

**Report of the Management Board**  
of

**Lenzing Aktiengesellschaft**  
**Commercial Register No. ("FN") 96499 k**

pursuant to sect 65 para 1b in conjunction with sec 170 para 2 and sec 153 para 4 of the Austrian Stock Corporation Act

(Purchase and sale of own shares by the Company)  
Item 9. of the agenda of the 74<sup>th</sup> Annual General Meeting

At the 74<sup>th</sup> Annual General Meeting of Lenzing Aktiengesellschaft, FN 96499 k, with its registered office in Lenzing (the "Company"), to be held on 12 April 2018, the Management Board of the Company shall be authorized for a period of 30 months from the date of the resolution pursuant to sec 65 para 1 rec. 8 and para 1a and 1b of the Austrian Stock Corporation Act to acquire own shares of the Company with the consent of the Supervisory Board. The own shares acquired by the Company shall not exceed 10% of the Company's share capital. The consideration to be paid for the repurchase must be within a range of  $\pm 25\%$  of the weighted average closing price of the Lenzing share on the last 20 trading days prior to the start of the corresponding repurchase program.

In addition, the Management Board shall be further authorized to redeem repurchased own shares without further resolution of the General Meeting with the approval by the Supervisory Board (including authorization of the Supervisory Board of the Company to adopt changes to the articles of incorporation resulting from the redemption of the shares) or sell these shares again and to determine the conditions of sale. These authorizations shall be exercised in whole or in several partial amounts and in pursuit of one or more purposes by the Company, by a subsidiary company (section 189a rec 7 Austrian Commercial Code) or by third parties for the account of the Company.

Furthermore, for a period of five years from the date on which the resolution is passed, the Management Board of the Company shall be authorized, with the consent of the Supervisory Board, to decide on a legally permissible method of selling own shares other than via the stock exchange or a public offer, including excluding shareholders' rights of repurchase (subscription rights) and to determine the conditions of sale.

Since the possible exclusion of shareholders' rights to repurchase shares (subscription rights) in connection with the sale of shares acquired pursuant to section 65 Austrian Stock Corporation Act is materially comparable with the exclusion of subscription rights, the Management Board in accordance with the statutory provisions pursuant to sec 65 para 1b in conjunction with sec 170 para 2 in conjunction with sec 153 para 4 Austrian Stock Corporation Act, makes the following

## REPORT:

The authorization of the Management Board to acquire own shares in accordance with section 65 para 1 rec. 8 of the Austrian Stock Corporation Act without a specific purpose enables the Company to react quickly and flexibly to changing situations.

### **1 Authorization to sell off-exchange and to exclude shareholders' rights to repurchase (subscription rights)**

- 1.1. Pursuant to sec 65 para 1b in conjunction with sec 47a of the Austrian Stock Corporation Act, all shareholders of the Company must be treated equally when acquiring and selling own shares. In any case, a purchase or sale via the stock exchange or by means of a public offer is sufficient to meet the obligation to treat shareholders equally.
- 1.2. The purpose of this proposal for a resolution is to authorize the Management Board to sell own shares in a manner other than via the stock exchange or by means of a public offer. In this case, the shareholders' right to acquire these own shares could be excluded. This possible exclusion of shareholders' repurchase rights (subscription right) when selling own shares is in the interest of the Company for the following reasons:
  - a) The Company repeatedly finds opportunities to acquire suitable acquisition objects. Under certain circumstances, owners of attractive investment and acquisition objects may only be prepared to sell their companies if they receive Lenzing shares exclusively or in part as consideration.
  - b) The use of own shares as "transaction currency" is also advantageous for the Company because the financing requirements for acquisitions can be reduced and the use of own shares as "transaction currency" can preserve the available liquid funds for the Company and the shareholders.
  - c) The possibility of using own shares as a "transaction currency" also enables the Management Board, with the approval by the Supervisory Board, to act quickly and flexibly in the event of acquisition opportunities, as new shares do not have to be created in the course of a comparatively time-consuming capital increase.
- 1.3. In order to achieve the best possible use of own shares, it is also necessary to enable the sale of own shares in any legally permissible manner - i. e. also off-exchange and with the exclusion of shareholders' repurchase rights (subscription rights) - and, in this connection, to grant the Management Board, with the consent by the Supervisory Board, the authorization to determine the conditions of sale.
- 1.4. The exclusion of subscription rights or the sale of own shares in a manner other than via the stock exchange or by means of a public offer is also proportionate because the Company regularly has an interest in acquiring the company in question. The interests of the existing shareholders are safeguarded by the fact that shares are granted in proportion to the company value when the company is acquired.
- 1.5. Even with the exclusion of the right to repurchase (subscription right) the Company's interests outweigh those of shareholders for the reasons stated above. An exclusion of the general subscription right therefore appears to be objectively justified. In addition, the proposed authorization of the

Management Board to use or sell shares is in line with the statutory intention that the Company's own shares are not to be retained by the Company but to be returned to the market.

- 1.6. Due to the quantitative restrictions (max. 10%) on the purchase of own shares, the sale of own shares with the exclusion of shareholders' repurchase rights (subscription rights) does not result in the creation of a significant shareholding in the Company nor the dilution of the shareholders excluded from subscription. The latter is because no additional new shares will be issued when the own shares are resold and therefore the respective participation of the excluded shareholders in the Company will remain unchanged.
- 1.7. The interests of the Company and its shareholders are safeguarded in particular by the fact that the Management Board is bound by the prior consent by the Supervisory Board both in determining the terms and conditions of sale and in carrying out the repurchase of own shares and in the event of a subsequent sale of own shares - irrespective of whether this takes place on the stock exchange or by means of a public offer or in some other way.
- 1.8. The Management Board will only make use of the authorization to sell own shares in ways other than via the stock exchange or by means of a public offer excluding the shareholders' rights to repurchase (subscription right) and to determine the conditions of sale if the requirements described above and all legal prerequisites are fulfilled. In addition, the value of the own shares sold will be determined by the Management Board with the consent by the Supervisory Board, taking full account of the interests of the Company and its shareholders. Furthermore, the Management Board will observe the disclosure and announcement obligations under stock corporation and stock exchange law that must be complied with in the acquisition and/or sale (with or without the exclusion of the shareholders' rights to purchase).

## **2 Use of own shares to service convertible bonds**

- 2.1. At the 74<sup>th</sup> Annual General Meeting of the Company to be held on 12 April 2018, the Management Board shall also be authorized to issue convertible bonds for a period of five years. The convertible bonds are to be serviced either via conditional capital that is also to be resolved and/or via own shares.
- 2.2. The Management Board's authorization to issue convertible bonds to be resolved upon provides that the subscription right of shareholders can be excluded in whole or in part, subject to certain conditions, with the consent by the Supervisory Board.
- 2.3. Since the exclusion of subscription rights in connection with the issue of the convertible bond is also typically in the shareholders' interest and is therefore generally justified, this also applies to the issue of own shares in connection with the servicing of the convertible bonds.

## **3 Authorization to cancel own shares**

- 3.1. The Management Board shall be authorized to redeem acquired own shares without further resolution of the General Meeting with the approval by the Supervisory Board. In addition, the Supervisory Board shall be authorized to resolve on amendments to the articles of incorporation resulting from such redemption. For the Company and its shareholders, the redemption of own shares can have, in particular, accounting advantages, because reserves must also be set up for own shares. If own shares lawfully repurchased are no longer required and if there is no better way to use them than to redeem them, the Management Board's in-advance authorization to redeem own shares and the in-advance authorization of the Supervisory Board to resolve on corresponding amendments to the articles of incorporation in the event of actual redemption shall be appropriate means to avoid the time-

consuming and cost-intensive holding of a further General Meeting which would have to resolve upon these measures.

- 3.2. The Management Board will only use the authorization to redeem repurchased own shares if the requirements described above and all legal requirements are met. The Management Board will also comply with the disclosure and announcement requirements under stock corporation and stock exchange law that must be complied with when redeeming own shares. The same shall apply to the resolution of corresponding amendments to the Company's articles of incorporation.

Vienna, March 2018

Management Board

*This document is published in German and in a non-binding English convenience translation.*