,083</b>	<b>4,083</b>	

The Lenzing Group takes into account reclassifications in fair value hierarchy at the end of the reporting period in which they occur. There were no shifts between the different levels of the fair value hierarchy by financial instruments that were already held on December 31, 2013. As of December 31, 2012, derivatives (gas swaps) with a market value of EUR 124 thousand and EUR -1,262 thousand were reclassified from level 1 to level 2 as there were no prices for these derivatives on an active market.

The following table shows the carrying amounts and fair values of financial assets and liabilities whose fair value is measured for disclosure in the notes only by class of financial instrument and by the level of the fair value hierarchy to which the fair value measurement is to be allocated, as of December 31, 2013 and December 31, 2012:

**Carrying amounts, fair values and fair value hierarchy  
of financial instruments (measurement for disclosures in the notes only)**

EUR '000

	31/12/2013			31/12/2012		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
<b>Financial liabilities</b>						
Financial liabilities - bond (see Note 31)	119,609	126,029	Level 1	119,504	128,400	Level 1
Financial liabilities - private placements (see Note 31)	228,335	226,929	Level 3	199,202	200,314	Level 3
Financial liabilities - liabilities to banks (see Note 31)	418,477	420,216	Level 3	518,940	522,554	Level 3
Financial liabilities - liabilities to other lenders (miscellaneous) (see Note 31)	32,376	31,900	Level 3	35,654	35,610	Level 3
<b>Financial liabilities at amortized cost</b>	<b>798,797</b>	<b>805,074</b>		<b>873,300</b>	<b>886,878</b>	

For the following reasons, the management assumes that, with the exception of the fair values shown above, the carrying amount of the financial assets and financial liabilities represents a reasonable approximation of their fair value:

- The fair value of cash and cash equivalents, trade receivables and other current financial assets corresponds to the carrying amount, as the short remaining term means that no significant difference between the carrying amount and the fair value is to be expected and credit risk is taken into account by recognizing bad debt provisions.
- The carrying amount of loans and non-current financial receivables is roughly equivalent to the fair value, as the amount of existing receivables means that no significant difference between the fair value and the carrying amount is to be expected and credit risk is taken into account by recognizing bad debt provisions.
- Owing to their short-term nature, the fair values of the accruals, trade payables and other current financial liabilities correspond to their carrying amounts.
- In the case of other non-current financial liabilities, it is assumed that due to the low carrying amount there is no significant difference between the carrying amount and the fair value.

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## Fair value measurement methods

In the Lenzing Group, the following financial instruments in particular are measured at fair value in the consolidated statement of financial position:

- Current and non-current securities (level 1 of the fair value hierarchy)
- Currency and commodity futures (level 2 of the fair value hierarchy)

The fair value measurement methods are described in Note 3 for securities (section on „Financial assets and securities“) and currency and commodity futures (section on „Derivative financial instruments and hedges“).

The majority – EUR 1,050 thousand (December 31, 2012: EUR 0 thousand) – of equity investments and related derivative financial instruments measured at cost (see Note 3, section on „Financial assets and securities“) relates to the equity investment in LP Beteiligungs & Management GmbH, Linz, an option that requires the Lenzing Group to sell this equity investment and an option that entitles the Lenzing Group to sell this equity investment. LP Beteiligungs & Management GmbH, Linz, is a medium-sized Austrian corporation. The Lenzing Group does not currently intend to sell these equity investments. No holdings were derecognized and no gains or losses on remeasurement were recognized for these equity investments in the reporting period.

In the Lenzing Group, fair value is calculated only for disclosure in the notes for the following financial instruments in particular:

- Issued bond (level 1 of the fair value hierarchy)
- Other financial liabilities (level 3 of the fair value hierarchy)

The fair value of the issued bond is derived from its current quoted price and changes in particular according to changes in market interest rates and the credit rating of Lenzing AG.

The fair values of the other financial liabilities are determined using generally accepted valuation methods based on the discounted cash flow method. The main input factor here is the discount rate, which takes account of the available market data (risk-free interest rates) and the credit quality of the Lenzing Group that is not observable on the market.

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

## Offsetting financial assets and liabilities

The following tables contain information on offsetting financial assets and liabilities in the consolidated financial statements on the basis of netting agreements. The „Effect of netting agreements“ column shows the amounts that are the subject of an agreement of this type but do not fulfill the criteria for offsetting in the IFRS consolidated statement of financial position (particularly because offsetting is only permitted in the event of insolvency).

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## Disclosures on offsetting financial assets and liabilities

EUR '000

Financial assets as of 31/12/2013	Financial assets (gross)	Offset amounts recognized (gross)	Recognized financial assets (net)	Effect of framework netting agreements	Cash collateral	Collateral in the form of financial instruments	Net amounts
Cash and cash equivalents	288,705	(823)	287,882	0	0	0	287,882
Other financial assets - derivative financial instruments at positive fair value							
Forward foreign exchange contracts	6,151	0	6,151	(2,506)	0	0	3,645
Gas swaps	148	0	148	(121)	0	0	27
<b>Total</b>	<b>295,004</b>	<b>(823)</b>	<b>294,181</b>	<b>(2,627)</b>	<b>0</b>	<b>0</b>	<b>291,553</b>

EUR '000

Financial liabilities as of 31/12/2013	Financial assets (gross)	Offset amounts recognized (gross)	Recognized financial assets (net)	Effect of framework netting agreements	Cash collateral	Collateral in the form of financial instruments	Net amounts
Liabilities to banks	419,300	(823)	418,477	0	0	0	418,477
Other financial liabilities - derivative financial instruments at negative fair value							
Forward foreign exchange contracts	3,147	0	3,147	(2,506)	0	0	640
Gas swaps	610	0	610	(121)	0	0	489
<b>Total</b>	<b>423,057</b>	<b>(823)</b>	<b>422,234</b>	<b>(2,627)</b>	<b>0</b>	<b>0</b>	<b>419,606</b>

## Disclosures on offsetting financial assets and liabilities (prior year)

EUR '000

Financial assets as of 31/12/2012	Financial assets (gross)	Offset amounts recognized (gross)	Recognized financial assets (net)	Effect of framework netting agreements	Cash collateral	Collateral in the form of financial instruments	Net amounts
Cash and cash equivalents	486,422	(4,764)	481,658	0	0	0	481,658
Other financial assets - derivative financial instruments at positive fair value							
Forward foreign exchange contracts	5,575	0	5,575	(2,135)	0	0	3,440
Gas swaps	124	0	124	(120)	0	0	4
<b>Total</b>	<b>492,121</b>	<b>(4,764)</b>	<b>487,357</b>	<b>(2,255)</b>	<b>0</b>	<b>0</b>	<b>485,102</b>

EUR '000

Financial liabilities as of 31/12/2012	Financial liabilities (gross)	Offset amounts recognized (gross)	Recognized financial liabilities (net)	Effect of framework netting agreements	Cash collateral	Collateral in the form of financial instruments	Net amounts
Liabilities to banks	523,704	(4,764)	518,940	0	0	0	518,940
Other financial liabilities - derivative financial instruments at negative fair value							
Forward foreign exchange contracts	2,821	0	2,821	(2,135)	0	0	686
Gas swaps	1,262	0	1,262	(120)	0	0	1,142
<b>Total</b>	<b>527,787</b>	<b>(4,764)</b>	<b>523,023</b>	<b>(2,255)</b>	<b>0</b>	<b>0</b>	<b>520,768</b>



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## NOTE 40

### Net interest and net result from financial instruments and net foreign currency profit/loss

#### Net interest and net result

Net interest and net result from financial instruments by class/measurement category in accordance with IAS 39 breaks down as follows:

#### Net interest and net result from financial instruments

EUR '000

2013	From interest income	From interest expense	Net interest	From subsequent measurement at fair value through profit or loss	From subsequent measurement at fair value directly in equity	From impairment	From result on disposal	Net result (total)
Loans and receivables	2,402	0	2,402	0	0	(159)	0	2,243
Available-for-sale financial assets	277	0	277	0	(202)	0	33	108
Financial instruments measured at fair value through profit or loss	0	0	0	330	0	0	0	330
Financial liabilities measured at amortized cost	0	(26,099)	(26,099)	0	0	0	0	(26,099)
<b>Total</b>	<b>2,679</b>	<b>(26,099)</b>	<b>(23,420)</b>	<b>330</b>	<b>(202)</b>	<b>(159)</b>	<b>33</b>	<b>(23,417)</b>

#### Net interest and net result from financial instruments (prior year)

EUR '000

2012	From interest income	From interest expense	Net interest	From subsequent measurement at fair value through profit or loss	From subsequent measurement at fair value directly in equity	From impairment	From result on disposal	Net result (total)
Loans and receivables	4,798	0	4,798	0	0	(874)	0	3,924
Available-for-sale financial assets	633	0	633	0	323	0	(68)	888
Financial instruments measured at fair value through profit or loss	0	0	0	1,220	0	0	0	1,220
Financial liabilities measured at amortized cost	0	(24,840)	(24,840)	0	0	0	0	(24,840)
<b>Total</b>	<b>5,431</b>	<b>(24,840)</b>	<b>(19,410)</b>	<b>1,220</b>	<b>323</b>	<b>(874)</b>	<b>(68)</b>	<b>(18,809)</b>

Net result from financial instruments comprises net interest (current interest income and expenses including amortization of premiums and discounts and dividends of companies that are not fully consolidated and are not accounted for using the equity method), gains/losses on re-measurement from fair value measurement in profit or loss and in equity, and the result from impairments (recognition and reversal of impairments) and disposals. Income from available-for-sale financial assets includes gains/losses from remeasurement and from the reclassification of the 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 at fair value through profit or loss) or unrealized gains/losses from hedging instruments (cash flow hedges).

The change in write-downs on "Receivables measured at amortized cost" is reported in "Other operating expenses". The portion recognized directly in equity from the subsequent measurement of available-for-sale financial assets at fair value is reported in the "Reserve for available-for-sale financial assets". The remaining components of net result are included in "Income from non-current and current financial assets" and in "Financing costs".

In the current financial year, expenses totaling EUR 1,605 thousand (2012: EUR 1,585 thousand) were recognized for the provision of loans.

### Net foreign currency result

Net foreign currency gains/losses are included in other operating income/expenses in the amount of EUR -8,775 thousand (2012: EUR -12,144 thousand), in income from non-current and current financial assets in the amount of EUR -2,012 thousand (2012: EUR -655 thousand) and in financing costs in the amount of EUR -5,170 thousand (2012: EUR +1,532 thousand).

## NOTE 41

### Management of financial risks and derivative financial instruments

#### Fundamentals

As an international company, the Group is exposed to financial risks and other market risks. Potential risks are identified and assessed at an early stage using a company-wide risk management system that is regulated comprehensively in guidelines. This aims to achieve maximum risk transparency and quality of information by quantifying all risk categories. 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.

Financial risks from financial instruments – credit risk, liquidity risk, currency risk (particularly USD), commodity price risk and interest rate risk – are classified as relevant risks for the Lenzing Group. Corresponding hedging measures are used to attempt to minimize these risks. Shares acquired in external companies are classified as long-term investments and therefore are not seen as a relevant market price risk in the short to medium term.

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## Credit risk

Credit risk refers to the risk of losses of assets that may occur as a result of individual business partners failing to meet their contractual obligations. In the case of delivery transactions (particularly trade receivables), the credit risk inherent in the underlying transaction is secured against to a large extent by notable credit insurance and bankable security (guarantees, letters of credit, bills of exchange etc.). Accounts receivable and customer limits are monitored on an ongoing basis. The credit risk at banks from investments (particularly cash and cash equivalents) and derivatives with positive fair values is reduced by concluding transactions only with counterparties with a good credit rating.

Receivables are measured individually. Individual allowances are recognized on receivables if they are not expected to be fully collectible. This applies in particular if there are significant financial difficulties of the debtor, default or delay in making payments or an increased probability that the debtor will become bankrupt and the receivable concerned is not sufficiently collateralized. The historical default rates for receivables are low due to the Lenzing Group's comprehensive accounts receivable management (extensive collateralization with credit insurance and bankable security and ongoing monitoring of accounts receivable and customer limits). Group (collective) valuation allowances therefore are not recognized.

The value adjustment accounts developed as follows:

## Development of bad debt provisions EUR '000

	Loans (non-current and current)	Trade receivables	Other financial receivables (non-current and current)
<b>Bad debt provisions as of 01/01/2012</b>	<b>2,111</b>	<b>7,950</b>	<b>553</b>
Utilization	0	(416)	0
Reversal	0	(890)	0
Addition	23	1,120	621
Currency translation adjustment	141	93	0
<b>Bad debt provisions as of 31/12/2012</b>	<b>2,275</b>	<b>7,857</b>	<b>1,174</b>
Changes in scope of consolidation	(11)	(97)	0
Utilization	0	(197)	0
Reversal	(4)	(536)	0
Addition	0	488	210
Currency translation adjustment	11	37	0
<b>Bad debt provisions as of 31/12/2013</b>	<b>2,271</b>	<b>7,554</b>	<b>1,384</b>

Bad debt provisions for trade receivables include bad debt provisions relating to companies accounted for using the equity method in the amount of EUR 2,110 thousand (2012: EUR 2,366 thousand).

Bad debt provisions for trade receivables mainly relate to valuation allowances for past due, uninsured receivables.

The maturity structure of the financial receivables breaks down as follows:

### Maturity analysis of receivables

EUR '000

	Loans (non-current and current)	Trade receivables	Other financial receivables (non-current and current)
Carrying amount as at 31/12/2013	7,480	258,841	22,963
Thereof not impaired at the reporting date and:			
Not overdue	7,336	235,848	22,963
Overdue up to 30 days	0	18,451	0
Overdue for 31 to 90 days	0	1,122	0
Overdue for 91 to 365 days	0	0	0
Overdue for more than one year	0	28	0
Thereof impaired	144	3,392	0

### Maturity analysis of receivables (prior year)

EUR '000

	Loans (non-current and current)	Trade receivables	Other financial receivables (non-current and current)
Carrying amount as at 31/12/2012	2,221	264,516	36,101
Thereof not impaired at the reporting date and:			
Not overdue	2,071	230,808	36,101
Overdue up to 30 days	0	24,272	0
Overdue for 31 to 90 days	0	1,960	0
Overdue for 91 to 365 days	0	1,128	0
Overdue for more than one year	0	234	0
Thereof impaired	150	6,112	0

# CONSOLIDATED FINANCIAL STATEMENTS 2013

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

<b>Maximum exposure to credit risk from financial assets recognized</b>	<b>EUR '000</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
Carrying amount of financial instruments being assets (see Note 39)	592,861	837,193*
Less risk reduction in relation to receivables due to		
Credit insurance received (not including deductibles)	(117,314)	(81,824)
Guarantees received	(3,356)	(4,895)
<b>Total</b>	<b>472,192</b>	<b>750,474*</b>

The maximum exposure to credit risk from financial guarantees and contingent liabilities is shown in Note 46.

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

There are no significant concentrations of risk from the investment of financial assets with only one business partner.

\*1 The prior-year figures have been restated due to changes in presentation (see Note 2).

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## Liquidity risk

Liquidity risk refers to the risk of not being able to obtain funds at all times to settle the liabilities incurred. Management of liquidity risk is given high priority in the Lenzing Group. The company guidelines stipulate uniform, forward-looking liquidity planning throughout the Group. All Group data are consolidated in a budget-relevant annual plan and a medium-term four-year plan.

The Lenzing Group has liquid assets totaling EUR 296,029 thousand (December 31, 2012: EUR 528,835 thousand) in the form of cash and cash equivalents, liquid securities and liquid bills of exchange (see Note 38).

To finance necessary operating resources and to cover any deficits caused by economic cycles, there were free credit facilities committed in writing in the amount of EUR 296,169 thousand as of December 31, 2013 (December 31, 2012: EUR 211,179 thousand).

In the medium and long term, the Lenzing Group is financed with equity and financial liabilities, particularly bonds, private placements and bank loans.

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# CONSOLIDATED FINANCIAL STATEMENTS 2013

The contractually agreed (undiscounted) interest and principal payments for primary financial liabilities break down as follows:

## Maturity analysis of non-derivate financial liabilities

	Valuation category according to IAS 39	31/12/2013	
		Carrying amount	
Bond	Financial liabilities at amortized cost (FLAC)	119,609	
Private placements	Financial liabilities at amortized cost (FLAC)	228,335	
Liabilities to banks	Financial liabilities at amortized cost (FLAC)	418,477	
Liabilities to other lenders	Financial liabilities at amortized cost (FLAC)	32,376	
Trade payables	Financial liabilities at amortized cost (FLAC)	176,592	
Puttable non-controlling interests	Financial liabilities at amortized cost (FLAC)	19,534	
Other liabilities – other financial liabilities	Financial liabilities at amortized cost (FLAC)	5,892	
Accruals - other (financial)	Financial liabilities at amortized cost (FLAC)	28,073	
Finance lease liabilities	n/a (IAS 17)	1,882	
<b>Total</b>		<b>1,030,771</b>	

## Maturity analysis of non-derivate financial liabilities (prior year)

	Valuation category according to IAS 39	31/12/2012	
		Carrying amount	
Bond	Financial liabilities at amortized cost (FLAC)	119,504	
Private placements	Financial liabilities at amortized cost (FLAC)	199,202	
Liabilities to banks	Financial liabilities at amortized cost (FLAC)	518,940	
Liabilities to other lenders	Financial liabilities at amortized cost (FLAC)	35,654	
Trade payables	Financial liabilities at amortized cost (FLAC)	200,259	
Puttable non-controlling interests	Financial liabilities at amortized cost (FLAC)	28,974	
Other liabilities – other financial liabilities	Financial liabilities at amortized cost (FLAC)	9,506	
Accruals - other (financial)	Financial liabilities at amortized cost (FLAC)	26,798	
Finance lease liabilities	n/a (IAS 17)	1,831	
<b>Non-derivative financial instruments</b>		<b>1,140,669</b>	

The tables above include all primary financial liabilities held on the reporting date. They do not include planned figures for future liabilities. Amounts in foreign currency were translated at the spot exchange rate as of the reporting date. Floating-rate interest payments were calculated based on 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.

EUR '000

Cash flows 2014				Cash flows 2015 to 2018				Cash flows from 2019			
Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment
4,650	0	0	0	13,950	0	0	120,000	0	0	0	0
4,166	0	1,810	0	14,911	0	5,898	132,000	6,840	0	1,155	97,000
1,709	0	8,900	181,841	566	0	10,404	236,636	0	0	0	0
67	281	69	9,213	99	328	69	22,413	0	3	0	750
0	0	0	176,592	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	19,534
0	0	0	5,888	0	0	0	4	0	0	0	0
0	0	0	28,073	0	0	0	0	0	0	0	0
1	0	0	19	10	0	0	69	4,699	0	0	1,794
<b>10,592</b>	<b>281</b>	<b>10,780</b>	<b>401,627</b>	<b>29,536</b>	<b>328</b>	<b>16,371</b>	<b>511,122</b>	<b>11,539</b>	<b>3</b>	<b>1,155</b>	<b>119,079</b>

EUR '000

Cash flows 2013				Cash flows 2014 to 2017				Cash flows from 2018			
Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment
4,650	0	0	0	18,600	0	0	120,000	0	0	0	0
3,444	0	1,709	0	12,893	0	5,725	103,000	9,485	0	1,184	97,000
2,209	0	11,527	164,796	2,250	0	17,076	310,743	0	0	1,003	46,171
51	422	70	9,320	95	501	79	25,500	0	6	0	834
0	0	0	200,259	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	28,974
0	0	0	9,488	0	0	0	18	0	0	0	0
0	0	0	26,798	0	0	0	0	0	0	0	0
1	0	0	21	10	0	0	69	4,772	0	0	1,741
<b>10,355</b>	<b>422</b>	<b>13,306</b>	<b>410,682</b>	<b>33,848</b>	<b>501</b>	<b>22,880</b>	<b>559,329</b>	<b>14,257</b>	<b>6</b>	<b>2,187</b>	<b>174,720</b>



# CONSOLIDATED FINANCIAL STATEMENTS 2013

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

## Maturity analysis of derivative financial instruments

	Measurement category pursuant to IAS 39	31/12/2013	Carrying amount
<b>Forward foreign exchange contracts</b>			
Cash flow hedges	n/a	4,416	
Cash flow hedges with the underlying already recognized in profit or loss	n/a	1,612	
Trading	At fair value through profit or loss (trading)	124	
<b>Positive fair value</b>		<b>6,151</b>	
Cash flow hedges	n/a	(2,451)	
Cash flow hedges with the underlying already recognized in profit or loss	n/a	(695)	
Trading	At fair value through profit or loss (trading)	0	
<b>Negative fair value</b>		<b>(3,147)</b>	
<b>Total forward foreign exchange contracts</b>		<b>3,004</b>	
<b>Gas swaps</b>			
Cash flow hedges	n/a	148	
Cash flow hedges with the underlying already recognized in profit or loss	n/a	0	
Trading	At fair value through profit or loss (trading)	0	
<b>Positive fair value</b>		<b>148</b>	
Cash flow hedges	n/a	(610)	
Cash flow hedges with the underlying already recognized in profit or loss	n/a	0	
Trading	At fair value through profit or loss (trading)	0	
<b>Negative fair value</b>		<b>(610)</b>	
<b>Total gas swaps</b>		<b>(462)</b>	
<b>Total</b>		<b>2,542</b>	

Fair value + = receivable, - = liability from the Lenzing Group's perspective

EUR '000

Cash flows 2014				Cash flows 2015 to 2018				Cash flows from 2019			
Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment
			4,250				166				
			1,612				0				
			124				0				
0	0	0	5,985	0	0	0	166	0	0	0	0
			(2,228)				(224)				
			(695)				0				
			0				0				
0	0	0	(2,923)	0	0	0	(224)	0	0	0	0
0	0	0	3,062	0	0	0	(58)	0	0	0	0
			83				65				
			0				0				
			0				0				
0	0	0	83	0	0	0	65	0	0	0	0
			(188)				(422)				
			0				0				
			0				0				
0	0	0	(188)	0	0	0	(422)	0	0	0	0
0	0	0	(105)	0	0	0	(357)	0	0	0	0
0	0	0	2,957	0	0	0	(414)	0	0	0	0

# CONSOLIDATED FINANCIAL STATEMENTS 2013

## Maturity analysis of derivative financial instruments (prior year)

	Measurement category pursuant to IAS 39	31/12/2012	
		Carrying amount	
<b>Forward foreign exchange contracts</b>			
Cash flow hedges	n/a	5,206	
Cash flow hedges with the underlying already recognized in profit or loss	n/a	343	
Trading	At fair value through profit or loss (trading)	26	
<b>Positive fair value</b>		<b>5,575</b>	
Cash flow hedges	n/a	(780)	
Cash flow hedges with the underlying already recognized in profit or loss	n/a	(1,808)	
Trading	At fair value through profit or loss (trading)	(233)	
<b>Negative fair value</b>		<b>(2,821)</b>	
<b>Total forward foreign exchange contracts</b>		<b>2,754</b>	
<b>Gas swaps</b>			
Cash flow hedges	n/a	124	
Cash flow hedges with the underlying already recognized in profit or loss	n/a	0	
Trading	At fair value through profit or loss (trading)	0	
<b>Positive fair value</b>		<b>124</b>	
Cash flow hedges	n/a	(1,262)	
Cash flow hedges with the underlying already recognized in profit or loss	n/a	0	
Trading	At fair value through profit or loss (trading)	0	
<b>Negative fair value</b>		<b>(1,262)</b>	
<b>Total gas swaps</b>		<b>(1,137)</b>	
<b>Total</b>		<b>1,617</b>	

Fair value + = receivable, - = liability from the Lenzing Group's perspective

EUR '000

Cash flows 2013				Cash flows 2014 to 2017				Cash flows from 2018			
Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	Repayment
0	0	0	5,089	0	0	0	116	0	0	0	0
0	0	0	343	0	0	0	0	0	0	0	0
0	0	0	26	0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>5,459</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>116</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	(678)	0	0	0	(103)	0	0	0	0
0	0	0	(1,808)	0	0	0	0	0	0	0	0
0	0	0	(233)	0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,718)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>2,741</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	79	0	0	0	45	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	(626)	0	0	0	(636)	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>(626)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(636)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>(547)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(590)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>2,194</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(577)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# CONSOLIDATED FINANCIAL STATEMENTS 2013

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## Currency risk

The companies of the Lenzing Group are exposed to currency risks as a result of cash flows from capital expenditures and from operating business as well as from investments and financing in foreign currencies. Risks from foreign currencies are hedged as far as possible if they influence the Group's cash flows. In operating business, the individual Group companies are exposed to currency risk in connection with planned incoming and outgoing payments in currencies other than their functional currency. The exchange rate risk arising from foreign-currency items from anticipated future transactions by Group companies in foreign currencies is hedged with forward foreign exchange contracts, which are recognized at fair value.

For companies with the same functional currency, the respective net exposures in foreign currency are calculated for the following sales year as part of budgeting. Purchases in a particular foreign currency and sales in a particular foreign currency are each aggregated into groups. As of December 31, 2013, approximately 61% (December 31, 2012: approximately 67%) of the budgeted net exposure for the following financial year for the dominant currency pair in the Lenzing Group, EUR/USD, was hedged.

At Group level, translation risk is also regularly assessed and monitored. Translation risk refers to the risk that arises as a result of the consolidation of foreign investments whose functional currency is not the euro. The greatest risk exposure here is in relation to the USD.

## Instruments for hedging against currency risk

Cash flow hedges are allocated to sales from operating business in the subsequent financial years in the respective hedged currency. The resulting cash flows are planned on a monthly basis. The sum of incoming and outgoing payments for each month is balanced as of the end of the respective month. Cash flow hedges with the underlying already recognized in profit or loss are used to hedge foreign-currency receivables/liabilities that are already recognized as of the reporting date but do not impact cash until after the reporting date. In some cases, Group companies use derivatives for hedging against currency risks to which no hedged items are allocated in accounting terms (trading derivatives). For this reason, hedge accounting is not used for these derivatives.

The ineffective portion of the cash flow hedges amounted to EUR 41 thousand in the financial year (2012: EUR 77 thousand).

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## Cash flow hedges for currency risks

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

### Nominal value, fair value and hedging period of cash flow hedges for currency risks EUR '000

	31/12/2013					31/12/2012				
	Nominal value	Positive fair value	Negative fair value	Net fair value	Hedging period until	Nominal value	Positive fair value	Negative fair value	Net fair value	Hedging period until
<b>Forward foreign exchange contracts</b>										
CNY/CNH purchase/EUR sale	CNY/ CNH 525	0	(1)	(1)	01/2014	CNY/ CNH 0	0	0	0	n/a
CNY/CNH sale/ EUR purchase	CNY/ CNH 456,000	74	(161)	(86)	06/2015	CNY/ CNH 336,000	46	(218)	(172)	05/2014
CZK purchase/ EUR sale	CZK 225,000	0	(489)	(489)	01/2015	CZK 200,000	31	(55)	(24)	12/2013
EUR purchase/ CZK sale	EUR 1,598	1	0	1	12/2014	EUR 0	0	0	0	n/a
JPY sale/ EUR purchase	JPY 31,500	17	-0	17	02/2015	JPY 0	0	0	0	n/a
JPY sale/ GBP purchase	JPY 84,152	69	-0	69	02/2015	JPY 0	0	0	0	n/a
USD sale/ CZK purchase	USD 81,300	33	(1,785)	(1,752)	01/2015	USD 74,300	1,150	(172)	978	01/2014
USD sale/ EUR purchase	USD 197,700	3,711	(16)	3,695	02/2015	USD 229,492	3,823	(282)	3,541	01/2014
USD sale/ GBP purchase	USD 25,069	510	0	510	02/2015	USD 35,200	156	(52)	104	05/2014
<b>Total</b>		<b>4,416</b>	<b>(2,451)</b>	<b>1,964</b>			<b>5,206</b>	<b>(780)</b>	<b>4,425</b>	

Fair value: + = receivable, - = liability from the Lenzing Group's perspective

The hedging period stated is equivalent to the period of the expected cash flows and their recognition in profit or loss.

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## Cash flow hedges for currency risks with the underlying already recognized in profit or loss

The nominal values and fair values of cash flow hedges with the underlying already recognized in profit or loss are as follows as of the reporting dates:

### Nominal value and fair value of cash flow hedges for currency risks with the underlying already recognized in profit or loss

EUR '000

	31/12/2013				31/12/2012			
	Nominal value	Positive fair value	Negative fair value	Net fair value	Nominal value	Positive fair value	Negative fair value	Net fair value
<b>Forward foreign exchange contracts</b>								
EUR sale/GBP purchase	EUR 0	0	0	0	EUR 1,000	72	0	72
CNY/CNH sale/EUR purchase	CNY/CNH 465,250	381	(496)	(114)	CNY/CNH 0	0	0	0
JPY sale/GBP purchase	JPY 58,348	64	0	64	JPY 0	0	0	0
EUR sale/CZK purchase	EUR 0	0	0	0	EUR 400	0	(6)	(6)
USD sale/CZK purchase	USD 6,300	0	(200)	(200)	USD 5,800	0	(149)	(149)
USD sale/EUR purchase	USD 28,100	606	0	606	USD 95,579	211	(1,653)	(1,442)
USD sale/GBP purchase	USD 18,531	561	0	561	USD 6,000	61	0	61
<b>Total</b>		<b>1,612</b>	<b>(695)</b>	<b>916</b>		<b>343</b>	<b>(1,808)</b>	<b>(1,465)</b>

Fair value: + = receivable, - = liability from the Lenzing Group's perspective

## Trading derivatives for currency risks

The nominal values and fair values of the trading derivatives are as follows as of the reporting dates:

### Nominal value and fair value of trading derivatives for currency risks

EUR '000

	31/12/2013				31/12/2012			
	Nominal value	Positive fair value	Negative fair value	Net fair value	Nominal value	Positive fair value	Negative fair value	Net fair value
<b>Forward foreign exchange contracts</b>								
CHF purchase/USD sale	CHF 0	0	0	0	CHF 67	1	0	1
EUR purchase/USD sale	EUR 27,600	124	0	124	EUR 1,009	25	0	25
IDR purchase/USD sale	IDR 0	0	0	0	IDR 194,904,500	0	(232)	(232)
GBP purchase/USD sale	GBP 0	0	0	0	GBP 42	0	0	0
<b>Total</b>		<b>124</b>	<b>0</b>	<b>124</b>		<b>26</b>	<b>(233)</b>	<b>(206)</b>

Fair value: + = receivable, - = liability from the Lenzing Group's perspective

## Sensitivity analysis and exposure for currency risks

Sensitivity analyses are performed for currency risks. They show the effects of hypothetical changes in exchange rates on profit or loss/other comprehensive income/equity.

The Lenzing Group uses the following assumptions in its analysis:

- As a basis for the sensitivity of profit or loss, the Group uses receivables and liabilities of Group companies that are denominated in a currency other than the functional currency of the relevant company, open derivatives from cash flow hedges for currency risks with the underlying already recognized in profit or loss, and trading derivatives for currency risks as of the reporting date. The carrying amounts of the receivables and liabilities and the nominal values of the derivatives correspond to the exposure. For the aggregation to Group exposure, the individual exposures are presented consistently in relation to the currencies USD/EUR.
- Open derivatives from cash flow hedges for currency risks with the underlying not yet recognized in profit or loss are used as the basis for the sensitivity of other comprehensive income as of the reporting date. The nominal value of the open derivatives corresponds to the exposure.

The sensitivities and exposure for currency risk are as follows as of the reporting dates:

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

EUR '000

	31/12/2013			31/12/2012		
	Group exposure in relation to EUR	Sensitivity in the event of 10% devaluation of the EUR	Sensitivity in the event of 10% revaluation of the EUR	Group exposure in relation to EUR	Sensitivity in the event of 10% devaluation of the EUR	Sensitivity in the event of 10% revaluation of the EUR
EUR-USD	52,419	5,824	(4,765)	61,197	5,588	(6,770)
EUR-GBP	(3,268)	(363)	297	(13,474)	(1,171)	1,563
EUR-CNY/CNH	33,067	3,674	(3,006)	4,691	466	(473)
EUR-CZK	105,249	11,694	(9,568)	73,216	7,329	(7,312)
Sensitivity of profit or loss (due to receivables and liabilities)		20,830	(17,042)		12,212	(12,992)
Sensitivity of other comprehensive income (due to cash flow hedge derivatives)		(20,670)	17,730		(22,522)	19,054
<b>Sensitivity of equity</b>		<b>160</b>	<b>688</b>		<b>(10,311)</b>	<b>6,062</b>

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



# CONSOLIDATED FINANCIAL STATEMENTS 2013

## Sensitivity analysis and risk exposure for foreign currency risks (USD)

EUR '000

	31/12/2013			31/12/2012		
	Group exposure in relation to USD	Sensitivity in the event of 10% devaluation of the USD	Sensitivity in the event of 10% revaluation of the USD	Group exposure in relation to USD	Sensitivity in the event of 10% devaluation of the USD	Sensitivity in the event of 10% revaluation of the USD
USD-IDR	1,920	213	(175)	16,158	1,469	(1,795)
USD-GBP	7	1	(1)	(10,074)	(1,008)	1,007
USD-HKD	(34)	(4)	3	(4,562)	(456)	456
USD-CNY/CNH	35,836	3,982	(3,258)	88,506	8,851	(8,851)
USD-CZK	(4,436)	(493)	403	(5,518)	(552)	552
Sensitivity of profit or loss (due to receivables and liabilities)		3,699	(3,027)		8,304	(8,631)
Sensitivity of other comprehensive income (due to cash flow hedge derivatives)		12,852	(12,351)		11,982	(11,442)
<b>Sensitivity of equity</b>		<b>16,551</b>	<b>(15,378)</b>		<b>20,285</b>	<b>(20,073)</b>

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

## Commodity price risk

As part of the optimization of energy costs, gas purchasing in the Lenzing Group was largely centralized. The Group uses OTC gas swaps as part of cash flow hedges to manage gas price risks. The hedging strategies are determined based on the planned gas consumption figures in the relevant currency and are compared with the current market prices on a monthly basis („market to market“ assessment). The Lenzing Group is exposed to accounting-related price risks as a result of the gas swaps. These risks particularly relate to the possibility that fair value measurement of the gas swaps may result in a negative impact on other comprehensive income/equity in the event of an adverse change in market prices.

Long-term gas contracts in particular contain embedded derivatives. These embedded derivatives are considered to be closely related to the host contracts. For this reason, these instruments are not separated from the respective host contracts.

Other than this, the Group is subject to the usual market price risks in connection with its business activities (particularly for wood, pulp and energy), which are not hedged with derivatives, but instead with other safeguarding measures (particularly long-term and short-term supply contracts).

## Instruments for hedging against commodity price risks – cash flow hedges

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

### Contract value, nominal value and hedging period of cash flow hedges for commodity price risks

EUR '000

	31/12/2013					31/12/2012				
	Contract value <sup>1</sup>	Positive fair value	Negative fair value	Net fair value	Hedging period until	Contract value <sup>1</sup>	Positive fair value	Negative fair value	Net fair value	Hedging period until
<b>Gas swaps</b>										
	USD 3,262	8	(195)	(187)	12/2015	USD 7,380	4	(661)	(657)	12/2015
	GBP 9,715	140	(415)	(275)	03/2016	GBP 9,926	120	(601)	(481)	10/2015
<b>Total</b>	<b>12,978</b>	<b>148</b>	<b>(610)</b>	<b>(462)</b>		<b>17,306</b>	<b>124</b>	<b>(1,262)</b>	<b>(1,137)</b>	

Fair value: + = receivable, - = liability from the Lenzing Group's perspective (each shown as net position)

The hedging period stated is equivalent to the period of the expected cash flows and their recognition in profit or loss.

## Sensitivity analysis and exposure for commodity price risks

Sensitivity analyses are performed for the price change risk from gas swaps. They show the effects of hypothetical changes in gas prices on profit or loss/other comprehensive income/equity.

The Lenzing Group uses the following assumptions in its analysis:

- Open derivatives from cash flow hedges as of the reporting date are used as the basis for the sensitivity.
- The exposure corresponds to the nominal values of the derivatives (not including the hedged items). In economic terms, the derivatives are used to hedge physical hedged items that will impact profit or loss in subsequent periods, meaning that from an economic perspective there is no risk exposure in combination with the hedged items.

If the market price level for gas had been 10% higher/lower as of December 31, 2013, this would have changed other comprehensive income/equity by +/- EUR 1,369 thousand (December 31, 2012: +/- EUR 1,666 thousand).

## Interest rate risk

The Lenzing Group is exposed to interest rate risk as a result of its business-related financing and investment activities. Interest rate risks arise as a result of potential changes in the market interest rate. They can lead to a change in fair value in the case of fixed-rate financial instruments and to fluctuations in the cash flows from interest payments in the case of floating-rate financial instruments. Interest rate risks are managed by monitoring and adjusting the composition of fixed-rate and floating-rate primary financial instruments on an ongoing basis and occasionally by using derivative financial instruments. The decisive factor for management is the effect of the interest rate risk on earnings. There were no outstanding interest rate derivatives as of the reporting dates.

<sup>\*)</sup> Corresponds to exposure

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## Sensitivity analysis and exposure for interest rate risks

As of the reporting dates, the exposure for interest rate risks in the form of the carrying amounts of interest-bearing primary financial instruments is as follows:

### Risk exposure for interest rate risks

EUR '000

31/12/2013					
	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	No interest	Total
Cash and cash equivalents	0	0	287,882	0	287,882
Financial assets*	3,755	0	1,701	17,720	23,176
Financial liabilities	(336,687)	(25,416)	(438,576)	0	(800,680)
<b>Total</b>	<b>(332,933)</b>	<b>(25,416)</b>	<b>(148,993)</b>	<b>17,720</b>	<b>(489,622)</b>

### Risk exposure for interest rate risks (prior year)

EUR '000

31/12/2012					
	Fixed interest	Fixed and floating-rate interest	Floating-rate interest	No interest	Total
Cash and cash equivalents	0	0	481,658	0	481,658
Financial assets*	53,883	0	1,689	497	56,068
Financial liabilities	(306,984)	(30,139)	(538,009)	0	(875,132)
<b>Total</b>	<b>(253,101)</b>	<b>(30,139)</b>	<b>(54,662)</b>	<b>497</b>	<b>(337,405)</b>

+ receivables, - liabilities

Sensitivity analyses are performed for interest rate risks from floating-rate financial instruments. They show the effects of hypothetical changes in interest rates on profit or loss/other comprehensive income/equity.

The Lenzing Group uses the following assumptions in its analysis:

- All floating-rate primary financial instruments as of the reporting date are used as the basis for the sensitivity.
- The exposure corresponds to the carrying amount of the floating-rate financial instruments.

\* Includes the wholesale fund GF82, whose income is distributed or reinvested.

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

### Sensitivity analysis for interest rate risks from floating-rate financial instruments

EUR '000

31/12/2013	Exposure with floating-rate interest	Sensitivity in the event of 100 bp increase in interest rate level	Sensitivity in the event of 100 bp decrease in interest rate level
Cash and cash equivalents	287,882	2,879	(2,879)
Financial assets	1,701	17	(17)
Financial liabilities	(438,576)	(4,386)	4,386
<b>Sensitivity of profit or loss/of equity</b>	<b>(148,993)</b>	<b>(1,490)</b>	<b>1,490</b>

### Sensitivity analysis for interest rate risks from floating-rate financial instruments (prior year)

EUR '000

31/12/2012	Exposure with floating-rate interest	Sensitivity in the event of 100 bp increase in interest rate level	Sensitivity in the event of 100 bp decrease in interest rate level
Cash and cash equivalents	481,658	4,817	(4,817)
Financial assets	1,689	17	(17)
Financial liabilities	(538,009)	(5,380)	5,380
<b>Sensitivity of profit or loss/of equity</b>	<b>(54,662)</b>	<b>(547)</b>	<b>547</b>

Further information on financial risk management and financial instruments can be found in the risk report of the Lenzing Group management report as of December 31, 2013 (particularly in the section on „Use of financial instruments“).

## Notes on leases

### NOTE 42 Financial leases

Property, plant and equipment includes development rights and other assets from finance leases in which the Lenzing Group is the lessee.

The finance lease for development rights relates to land handed over to Lenzing AG for use in exchange for an index-linked lease payment. After the end of the lease, Lenzing AG has the right to acquire the land at its market value. The lease has a term of 99 years.

The other finance leases relate to agreements on the modernization of small hydro power plants, in which the lessor undertakes to construct, operate and maintain power plants as part of the revitalization. All of the energy generated is purchased by Lenzing AG for a contractu-

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ally agreed fee, part of which serves to cover the investment costs and which is considered a contingent lease payment. After the agreements expire, ownership of the power plants will be transferred to Lenzing AG in exchange for payment of a transfer fee. The lease has a term of 25 years.

The carrying amount of the leased assets is as follows:

## Carrying amount of leased assets EUR '000

2013	Land and buildings	Technical equipment and machinery, factory and office equipment	Total
Cost	660	848	1,508
Accumulated depreciation	(72)	(163)	(235)
<b>Carrying amount 31/12/2013</b>	<b>588</b>	<b>686</b>	<b>1,274</b>

## Carrying amount of leased assets (prior year) EUR '000

2012	Land and buildings	Technical equipment and machinery, factory and office equipment	Total
Cost	660	848	1,508
Accumulated depreciation	(65)	(140)	(205)
<b>Carrying amount 31/12/2012</b>	<b>595</b>	<b>708</b>	<b>1,303</b>

The present value of minimum lease payments breaks down as follows:

## Minimum lease payments as lessee (finance leases) EUR '000

	31/12/2013				31/12/2012			
	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	> 5 years	Total
Total future minimum lease payments	20	79	6,493	6,592	22	79	6,513	6,614
Thereof interest component	(1)	(10)	(4,699)	(4,710)	(1)	(10)	(4,772)	(4,783)
<b>Total</b>	<b>19</b>	<b>69</b>	<b>1,794</b>	<b>1,882</b>	<b>21</b>	<b>69</b>	<b>1,741</b>	<b>1,831</b>

Finance lease obligations are included under „Financial liabilities“ in the consolidated statement of financial position (see Note 31).

In financial year 2013, contingent lease payments of EUR 601 thousand (2012: EUR 509 thousand) and interest of EUR 71 thousand (2012: EUR 70 thousand) were recognized as expense. They relate to the maintenance fee for the power plants.

## NOTE 43 Operating leases

### The Lenzing Group as lessee

There are obligations from rental and lease agreements for property, plant and equipment that is not reported in the consolidated statement of financial position. Earnings before interest and taxes in 2013 includes expenses amounting to EUR 9,474 thousand (2012: EUR 7,437 thousand) from rental and lease agreements. They chiefly consist of minimum lease payments.

The future minimum lease payments during the non-cancellable term of these lease agreements relating to IT equipment, vehicles, rail cars and office and storage premises break down as follows, classified by year:

Minimum lease payments as lessee (operating leases)	EUR '000	
	31/12/2013	31/12/2012
In subsequent year	5,994	6,379
In the following 2-5 years	12,546	12,293
Thereafter	176	561
<b>Total</b>	<b>18,716</b>	<b>19,233</b>

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

- **IT equipment:** The lease agreements have a term of up to three years. There are no price adjustment clauses.
- **Vehicles:** The lease agreements have a term of up to five years. These agreements do not provide for any possibility to acquire the vehicles at the end of the contractual term and there are no price adjustment clauses.
- **Rail cars:** The lease agreements have a term of up to 13 years. The agreements can be canceled after a minimum term. There are price adjustment clauses in some cases.
- **Office and storage premises:** The lease agreements have a term of up to five years. These agreements do not provide for any possibility to acquire the office and storage premises at the end of the contractual term. There are extension options and price adjustment clauses in some cases.

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## The Lenzing Group as lessor

The future minimum lease payments during the non-cancellable term of the lease agreements mainly relate to land and buildings and break down as follows, classified by year:

Minimum lease payments as lessor (operating leases)	EUR '000	
	31/12/2013	31/12/2012
In subsequent year	2,471	2,135
In the following 2-5 years	4,590	4,905
Thereafter	11,965	13,220
<b>Total</b>	<b>19,026</b>	<b>20,259</b>

The most significant lease agreement relates to land where the recycling plant is operated by RVL Reststoffverwertung Lenzing GmbH. The lease payments are index-linked. The lease was concluded for an indefinite term and can be canceled at the earliest as of December 31, 2029, subject to a notice period of six years.

## Notes on Related Parties and Corporate Bodies

### NOTE 44 Related party disclosures

#### Overview

Related parties are companies and individuals who are related to the Lenzing Group according to the IFRS definition. Related parties of the Lenzing Group particularly include Lenzing AG, B & C Lenzing Holding GmbH, B & C Iota GmbH & Co. KG, B & C Industrieholding GmbH and B & C Privatstiftung and their subsidiaries, jointly controlled entities and associates. They also include the members of the corporate bodies (Management Board/Management and Supervisory Board, if any) of Lenzing AG, B & C Lenzing Holding GmbH, B & C Iota GmbH & Co. KG, B & C Industrieholding GmbH and B & C Privatstiftung, their close family members and companies under their influence.

The fundamental relationships (ownership structures) between the Lenzing Group and the B & C Group are described in Note 1 (section on „Description of the company and its business activities“). The corporate bodies of Lenzing AG are listed in Note 45.

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The amounts and transactions between Lenzing AG and its fully consolidated subsidiaries are eliminated on consolidation and are not discussed any further here.

In some cases, the members of the corporate bodies of Lenzing AG and the entities mentioned above are also members of corporate bodies or shareholders of other companies with which Lenzing AG maintains ordinary business relationships.

There are ordinary business relationships with banks, including in the areas of financing, investment and derivatives.

### Relationships with related companies

Lenzing AG and the subsidiaries included in the tax group agreement are members of the tax group concluded on September 25, 2009 between B & C Industrieholding GmbH as the group parent and Lenzing AG and other subsidiaries of Lenzing AG as group members in accordance with section 9 of the Austrian Corporation Tax Act (österreichisches Körperschaftsteuergesetz – öKStG) (for more information, see the section on „Current taxes and deferred taxes“ under Accounting Policies, Note 3).

The Lenzing Group received a tax credit of EUR 1,773 thousand (2012: EUR 10,115 thousand) from the tax group in financial year 2013. In accordance with the contractual obligation, advances on the tax allocation for 2012 and 2013 were paid to B & C Industrieholding GmbH in the amount of EUR 44,000 thousand in 2013 (2012: EUR 42,500 thousand).

As of December 31, 2013, the Lenzing Group recognized a liability of EUR 8,195 thousand (December 31, 2012: EUR 38,237 thousand) to B & C Industrieholding GmbH from the tax allocation after deduction of the advances. This is reported in the „Current tax liabilities“ item of the statement of financial position.

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## 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 mainly relate to:

<b>EQUI-Fibres Beteiligungsgesellschaft mbH and its subsidiaries (EFB):</b>	<ul style="list-style-type: none"> <li>■ Distribution of fibers</li> <li>■ Delivery of pulp and of machinery and equipment</li> <li>■ Procurement of infrastructure, installation and administrative services</li> <li>■ Purchase of textile materials</li> </ul>
<b>Lenzing Papier GmbH (LPP):</b>	<ul style="list-style-type: none"> <li>■ Provision of infrastructure and administrative services</li> </ul>
<b>RVL Reststoffverwertung Lenzing GmbH (RVL):</b>	<ul style="list-style-type: none"> <li>■ Operation of a recycling plant and purchase of the steam generated; rent of a plot of land</li> </ul>
<b>Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck (GSG):</b>	<ul style="list-style-type: none"> <li>■ Provision of infrastructure and administrative services</li> </ul>
<b>PT. Pura Golden Lion (PGL):</b>	<ul style="list-style-type: none"> <li>■ Loans payable</li> </ul>
<b>Wood Paskov s.r.o. (LWP):</b>	<ul style="list-style-type: none"> <li>■ Delivery of wood</li> </ul>

The extent of material transactions and the amounts of outstanding balances with companies accounted for using the equity method and their material subsidiaries were as follows:

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

EUR '000

	EFB	LPP	RVL	GSG	PGL	LWP
<b>2013</b>						
Sales	57,584	11,255	11,223	83	0	0
Other operating income	1,139	4	0	70	0	19
Cost of material	(79,778)	(5)	0	0	0	(143)
Purchased services	(10,278)	(1)	(11,223)	0	0	0
Other operating expenses	(75)	247	(46)	(69)	0	(1)
Interest cost	0	0	0	0	(61)	0
Interest income	0	0	0	4	0	0
<b>31/12/2013</b>						
Trade receivables	7,449	3,446	0	0	0	6
Trade payables	9,208	6	1	0	0	0
Loan liabilities	0	0	0	0	1,885	0
Other liabilities	0	10	0	0	0	0

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

	EFB	LPP	RVL	GSG	PGL	LWP
<b>2012</b>						
Sales	58,829	11,825	11,716	92	0	0
Other operating income	1,027	0	0	80	0	20
Cost of material	(77,335)	(5)	0	0	0	(192)
Purchased services	(11,296)	(1)	(11,716)	0	0	0
Other operating expenses	(452)	(255)	(2)	(75)	0	0
Interest cost	0	0	0	0	(70)	0
Interest income	0	0	0	0	0	0
<b>31/12/2012</b>						
Trade receivables	9,227	3,748	0	0	0	7
Trade payables	10,772	6	0	0	0	15
Loan liabilities	991	0	0	0	1,916	0
Other liabilities	0	0	0	0	0	0

Bad debt provisions on trade receivables from companies accounted for using the equity method in the amount of EUR 255 thousand were released to profit or loss in 2013 (2012: EUR 246 thousand were recognized as an expense).

Transactions for goods and services with related parties are generally conducted at arm's length conditions.

Lenzing AG has assumed proportionate liability for certain loans to a subsidiary of a company accounted for using the equity method (see Note 46).

### Relationships with members of the Management Board and of the Supervisory Board of Lenzing AG

The fixed and variable current remuneration and termination pay expensed by Lenzing AG for the active members of the management board break down as follows:

### Fixed and variable current remuneration and termination pay expensed for active members of the management board EUR '000

	Mag. Dr. Peter Untersperger		Dipl.-Ing. Friedrich Weninger, MBA		Mag. Thomas Winkler, LL.M.		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Fixed current remuneration	566	484	434	433	435	405	1,434	1,322
Variable current remuneration	318	548	352	357	39	476	708	1,381
Termination pay	0	0	0	0	1,620	0	1,620	0
<b>Total</b>	<b>884</b>	<b>1,032</b>	<b>785</b>	<b>790</b>	<b>2,094</b>	<b>880</b>	<b>3,763</b>	<b>2,703</b>

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Of the amounts presented above totaling EUR 3,763 in financial year 2013 (2012: EUR 2,703 thousand), EUR 2,142 thousand (fixed and variable current remuneration; 2012: EUR 2,703 thousand) relate to short-term employee benefits and EUR 1,620 thousand in total (termination pay; 2012: EUR 0 thousand) relate to termination benefits. In addition, a total of EUR 300 thousand was provided in the 2013 financial year (2012: EUR 0 thousand) for entitlements derived from long-term bonus bank models (other long-term employee benefits). Moreover, the active members of the Management Board were granted post-employment benefits in the amount of EUR 245 thousand (2012: EUR 227 thousand) by providing for company pension and severance plans in the income statement and in other comprehensive income. The expenses for the active Supervisory Board members (short-term employee benefits in the form of remuneration for the Supervisory Board members including attendance fees) amounted to EUR 291 thousand for the 2013 financial year (2012: EUR 257 thousand). Hence, remuneration expensed for key management personnel which comprises active members of the Management Board and of the Supervisory Board of Lenzing AG amounts to EUR 4,599 thousand in 2013 (2012: EUR 3,187 thousand) in total.

The present value of the obligation for severance payments provided for active members of the Management Board amounts to EUR 748 thousand as of December 31, 2013 (December 31, 2012: EUR 646 thousand).

In addition to the benefits above, the employee representatives on the Supervisory Board who were delegated by the Works Council are entitled to regular payment (wage or salary) under their employment contracts. This payment represents appropriate remuneration for the role/activities performed in the company.

In line with usual market and corporate practice, Lenzing AG also grants additional benefits that are considered non-monetary benefits to the members of the Management Board, as well as some senior executives and Supervisory Board members. For example, insurance coverage (D&O, accident, legal protection etc.) is provided, with the costs borne by the Lenzing Group. Overall premium payments are made to the insurers, meaning that there is no specific allocation to the Management Board and the Supervisory Board. In addition, the members of the Management Board and some senior executives are provided with company vehicles for their use.

The principles of the remuneration system for the Management Board and the Supervisory Board are described in detail and published in the 2013 Corporate Governance Report of the Lenzing Group.

No advances, loans or guarantees have been granted to members of the Management Board and the Supervisory Board. The Lenzing Group has not entered into any contingencies for the benefit of the Management Board and the Supervisory Board. Directors' dealings reports regarding members of the Management Board and the Supervisory Board are published on the Austrian Financial Market Authority website (see [www.fma.gv.at](http://www.fma.gv.at)).

Former members of the Management Board were granted post-employment benefits in the amount of EUR 240 thousand (2012: EUR 776 thousand) by providing for company pension and severance plans in the income statement and in other comprehensive income. The present value of the obligation for pensions after deduction of the fair value of plan assets (net obligation) provided in this context amounts to EUR 6,941 thousand as of December 31, 2013 (December 31, 2012: EUR 6,586 thousand).

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## NOTE 45

## Corporate bodies of the company

**Members of the Supervisory Board****Michael Junghans, Vienna**

Chairman

**Veit Sorger, Vienna**

Vice-Chairman

**Helmut Bernkopf, Vienna****Franz Gasselsberger, Linz**

(since April 24, 2013)

**Josef Krenner, Linz****Martin Payer, Leoben****Patrick Prügger, Vienna****Andreas Schmidradner, Vienna****Astrid Skala-Kuhmann, Icking (Germany)**

(since April 19, 2012)

**Walter Lederer, Vienna**

(until April 19, 2012)

**Delegated by the Works Council****Rudolf Baldinger, Lenzing**

Chairman of the Company's Works Committee

Chairman of the Blue-Collar Workers' Council

**Georg Liftinger, Weyregg**

Deputy Chairman of the Company's Works Committee

Chairman of the White-Collar Workers' Council

**Gerhard Ratzesberger, Lenzing**

Deputy Chairman of the White-Collar Workers' Council

**Johann Schernberger, Regau**

Deputy Chairman of the Blue-Collar Workers' Council

**Members of the Management Board****Peter Untersperger, Linz**

Chief Executive Officer (CEO)

Chairman of the Management Board

**Friedrich Weninger, Mondsee**

Chief Operating Officer (COO)

Member of the Management Board

**Thomas G. Winkler, Salzburg**

Chief Financial Officer (CFO)

Member of the Management Board

(until December 31, 2013)

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## Other Notes

### NOTE 46

#### **Financial guarantees, contingent assets and liabilities, other financial obligations and legal risks**

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As of December 31, 2013, the Group assumed EUR 0 thousand (December 31, 2012: EUR 583 thousand) in liability for a subsidiary of a company accounted for using the equity method. Furthermore, there are contingent liabilities, in particular to secure certain sold equity investments and suppliers, in the amount of EUR 15,387 thousand (December 31, 2012: EUR 2,287 thousand) and, to a lesser extent, retentions granted, that were not yet recognized as actual liabilities. The amounts shown represent the maximum financial risk to the Lenzing Group. The potential for recoveries exists to a limited extent only for the obligations and liabilities relating to the claims of certain sold equity investments. It is considered unlikely that the Group will be required to make payments under these financial guarantees. A liability for these amounts has not been recognized, as the fair value was EUR 0 thousand as of the end of the reporting period (December 31, 2012: EUR 0 thousand).

The Lenzing Group reports obligations for severance payments and jubilee benefits for former employees of certain sold equity investments up to the amount of the notional claims as of the date of the sale. Provisions have been recognized for these obligations as of the end of the reporting period in the amount of the present value according to actuarial principles.

As of December 31, 2013, obligations for outstanding orders of intangible assets and property, plant and equipment amounted to EUR 34,321 thousand (December 31, 2012: EUR 119,977 thousand).

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In addition, Lenzing AG in particular has assumed contingent liabilities to secure third-party claims against fully consolidated companies that are considered unlikely to become effective.

The Management Board is not aware of any other financial obligations with a significant impact on the financial position and financial performance of the Group.

As an international group, the Lenzing Group is exposed to a variety of legal risks. In particular, these include risks in the areas of product defects, competition and antitrust law, patent law, tax law, employee and environmental protection law. The Lenzing site has been used for industrial purposes for decades and therefore carries an inherent risk of environmental damage. In 1990, Lenzing AG was informed that there is an area of potential pollution here that was previously used as a sedimentation pond and could therefore be contaminated. The company sealed off the area to prevent contamination of the groundwater. The outcomes of currently pending proceedings or future proceedings cannot be predicted, hence expenses that are not fully covered by insurance and that can have a material impact on the future financial position and financial performance of the Group can arise as a result of court or official rulings or settlement agreements. Further information can be found in the risk report of the Group management report of the Lenzing Group as of December 31, 2013.

There are legal disputes pending in the Group as a result of its operating activities, particularly in the area of patent law. The Management Board is assuming at this time that the currently known proceedings will not have a significant impact on the current financial position and financial performance of the Group, or it has provided sufficiently for the corresponding risks. Regardless of this careful assessment, residual risks still remain.

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## NOTE 47 Group companies

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

Group companies	Currency	31/12/2013		31/12/2012	
		Share capital	Share	Share capital	Share
			in %		in %
<b>Fully consolidated companies:</b>					
ASIA Fiber Engineering GmbH, Vienna, Austria	EUR	36,336	100.00	36,336	100.00
Avit Investments Limited, Providenciales, Turks and Caicos	USD	2,201,000	100.00	2,201,000	100.00
Beech Investment s.r.o., Zlaté Moravce, Slovakia	EUR	6,639	100.00	6,639	100.00
Biocel Paskov a.s., Paskov, Czech Republic	CZK	280,000,000	100.00	280,000,000	100.00
BZL – Bildungszentrum Lenzing GmbH, Lenzing, Austria	EUR	43,604	75.00	43,604	75.00
Cellulose Consulting GmbH, Vienna, Austria	EUR	36,336	100.00	36,336	100.00
Dolan GmbH, Kelheim, Germany	EUR	1,000,000	100.00	1,000,000	100.00
Energie- und Medienzentrale Heiligenkreuz GmbH, Heiligenkreuz, Austria	EUR	72,673	100.00	72,673	100.00
European Carbon Fiber GmbH, Kelheim, Germany	EUR	25,000	100.00	25,000	100.00
LENO Electronics GmbH, Lenzing, Austria	EUR	40,000	100.00	40,000	100.00
Lenzing Beteiligungs GmbH, Lenzing, Austria <sup>3</sup>	EUR	35,000	100.00	35,000	100.00
Lenzing Engineering and Technical Services (Nanjing) Co., Ltd., Nanjing, China	USD	2,100,000	100.00	2,100,000	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., Hongkong	HKD	16,000,000	100.00	16,000,000	100.00
Lenzing Fibers Inc., Mobile, USA	USD	10	100.00	10	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 Modi Fibers India Private Limited, Mumbai, India	INR	1,118,064,800	96.31	1,118,064,800	96.31
Lenzing (Nanjing) Fibers Co., Ltd., Nanjing, China	USD	64,440,000	70.00	64,440,000	70.00
Lenzing Plastics GmbH, Lenzing, Austria (or rather Lenzing Plastics GmbH & Co KG) <sup>4</sup>	EUR	-	-	35,000	100.00
LP Automotive GmbH, Lenzing, Austria	EUR	35,000	100.00	35,000	100.00
Lenzing Technik GmbH, Lenzing, Austria	USD	35,000	100.00	35,000	100.00
Lyocell Holding Limited, Manchester, UK <sup>4</sup>	USD	-	-	1,000	100.00
Penique S.A., Panama	USD	5,000	100.00	5,000	100.00
PT. South Pacific Viscose, Purwakarta, Indonesia <sup>1</sup>	IDR	72,500,000,000	92.851	72,500,000,000	90.561
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
Tencel Holding Limited, Manchester, UK	GBP	1	100.00	1	100.00
Tencel Holding Overseas Limited, St. Helier, Jersey <sup>4</sup>	TRY	-	-	1,001	100.00
Wasserreinholdungsverband Lenzing – Lenzing AG, Lenzing, Austria	EUR	0	Member-ship	0	Member-ship
<b>Companies accounted for using the equity method:</b>					
EQUI-Fibres Beteiligungsgesellschaft mbH, Kelheim, Germany	EUR	2,000,000	45.00	2,000,000	45.00
Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck, Lenzing, Austria <sup>5</sup>	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
LKF Tekstil Boya Sanayi ve Ticaret Anonim Sirketi, Istanbul, Turkey	TRY	200,000	33.34	200,000	33.34
PT. Pura Golden Lion, Jakarta, Indonesia	IDR	2,500,000,000	40.00	2,500,000,000	40.00
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
WWE Wohn- und Wirtschaftspark Entwicklungsgesellschaft m.b.H., Vienna, Austria	EUR	36,336	25.00	36,336	25.00
<b>Non-consolidated company:</b>					
European Precursor GmbH, Kelheim, Germany <sup>2) 4) 6)</sup>	EUR	25,000	95.00	25,000	51.00

<sup>1</sup> Thereof 4.77% indirect investment via PT. Pura Golden Lion, Jakarta, Indonesia, an associate of the Lenzing Group. The share of Group companies controlled by the Lenzing Group is thus 88.08% (December 31, 2012: 85.79%). <sup>2</sup> Under German Commercial Code (dHGB), this company's equity amounted to EUR -25,624 thousand as of December 31, 2012 (EUR -3,657 thousand as of December 31, 2011) and its loss for the year was EUR 29,282 thousand in 2012 (EUR 6,297 thousand in 2011). <sup>3</sup> Reporting date is Sept. 30, interim financial statements are prepared as of Dec. 31. <sup>4</sup> Deconsolidated in 2013. <sup>5</sup> The prior-year figures have been restated due to changes in presentation (see Note 2). <sup>6</sup> European Precursor GmbH was reported under fully consolidated companies as of December 31, 2012 (see Note 4).

## NOTE 48

**Auditors' fees**

The auditors' fees (expenses) of Lenzing AG break down as follows:

<b>Auditors' fees (expensed)</b>	<b>EUR '000</b>	
	<b>2013</b>	<b>2012</b>
Audit of the annual financial statements (incl. consolidated financial statements)	261	259
Other assurance services	46	55
Other services	0	7
Tax advice	146	191
<b>Total</b>	<b>453</b>	<b>511</b>

The expenses above relate to the service provided by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, and Deloitte Tax Wirtschaftsprüfungs GmbH, Vienna. Fees for other assurance services chiefly consist of fees for the review of the consolidated half-year financial statements.

## NOTE 49

**Significant events after the end of the reporting period**

In the January 31, 2014 meeting of the Supervisory Board of Lenzing AG, Robert van de Kerkhof was appointed to serve as a Member of the Management Board and Chief Commercial Officer (CCO) for a period of three years starting on May 1, 2014.

The Lenzing Group has not been made aware of any further events significant to it after December 31, 2013 that would have resulted in a different presentation of the financial position and financial performance.

## NOTE 50

**Authorization of the consolidated financial statements**

These consolidated financial statements were approved by the Management Board on March 4, 2014 (December 31, 2012: March 18, 2013) for review by the Supervisory Board, presentation to the Annual General Meeting and subsequent publication. The Supervisory Board may have changes made to the consolidated financial statements as part of the review for which it is responsible.

Lenzing, March 4, 2014

**Lenzing Aktiengesellschaft**

**The Management Board**

**Peter Untersperger**  
Chief Executive Officer  
Chairman of the Management Board

**Friedrich Weninger**  
Chief Operating Officer  
Member of the Management Board



# AUDITOR'S REPORT

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## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lenzing Aktiengesellschaft, Lenzing, for the fiscal year from January 1, 2013 to December 31, 2013. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2013, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of other comprehensive income and the consolidated statement of changes in equity for the fiscal year ended December 31, 2013, and the notes.

### Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall

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presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

### Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2013 and of its financial performance and its cash flows for the fiscal year from January 1, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

### Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 4, 2014

**Deloitte.**

Deloitte Audit Wirtschaftsprüfungs GmbH

Harald Breit  
Certified Public Accountant

Ulrich Dollinger  
Certified Public Accountant

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# DECLARATION OF THE MANAGEMENT BOARD

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## Declaration of the Management Board pursuant to Section 82 Para 4 No. 3 of the Stock Exchange Act

We declare to the best of our knowledge that the consolidated financial statements of the Lenzing Group relating to the financial year 2013 that were prepared in accordance with the relevant accounting standards pursuant to International Financial Reporting Standards (IFRSs) give a true and fair view of the financial position and financial performance of the Lenzing Group.

In addition, we declare to the best of our knowledge that the management report presents the development and performance of the business in a way that conveys a true and fair view of the financial position and financial performance of the Lenzing Group, and that it describes the principal risks and uncertainties faced by the Lenzing Group.

Lenzing, March 04, 2014

### The Management Board

**Peter Untersperger**

Chief Executive Officer  
Chairman of the Management Board

**Friedrich Weninger**

Chief Operating Officer  
Member of the Management Board

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# REPORT OF THE SUPERVISORY BOARD OF LENZING AG

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## To the 70<sup>th</sup> Shareholders' Meeting:

### Dear shareholders,

At seven meetings held during the 2013 financial year, the Supervisory Board of Lenzing AG was informed by the Management Board about the company's business development, discussed the further strategic development as well as important business transactions and measures with the Management Board and passed the required resolutions. The Management Board submitted a detailed written report to the Supervisory Board at each meeting about all relevant issues relating to the business development, the financial position and financial performance of Lenzing AG and the Lenzing Group. In addition, the Chairman and Deputy Chairman of the Supervisory Board were provided with information on a regular basis.

At its meeting held on November 13, 2013 the Supervisory Board of Lenzing AG approved the far-reaching cost optimization program excelLENZ 2.0 initiated by the Management Board. In this way Lenzing proactively reacted to the difficult market situation and the tougher price competition. The objective of excelLENZ 2.0 is to generate cost savings on an annualized basis of EUR 120 mn targeted for the end of 2015 and thus help Lenzing achieve cost leadership again. This will serve as a means of securing the long-term competitiveness of Lenzing on the market for man-made cellulose fibers.

The Audit Committee of the Supervisory Board convened three times, and in addition to examining and preparing the annual and the consolidated financial statements, also fulfilled its duties and responsibilities as stipulated in Section 92 Para 4a Austrian Stock Corporation Act. In particular, the Supervisory Board monitored the financial reporting processes as well as the effectiveness of the internal control, audit and risk management systems.

Two meetings of the Nomination Committee took place in the 2013 financial year, which in particular focused on the premature termination of the employment contract with the Management Board member Thomas G. Winkler, as well as the search and selection process for two Management Board candidates (CFO, CCO).

The Supervisory Board set up a Remuneration Committee which focuses on the employment contracts of Management Board members, ensures adherence to C-Rules 27, 27a and 28 and regularly reviews the remuneration policies for Management Board members. Eight meetings of the Remuneration Committee took place during the 2013 financial year, particularly dealing with the evaluation of the Management Board with respect to the 2012 financial year, defining performance targets for 2013, terminating the employment contract with Thomas G. Winkler, preparing employment contracts for two new Management Board members as well as discussing general remuneration issues pertaining to the Management Board.

The Supervisory Board established a Strategy Committee which deals with the business strategy of the company and monitors the strategic measures being implemented by the Management Board along with the relevant company-specific key performance indicators. In 2013 the Strategy Committee primarily addressed the issue of more intensely focusing on specialty fibers. Furthermore, the strategy implementation measures are subject to an ongoing monitoring and annual review by the Management Board. Three meetings of the Strategy Committee were held in 2013.

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Further information pertaining to the composition and mode of operation of the Supervisory Board and its remuneration is available in the Corporate Governance Report.

The annual financial statements including the Management Report and Corporate Governance Report of Lenzing AG as well as the consolidated financial statements and the Group Management Report of the Lenzing Group as at 31 December 2013 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna and granted an unqualified auditor's opinion.

The Audit Committee of the Supervisory Board reviewed the annual and the consolidated financial statements, the Management Report and Group Management Report, the proposal of the Management Board for the appropriation of the total accumulated profit along with the Corporate Governance Report. The Audit Committee also intensively focused on the auditor's reports and exhaustively discussed the results of the audit in detail with the auditor. On the basis of its own review, the Audit Committee concurred with the results of the auditor's report. The Audit Committee dutifully reported to the Supervisory Board on this matter and recommended that the Supervisory Board propose the appointment of Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna again to the Shareholders' Meeting to serve as the auditors for the 2014 financial year.

Following its own detailed review, the Supervisory Board declared its formal approval of the Management Report and Corporate Governance Report, and thus hereby adopted the annual financial statements for 2013 pursuant to Section 96 Para 4 Austrian Stock Corporation Act. Furthermore, it declared its approval of the consolidated financial statements and Group Management Report in accordance with Section 244 and Section 245a Austrian Commercial Code. The Supervisory Board concurred with the Management Board's proposal on the distribution of the total accumulated profit, according to which a dividend of EUR 46,462,500.00 or EUR 1.75 per no-par-value share is to be paid from the reported accumulated profits of EUR 151,216,955.03 and to carry forward the balance of EUR 104,754,455.03 to the new account.

The Supervisory Board agreed with the recommendation of the Audit Committee and will thus propose to the 70th Shareholders' Meeting to appoint Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, as the auditors for the annual financial statements of the 2014 financial year.

The Supervisory Board would like to thank the Management Board and all employees of the company for their commitment and hard work along with the good results achieved during the past financial year.

Vienna, March 20, 2014

**Michael Junghans**  
Chairman of the Supervisory Board

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# LONG-TERM COMPARISON UNDER IFRS

## According to IFRS

Sales and result		2013	2012	2011	2010	2009*	2009	2008	2007	2006
Sales	EUR mn	1,908.9	2,090.4	2,140.0	1,766.3	1,218.0	1,254.7	1,329.1	1,260.5	1,042.6
Sales outside of Austria	%	90.8	91.1	91.5	91.3	88.1	88.4	87.8	85.9	85.6
Earnings before interest and taxes (EBIT)	EUR mn	86.4	231.5	364.0	231.9	114.2	100.7	130.3	162.3	107.8
Financial result	EUR mn	(26.7)	(12.8)	(10.9)	(12.9)	(11.3)	(12.2)	(15.6)	(11.3)	(8.5)
Earnings before taxes (EBT)	EUR mn	68.1	236.0	351.9	216.9	102.9	88.5	114.7	151.0	99.2
Income tax expense	EUR mn	(18.1)	(55.1)	(84.6)	(40.2)	(23.0)	(21.6)	(36.6)	(32.8)	(10.4)
Profit for the year	EUR mn	50.0	180.9	267.4	169.9	66.8	66.8	78.7	117.6	88.4
Profit for the year attributable to shareholders of Lenzing AG	EUR mn	50.1	175.6	258.7	159.1	64.4	64.4	77.7	109.6	83.9
<b>Cash flow</b>										
Gross cash flow	EUR mn	94.6	248.0	435.3	282.3	147.4	140.9	157.8	203.6	146.9
Gross cash flow as percentage of sales	%	5.0	11.9	20.3	16.0	12.1	11.2	11.9	16.2	14.1
Net cash from operating activities	EUR mn	82.3	209.4	309.7	294.0	250.9	250.9	50.4	223.8	146.1
Free cash flow <sup>7</sup>	EUR mn	(69.9)	(72.3)	93.5	13.3	92.9	92.9	(96.3)	(36.4)	43.7
Capital expenditure (intangible assets, property, plant and equipment) incl. investment in non-controlling interests	EUR mn	252.1	346.2	193.7	230.0	150.4	151.7	158.6	136.7	104.1
<b>Assets structure</b>										
Non-current assets/Total assets	%	61.8	56.2	56.6	60.9	67.5	67.5	64.2	62.1	63.0
Current assets/Total assets	%	38.2	43.8	43.4	39.1	32.5	32.5	35.8	37.9	37.0
Total assets	EUR mn	2,439.9	2,632.7	2,340.5	1,963.4	1,447.2	1,447.2	1,415.8	1,308.6	1,061.7
<b>Capital structure</b>										
Adjusted equity <sup>1</sup>	%	45.5	43.8	44.8	38.6	42.0	42.0	42.7	44.8	51.1
Post employment benefits	%	3.1	3.8	3.7	4.2	5.7	5.7	6.2	6.3	7.0
Liabilities (excl. post employment benefits)	%	51.4	52.4	51.5	57.2	52.3	52.3	51.1	48.9	41.9
<b>Key data</b>										
Return on sales (ROS) <sup>2</sup>	%	3.1	9.2	12.8	10.8	7.0	5.7	7.1	10.6	7.8
Return on capital employed (ROCE) <sup>3</sup>	%	3.7	13.7	23.3	18.4	8.6	7.2	10.0	17.5	11.9
Return on Equity (ROE) <sup>6</sup>	%	4.4	16.4	29.6	24.5	11.0	11.0	13.2	20.8	17.2
EBIT <sup>4</sup>	EUR mn	86.4	231.5	364.0	231.9	114.2	100.7	130.3	162.3	107.8
EBIT margin	%	4.5	11.1	17.0	13.1	9.4	8.0	9.8	12.9	10.3
EBITDA <sup>5</sup>	EUR mn	225.4	352.4	480.3	330.6	187.9	182.0	200.8	229.3	169.3
EBITDA margin	%	11.8	16.9	22.4	18.7	15.4	14.5	15.1	18.2	16.2
Earnings per share	EUR	1.9	6.6	9.9	6.2	2.5	2.5	3.0	4.3	3.3
<b>Number of employees at year-end</b>		<b>6,675</b>	<b>7,033</b>	<b>6,444</b>	<b>6,143</b>	<b>6,021</b>	<b>6,021</b>	<b>5,945</b>	<b>6,043</b>	<b>5,044</b>

The computation of several ratios does not follow the recommendation for the computation of financial performance indicators as per Expert Opinion KFS/BW3 published by the Austrian Chamber of Chartered Accountants.

1) = Equity incl. government grants less prop. deferred taxes

2) = NOPAT (= Earnings before interest and taxes (EBIT) less associated deferred taxes) sales

3) = NOPAT  
(The average of stockholders' equity and non-controlling interests  
+ Interest bearing debt  
- Cash  
- Current and non-current securities and loans  
- Investments accounted for using the equity method and other financial assets) 01/01+31/12/2

4) = Income before taxes and financial result

5) = EBIT plus amortization of intangible fixed assets and depreciation of property, plant and equipment less release of investment grants

6) = NOPAT  
Average of adjusted equity

7) = From 2013 the cash flows relating to the investment in non-controlling interests are presented as part of the cash flow from financing activities. Prior year figures were adjusted.

\* Values adjusted according to IFRS 5

# FINANCIAL CALENDAR 2014

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## FINANCIAL CALENDAR

2014

Final results 2013	Fr, 21 March
70 <sup>th</sup> Shareholders' Meeting (in Lenzing)	Mo, 28 April
Quotation ex dividend	Wed, 30 April
Dividend distribution	Mo, 05 May
Results 1 <sup>st</sup> quarter	Thu, 15 May
Half-year results	Thu, 21 August
Results 3 <sup>rd</sup> quarter	Thu, 13 November

### Notes:

This English translation of the financial statements was prepared for the company's convenience only. It is a non-binding translation of the German financial statements. In the event of discrepancies between this English translation and the German original the latter shall prevail.

This annual report also includes forward-looking statements based on current assumptions and estimates that are made to the best of its knowledge by Lenzing AG. Such forward-looking statements can be identified by the use of terms such as "should", "could", "will", "estimate", "expect", "assume", "predict", "intend", "believe" or similar items. The projections that are related to the future development of the Lenzing AG represent estimates that were made on the basis of the information available as of the date on which this annual report went to press. Actual results may differ from the forecast if the assumptions underlying the forecast fail to materialize or if risks arise at a level that was not anticipated.

Calculation differences may arise when rounded amounts and percentages are summed. The annual report was prepared with great accuracy in order to ensure that the information provided herein is correct and complete. Rounding, type-setting and printing errors can nevertheless not be completely ruled out.

Editorial deadline: March 20, 2014

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# GLOSSARY

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## Cellulose

The raw material of pulp production. Cellulose is a component of all plants. The cellulose content of wood is about 40%.

## Dissolving pulp

A special kind of pulp with special characteristics used to manufacture viscose, modal and lyocell fibers and other cellulose-based products. This grade of pulp is characterized by higher alpha cellulose content and by a high degree of purity.

## Co-Product

By-products recovered during pulp and fiber production.

## HIGG Index

Source: [www.apparelcoalition.org/higgindex/](http://www.apparelcoalition.org/higgindex/)

## Hydrophob

Hydrophobes are substances that do not mix with water but instead usually cause water to bead-up on surfaces.

## ISO 14001

An international standard for the certification of environmental management systems.

## ISO 9001

An international standard for the certification of quality management systems.

## Integration

All stages of fiber production are concentrated at one and the same site, from wood, the raw material, to pulp and fiber production.

## Air-dried pulp

Pulp with 10% equilibrium moisture

## Lyocell fibers

A new type of cellulose fiber developed by Lenzing and produced in a very environmentally friendly solvent process. Lenzing markets these fibers under the brand name TENCEL®. Their properties enable new and innovative products to be developed and produced.

## Man-made cellulose fibers

A fiber industrially produced from raw materials of plant origin (e.g. wood).

## Modal

Modal is a viscose fiber refined under modified viscose production conditions and spinning conditions. It stands apart for its softness and is the preferred fiber for high-quality underwear and similar products. The fibers have improved use characteristics such as tenacity, dimensional stability, and so forth. Lenzing markets these fibers under the brand name Lenzing Modal®.

## Nonwovens

Nonwoven materials, fleece. Nonwovens made from Lenzing fibers are used for sanitary, medical and cosmetics applications

## OHSAS 18001

Occupational Health and Safety Assessment Series (OHSAS) is a certification system for management systems pertaining to work safety.

[www.ohsas-18001-occupational-health-and-safety.com](http://www.ohsas-18001-occupational-health-and-safety.com)

## PEFC

The Program for the Endorsement of Forest Certification Schemes (PEFC) is an international non-profit organization for wood certification.

[www.pefc.org/](http://www.pefc.org/)

## Stakeholders

All internal and external persons or groups affected directly or indirectly by business activities currently or in the future.

## Stock-to-Use Ratio

Measures the relationship of supply and demand for a specified raw material, showing to the extent to which the remaining inventories of a certain raw material can fulfill demand or the entire level of consumption. The stock-to-use ratio is stated as a percentage.

Source: [www.investor-verlag.de/rohstoffe/basiswissen-die-stocks-to-use-ratio-/111022351/](http://www.investor-verlag.de/rohstoffe/basiswissen-die-stocks-to-use-ratio-/111022351/)

## Viscose fibers

A regenerated cellulose fiber produced from raw materials of plant origin (e.g. wood) using the viscose process. Lenzing markets these fibers under the brand name Lenzing Viscose®.



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