75 YEARS OF INNOVATION

QUARTERLY REPORTING 01-06/2013

LENZING GROUP

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LENZING

LEADING FIBER INNOVATION

75 YEARS OF INNOVATION

The history of Lenzing AG encompasses many innovation milestones. Pioneering achievements in pulp bleaching and environmentally compatible technologies or the development of the revolutionary lyocell fiber TENCEL® fill us Lenzingers with pride. We are celebrating our 75th anniversary in 2013 with the knowledge that Lenzing's innovative spirit will remain the driver of success over the next 75 years.

Selected Key Figures

Selected key figures

		30/06/2013	31/12/2012
Adjusted equity[1]	EUR mn	1,154.8	1,153.1
Adjusted equity in %[1]	%	45.2	43.8
Net financial debt	EUR mn	424.4	346.3
Net debt[2]	EUR mn	521.5	445.5
Net gearing	%	36.8	30.0
Open credit facilities	EUR mn	201.4	211.2
Liquid assets[3]	EUR mn	408.1	528.8
Number of employees at end of period	(Headcount)	6,744	7,033
		1-6/2013	**1-6/2012**
CAPEX (incl. Plastics)	EUR mn	134.4	130.0

Selected income statement items (before/after restructuring)

		1-6/2013	1-6/2012
Sales	EUR mn	989.9	1,061.8
EBITDA before restructuring	**EUR mn**	**134.9**	**193.6**
EBITDA margin before restructuring	%	13.6	18.2
EBITDA after restructuring	EUR mn	162.0	193.6
EBITDA margin after restructuring	%	16.4	18.2
EBIT before restructuring	**EUR mn**	**78.8**	**141.1**
EBIT margin before restructuring	%	8.0	13.3
EBIT after restructuring	EUR mn	103.0	141.1
EBIT margin after restructuring	%	10.4	13.3

1) Equity including investment grants less pro rata deferred taxes (after restructuring)
2) Including obligations for pension and severance payments
3) Comprising cash and cash equivalents, liquid securities and liquid bills of exchange

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General Market Environment

Global economy[1]

The International Monetary Fund (IMF) once again revised its global economic growth forecasts slightly downwards for the entire year 2013. Accordingly, the world economy is expected to expand by 3.1% this year. Generally risks have a decisive impact on the current IMF forecasts. The IMF predicts that the boom phase is over in many emerging markets, the USA is slowing down the recovery with premature austerity measures and Europe remains mired in a recession.

The IMF anticipates GDP growth of 1.2% for the industrialized countries in the year 2013. The American economy is predicted to expand by 1.7% this year. According to the IMF, the eurozone will slip even deeper into recession than originally expected, with its economies contracting by 0.6% in 2013.

The growth forecasts for the developing and emerging markets were also revised slightly downwards to 5.0% in 2013. Generally speaking the IMF sees the risk of a long-lasting slowdown in the rate of growth generated by the emerging markets. The IMF predicts that China will post GDP growth of 7.8% for the entire year 2013. The Chinese economy expanded by 7.6% in the first half of 2013 according to the National Bureau of Statistics in China[2]. The People's Republic of China is in the midst of a structural reform period with an emphasis on more moderate growth. The focus of Chinese economic policy is now on stimulating domestic demand and private consumption. Experts believe this approach will likely lead to a decline in the export ratio and growth rates[3].

World fiber market

The market environment facing the world's fiber industry continued to be difficult throughout the first half of 2013. The weak global economy and the related lower level of private consumption in the industrialized countries prevent demand from picking up.

Cotton prices, the most important benchmark for all fiber prices, did in fact recover in the course of the first six months of 2013 (91.1 US cents/lb as of the end of June 2013 compared to 83.4 US cents/lb at the beginning of the year in the "Cotton A" index). Nevertheless, the selling price for cotton had already reached a level of 94.8 US cents/lb at the end of the first quarter of 2013. Thus the upturn in prices in the first quarter of this year did not continue. In addition, market analysts attribute the slight increase in selling prices to renewed Chinese efforts to stockpile cotton[4].

According to industry experts, China owned more than 50% of the world's total cotton inventories, and held approximately nine million tons of cotton in storage at the end of June 2013.

In the course of the second quarter, selling prices for polyester fibers decreased once again, amounting to 142 US cents per kilogram at the end of June 2013. This compares to 156 US cents/kg at the end of March 2013 and 163 US cents/kg in January 2013.

Viscose fiber spot market prices in China, the world's largest viscose fiber sales market, decreased again, and closed the first half-year 2013 at CNY 13.360 per kilogram, a drop of 4.6%

[1] International Monetary Fund, World Economic Outlook Update, July 9, 2013 [2] National Bureau of Statistics of China, "Preliminary Accounting Results of GDP for the First Half of 2013", July 16, 2013 [3] Handelsblatt.com, "Schwellenländer zeigen Wachstumsschwäche" (Emerging Markets Generate Weak Growth) July 18, 2013 [4] ICAC, "The Cotton Supply and Demand Variables", July 1, 2013

from the comparable level of CNY 14.000 at the beginning of the year. The main reasons for the low viscose fiber selling prices are surplus production capacities as a consequence of past investment activity by the Chinese viscose fiber industry as well as the comparatively high capacity utilization on the part of Chinese manufacturers at the present time, which is related to the low pulp prices. The general state of the Chinese market determines the global price structure in the man-made cellulose fiber industry.

Development of the Lenzing Group

The Lenzing Group was not immune to the continuous downward price development in the first half-year 2013. Nevertheless, against the backdrop of declining sales, Lenzing generated earnings in line with expectations but considerably below the first half of 2012. The comparability of the performance indicators in the first half of 2013 with those in the prior-year period is limited due to Lenzing's sale of its Business Unit Plastics (Lenzing Plastics).

Consolidated sales declined by 6.8% in the first half of 2013 to EUR 989.9 mn, down from EUR 1,061.8 mn in the previous year. The significantly lower average fiber selling prices compared to the first half of 2012 could not be compensated by the higher fiber shipment volumes. The average fiber selling prices of the Lenzing Group totaled EUR 1.76/kg (H1 2012: EUR 2.03/kg), a drop of 13.3%. Furthermore, a higher volume of dissolving pulp than in the previous year was processed within the Group as a consequence of the conversion and expansion of the Paskov pulp plant. This resulted in a corresponding drop in external sales of about EUR 42.5 mn compared to the first half of 2012.

Consolidated earnings before interest, tax, depreciation and amortization[1] (EBITDA) amounted to EUR 162.0 mn, down from EUR 193.6 mn in the first half of 2012. This comprises a decrease of 16.3%. The EBITDA margin was 16.4% in contrast to the prior-year figure of 18.2%.

Earnings before interest and tax (EBIT) in the first half-year totaled EUR 103.0 mn, a decrease of 27.0% from the previous year's EBIT of EUR 141.1 mn. This corresponded to an EBIT margin of 10.4% in the first half of 2013 (H1 2012: 13.3%). The disposal of the Business Unit Plastics by the Lenzing Group resulted in a cash inflow of EUR 61.7 mn, and a pre-tax divestment gain (affecting EBITDA and EBIT) of EUR 25.9 mn at the half-year reporting date. The income tax expense amounted to EUR 8.2 mn.

In spite of the significant rise in fiber shipment volumes, which climbed by 12% year-on-year to 438,000 tons (H1 2012: 390,000 tons), the cost of material and other purchased services could be reduced to EUR 607.0 mn (H1 2012: EUR 644.5 mn). This reflects the lower raw material prices for pulp and chemicals as well as the cost reduction measures implemented within the context of the excelLENZ program.

Personnel expenditures were up 7.6% from the prior-year period to EUR 163.2 mn (H1 2012: EUR 151.7 mn). The increase in personnel expenditures can be attributed to the annual rise in salaries related to the collective wage agreement in Austria as well as higher staff costs, especially in China and Indonesia. The number of employees in the Lenzing Group as at June 30, 2013 totaled 6,744 people (December 31, 2012: 7,033). This decrease is due to the sale of Lenzing Plastics as of June 27, 2013 (321 employees).

[1] All earnings figures are provided after restructuring, except where explicitly stated otherwise.

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The amortization of intangible assets and depreciation of property, plant and equipment climbed by 5.8% to EUR 57.5 mn in the first half of 2013 from the prior-year level of EUR 54.3 mn, which is the consequence of the Lenzing Group's investment activity. The increase in other operating expenses could be limited to 3.0%, from EUR 110.6 mn to EUR 113.9 mn, in spite of the significant rise in fiber shipment volumes.

The financial result at minus EUR 13.4 mn was below the prior-year level of minus EUR 4.9 mn. This is largely due to foreign currency translation losses arising from foreign currency liabilities and the negative "carry[1]", especially due to the low interest income.

Earnings before tax (EBT) amounted to EUR 90.4 mn, a decline of 34.6% from EUR 138.2 mn in the previous year.

Due to the lower EBT, the income tax of EUR 25.1 mn was about one-third lower than in the prior-year period (H1 2012: EUR 38.1 mn). The profit for the period in the first half of 2013 was EUR 65.3 mn, down 34.7% from the comparable figure of EUR 100.1 mn in the previous year.

Earnings per share in the first half-year totaled EUR 2.41, down from EUR 3.66 in the first half of 2012.

Investments in intangible assets and property, plant and equipment totaled EUR 134.4 mn (incl. EUR 2.7 mn of BU Plastics) in the first half of 2013, compared to EUR 130.0 mn in the first six months of 2012. The focal point of the new investments was almost exclusively the construction of the new TENCEL® production plant at the Lenzing site. The level of investments is not expected to rise in the second half of the year, which can be attributed to the difficult market situation and the company's concentrating on optimal cash management. Accordingly, CAPEX for the entire year 2013 will amount to approximately EUR 260 mn (2012: EUR 346.2 mn).

Stable balance sheet

The sale of Lenzing's Business Unit Plastics led to a decrease in the balance sheet total of 2.9% to EUR 2,556.5 mn. Adjusted Group equity[2] as of the end of June 2013 remained largely unchanged at EUR 1,154.8 mn compared to the level of EUR 1,153.1 mn at the end of 2012. Non-current liabilities decreased to EUR 881.1 mn (December 31, 2012: EUR 937.7 mn) due to the deconsolidation of the liabilities of Lenzing Plastics, amongst other reasons. Net financial debt totaled EUR 424.4 mn in the middle of 2013 (December 31, 2012: EUR 346.3 mn). This corresponded to a still moderate net gearing of 36.8% (December 31, 2012: 30.0%).

As of June 30, 2013, Lenzing had liquid funds[3] of EUR 408.1 mn at its disposal (December 31, 2012: EUR 528.8 mn). This reflects both the distribution of the dividend to shareholders of Lenzing AG for the 2012 financial year of EUR 53.1 mn as well as the cash-effective income tax payments and advanced tax payments amounting to EUR 46.9 mn. As of June 30, 2013, Lenzing had additional unused lines of credit available for its use amounting to approximately EUR 200 mn.

1) Difference between interest income and interest expense 2) Incl. investment grants, less prop. deferred taxes
3) Including cash and cash equivalents, liquid investments and liquid bills of exchange

Q2 2013 earnings in line with expectations

For the Lenzing Group, the second quarter of 2013 developed for the most part in line with expectations. Consolidated second-quarter sales totaled EUR 493.3 mn, down 7.6% from the prior-year level of EUR 533.6 mn. Amongst other things, this decline reflects the further drop in average fiber selling prices to EUR 1.75 per kilogram (Q2 2012: EUR 2.04/kg).

As a consequence of cost savings for raw materials and the impact of the excelLENZ program, EBITDA before restructuring in the second quarter of 2013 amounted to EUR 70.4 mn, which even slightly surpassed the upper end of the EBITDA guidance of EUR 65 mn – EUR 70 mn. EBITDA after restructuring (sale of Lenzing Plastics and the liquidation of European Precursor GmbH) in the second quarter of 2013 amounted to EUR 95.7 mn, a drop of only 4.8% from the prior-year quarter. The profit for the period after taxes of the Lenzing Group was EUR 44.4 mn in the second quarter (Q2 2012: EUR 51.7 mn).

Segment Reporting

Segment Fibers

The successful increase in production and sales volumes, ongoing attractive price premiums for Lenzing Modal® and TENCEL® along with the recent worse than expected price trend for viscose characterized the business development of the Lenzing Group's Segment Fibers in the first half of 2013.

Sales of the Segment Fibers amounted to EUR 893.0 mn (H1 2012: EUR 955.9 mn). This comprises a decline of 6.6% from the prior-year level. Segment EBITDA in the first half of the year fell by 31.4% to EUR 125.4 mn, down from EUR 182.9 mn in the prior-year period. Segment EBIT amounted to EUR 69.9 mn, a decrease of 47.3% from EUR 132.6 mn in the first half of 2012. The performance figures reflect the decline in average fiber selling prices to EUR 1.76/kg in the first half of 2013 (H1 2012: EUR 2.03/kg). This considerable drop in prices could not be compensated by the increased fiber production and shipment volumes.

Demand for Lenzing fibers continued unabatedly in the first half of 2013. As a result, all production facilities were operating at full capacity. Fiber shipment volumes rose by about 12.5% to a new record level of approximately 438,000 tons (H1 2012: 390,000 tons). The volume growth can be attributed to the coming on stream of the fifth production line at the viscose fiber plant PT. South Pacific Viscose (SPV) in Indonesia in the fourth quarter of 2012. On balance, total shipment volumes fell short of the company's full potential, which was mainly due to a fire which took place at the TENCEL® plant in Heiligenkreuz (Austria) in March along with construction work on a damaged wastewater pipeline of the infrastructure provider at the industrial park in Nanjing (China) at the end of the second quarter. As a consequence, production volumes of TENCEL® as well as those generated by the viscose fiber production site in Nanjing (China) were lower than originally planned. As of June 30, 2013, inventories of the Lenzing Group were at their lowest level in the last two years as a result of the strong demand.

Lenzing counteracted the continuing decrease in viscose fiber spot market prices in China, the world's largest fiber sales market, by implementing a global marketing drive focusing on

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its specialty fibers. Accordingly, price premiums for the specialty fibers Lenzing Modal® and TENCEL® vis-à-vis standard viscose fibers could be maintained at virtually the same high level. Specialty fibers accounted for more than one-third of the company's fiber sales revenue in the first half of 2013, although they comprise only slightly more than one-quarter of the Lenzing Group's total fiber production.

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 the first half of 2013. Lenzing succeeded in making up for any delays arising from the unfavorable weather conditions. For this reason, Lenzing believes it will be able to stick to its agreed-upon timetable and begin producing the first batches of TENCEL® fibers at the new plant starting in the middle of 2014. Following the start-up phase, the new facility will boast an annual nominal capacity of 67,000 tons of TENCEL® fibers.

Business Unit Textile Fibers

The Business Unit Textile Fibers carried out a large number of measures in the first half-year 2013 which were designed to promote the sales of specialty fibers, particularly Lenzing Modal®. Thus the total shipment volume for textile fibers could be increased to about 307,000 tons in the first half of 2013, up from about 275,000 tons in the prior-year period.

Lenzing achieved a new record shipment volume for Modal of 53,000 tons in the first half of 2013 (H1 2012: about 43,000 tons). Sales of MicroModal® could be increased on the basis of appropriate marketing measures. Demand for the newly-launched spun-dyed Modal fiber Lenzing Modal® COLOR also developed positively. The comparatively high cotton price in China, an important sales market for Modal, helped support demand for Lenzing Modal® as a fiber blend.

Demand for TENCEL® used in textile applications could also be maintained at the same high level by implementing corresponding marketing campaigns. These measures related to all types of TENCEL® fibers, serving as the basis for full capacity utilization at the TENCEL® production plants. In spite of the disruption in production at the TENCEL® factory in Heiligenkreuz, total volume reached a level of 43,000 tons in the first six months of this year, slightly above the prior-year figure of about 42,000 tons. TENCEL® selling prices developed stably throughout the entire first half of 2013, featuring price premiums of about 50% vis-à-vis viscose, but significantly below the premiums attained in the first half-year 2012.

From an innovation perspective, Lenzing introduced its flame-resistant Lenzing FR® "divan fiber" at the end of the second quarter for use in public transportation. Prevailing guidelines applicable to public transportation vehicles are particularly strict. The convincing feature of Lenzing FR® is that the fiber does not melt, drip or afterglow in case of fire, which would normally comprise an enormous risk for passengers.

Business Unit Nonwoven Fibers

The global nonwovens fiber market developed robustly in the first half of 2013 against the backdrop of very good volume demand. However, the declining textile fiber selling prices, also in the nonwovens sector, also led to some price pressure.

Lenzing set new sales priorities in its nonwovens business in the first half-year, for example in Europe, where demand developed well. On balance, shipment volumes in the first half of 2013 climbed to about 131,000 tons (H1 2012: 115,000 tons). There was a significant volume increase for TENCEL® of approximately 5,000 tons to close to 23,000 tons.

Average fiber selling prices for Lenzing nonwoven fibers remained stable in the first half-year at EUR 1.75 per kilogram, but were below the comparable level in 2012 (EUR 1.84/kg) in line with the general price trend. As expected, the price decrease was not as pronounced as in the textile segment.

Business Units Pulp und Energy

The development of the Business Unit Pulp proceeded satisfactorily in the first half of 2013.

The pulp market for viscose products is characterized by a surplus supply. For this reason, market prices fell to USD 850 per ton at the beginning of the year. No major change in this situation can be expected in the medium term. It is difficult to assess the impact of the process being pursued by China to impose punitive tariffs on imported pulp from the USA, Canada and Brazil, should such import duties actually take effect.

The first half of 2013 was characterized by a shortage of round wood and wood chips in Central Europe. In particular, prices for softwood (fir) increased. In this situation the long-term partnerships which Lenzing has concluded on an international level proved their worth by ensuring stable prices and volumes. A wood logistics project designed to optimize the shipping of wood was launched within the context of the excelLENZ program.

Since the beginning of the year, the Paskov pulp plant (Czech Republic) has been almost exclusively been manufacturing dissolving pulp. The current focus is on further optimizing the pulp production process and improving the quality of the pulp. The level of self-sufficiency of the two pulp sites in Lenzing and Paskov amounts to slightly more than 50% of the entire quantity of pulp required by the Lenzing Group. The rest of the needed pulp is largely secured by means of long-term supply contracts.

The conversion project in Paskov targeting a nominal capacity of 260,000 tons per year will be concluded in the fourth quarter of 2013 with the scheduled coming on stream of a soda boiler in August and measures implemented in the fields of pre-evaporation, energy, bleaching and anaerobic treatment. As a result, Paskov will become the second largest production site for dissolving pulp in Europe next to the pulp plant in Lenzing.

In the first half of 2013, the Business Unit Energy profited from lower primary energy procurement prices (natural gas, oil, coal, bark). The Lenzing Group also generated positive cost effects with respect to electricity prices in the first half-year. This can be attributed to lower electricity prices and low electricity consumption as a consequence of implementing various energy efficiency programs.

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Outlook Segment Fibers

The global fiber market should perform well in terms of volume growth in the second half of 2013. However, there is an excess supply of cotton as well as synthetic fibers and man-made cellulose fibers. The development of the global economy is unlikely to provide any added impetus towards stimulating demand in the months ahead.

Cotton prices, which remain the most important benchmark for all fibers, showed a stable development in the first weeks of the third quarter. However, cotton inventories continued to be at a historically high level. This situation will prevent any substantial selling price increases from taking place, even if demand rises (stock-to-use ratio of about 75%).

There is also a more than sufficient supply available in the market for dissolving pulp, which is essential to the man-made cellulose fiber industry, in the light of existing and expected new capacities. Pulp prices at the beginning of the third quarter remained at a lower level compared to the prior-year quarter. An anti-dumping investigation launched by the People's Republic of China for dissolving pulp imports from the USA, Canada and Brazil is currently the cause of continued unrest on the dissolving pulp market.

Capacity utilization at many Chinese viscose fiber production plants was somewhat higher than at the end of 2012. However, as a consequence of the liquidity scarcity, many manufacturers are trying to increase sales volumes as a means of generating cash, even if the earnings situation is unsatisfactory.

Due to all the above-mentioned reasons, further adjustments in fiber selling prices for man-made cellulose fibers are expected in the second half of 2013. In contrast, volume demand should remain high, which is why Lenzing continues to anticipate operating at full capacity. Nevertheless, only a small percentage of the potential price decline will be offset by the increased fiber shipment volumes.

Over the next two quarterly periods Lenzing will continue its present strategy of promoting sales of specialty fibers produced by the Segment Fibers. A further focus will be on intensifying marketing measures for nonwoven fibers. Finally, the market for the new large TENCEL® plant at the Lenzing site scheduled to commence production in 2014 will be prepared by opening up new sales and distribution channels.

A sufficient supply of pulp and energy for the second half of 2013 and beyond has been secured by the Lenzing Group. Prices for dissolving pulp as well as for energy (natural gas, oil, coal and electricity) should remain at the current level or even decrease slightly during the rest of the year.

Segment Engineering

The volume of incoming orders in the Segment Engineering in the first half of 2013 was down somewhat from the previous year but still at a high level. The Segment Engineering profited from the extensive investment activity in the Lenzing Group at the Paskov and Lenzing sites, both in the fields of fiber and pulp technology as well as mechanical engineering and construction and automation. The market expansion of automatic backflush filters to encompass new applications was successfully implemented in the area of filtration technology. The mechatronics business area generated additional orders based on its new positioning as a service provider for electronics development and manufacturing.

In the first half of 2013, the Segment Engineering generated sales of EUR 66.0 mn in the first half-year 2013, up from EUR 58.3 mn in the comparable period of 2012. Segment EBITDA totaled EUR 4.3 mn (H1 2012: EUR 4.1 mn), and segment EBIT amounted to EUR 3.4 mn (H1 2012: EUR 3.3 mn).

Outlook Segment Engineering

The Segment Engineering expects a decrease in new contract orders in the second half of the year, mainly from business generated within the Lenzing Group.

Segments Discontinued Operations and Other

The disposal of the Business Unit Plastics (Lenzing Plastics GmbH) was finalized effective June 27, 2013. The buyer is an Austrian consortium led by Invest AG, the investment company of the Raiffeisen Banking Group Upper Austria based in Linz. The purchase agreement to transfer ownership of 85% of the shares in Lenzing Plastics GmbH was already signed in April 2013. The sale is the result of Lenzing's strategic focus on its core business of manufacturing man-made cellulose fibers.

Sales of the Segment Other amounted to EUR 27.6 mn in the first half of 2013 (H1 2012: EUR 28.1 mn). Segment EBITDA in the first six months of 2013 was EUR 4.0 mn (H1 2012: EUR 1.7 mn), whereas segment EBIT totaled EUR 3.6 mn, up from EUR 1.2 mn in the previous year.

Lenzing Share

The Lenzing share concluded the first half-year of trading on June 28, 2013 at a price of EUR 55.00 per share, down 19.4% from the share price of EUR 68.22 on the final day of trading in 2012. The Lenzing share reached its peak value in the first six months of this year on February 4, 2013, when it was traded at EUR 76.57, and the high for the second quarter was EUR 66.15 on April 2, 2013.

Accordingly, the price of the Lenzing share performed less favorably than the Vienna benchmark index ATX, which started the year at 2,476.24 points and closed at 2,223.98 points at the end of June 2013, a decrease of 10.2%.

The Shareholders' Meeting held on April 24, 2013 resolved to distribute a dividend of EUR 2.00 per Lenzing share for the 2012 financial year, compared to EUR 2.50 per share in the previous year.

For the eighth successive year, the Lenzing share was accepted in June 2013 for listing in VÖNIX, the Sustainability Index of the Vienna Stock Exchange. Lenzing was given a ranking of A- on a scale ranging from A+ to C-.

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At present the Lenzing AG share is covered by six analysts. Three recommend investors to “buy“, two advise investors to “hold“ and one gives it a rating of “underperform”.

75th anniversary of Lenzing AG

Lenzing AG is celebrating its 75th anniversary in 2013. A book called “75 Years of Innovation” was published on this occasion, honoring Lenzing’s role as an innovation leader in its industry. A 30-minute video documentation offers this information in audio-visual form. A separate Website (75years.lenzing.com) was also designed and put online for the interested public.

Outlook

Global fiber market

The state of the global economy will not substantially change in the second half of 2013 compared to the first half of the year. This is likely to lead to a largely stable volume demand for the world’s fiber industry in relation to the first half-year. However, the ongoing high cotton inventories will prevent any further increase of cotton prices and thus of all other fibers.

Excess production capacities in the man-made cellulose fiber industry are expected to continue although expansion projects planned by competitors have already been delayed. The surplus supply of fibers should continue, at least for the entire second half of 2013, considering the fact that several manufacturers in China have the flexibility to increase the utilization of existing capacities. This situation is accompanied by lower prices for dissolving pulp, the most important raw material for fiber production. Accordingly, a further price adjustment for viscose fibers cannot be excluded in the coming months.

Strategy adjusted to market conditions

In the light of the current market environment, Lenzing is adjusting its short-term and medium-term corporate strategy to market conditions prevailing at the present time.

In the long-term, Lenzing maintains its outlook of attractive sales opportunities for man-made cellulose fibers and growth rates which should continue to significantly surpass the fiber market as a whole. The increase in prosperity and population as key drivers of growth as well as the high level of demand for fibers produced from renewable raw materials will remain valid in the future. The limits to the growth of the cotton industry can be clearly seen, and will lead to a long-term supply shortage of high quality fibers for the textile and nonwovens industries.

Nevertheless, the current market weakness and uncertainties on the fiber market may continue for several quarters. On the one hand, this can be attributed to the unsatisfactory economic situation in the Western industrialized countries, the consequence of which is a sluggish rise in demand on these markets. For the time being, growth of domestic demand in the emerging markets, especially in China, can only partially compensate for this development.

On the other hand, there is an adequate supply of cotton and synthetic fibers for the value chain at present applying to both textile fibers as well as nonwovens in addition to considerable excess production capacity for man-made cellulose fibers. This is accompanied by a lack of transparency in China's cotton stockpiling policy and the danger of protectionist measures being implemented on many sales markets.

Lenzing continues to anticipate a dampening of fiber selling prices in upcoming quarterly periods. For this reason, short- and medium-term investments will be adjusted to income. Ongoing large-scale investments such as the construction of the new TENCEL® production facility at the Lenzing site will not be affected by this strategic approach. However, major new investments will first begin when a minimum return on the capital employed is achieved.

Lenzing Group

As a result of the divestment of the Business Unit Plastics as of the end of June 2013, Lenzing is revising its performance indicators for the entire year 2013. Accordingly, due to the deconsolidation of sales generated by Lenzing Plastics as of the middle of 2013 as well as the expected average fiber selling price of EUR 1.70/kg in the second half of the year (H1 2013: EUR 1.76/kg), consolidated sales of the Lenzing Group in 2013 are predicted to total approximately EUR 2.0 bn for 2013 as a whole (guidance before the sale of Lenzing Plastics: EUR 2.15 bn – EUR 2.25 bn). As a consequence of the previously explained technical problems in Nanjing (China) and Heilgenkreuz (Austria), fiber shipment volumes will likely amount to about 910,000 tons (original guidance: 920,000 tons). This still impressive increase of more than 12% compared to the prior-year level of 810,000 tons is based on the premise that there will be no further production downtime in the second half of the year. The loss in production volume cannot be offset by higher sales volumes due to the low inventories of the Lenzing Group and the full capacity utilization at all production sites. The fiber mix in the second half of 2013 will further shift to the benefit of the specialty fibers Lenzing Modal® and TENCEL® as well as nonwovens due to the intensive marketing measures being implemented.

From today's perspective, all the above-mentioned factors will likely lead to an EBITDA of EUR 280 mn for the entire year 2013 (last guidance excl. the sale of Lenzing Plastics: EUR 260 mn – EUR 290 mn). EBIT is expected to reach a level of EUR 160 mn (previous guidance excl. the sale of Lenzing Plastics: EUR 140 mn – EUR 170 mn). In addition, the Lenzing Group anticipates a total CAPEX of EUR 260 mn for the year 2013 (2012: EUR 346.2 mn).

For Lenzing, the ongoing volume demand for its fibers and the stable world market price for cotton is a clear indication that the long-term growth perspectives for the man-made cellulose fiber industry remain intact. However, an upward movement in selling prices is first expected when volume growth manages to create a more balanced market situation compared to the current excess production capacities in the fiber and pulp industries. Until that time, Lenzing will adjust its investment policy to revenue and counteract market developments on the basis of further internal optimization measures. Lenzing will place additional emphasis on enhancing innovation and intensifying its marketing and sales efforts for the specialty fibers Lenzing Modal® and TENCEL® as well as nonwovens.

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We will inform you about the further development of the Lenzing Group after the third quarter of 2013.

Risk Report

The short term business environment has not changed significantly in the second quarter of 2013. Fiber market risks remain unchanged with still high cotton stocks and overcapacities in viscose, mainly in China. Chinese spot market prices have stayed depressed and declined to very low levels. A discount of viscose stable fibers (VSF) to cotton driven by China and a potential decline of cotton prices impose further risk potential for the second half of 2013.

The dissolving wood pulp market has bottomed out at a very low level. Further capacities coming to the market in the second half of 2013 might lead to lower spot market prices and continuous pricing pressure.

Main chemicals have softened especially in Asia as a result of lower demand. Energy prices were hovering on low levels in the second quarter of 2013 with a recent hike of oil prices (brent slightly below USD 110 per barrel) could indicate that we have seen the low in the first half of 2013.

Other risks like natural hazards, fire hazards or the risk of explosion, environmental damage and product liability represent a very high loss potential for the Lenzing group but remain broadly unchanged compared with the last report. A fire in Heiligenkreuz (Austria) has put one line on hold for about 50 days but the loss was sufficiently covered by our insurance.

There is no change in the long term risk outlook of Lenzing regarding its growth strategy.

Major Related Party Transactions

In this regard we refer to Note 10 of the notes to the consolidated interim financial statements.

Significant Events after the End of the Interim Reporting Period

In July 2013, the closing of the transaction took place in which Lenzing acquired an additional 2.29% of the shares in PT. South Pacific Viscose, Purwakarta, Indonesia (for details refer to Note 2 of the notes to the consolidated interim financial statements).

There were no other significant events for the Lenzing Group emerging after the reporting date of June 30, 2013 which would have a material impact on the presentation of financial position and financial performance of the Group and hence require disclosure.

Lenzing, August 19, 2013

Lenzing Aktiengesellschaft

The Management Board

Peter Untersperger

Friedrich Weninger

Thomas G. Winkler

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS 01-06/2013

Condensed Interim Consolidated Financial Statements 01-06/2013

Lenzing AG

Consolidated Income Statement

for the period January 1, to to June 30, 2013

	Note	Group	thereof continued operations	thereof discontinued operations
	Note	**4-6/2013**	**4-6/2013**	**4-6/2013**
Sales	(3,5)	493.3	467.7	25.6
Changes in inventories of finished goods and work in progress		(9.2)	(8.4)	(0.9)
Work performed by the Group and capitalized		14.1	14.1	0.0
Other operating income		8.2	8.2	0.0
Cost of material and other purchased services	(5)	(297.4)	(282.2)	(15.2)
Personnel expenses	(5)	(81.1)	(76.0)	(5.1)
Amortization of intangible assets and depreciation of property, plant and equipment	(5)	(28.5)	(28.5)	(0.0)
Other operating expenses	(5)	(56.9)	(55.3)	(1.7)
Income from operations (EBIT) before restructuring		**42.6**	**39.7**	**2.9**
Result from restructuring	(5)	25.3	0.0	25.3
Income from operations (EBIT) after restructuring		**67.9**	**39.7**	**28.2**
Income from investments in associates		0.2	0.2	0.0
Income from non-current and current financial assets		(0.2)	(0.2)	0.0
Financing costs	(5)	(7.2)	(7.0)	(0.2)
Financial result		**(7.1)**	**(6.9)**	**(0.2)**
Allocation of profit or loss to puttable non-controlling interests		0.7	0.4	0.3
Income before tax (EBT)		**61.5**	**33.2**	**28.3**
Income tax expense	(5)	(17.0)	(8.7)	(8.3)
Profit for the period		**44.4**	**24.4**	**20.0**
Attributable to shareholders of Lenzing AG		44.0	23.9	20.0
Attributable to non-controlling interests		0.5	0.5	0.0
Earnings per share		**EUR**	**EUR**	**EUR**
diluted = undiluted		1.66	0.90	0.75

		EUR mn						EUR mn
Group	thereof continued operations	thereof discontinued operations	Group	thereof continued operations	thereof discontinued operations	Group	thereof continued operations	thereof discontinued operations
4-6/2012	4-6/2012	4-6/2012	1-6/2013	1-6/2013	1-6/2013	1-6/2012	1-6/2012	1-6/2012
533.6	500.8	32.9	989.9	940.0	49.9	1,061.8	1,000.5	61.3
(0.7)	(1.1)	0.4	(15.3)	(14.5)	(0.8)	3.2	3.7	(0.5)
14.5	14.5	0.0	29.6	29.5	0.1	17.7	17.6	0.1
8.8	8.8	(0.0)	16.2	16.2	(0.0)	19.4	18.8	0.7
(326.2)	(303.1)	(23.0)	(607.0)	(577.2)	(29.8)	(644.5)	(603.9)	(40.6)
(76.3)	(70.6)	(5.7)	(163.2)	(152.9)	(10.3)	(151.7)	(140.2)	(11.5)
(27.5)	(26.3)	(1.3)	(57.5)	(56.6)	(0.8)	(54.3)	(51.8)	(2.5)
(52.3)	(51.3)	(1.1)	(113.9)	(110.5)	(3.4)	(110.6)	(107.6)	(3.0)
73.9	**71.7**	**2.1**	**78.8**	**73.8**	**5.0**	**141.1**	**137.0**	**4.0**
0.0	0.0	0.0	24.2	0.0	24.2	0.0	0.0	0.0
73.9	**71.7**	**2.1**	**103.0**	**73.8**	**29.1**	**141.1**	**137.0**	**4.0**
1.4	1.4	0.0	0.7	0.7	0.0	2.8	2.8	0.0
2.5	2.4	0.0	1.5	1.4	0.0	3.4	3.3	0.0
(7.2)	(7.0)	(0.2)	(15.6)	(15.2)	(0.3)	(11.1)	(10.7)	(0.4)
(3.3)	**(3.2)**	**(0.2)**	**(13.4)**	**(13.1)**	**(0.3)**	**(4.9)**	**(4.6)**	**(0.3)**
1.1	0.9	0.1	0.8	0.7	0.2	2.1	1.9	0.2
71.6	**69.5**	**2.1**	**90.4**	**61.5**	**29.0**	**138.2**	**134.3**	**3.9**
(20.0)	(19.4)	(0.5)	(25.1)	(16.3)	(8.8)	(38.1)	(37.2)	(1.0)
51.7	**50.1**	**1.6**	**65.3**	**45.2**	**20.2**	**100.1**	**97.2**	**2.9**
50.0	48.5	1.6	64.1	43.9	20.2	97.1	94.2	2.9
1.6	1.6	0.0	1.3	1.3	0.0	3.0	3.0	0.0
EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
1.89	1.83	0.06	2.41	1.65	0.76	3.66	3.55	0.11

Condensed Interim Consolidated Financial Statements 01-06/2013

Lenzing AG

Consolidated Statement of Comprehensive Income

for the period January 1, to June 30, 2013

EUR mn

	Note	4-6/2013	4-6/2012	1-6/2013	1-6/2012
Profit for the period		**44.4**	**51.7**	**65.3**	**100.1**
Items that will not be reclassified subsequently to income statement					
Actuarial gains/losses on defined benefit plans		0.8	0.0	0.8	0.0
Share of other comprehensive income of associates		0.0	0.0	0.0	0.0
Income tax relating to these components of other comprehensive income		(0.8)	0.0	(0.9)	0.0
		(0.0)	**0.0**	**(0.1)**	**0.0**
Items that can be reclassified to income statement					
Exchange differences arising during the reporting period	(6)	(10.5)	20.2	(3.5)	12.4
Reclassification adjustments of exchange differences recognized in income statement relating to foreign operations disposed of		(0.6)	(0.0)	(0.6)	0.0
Net result recognized in the reporting period from the remeasurement of available-for-sale financial assets		(0.1)	(0.0)	(0.1)	0.1
Reclassification adjustments relating to available-for-sale financial assets disposed of in the period		(0.2)	0.0	(0.2)	0.0
Gains/losses recognized in the reporting period from the valuation of cash flow hedges	(6)	3.1	(9.6)	(4.6)	0.9
Reclassification adjustments recognized in income statement relating to cash flow hedges		(0.3)	0.9	(1.5)	7.1
Income tax relating to these components of other comprehensive income		(0.5)	2.0	1.4	(1.9)
		(9.2)	**13.4**	**(9.1)**	**18.6**
Other comprehensive income - net of tax		**(9.2)**	**13.4**	**(9.2)**	**18.6**
Total comprehensive income for the period		**35.3**	**65.1**	**56.2**	**118.7**
Attributable to shareholders of Lenzing AG		35.4	63.5	54.7	114.6
Attributable to non-controlling interests		(0.1)	1.6	1.5	4.1

Lenzing AG

Consolidated Statement of Financial Position as of June 30, 2013

EUR mn

Assets	Note	30/06/2013	31/12/2012
Intangible assets	(6)	90.7	91.0
Property, plant and equipment	(6)	1,318.8	1,275.2
Investments in associates		35.3	34.6
Financial assets	(6)	42.1	56.1
Deferred tax assets		6.9	6.4
Other non-current assets		27.9	17.2
Non-current assets		**1,521.7**	**1,480.5**
Inventories	(6)	295.9	299.6
Trade receivables	(6)	264.6	264.5
Current taxes		9.2	11.8
Other current assets		88.0	88.9
Cash and cash equivalents	(7)	375.7	481.7
		1,033.4	**1,146.5**
Non-current assets held for sale, disposal groups and discontinued operations	(4)	1.4	5.6
Current assets		**1,034.7**	**1,152.1**
Total assets		**2,556.5**	**2,632.7**

Equity and Liabilities	Note	30/06/2013	31/12/2012
Share Capital		27.6	27.6
Capital reserves		133.9	133.9
Other reserves		(20.0)	(11.6)
Retained earnings		963.3	953.3
Equity attributable to shareholders of Lenzing AG		**1,104.8**	**1,103.2**
Non-controlling interests		28.8	27.5
Equity	**(6)**	**1,133.6**	**1,130.7**
Financial liabilities	(6)	642.5	701.6
Government grants		23.8	24.5
Deferred taxes liabilities		44.9	41.0
Provisions	(6)	139.5	140.0
Puttable non-controlling interests		28.9	29.0
Other liabilities		1.5	1.7
Non-current liabilities		**881.1**	**937.7**
Financial liabilities	(6)	190.0	173.6
Trade payables		166.8	200.3
Government grants		3.5	4.5
Income tax liabilities		28.6	43.7
Provisions	(6)	96.7	81.6
Other liabilities		42.3	41.9
		527.9	**545.5**
Non-current liabilities held for sale, disposal groups and discontinued operations	(4)	13.9	18.7
Current liabilities		**541.8**	**564.2**
Total equity and liabilities		**2,556.5**	**2,632.7**

Condensed Interim Consolidated Financial Statements 01-06/2013

Lenzing AG

Consolidated Statement of Changes in Equity

for the period January 1, to June 30, 2013

	Share capital	Capital reserves	Foreign currency translation reserve
As of January 1, 2012	**27.6**	**133.9**	**16.3**
Profit for the period	0	0	0
Other comprehensive income - net of tax	0	0	11.6
Total comprehensive income for the period	**0.0**	**0.0**	**11.6**
Change in scope of consolidation and other changes	0	0	0
Dividends	0	0	0
As of June 30, 2012	**27.6**	**133.9**	**28.0**
As of January 1, 2013	**27.6**	**133.9**	**12.0**
Profit for the period	0	0	0
Other comprehensive income – net of tax	0	0	(4.3)
Total comprehensive income for the period	**0**	**0**	**(4.3)**
Dividends	0	0	0
Reclassification due to settlement or disposal of defined benefit plans	0	0	0
As of June 30, 2013	**27.6**	**133.9**	**7.8**

See in particular note 6.

Other reserves						EUR mn
Available-for-sale financial assets	Cash flow hedging reserve	Actuarial gains/(losses) on benefit plans	Retained earnings	Equity attributable to shareholder of Lenzing AG	Non-controlling Interests	Equity
0.6	(16.4)	(15.3)	842.9	989.7	34.0	1,023.7
0	0	0	97.1	97.1	3.0	100.1
0.1	5.7	0.0	0	17.4	1.1	18.6
0.1	**5.7**	**0.0**	**97.1**	**114.6**	**4.1**	**118.7**
0	0	0	0	0.0	(0.0)	(0.0)
0	0	0	(66.4)	(66.4)	(3.9)	(70.3)
0.7	**(10.6)**	**(15.3)**	**873.7**	**1,037.9**	**34.2**	**1,072.1**
1.0	**1.6**	**(26.3)**	**953.3**	**1,103.2**	**27.5**	**1,130.7**
0	0	0	64.1	64.1	1.3	65.3
(0.3)	(4.8)	(0.0)	0	(9.3)	0.2	(9.2)
(0.3)	**(4.8)**	**(0.0)**	**64.1**	**54.7**	**1.5**	**56.2**
0	0	0	(53.1)	(53.1)	(0.2)	(53.3)
0	0	1.0	(1.0)	0.0	0	0.0
0.8	**(3.2)**	**(25.3)**	**963.3**	**1,104.8**	**28.8**	**1,133.6**

Condensed Interim Consolidated Financial Statements 01-06/2013

Lenzing AG

Consolidated Cash Flow Statement (Condensed)

for the period January 1, to June 30, 2013

EUR mn

	Note	1-6/2013	1-6/2012
Gross cash flow			
from continuing operations		71.2	108.5
from discontinued operations		8.7	5.7
	(7)	**79.9**	**114.2**
+/- Change in working capital		(30.7)	(28.6)
Net cash flows from discontinued operations		(2.5)	6.1
Cash flow from operating activities		**46.8**	**91.7**
- Acquisition of intangible assets, property, plant and equipment*		(131.7)	(128.9)
- Acquisition of other financial assets		(8.1)	(0.1)
+ Proceeds from the sale of intangible assets, property, plant and equipment		0.2	0.2
+ Proceeds from the sale/repayment of other financial assets		20.7	36.4
Net cash flows from discontinued operations	(4)	60.5	(1.0)
Cash flow from investing activities	**(7)**	**(58.4)**	**(93.5)**
- Distribution to shareholders		(53.3)	(70.3)
+ Investment grants		0.8	0.6
+ Inflows from financing activities/-repayment of financial liabilities		(48.2)	(0.3)
Net cash flows from discontinued operations		5.5	(6.5)
Cash flow from financing activities	**(7)**	**(95.2)**	**(76.5)**
Change in cash and cash equivalents		**(106.8)**	**(78.3)**
+/- Reclassification of cash and cash equivalents from discontinued operations, assets held for sale and disposal groups		1.3	0.0
Total change in cash and cash equivalents		**(105.5)**	**(78.3)**
Cash and cash equivalents at beginning of the year		481.7	417.3
Currency translation adjustment relating to cash and cash equivalents		(0.5)	2.6
Cash and cash equivalents at the end of the reporting period		**375.7**	**341.6**

*) Excluding aquisition of intangible assets and property, plant and equipment of former BU Plastics (EUR 2.7 mn)

Lenzing AG

Notes to the Consolidated Financial Statements: Selected Notes

on the condensed interim consolidated financial statements as of June 30, 2013

General information

Note 1

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 and in the ATX benchmark index of the Vienna Stock Exchange in Vienna, Austria.

The main shareholder of Lenzing AG as of June 30, 2013 was the B & C Group, which directly or indirectly held 67.6% of the share capital of Lenzing AG (December 31, 2012: 67.6%). The consolidated financial statements for the largest group of companies that are publicly available, and in which the company and its subsidiaries are included, are prepared by B & C Industrieholding GmbH, Vienna. The ultimate parent company of B & C Industrieholding GmbH, and therefore of the company, 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. 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 production site in India (Mumbai) is under construction. 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).

Condensed Interim Consolidated Financial Statements 01-06/2013

Note 2

Accounting principles and methods of the consolidated interim financial statements

Presentation of the consolidated interim financial statements

The consolidated interim financial statements for the period from January 1 to June 30, 2013 were prepared in accordance with all International Financial Reporting Standards (IFRS) and interpretations effective as of the end of the reporting period, as endorsed in the EU.

In particular, IAS 34 Interim Financial Reporting and its conveniences for condensed consolidated interim financial statements were applied. In accordance with IAS 34, consolidated interim financial statements can be presented in condensed form and thereby not contain all the information required of complete consolidated financial statements in accordance with IAS 1 Presentation of Financial Statements. The consolidated financial statements of the Lenzing Group as of December 31, 2012 form the basis for these consolidated interim financial statements as of June 30, 2013 and should therefore always be read in conjunction with these statements.

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

Audit and review

These condensed consolidated interim financial statements of the Lenzing Group were reviewed by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna.

Use of estimates, assumptions and other judgments

In preparing the IFRS consolidated interim 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.

The estimates and judgments for which there is a not inconsiderable risk in the Lenzing Group that they could lead to a material adjustment of the assets, financial position and financial performance in a subsequent reporting period are explained in detail in the consolidated financial statements of the Lenzing Group as of December 31, 2012.

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.

Principles of consolidation, accounting standards and accounting policies

The Lenzing Group implemented all accounting standards endorsed by the EU and effective from January 1, 2013. The accounting standards effective for the first time from January 1, 2013 and relevant to the Lenzing Group had the following effect on the presentation of the financial position and financial performance of the Lenzing Group as of June 30, 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 in other comprehensive income, as all actuarial gains and losses occurring in a period were already recognized in full in other comprehensive income in the period in which they arose. 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 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 not been restated. Amended or extended disclosure requirements will have to be satisfied in the group financial statements.

- **IFRS 13 Fair value measurement:** IFRS 13 compiles the requirements for the calculation 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. In the interim reporting period, the first-time adoption of IFRS 13 resulted in amended or extended disclosures in the notes on financial instruments, in particular relating to their fair values (see note 9). Amended or extended disclosure requirements will have to be satisfied in the group financial statements.

For the consolidated interim financial statements, income tax expense is calculated in accordance with IAS 34 on the estimated basis of the average annual tax rate expected for the fiscal year as a whole.

Condensed Interim Consolidated Financial Statements 01-06/2013

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 June 30	Average Jan.-Jun.	Reporting date December 31	Average Jan.-Jun.
1 EUR	USD US-Dollar	1.3080	1.3189	1.3190	1.2526
1 EUR	GBP British Pound	0.8572	0.8519	0.8159	0.8058
1 EUR	CZK Czech Koruna	25.9490	25.7589	25.1450	25.6400
1 EUR	CNY Renminbi Yuan	8.0280	8.0905	8.2172	7.9676
1 EUR	HKD Hong Kong Dollar	10.1477	10.2349	10.2221	9.7192
1 EUR	INR India Rupee	77.7210	77.0284	72.4075	70.1673

Changes in segment reporting are explained in note 3.

Otherwise, the same principles of consolidation, accounting standards and accounting policies were used as in the consolidated financial statements as of December 31, 2012.

Scope of consolidation, changes in entities included in consolidation and business combinations

The number of companies included in the consolidated financial statements of Lenzing AG as the parent company developed as follows:

Development in number of companies included in consolidation

	2013		2012	
	Full-consolidation	At equity-consolidation	Full-consolidation	At equity-consolidation
As at January 1	**35**	**7**	**34**	**7**
Included in consolidation for the first time in reporting period	0	0	0	0
Deconsolidated in reporting period	(3)	0	0	0
As at June 30	**32**	**7**	**34**	**7**
thereof in Austria	14	3	15	3
thereof abroad	18	4	19	4

Closing for the sale of the Business Unit Plastics took place 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 4.

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. A gain of EUR 0.6 mn 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.

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 around EUR 3.5 mn converted. 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 are expected to decline by EUR 4.6 mn. The anticipated difference from this transaction of EUR 1.1 mn will be offset against retained earnings.

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

Note 3

Segment reporting

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 and markets 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 Segment Fibers represents the core business of the Lenzing Group.

The Fibers segment comprises the Business Units Textile Fibers, Nonwoven Fibers and Pulp as these have similar key business characteristics. These business units are part of an integrated value chain with comparable risks and opportunities. Moreover, the Business Unit Energy is assigned to the Fibers segment as the Fibers segment 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.

Condensed Interim Consolidated Financial Statements 01-06/2013

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 Plastics (BU) 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 Units Plastics (formerly Lenzing Plastics GmbH, Lenzing) and Filaments (essentially the business activities of Dolan GmbH, Kelheim, Germany, and European Precursor GmbH/EPG, Kelheim, Germany).

As of June 30, 2013, the Business Unit Plastics and EPG are reported under discontinued operations and – with the comparative prior-year figures – shown separately in segment re-

Information on business segments

1-6/2013 and 30/06/2013	Fibers	Engineering
Sales to external customers	885.9	24.0
Inter-segment sales	7.1	42.0
Total sales	**893.0**	**66.0**
EBITDA (Segment result)	125.4	4.3
EBIT	69.9	3.4
EBITDA margin	**14.0%**	**6.5%**
EBIT margin	**7.8%**	**5.1%**
Segment assets	2,022.3	45.8
Segment liabilities	438.7	34.4

Information on business segments (prior year)

1-6/2012 and 31/12/2012	Fibers	Engineering
Sales to external customers	949.8	25.0
Inter-segment sales	6.1	33.3
Total sales	**955.9**	**58.3**
EBITDA (Segment result)	182.9	4.1
EBIT	132.6	3.3
EBITDA margin	**19.1%**	**7.1%**
EBIT margin	**13.9%**	**5.7%**
Segment assets	1,945.4	46.8
Segment liabilities	450.3	41.8

porting (see also note 4). The rest of the Business Unit Filaments (essentially Dolan GmbH), including its comparative prior-year figures, is shown in the residual Others segment for reasons of materiality as of June 30, 2013. 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 staff development).

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

EUR mn

	BU Plastics and EPG (discontinued operations)	Other	Segment total	Reconciliation	Group
	53.2	26.7	**989.9**	0.0	**989.9**
	0.8	0.8	**50.7**	(50.7)	**0.0**
	54.0	**27.6**	**1,040.5**	**(50.7)**	**989.9**
	5.8	4.0	**139.4**	22.6	**162.0**
	5.0	3.6	**81.8**	21.2	**103.0**
	10.7%	**14.6%**	**13.4%**		**16.4%**
	9.2%	**13.0%**	**7.9%**		**10.4%**
	12.7	23.7	**2,104.4**	452.0	**2,556.5**
	0.0	10.9	**484.0**	938.9	**1,422.9**

EUR mn

	BU Plastics and EPG (discontinued operations)	Other	Segment total	Reconciliation	Group
	64.3	22.8	**1,061.8**	0.0	**1,061.8**
	0.8	5.4	**45.6**	(45.6)	**0.0**
	65.1	**28.1**	**1,107.4**	**(45.6)**	**1,061.8**
	6.5	1.7	**195.3**	(1.6)	**193.6**
	4.0	1.2	**141.2**	(0.1)	**141.1**
	10.0%	**6.0%**	**17.6%**		**18.2%**
	6.2%	**4.4%**	**12.7%**		**13.3%**
	74.3	21.5	**2,088.0**	544.7	**2,632.7**
	16.5	9.6	**518.2**	983.7	**1,502.0**

The performance of the segments is measured using EBITDA before restructuring (income 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). Otherwise, with the exception of the change in the presentation of the former Plastics Products segment described above, the same principles were applied in the presentation of segment reporting as in the consolidated financial statements as of December 31, 2012. The reconciliation of segment earnings from income from operations (EBIT) to income before tax (EBT) is as follows:

Reconciliation of segment result (EBITDA) to the income before tax (EBT)

EUR mn

	1-6/2013	1-6/2012
Segment result (EBITDA)	139.4	195.3
Consolidation	(4.6)	(1.6)
Group result (EBITDA) before restructuring	**134.9**	**193.6**
Gain on disposal before taxes (other operating income)	25.9	0.0
Adjustment of provisions due to settlement of payment obligations on liquidation (incl. Consolidation)	1.3	0.0
Group result (EBITDA) after restructuring	**162.0**	**193.6**
Segment amortization of intangible assets and depreciation of property, plant and equipment	(59.0)	(55.8)
Consolidation	1.6	1.5
Income from the release of investment grants	1.4	1.7
Impairment of property, plant and equipment from fair value measurement less costs to sell (in the result from restructuring)	(3.0)	0.0
Income from operations (EBIT) after restructuring	**103.0**	**141.1**
Financial result	(13.4)	(4.9)
Allocation of profit or loss to puttable non-controlling interests	0.8	2.1
Income before tax (EBT)	**90.4**	**138.2**

The reconciliation from income before taxes (EBT) to net profit for the period can be viewed in the consolidated income statement.

Further information on the segments can be found in the management report of the Lenzing Group as of June 30, 2013.

Note 4

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

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 the

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 mn

	30/06/2013
Intangible assets and property, plant and equipment	26.3
Financial assets and other non-current assets	0.3
Other current assets	31.2
Cash and cash equivalents	7.0
Deconsolidated assets	**64.8**
Financial liabilities and other non-current liabilities	0.2
Provisions	14.1
Other current liabilties	7.3
Deconsolidated liabilities	**21.6**
Deconsolidated net assets	**43.2**

The consideration received for the sale for 100% of shares amounted to EUR 69.0 mn in total. There was a gain on disposal before taxes of EUR 25.9 mn. Income taxes of EUR 8.2 mn relate to the gain on disposal.

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

Net inflow from the sale of subsidiary — EUR mn

	30/06/2013
Concideration included in cash and cash equivalents	68.6
- Holdings of cash and cash equivalents sold (Presented within „non-current assets held for sale, disposal groups and discontinued operations“)	(7.0)
Net inflow from the sale of subsidiary	**61.7**

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Following the complete sale of the Business Unit Plastics, the Lenzing Group acquired a 15% interest in LP Beteiligungs & Management GmbH, Linz, for EUR 1.1 mn. This stake is reported in the consolidated financial statements of the Lenzing Group as a capital share in non-consolidated companies in the category "available-for-sale financial assets (measured at cost)".

European Precursor GmbH (EPG), Kelheim, Germany, is 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. Liquidation is expected to be essentially concluded within the subsequent twelve months.

The assets and liabilities of EPG as of December 31, 2012 and June 30, 2013 are shown in separate line items on the respective sides of the statement of financial position. These items break down as follows:

Assets and liabilities of discontinued operations — EUR mn

	30/06/2013	31/12/2012
Intangible assets and property, plant and equipment	0.0	3.0
Financial assets	0.0	0.0
Other current assets	0.2	0.2
Cash and cash equivalents	1.1	2.5
Assets of discontinued operations	**1.4**	**5.6**
Current financial liabilities	12.4	9.7
Provisions	0.7	8.3
Other current liabilties	0.8	0.7
Liabilities of discontinued operations	**13.9**	**18.7**
Assets and liabilities offset within the group	13.4	12.7
Net assets of discontinued operations	**(25.9)**	**(25.7)**

The Business Unit Plastics and EPG were part of the Plastics Products segment as of December 31, 2012. As of June 30, 2013, they are shown in the consolidated income statement, the consolidated statement of cash flows and in segment reporting (see note 3) – 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.

In fiscal year 2013, the income from operations (EBIT) of the Lenzing Group include the disposal effects of the Business Unit Plastics (including the gain on disposal before taxes of EUR 25.9 mn) and the liquidation effects of EPG (including the Impairment on fixed assets from fair value measurement less costs to sell of EUR 3.0 mn) and are included in the income from restructuring (from discontinued operations) (see note 5). No income taxes were incurred on impairment losses on property, plant and equipment from fair value measurement less costs to sell.

The EBITDA of discontinued operations before restructuring is as follows:

EBITDA of discontinued operations (before restructuring) EUR mn

	1-6/2013	1-6/2012
Income from operations (EBIT) before restructuring	5.0	4.0
Amortization of intangible assets and depreciation of property, plant and equipment (+)	0.8	2.5
Income from the reversal of investment grants (-)	(0.0)	(0.0)
EBITDA	**5.8**	**6.5**

Other comprehensive income of EUR 0.0 mn is allocated to discontinued operations (1-6/2012: EUR 0.0 mn).

Notes on the individual components of the consolidated financial statements

Note 5

Notes on the consolidated income statement

Sales

At EUR 989.9 mn, sales declined by 6.8% as against the same period of the previous year (1-6/2012: EUR 1,061.8 mn).

Due to the conversion and expansion of the Paskov pulp plant leading to a swing in production from paper pulp to dissolving pulp a bigger quantity of dissolving pulp was produced for group internal use. Compared to last year this resulted in a loss of sales to third parties of EUR 42.5 mn in the first half-year.

Cost of materials and other purchased services

The cost of materials and other purchased services was EUR 607.0 mn (1-6/2012: EUR 644.5 mn) in the interim reporting period. This marks a decline of 5.8% relative to the same period of the previous year.

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Personnel expenses

EUR 6.1 mn (1-6/2012: EUR 6.5 mn) of the personnel expensess of EUR 163.2 mn (1-6/2012: EUR 151.7 mn) relates to expenses for pensions and severance payments

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

Amortization of intangible assets and depreciation of property, plant and equipment amounted to EUR 57.5 mn (1-6/2012: EUR 54.3 mn). In the interim reporting period no major impairment losses or reversals of impairment losses for property, plant and equipment were recognized under this item.

Other operating expenses

In particular, other operating expenses include selling expenses and expenses for maintenance, repairs and other third-party services. These rose by 3.0% as against the same period of the previous year.

Result from restructuring and adjusted consolidated earnings

In the first half of 2013, the disposal effects of the Business Unit Plastics and the liquidation effects of EPG are shown in income from operations before restructuring (see also note 4). There was no restructuring in the first half of 2012.

The result from restructuring (in income from operations/EBIT) breaks down as follows (- = expense, + = income):

Result from restructuring (in income from operations/EBIT) **EUR mn**

in Segment Other*		4-6/2013		1-6/2013
Disposal effect of Business Unit Plastics				
Gain on disposal before taxes (other operating income)		25.9		25.9
Liquidation effects of EPG				
Impairment on assets from fair value measurement less cost to sell on property, plant and equipment		0.0		(3.0)
Adjustment of provisions due to settlement of payment obligations on liquidation				
Other operating income	0.3		4.5	
Cost of material	0.0		(0.2)	
Personnel expenses	(0.3)		(0.6)	
Other operating expenses	(0.5)	(0.5)	(2.4)	1.3
Total		**25.3**		**24.2**

*) Operated as seperate Segment Plastics Products until March 31, 2013.

EBITDA after restructuring (income 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) consists of the following:

EBITDA after restructuring EUR mn

	4-6/2013	1-6/2013
Income from operations (EBIT) after restructuring	67.9	103.0
Amortization of intangible assets and depreciation of property, plant and equipment (+)	28.5	57.5
Impairment on assets from fair value measurement less cost to sell on property, plant and equipment (in result from restructuring)	0.0	3.0
Income from the reversal of investment grants (-)	(0.7)	(1.4)
Total	**95.7**	**162.0**

Group result before and after restructuring are as follows:

Adjusted group results EUR mn

4-6/2013	EBITDA	EBITDA-Marge	EBIT	EBIT-Marge
Group result after restructuring	**95.7**	**19.4%**	**67.9**	**13.8%**
Adjustment for restructuring in Segment Other*				
Disposal effects of Business Unit Plastics				
Gain on disposal before taxes (other operating income)	(25.9)	(5.2%)	(25.9)	(5.2%)
Liquidation effects of EPG				
Adjustment of provisions due to settlement of payment obligations on liquidation	0.5	0.1%	0.5	0.1%
Impairment on assets from fair value measurement less cost to sell on property, plant and equipment	0.0	0.0%	0.0	0.0%
Total	**(25.3)**	**(5.1%)**	**(25.3)**	**(5.1%)**
Group result before restructuring	**70.4**	**14.3%**	**42.6**	**8.6%**

Adjusted group results EUR mn

1-6/2013	EBITDA	EBITDA-Marge	EBIT	EBIT-Marge
Group result after restructuring	**162.0**	**16.4%**	**103.0**	**10.4%**
Adjustment for restructuring in Segment Other*				
Disposal effects of Business Unit Plastics				
Gain on disposal before taxes (other operating income)	(25.9)	(2.6%)	(25.9)	(2.6%)
Liquidation effects of EPG				
Adjustment of provisions due to settlement of payment obligations on liquidation	(1.3)	(0.1%)	(1.3)	(0.1%)
Impairment on assets from fair value measurement less cost to sell on property, plant and equipment	0.0	0.0%	3.0	0.3%
Total	**(27.2)**	**(2.7%)**	**(24.2)**	**(2.4%)**
Group result before restructuring	**134.9**	**13.6%**	**78.8**	**8.0%**

*) Operated as seperate Segment Plastics Products until March 31, 2013.

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Financing costs

Financing costs include interest expenses of EUR 13.2 mn (1-6/2012: EUR 11.3 mn) and net foreign currency losses from financial liabilities of EUR 2.4 mn (1-6/2012: gains of EUR 0.2 mn).

Income tax expense

The tax rate was 27.8% in the interim reporting period (1-6/2012: 27.6%).

Note 6

Notes on the consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of changes in equity

Intangible assets and property, plant and equipment

In the interim reporting period, the continuing operations of the Lenzing Group had cash disbursements for intangible assets and property, plant and equipment of EUR 131.7 mn (1-6/2012: EUR 128.9 mn), which primarily related to the creation of new production lines or the conversion of existing ones. A further EUR 2.7 mn were invested in discontinued operations (1-6/2012: EUR 1.1 mn).

As of June 30, 2013, obligations for outstanding orders of property, plant and equipment amounted to EUR 115.1 mn (December 31, 2012: EUR 120.0 mn).

Financial assets

As against December 31, 2012, financial assets declined by EUR 14.0 mn to EUR 42.1 mn as of June 30, 2013 (December 31, 2012: EUR 56.1 mn).

Inventories

As of June 30, 2013 (EUR 295.9 mn), inventories were down by 1.2% as against December 31, 2012 (EUR 299.6 mn). There were no notable write-downs to net realizable value.

Trade receivables

Trade receivables were virtually unchanged as against December 31, 2012 at EUR 264.6 mn (December 31, 2012: EUR 264.5 mn).

Equity and dividends

The amount of share capital and the number of shares did not change in the interim reporting period. No shares were bought back. The Management Board did not exercise the authorizations in place on December 31, 2012 to increase share capital or issue convertible bonds in the interim reporting period.

The dividend to the shareholders of Lenzing AG was as follows:

Dividends of Lenzing AG resolved and paid

	Total	Number of shares	Dividend per share
	EUR mn		EUR
Dividend for the financial year 2012 resolved at the Annual General Meeting on April 24, 2013 (payment April 30, 2013)	53.1	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)	66.4	26,550,000	2.50

The dividend for fiscal year 2012 was distributed in the interim reporting period.

Subsidiaries distributed EUR 0.2 mn (1-6 2012: EUR 3.9 mn) to non-controlling interests in the interim reporting period.

The foreign currency translation reserve declined by EUR 4.3 mn as against December 31, 2012. As a result of the change in the hedging reserve, equity was down by EUR 4.8 mn (after income taxes) as against December 31, 2012.

Financial liabilities

As against December 31, 2012, non-current financial liabilities declined by EUR 59.1 mn to EUR 642.5 mn (December 31, 2012: EUR 701.6 mn).

The seven-year bond with a nominal of EUR 120.0 mn matures in 2017. The coupon of EUR 4.7 mn p.a. (3.875% of the nominal) is due as of September 17 of each year and is accrued accordingly over the fiscal year. There were no notable issues, repurchases or repayments of bonds in the interim reporting period.

Provisions

The provisions include provisions for pensions and similar obligations (severance payments), jubilee benefits, other provisions and accruals.

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Note 7

Notes on the consolidated statement of cash flows (condensed)

In the first half of 2013, the gross cash flow decreased year-on-year to EUR 79.9 mn (1-6/ 2012: EUR 114.2 mn). This decline is due to operational reasons in particular. The cash flow from operating activities was EUR 46.8 mn in the interim reporting period (1-6/2012: EUR 91.7 mn).

In the interim reporting period, the cash flow from the investing activities of continuing operations included in particular payments for the acquisition of intangible assets and property, plant and equipment in the amount of EUR 131.7 mn (1-6/2012: EUR 128.9 mn) and the sale/repayment of financial assets in the amount of EUR 20.7 mn (January to June 2012: EUR 36.4 mn). In particular, the net cash flows from discontinued operations include the net inflow from the disposal of subsidiaries of EUR 61.7 mn (1-6/2012: EUR 0.0 mn; see also note 4) and payments for the acquisition of intangible assets and property, plant and equipment in the amount of EUR 2.7 mn (1-6/2012: EUR 1.1 mn).

In the interim reporting period, the cash used in financing activities in the amount of EUR 95.2 mn (January to June 2012: EUR 76.5 mn) essentially included the borrowing/repayment of financing and distributions to shareholders.

Notes on capital risk management and financial instruments

Note 8

Capital risk management

The key figures for capital risk management are as follows:

The interest-bearing financial liabilities break down as follows:

Interest bearing financial liabilities EUR mn

	30/06/2013	31/12/2012
Non-current financial liabilities	642.5	701.6
Current financial liabilities	190.0	173.6
Total	**832.5**	**875.1**

Liquid assets consist of the following:

Liquid assets

EUR mn

	30/06/2013	31/12/2012
Cash and cash equivalents	375.7	481.7
Liquid investments (in the financial assets)	19.2	38.6
Liquid bill of exchanges (in the trade receivables)	13.3	8.5
Total	**408.1**	**528.8**

The net financial debt and EBITDA before restructuring are as follows:

Net financial debt

EUR mn

	30/06/2013	31/12/2012
Interest bearing financial debt	832.5	875.1
Liquid assets (-)	(408.1)	(528.8)
Total	**424.4**	**346.3**

EBITDA from restructuring

EUR mn

	1-6/2013	1-6/2012
Income from operations (EBIT) before result from restructuring	78.8	141.1
Amortization of intangible assets and depreciation of property, plant and equipment (+)	57.5	54.3
Income from the release of investment grants (-)	(1.4)	(1.7)
Total	**134.9**	**193.6**

The adjusted equity ratio (equity in accordance with IFRS plus government grants less proportionate deferred taxes) was 45.2% as of June 30, 2013 (December 31, 2012: 43.8%).

All significant capital requirements were satisfied in the interim reporting period.

In addition to the liquid assets, free credit facilities committed in writing in the amount of EUR 201.4 mn were available for possible future financing requirements as of June 30, 2013 (December 31, 2012: EUR 211.2 mn).

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Note 9

Financial instruments

Carrying amounts and fair values by class

The carrying amounts and fair values of financial assets (asset financial instruments) broke down by class as follows as of June 30, 2013 and December 31, 2012:

Carrying amounts and fair values by classes of financial assets* EUR mn

	30/06/2013		31/12/2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Loans and receivables:				
Cash and cash equivalents	375.7	375.7	481.7	481.7
Trade receivables	264.6	264.6	264.5	264.5
Financial assets – non-current loans to third parties	8.3	7.0	2.2	2.2
Puttable non-controlling interests	12.7	12.7	12.6	12.6
Other non-current financial assets – non-current receivables	5.6	5.6	1.7	1.7
Other current financial assets (not including derivatives – open position)	18.2	18.2	14.9	14.9
Available-for-sale financial assets:				
Financial assets – non-current securities	33.8	33.8	53.8	53.8
Other non-current financial assets – capital share in non-consolidated companies (measured at cost)	2.2	2.2	1.2	1.2
Financial assets – other investments	0.0	0.0	0.0	0.0
Financial instruments at fair value through profit or loss				
Other financial assets – derivative financial instruments at positive fair value (trading)	0.0	0.0	0.0	0.0
Others:				
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	0.8	0.8	5.3	5.3
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges, underlying already realized in p&l-account)	1.1	1.1	0.3	0.3
Total	**722.9**	**722.9**	**838.3**	**838.3**
thereof:				
Measured at cost	2.2	2.2	1.2	1.2

*) The difference between the shown carrying amounts and the balance sheet items concerns only non financial assets. The reconciliation as of December 31, 2012 can be seen from the consolidated financial statements 2012.

The carrying amounts and fair values of financial liabilities (liability financial instruments) broke down by class as follows as of June 30, 2013 and December 31, 2012:

Carrying amounts and fair values by classes of financial liability* EUR mn

	30/06/2013		31/12/2012	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial liabilities at amortized cost:				
Financial liabilities – bond	119.6	125.7	119.5	128.4
Financial liabilities – german private placement	199.3	200.3	199.2	200.3
Financial liabilities – amounts due to banks	479.6	482.7	518.9	522.6
Financial liabilities – liabilities to other lenders (miscellaneous)	32.2	32.0	35.7	35.6
Trade payables	166.8	166.8	200.3	200.3
Puttable non-controlling interests	28.9	28.9	29.0	29.0
Other non-current financial liabilities	0.0	0.0	0.0	0.0
Other current financial liabilities (not including derivatives – open positions)	5.5	5.5	9.5	9.5
Provisions – accruals – other (financial)	34.0	34.0	26.8	26.8
Financial liabilities at fair value through profit or loss:				
Other financial liabilities derivative financial instruments at negative fair value (trading)	0.1	0.1	0.2	0.2
Others:				
Financial liabilities – lease payables	1.8	1.8	1.8	1.8
Other financial liabilities derivative financial instruments at negative fair value (cash flow hedges)	3.6	3.6	2.0	2.0
Other financial liabilities derivative financial instruments at negative fair value (cash flow hedges, underlying already realized in p&l-account)	1.9	1.9	1.8	1.8
Total	**1,073.1**	**1,083.2**	**1,144.8**	**1,158.3**

Fair value hierarchy

The following breakdown analyzes the financial instruments measured at fair value by type of measurement method. Three levels of measurement methods have been defined:

Level 1: Prices for identical assets or liabilities on an active market (used without adjustment): In the Lenzing Group these are securities (measured at listed and other market prices, particularly notional values for investment funds).

*) The difference between the shown carrying amounts and the balance sheet items concerns only non financial liabilities. The reconciliation as of December 31, 2012 can be seen from the consolidated financial statements 2012.

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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: In the Lenzing Group these are derivatives, namely currency forwards and gas swaps (measured using standard valuation methods on the basis of the market data available on the measurement date).

Level 3: Input factors for assets or liabilities that are not data observable on the market: There are currently no such financial instruments in the Lenzing Group.

Input factors for financial instruments — EUR mn

As of June 30, 2013	Level 1	Level 2	Level 3	Total
Securities, investments	33.8	0.0	0.0	33.8
Derivative financial instruments at positive fair value	0.0	1.9	0.0	1.9
Cash flow hedges	0.0	0.8	0.0	0.8
Cash flow hedges, underlying already realized in p&l-account	0.0	1.1	0.0	1.1
Trading	0.0	0.0	0.0	0.0
Derivative financial instruments at negative fair value	0.0	(5.6)	0.0	(5.6)
Cash flow hedges	0.0	(3.6)	0.0	(3.6)
Cash flow hedges, underlying already realized in p&l-account	0.0	(1.9)	0.0	(1.9)
Trading	0.0	(0.1)	0.0	(0.1)

Input factors for financial instruments (prior year) — EUR mn

As of December 31, 2012	Level 1	Level 2	Level 3	Total
Securities, investments	53.8	0.0	0.0	53.8
Derivative financial instruments at positive fair value	0.0	5.7	0.0	5.7
Cash flow hedges	0.0	5.3	0.0	5.3
Cash flow hedges, underlying already realized in p&l-account	0.0	0.3	0.0	0.3
Trading	0.0	0.0	0.0	0.0
Derivative financial instruments at negative fair value	0.0	(4.1)	0.0	(4.1)
Cash flow hedges	0.0	(2.0)	0.0	(2.0)
Cash flow hedges, underlying already realized in p&l-account	0.0	(1.8)	0.0	(1.8)
Trading	0.0	(0.2)	0.0	(0.2)

The Lenzing Group takes into account reclassifications in fair value hierarchy at the end of the reporting period in which they occur. In the interim reporting period, there were no shifts between the different levels of the fair value hierarchy by financial instruments that were already held on December 31, 2012. 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.

Accounting policies

In the Lenzing Group the following financial instruments are measured at fair value in particular:

- current and non-current securities (level 1 of the fair value hierarchy)
- currency and commodity futures (level 2 of the fair value hierarchy)

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.

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. If the market value is positive, the credit rating of the counterparty is taken into account in measurement. Valuations by banks and other parties are used in addition to the Group's own models to estimate measurement.

If there is no market price on an active market and their market price cannot be measured reliably, or is from 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. At EUR 1.1 mn (December 31, 2012: EUR 0.0 mn), this essentially 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, and at around EUR 1.2 mn (December 31, 2012: EUR 1.2 mn) the equity investment in Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck (GSG), Lenzing. LP Beteiligungs & Management GmbH, Linz, is a medium-sized Austrian corporation that manufactures specialty products from plastic polymers. GSG is a medium-sized Austrian corporation that builds, sells, leases and manages real estate at a regional level. 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 interim reporting period.

The accounting policies for financial instruments did not change in the interim reporting period. Further details can be found in the consolidated financial statements as of December 31, 2012.

Condensed Interim Consolidated Financial Statements 01-06/2013

Related party and executive body disclosures

Note 10

Related party disclosures

The related parties of the Lenzing Group include all affiliated and associated companies and the members of the executive bodies of Lenzing AG, B & C Industrieholding GmbH and B & C Privatstiftung. The affiliated companies also include B & C Industrieholding GmbH and its subsidiaries.

In the interim reporting period, the Lenzing Group recognized tax credit of EUR 0.9 mn from the tax group with B & C Industrieholding GmbH (1-6/2012: no tax credit). Furthermore, in accordance with the contractual obligation, advances on the tax allocation to B & C Industrieholding GmbH of EUR 36.5 mn were paid in the interim reporting period (previous year: EUR 42.5 mn). Moreover, the liability recognized as of December 31, 2012 for the tax allocation to B & C Industrieholding GmbH was essentially adjusted for the estimated income tax expense based on the results for the interim reporting period as of June 30, 2013.

The extent of material transactions and the amounts of outstanding balances with associates and their material subsidiaries were as follows:

Relationship with associates and their material subsidiaries EUR mn

	1-6/2013	1-6/2012
Sales	34.0	35.1
Cost of material and purchased services	45.8	45.7
	30/06/2013	**31/12/2012**
Trade receivables	7.5	13.0
Liabilities	13.6	13.7

Lenzing AG assumed proportionate liability for certain loans to a subsidiary of an associate (see note 12).

Note 11

Executive bodies of the company

Franz Gasselsberger was elected to the Supervisory Board for the first time at the Annual General Meeting on April 24, 2013. Otherwise, there were no changes in the members of the Management Board and the Supervisory Board as compared to December 31, 2012.

Other notes

Note 12

Financial guarantees, contingent assets and liabilities, other financial obligations and legal risks

As of June 30, 2013, the Group assumed EUR 0.3 mn (December 31, 2012: EUR 0.6 mn) in liability for a subsidiary of an associate. Furthermore, there are contingent liabilities, in particular to secure the claims of certain sold equity investments and suppliers, in the amount of EUR 5.2 mn (December 31, 2012: EUR 2.3 mn) 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 liabilites 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 has not been recognized as the fair value was EUR 0.0 mn as of the end of the reporting period (December 31, 2012: EUR 0.0 mn).

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.

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 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 June 30, 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 results of operations of the Group, or it has provided sufficiently for the corresponding risks. Regardless of this careful assessment, residual risks still remain.

Note 13

Seasonal and economic influences on intra-year business activities

The business performance of the Lenzing Group is not generally affected by significant seasonal effects.

The development of the economy and the indicators for procurement, production and demand significant to the Lenzing Group are monitored by management on an ongoing basis. In particular, the quantities and prices for sales of fibers in and for the procurement of pulp (and other central materials) are crucial to the business performance of the Lenzing Group. The positions mainly affected by this (sales and cost of materials) are described in note 4 and 5. Further information can be found in notes 6 and 7 and the interim Group management report.

Note 14

Significant events after the end of the reporting period

The closing for the acquisition of the further 2.29% of shares in PT. South Pacific Viscose, Purwakarta, Indonesia, took place in July 2013 (see note 2 for details).

The Lenzing Group has not been made aware of any further events significant to it after June 30, 2013 that would have resulted in a different presentation of the financial position and financial performance.

Lenzing, August 19, 2013

Lenzing Aktiengesellschaft

The Management Board

Peter Untersperger
Chief Executive Officer
Chairman of the Management Board

Responsible for:

Business Unit Engineering
Corporate Communications
Global Human Resources
Internal Audit
Mergers & Acquisitions
Wood Purchasing

Friedrich Weninger
Chief Operating Officer
Member of the Management Board

Responsible for:

Business Unit Textile Fibers
Business Unit Nonwoven Fibers
Business Unit Pulp
Business Unit Energy
Business Unit Filaments
Global Safety, Health & Environment
Environment Lenzing Site
Infrastructure Lenzing Site
Business Planning

Thomas G. Winkler
Chief Financial Officer
Member of the Management Board

Responsible for:

Global Finance
Global Information Technology
Global Purchasing
Investor Relations
Legal Management
Risk Management
Group Compliance

Report on the Review of the Condensed Consolidated Interim Financial Statements

Introduction

We reviewed the attached condensed consolidated interim financial statements of Lenzing Aktiengesellschaft, Lenzing, for the period from January 1, 2013 to June 30, 2013. The condensed consolidated interim financial statements comprise the consolidated statement of financial position as of June 30, 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity, each for the period from January 1, 2013 to June 30, 2013, and selected disclosures in the notes.

The legal representatives of the company are responsible for the preparation of these condensed consolidated interim financial statements in accordance with the IFRSs for interim reporting as adopted by the European Union.

Our responsibility is to issue a summary assessment of these condensed consolidated interim financial statements based on our review.

The performance of this engagement and our responsibility to the company and third parties are subject to the General Conditions of Contract for the Public Accounting Professions of March 8, 2000, as amended February 21, 2011 (AAB 2011) of the Austrian Chamber of Public Accountants and Tax Advisors. Our responsibility and liability for proven financial losses as a result of gross negligence in the performance of our work is limited to EUR 12 mn in accordance with section 275(2) of the Unternehmensgesetzbuch (UGB – Austrian Commercial Code). This maximum liability also applies in the event of multiple bases for claims or multiple entitled claimants.

Scope of review

We conducted our review in accordance with the legal regulations applicable in Austria and standard professional principles, including in particular the Austrian Professional Guideline KFS/PG 11, “Principles for the Review of Financial Statements”, and the International Standard on Review Engagements (ISRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is of much less extensive scope and includes less supporting evidence than an audit of annual financial statements and does not therefore enable us to be as sure as in an audit of annual financial statements that we become aware of all significant matters. Accordingly, we do not express an audit opinion.

Summary assessment

Based on our review, no matters have come to our attention that cause us to presume that the attached condensed consolidated interim financial statements of Lenzing Aktiengesellschaft have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the European Union.

Statement on the condensed half-year Group management report and the responsibility statement in accordance with section 87 BörseG

We have read the condensed half-year Group management report of Lenzing Aktiengesellschaft and have assessed whether it is consistent with the condensed consolidated interim financial statements. Based on our assessment, the condensed half-year Group management report does not contain any obvious contradictions with the condensed consolidated interim financial statements.

The half-year financial report contains the responsibility statement required by section 87(1) 3 of the Börsegesetz (BörseG – Austrian Stock Exchange Act).

Vienna, August 19, 2013

Deloitte.

Deloitte Audit Wirtschaftsprüfungs GmbH

Harald Breit	Ulrich Dollinger
Wirtschaftsprüfer	Wirtschaftsprüfer

The publication or forwarding of the condensed consolidated interim financial statements in a form other than this version requires a prior revision of our statement if this quotes the review report or refers to our review.

Declaration of the Management Board

Declaration of the Management Board in accordance with section 87(1) 3 Börsegesetz

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Lenzing Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Lenzing, August 19, 2013

Lenzing Aktiengesellschaft

The Management Board

Peter Untersperger
Chief Executive Officer
Chairman of the Management Board

Responsible for:

Business Unit Engineering
Corporate Communications
Global Human Resources
Internal Audit
Mergers & Acquisitions
Wood Purchasing

Friedrich Weninger
Chief Operating Officer
Member of the Management Board

Responsible for:

Business Unit Textile Fibers
Business Unit Nonwoven Fibers
Business Unit Pulp
Business Unit Energy
Business Unit Filaments
Global Safety, Health & Environment
Environment Lenzing Site
Infrastructure Lenzing Site
Business Planning

Thomas G. Winkler
Chief Financial Officer
Member of the Management Board

Responsible for:

Global Finance
Global Information Technology
Global Purchasing
Investor Relations
Legal Management
Risk Management
Group Compliance

Note:

This interim Group management report also contains forward-looking statements based on current assessment and assumptions made by Lenzing AG to the best of its knowledge. Statements using the words “should”, “may”, “will”, “expected”, “intended”, “assume”, “suppose”, “estimate”, “plan”, “anticipate”, “is of the opinion”, “to my knowledge”, “in my estimation” or similar formulations indicate such forward-looking statements. The forecasts relating to the future development of Lenzing AG are estimates based on the information available at the time of this Group management report going to print.

If the assumptions on which the forecasts are based do not occur or risks arise at a level that was not anticipated, actual results may deviate from forecasts.

Rounding differences can occur when adding up rounded amounts and percentages. The Group management report was prepared with the utmost care to ensure the accuracy and completeness of information in all sections. Nonetheless, errors due to rounding, typesetting and printing cannot be completely ruled out.

Press date: August 19, 2013

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