sCoreTEN

H1
2016

FOCUS ON
PROFITABLE GROWTH

HALF-YEAR REPORT 01-06/2016
LENZING GROUP

www.lenzing.com

LENZING
LEADING FIBER INNOVATION

SELECTED INDICATORS OF THE LENZING GROUP

Key earnings and profitability figures

EUR mn	01-06/2016	01-06/2015*	Changes
Revenue	1,034.8	955.4	8.3%
EBITDA (earnings before interest, tax, depreciation and amortization)	195.1	126.5	54.3%
EBITDA margin	18.9%	13.2%	
EBIT (earnings before interest and tax)	129.7	60.5	114.6%
EBIT margin	12.5%	6.3%	
EBT (earnings before tax)	122.3	68.3	79.0%
Net profit/loss for the year (/the period)	94.6	51.4	83.9%
Earnings per share in EUR	3.49	1.98	76.2%

Key cash flow figures

EUR mn	01-06/2016	01-06/2015	Changes
Gross cash flow	172.4	146.4	17.7%
Cash flow from operating activities	268.8	99.7	169.6%
Free cash flow	228.3	73.7	209.7%
CAPEX	40.6	26.0	55.9%
EUR mn	**30/06/2016**	**31/12/2015**	**Changes**
Liquid assets	487.2	355.3	37.1%
Unused credit facilities	170.9	190.9	(10.5%)

Key balance sheet figures

EUR mn	30/06/2016	31/12/2015*	Changes
Total assets	2,468.2	2,410.6	2.4%
Adjusted equity	1,239.6	1,218.6	1.7%
Adjusted equity in %	50.2%	50.6%	
Net financial debt	150.1	327.9	(54.2%)
Net debt	254.4	424.5	(40.1%)
Net gearing	12.1%	26.9%	
Trading working capital	361.6	447.4	(19.2%)
Trading working capital to annualized group revenue ratio	17.3%	21.6%	

Key stock market figures

EUR	30/06/2016	31/12/2015	Changes
Market capitalization in millions	2,203.7	1,846.6	19.3%
Share price	83.00	69.55	19.3%

Employees

Headcount	30/06/2016	31/12/2015	Changes
Employees	6,085	6,127	(0.7%)

The above key financial figures are largely derived from the Lenzing Group's condensed consolidated interim financial statements and the consolidated financial statements of the previous year. Further details can be found in „Notes on the Financial Performance Indicators of the Lenzing Group", available at the following link http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-H1, the condensed consolidated interim financial statements and the consolidated financial statements of the previous year of the Lenzing Group. Rounding differences can occur when presenting rounded amounts and percentages.

*) Restatement according to IAS 8 (see note 2 in the consolidated interim financial statements).

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EDITORIAL BY THE
CHAIRMAN OF THE MANAGEMENT BOARD

Dear shareholders,

The Lenzing Group looks back at a very successful first half-year 2016. We managed to significantly improve the business results of the Lenzing Group compared to the prior-year period, encompassing nearly all financial performance indicators. We increased our profitability and cash flow while continuing the reduction of net debt.

On the one hand, we benefitted from a positive market environment for wood-based cellulose fibers. The ongoing high level of demand led to a perceptible rise in viscose fiber prices. On the other hand, we are resolutely pressing ahead with the implementation of sCore TEN, our new group strategy, with a clear focus on profitable growth based on environmentally friendly botanic fibers. Accordingly, we further optimized the product mix in the first half of the year, and profited from higher selling prices due to the strong demand for all Lenzing fibers.

We are also making substantial progress with respect to strategic innovations and are looking at a healthy R&D pipeline. I am very pleased about the achievements of our employees in developing a groundbreaking innovation. We are currently in the midst of launching a new generation of TENCEL® fibers on the marketplace. Its special feature is that it is a recycling fiber using cotton fabric waste as a raw material. With this innovation Lenzing again underlines its commitment to make sustainability a major growth and innovation driver for the group.

We will continue to rely on the high technological know-how of our employees to drive our sustainability and innovation agenda and to implement our business strategy.

Thank you for the confidence you have placed in our company.

Yours,

Stefan Doboczky

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General Market Environment

Global economy[1]

The global economy continued its sluggish recovery in the first half-year 2016. Following the Brexit vote on June 23, 2016, the International Monetary Fund (IMF) revised its world growth outlook downwards for the year 2016. According to IMF economists, the British decision to leave the European Union triggered economic, political and institutional uncertainties that will have a negative impact on the global economy.

As a consequence, the IMF reduced its growth forecasts for the global economy by 0.1 percentage points to 3.1 percent, the same level as in the previous year. The industrial nations are expected to generate a growth rate of 1.8 percent in 2016, compared to 1.9 percent in 2015. According to the latest IMF estimates, the result of the Brexit referendum is not likely to have a perceptible affect on the developing and emerging markets, which should show economic growth of 4.1 percent in 2016 in contrast to the prior-year figure of 4.0 percent. The Chinese economy is stable and will continue to expand at a higher rate than most countries, whereas it remains to be seen how the situation in Turkey will evolve.

Global fiber market[2]

The global fiber market continued to develop unevenly in the first half of 2016. The cotton price declined in the first quarter but rebounded significantly in the second quarter. Selling prices for standard viscose fibers once again rose considerably after the Chinese New Year at the beginning of February, whereas polyester prices remained at a consistently low level.

The International Cotton Advisory Committee (ICAC) expects cotton production to decrease by 18.6 percent to 21.3 mn tons in the 2015/16 cotton season (August 2015 to July 2016). This represents the lowest cotton production volume since the 2003/04 cotton season. The underlying reason was the low cotton prices, which in turn led to a reduction in the land under cultivation by 10 percent to 30.5 mn hectares. Similarly, the average yield also fell by 10 percent to 696 kg of cotton per hectare. According to ICAC estimates, demand for cotton fell slightly but still exceeded production levels. As a result, the ICAC expects worldwide cotton inventories to fall by 5 percent to 18.6 mn tons by the end of the cotton season in July 2017.

The Cotton A Index started the calendar year at US cents 70/pound, fell to a temporary year low of US cents 64.1/pound at the beginning of March before subsequently rising to US cents 76.2/pound at the end of June 2016.

Due to the ongoing low level of oil prices, polyester fiber selling prices in Asia dropped to an average of USD 0.9/kg in the first half of 2016. This corresponds to a decline of 15 percent from the prior-year period.

1) IMF, World Economic Outlook Update, July 2016
2) ICAC, “Cotton this Month”, August 1, 2016

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The additional production capacities installed in the course of the year 2015 as well as higher capacity utilization rates led to increased production volumes on the global market for viscose fibers. However, the consistently high demand reduced inventories and resulted in a continuous rise in market prices for viscose fibers up until the middle of April 2016. Following a short-term drop, prices recovered once again and stabilized at USD 1.74/kg at the end of June 2016. At the beginning of the third quarter, viscose spot market prices in China continued to show an upward trend.

Development of the Lenzing Group[3]

In the first half of 2016, the Lenzing Group substantially increased revenue and earnings compared to the first half-year 2015. The new group strategy sCore TEN with a clear focus on profitable growth based on specialty fibers yielded tangible results. The resolute implementation of the strategy is reflected in the company's business results. The Lenzing Group significantly increased profitability and substantially improved the cash flow while simultaneously continuing the reduction of net debt.

Consolidated revenue in the first half of 2016 rose by 8.3 percent year-on-year to EUR 1,034.8 mn. Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) improved by 54.3 percent to EUR 195.1 mn, whereas the EBITDA margin increased from 13.2 percent to 18.9 percent. The revenue and earnings situation in the first half of 2016 compared to the prior-year period developed as follows:

Condensed consolidated income statement[4] — **EUR mn**

			Change	
	01-06/2016	01-06/2015[5]	Absolute	Relative
Revenue	**1,034.8**	**955.4**	**79.4**	**8.3%**
Change in inventories of finished goods and work in progress, own work capitalized and other operating income	26.7	42.5	(15.7)	(37.1%)
Cost of material and other purchased services	(590.0)	(600.3)	10.3	(1.7%)
Personnel expenses	(156.1)	(151.3)	(4.8)	3.1%
Other operating expenses	(120.4)	(119.8)	(0.6)	0.5%
EBITDA	**195.1**	**126.5**	**68.6**	**54.3%**
Amortization of intangible assets and depreciation of property, plant and equipment	(66.8)	(67.4)	0.6	(0.9%)
Income from the release of investment grants	1.4	1.4	0.0	0.8%
EBIT	**129.7**	**60.5**	**69.3**	**114.6%**
Financial result	(7.4)	6.9	(14.2)	n/a
Allocation of profit or loss to puttable non-controlling interests	(0.1)	1.0	(1.1)	n/a
EBT	**122.3**	**68.3**	**54.0**	**79.0%**
Income tax expense	(27.7)	(16.9)	(10.8)	64.1%
Net profit for the period	**94.6**	**51.4**	**43.2**	**83.9%**

Strong second quarter 2016

In the second quarter of 2016, the Lenzing Group continued the positive trend of the first quarter. Consolidated revenue was up 8.6 percent from the second quarter of 2015 to EUR 522 mn. EBITDA rose 53.9 percent to EUR 102.9 mn, whereas earnings before interest and tax (EBIT) climbed 109.7 percent to EUR 70.3 mn. Earnings before tax (EBT) rose 53 percent to EUR 66.5 mn. As a result, the net profit for the period increased by 44.1 percent to EUR 50.3 mn.

High capacity utilization in the first half-year

The high demand for Lenzing fibers in the first half-year 2016 led to a correspondingly high level of capacity utilization. Revenue increased considerably against the backdrop of largely unchanged production volumes. This was the consequence of higher fiber selling prices and an attractive product mix. The Lenzing Group profited from the recovery of spot market prices for viscose fibers, and also reduced inventories. Currency exchange rates did not have any significant impact on the Lenzing Group during the reporting period. The product mix was further optimized and tailored to customers and sales regions within the context of the new Group strategy sCore TEN. Lenzing also benefited from the good demand for specialty fibers.

The very good development of Lenzing's core business more than compensated for the loss of revenue arising since April 2015 as a result of the sale of the subsidiaries Dolan GmbH und European Carbon Fiber GmbH.

The decline in the item "Cost of material and other purchased services" can be attributed to the disposal of subsidiaries and other business units in the previous year as well as savings on purchased services. The cost of material and other purchased services comprised 57 percent of total group revenue (first half-year 2015: 62.8 percent).

The rise in personnel expenses was due to salary adjustments mandated by collective wage agreements in Austria, amongst other factors. However, the ratio of personnel expenses to Group revenue fell to 15.1 percent from 15.8 percent in the prior-year period.

[3] Definitions of financial indicators can be found in the glossary. The financial indicators shown here are largely derived from the Lenzing Group's condensed consolidated interim financial statements and the prior-year consolidated financial statements. Further details can be found in "Notes to the financial performance indicators of the Lenzing Group" available at the following link: http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-H1, the condensed consolidated interim financial statements and consolidated financial statements of the Lenzing Group for 2015. Rounding differences can occur when presenting rounded amounts and percentages.

[4] The complete consolidated income statement is shown in the consolidated interim financial statements.

[5] Restatement according to IAS 8 (particularly income tax expense; refer to note 2).

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The decrease in the financial result was impacted by the one-off dividend distributed by a strategic investment and included in Lenzing's prior-year earnings. This effect was in contrast to a further reduction of financing costs in the first half of 2016.

The income tax expense increased as a consequence of the substantial increase in the earnings before tax (EBT).

Considerable reduction in working capital

The Lenzing Group is clearly focusing its efforts on optimizing working capital. Substantial progress was made in the first half-year 2016. The trading working capital of EUR 361.6 mn as at June 30, 2016 comprises a drop of 19.2 percent compared to December 31, 2015. This decrease was the result of improved payment conditions and the reduction in inventories. Accordingly, the ratio of trading working capital to annualized group revenue fell to 17.3 percent at the end of the first half-year 2016 from 21.6 percent as at December 31, 2015.

Significant improvement in operating cash flow

The Lenzing Group generated a significant improvement in its operating cash flow in the first half of 2016. The cash flow from operating activities more than doubled to EUR 268.8 mn compared to the prior-year period. The free cash flow rose three-fold to EUR 228.3 mn. Liquid assets rose 37.1 percent to EUR 487.2 mn in spite of the distribution of a dividend for the 2015 financial year and the redemption of financial liabilities. Together with free credit facilities available for its use to the amount of EUR 170.9 mn, the Lenzing Group had a liquidity cushion of EUR 658.1 mn at its disposal at the middle of the year. This disproportionately high level of liquidity will serve as the financial basis for the investment program to be carried out by the Lenzing Group in upcoming quarters as part of its sCore TEN strategy.

Investments in intangible assets, property, plant and equipment (CAPEX) climbed 55.9 percent in the first half of 2016 to EUR 40.6 mn. The focus of the investment activity was on expansion and modernization investments.

Substantial drop in net debt

The Lenzing Group boasts a solid balance sheet structure which was further strengthened as at June 30, 2016 in comparison to December 31, 2015. Net financial debt was cut in half to EUR 150.1 mn, whereas net gearing was also reduced by more than half, falling from 26.9 percent to 12.1 percent. Adjusted equity of the Lenzing Group rose 1.7 percent to EUR 1,239.6 mn. The adjusted equity ratio remained unchanged at about 50 percent.

Segment Fibers

In the first half-year 2016, the Lenzing Group resolutely moved ahead with the implementation of its Group strategy sCore TEN. It achieved further progress in the development and marketing of environmentally compatible specialty fibers as well as intensifying its customer proximity. As a result, Lenzing was in a position to further develop the market for its specialty fiber TENCEL® and new TENCEL® fiber blends as well as the market for high-quality viscose fiber products.

Revenue of the Segment Fibers rose considerably in the first half of 2016, climbing 12.3 percent to EUR 1,030.4 mn. Segment EBITDA increased by 61.7 percent to EUR 197.6 mn, and EBIT was up 133.6 percent to EUR 130.8 mn.

Textile applications

In the fiber segment for textile applications, Lenzing determinedly moved ahead to further develop its products and introduce new applications. TENCEL® fibers substantially enhance the moisture management and wearing comfort of textiles incorporating a blend of these fibers with wool and silk. For this reason, Lenzing concluded cooperation agreements with partners along the textile value chain, generating additional demand. Moreover, Lenzing reported strong demand for products in its microfiber portfolio in the fields of knitwear and lingerie.

Lenzing is in the process of launching another product innovation on the marketplace and looks at a very healthy R&D pipeline. The company has developed a new generation of TENCEL® fibers using cotton fabric waste as a key raw material. This new fiber combines the extremely environmentally-friendly production of TENCEL® with the use of recycling materials, thus resulting in a product with an exciting ecological footprint. The first garments will be tested by Inditex, other brands will follow.

On balance, demand in the first half of 2016 for all three generations of Lenzing fibers – namely TENCEL®, Lenzing Modal® and Lenzing Viscose® – remained strong across the globe and all important applications. This was driven not least by intensified communications by the Lenzing Group along the value chain. In particular, prominent retailers and brands were addressed directly in order to strengthen the perception of TENCEL® as a premium global brand and the most environmentally compatible textile fiber.

Nonwoven applications

Lenzing further expanded its strong market position for Lenzing Viscose® and TENCEL® in its nonwovens business. Contractual agreements with major customers were extended. Significant progress has been made in developing new applications such as TENCEL® EF fibers, which can be used in filters and separators.

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Wood and pulp

The Central European wood market in the first half of 2016 was once again shaped by a very mild winter featuring little snow. This situation was accompanied by considerable wood damage due to beetle infestation, which in turn led to increased logging operations. Consumption of wood for energy purposes was significantly below normal, whereas usage by the wood processing industry was at a high level. These conditions resulted in a good overall local wood supply at the Lenzing Group's two pulp production facilities in Lenzing and Paskov. As a consequence, it was possible to reduce expensive long-distance wood imports. All the wood purchased by Lenzing is exclusively derived from sustainable sources.

The Lenzing Group's sites in Lenzing and Paskov produce about half the pulp required by the company. Production at both plants went according to plan in the first half of 2016. Recently a good balance between supply and demand has prevailed on the global market for dissolving pulp, in contrast to a significant oversupply in the previous year. Import prices for dissolving pulp into China were at an average of USD 845/ton in the first half-year 2016, compared to USD 808/ton in the prior-year period.

Biorefinery production

In the first half of 2016, products from the Lenzing biorefinery developed divergently. Higher market prices were obtained for acetic acid, whereas selling prices for sodium sulfate and furfural were lower.

Chemicals and energy

Prices for the main chemicals used by the Lenzing Group declined in the first half-year, which can be attributed to an increased supply on European and Asian markets. The lower price of oil compared to the first half of 2015 had a dampening effect on the prices of several chemicals.

The steep drop in oil prices continued at the beginning of 2016. However, the market made an about-face in February, leading to higher coal and electricity prices. In spite of the perceptible rise in costs, energy prices in the first half of 2016 were still significantly below the prior-year level. The price of oil was 24 percent lower on average than in the first half of 2015, and the coal price was down by 16 percent. The electricity price fell by 21 percent in a year-on-year comparison, whereas costs for gas were down 29 percent.

Segment Lenzing Technik

The restructuring of Lenzing Technik GmbH was concluded in the first half of 2016. Business areas with a primarily local focus, i.e. piping, plastic welding and corrosion protection were disposed of.

Within the context of the restructuring program, revenue of the Segment Lenzing Technik fell 59.1 percent to EUR 17.5 mn. Segment EBITDA amounted to minus EUR 1.6 mn (first half-year 2015: EUR 1.4 mn), whereas EBIT totaled minus EUR 2.0 mn (first half-year 2015: EUR 0.6 mn).

Segment Other

Revenue of the Segment Other fell to EUR 1.9 mn in the first half of 2016. Segment EBITDA was down to EUR 0.4 mn, and EBIT declined to EUR 0.3 mn.

The Lenzing share

The Lenzing share showed a substantial increase in value in the first half of 2016. The share was traded at EUR 67.99 at the beginning of the year, reaching its highest share price of EUR 87.80 on June 10, 2016. It closed out the first half of 2016 at a price of EUR 83.00. The Lenzing share was the best-performing stock on the Vienna benchmark index ATX in the first six months of 2016, gaining 22.1 percent in value. In contrast, the index itself fell by 10.7 percent.

At present, seven analysts are covering the Lenzing AG share. Their assessments are positive, and range from buy and accumulate to hold. On April 20, 2016, the 72nd Annual General Meeting of Lenzing AG resolved to increase the dividend for the 2015 financial year to EUR 2.00 per share compared to a dividend of EUR 1.00 per share for the previous financial year. This corresponds to a total dividend payout of EUR 53.1 mn and a dividend yield of 2.9 percent (based on a share price of EUR 67.80 on the dividend payment date of April 26, 2016).

Risk Report

The Risk Report only presents major risks which are not included in the financial statements (e.g. statement of financial position, income statement).

On balance, Lenzing's risk management identified a total of 28 risks, and bundled them into five main areas. These risks were discussed in detail in the Annual Report 2015. This interim report for the first six months of 2016 only focuses on important changes in the risk assessment.

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Current risk environment

For a detailed analysis of developments on the global fiber market during the period under review and the related risks faced by the Lenzing Group, refer to the General Market Environment section.

Viscose fiber prices proved to be very volatile based on the situation in China. Following the recovery of viscose selling prices in the first three quarters of 2015 and a strongly opposing trend in the fourth quarter, the market once again showed just as quick a recovery again in the first half of 2016. For this reason, capacity utilization for viscose fibers along with the low price level for polyester and cotton is considered to pose the greatest risk to the upward development of fiber prices.

The pulp supply for Lenzing's fiber production facilities remains sufficiently secured. However, there is an increasing risk of Lenzing losing its competitive cost advantages due to the backward vertical integration on the part of competitors and the potential imposition of import duties in China on pulp from Europe and South Africa.

Raw material prices for chemicals and energy remain at a low level. Sharp price rises are not expected in the short term.

In terms of foreign currencies, Lenzing continues to profit from the strength of the US dollar and the Chinese yuan against the euro. The value of the Chinese yuan vis-à-vis the euro declined slightly in the first half of 2016, but continues to hover at a high level from a long term perspective. Liquidity risks for 2016 and beyond are considered to be low due to the positive cash flow development, amongst other reasons.

Operational risks as well as environmental damage and product liability risks continue to be potential causes of extensive damage to the Lenzing Group and are thus classified as high risk factors. There were no significant incidents of damage in the first half of 2016.

Current political and economic developments, for example the Brexit decision or the flow of refugees to Europe could have a negative impact on the global economy, which would in turn burden the earnings situation of the Lenzing Group.

Outlook Lenzing Group

The Lenzing Group expects a friendly market environment for the global fiber industry in the second half of 2016. The market for wood-based cellulose fibers is currently developing especially favorably due to strong demand at a stable supply.

The strong earnings figures for the first half of 2016 paired with the positive market environment reinforces the optimism of the Lenzing Group for the full year. Lenzing expects excellent business results in the financial year 2016 and consequently a substantial improvement compared to the financial year 2015.

Related Party Transactions

Refer to Note 10 of the consolidated interim financial statements.

Significant Events after the End of the Reporting Period

The Lenzing Group is not aware of any events significant to it after the reporting date of June 30, 2016 that would have resulted in a different presentation of its financial position and financial performance.

Lenzing, August 17, 2016
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky
Chief Executive Officer
Chairman of the Management Board

Robert van de Kerkhof
Chief Commercial Officer
Member of the Management Board

Thomas Obendrauf
Chief Financial Officer
Member of the Management Board

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS **AS AT JUNE 30, 2016**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

Lenzing AG

Consolidated Income Statement

for the period January 1 to June 30, 2016

EUR mn

	Note	04-06/2016	04-06/2015[1]	01-06/2016	01-06/2015[1]
Revenue	(3)	**522.0**	**480.9**	**1,034.8**	**955.4**
Change in inventories of finished goods and work in progress		2.4	(1.9)	(8.0)	(6.1)
Own work capitalized		5.4	7.1	11.5	13.0
Other operating income		11.8	15.2	23.3	35.6
Cost of material and other purchased services		(297.5)	(293.1)	(590.0)	(600.3)
Personnel expenses		(80.8)	(75.0)	(156.1)	(151.3)
Other operating expenses		(60.5)	(66.3)	(120.4)	(119.8)
Earnings before interest, tax, depreciation and amortization (EBITDA)[2]		**102.9**	**66.9**	**195.1**	**126.5**
Amortization of intangible assets and depreciation of property, plant and equipment		(33.4)	(34.1)	(66.8)	(67.4)
Income from the release of investment grants		0.7	0.7	1.4	1.4
Earnings before interest and tax (EBIT)[2]		**70.3**	**33.5**	**129.7**	**60.5**
Income from investments accounted for using the equity method	(5)	0.5	16.3	0.8	16.2
Income from non-current and current financial assets		2.0	(1.0)	1.1	4.7
Financing costs		(5.4)	(5.2)	(9.3)	(14.0)
Financial result		**(3.0)**	**10.0**	**(7.4)**	**6.9**
Allocation of profit or loss to puttable non-controlling interests		(0.8)	(0.1)	(0.1)	1.0
Earnings before tax (EBT)[2]		**66.5**	**43.5**	**122.3**	**68.3**
Income tax expense		(16.1)	(8.5)	(27.7)	(16.9)
Net profit/loss for the period		**50.3**	**34.9**	**94.6**	**51.4**
Net profit/loss for the period attributable to shareholders of Lenzing AG		49.2	35.3	92.7	52.6
Attributable to non-controlling interests		1.1	(0.3)	1.9	(1.2)
Earnings per share		**EUR**	**EUR**	**EUR**	**EUR**
Diluted = undiluted		1.85	1.33	3.49	1.98

1) Restatement according to IAS 8 (see note 2).

2) EBITDA: Operating result before depreciation and amortization or accordingly earnings before interest, tax, depreciation on property, plant and equipment and amortization of intangible assets and before income from the release of investment grants.
EBIT: Operating result or accordingly earnings before interest and tax.
EBT: Earnings before tax.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

Lenzing AG

Consolidated Statement of Comprehensive Income

for the period January 1 to June 30, 2016

EUR mn

	04-06/2016	04-06/2015[1]	01-06/2016	01-06/2015[1]
Net profit/loss for the period as per consolidated income statement	**50.3**	**34.9**	**94.6**	**51.4**
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liability	(7.9)	0.0	(7.9)	0.0
Investments accounted for using the equity method – share of other comprehensive income	0.0	0.0	0.0	0.0
Income tax relating to these components of other comprehensive income	2.0	0.0	2.0	0.0
	(5.9)	**0.0**	**(5.9)**	**0.0**
Items that may be reclassified to profit or loss				
Foreign operations – foreign currency translation differences arising during the reporting period	3.4	(5.2)[2]	(13.9)	37.0[2]
Foreign operations – reclassification of foreign currency translation differences on loss of control	0.0	0.0	0.0	0.0
Available-for-sale financial assets – net fair value gain/loss on remeasurement recognized in the reporting period	0.2	(0.3)	0.4	0.0
Available-for-sale financial assets – reclassification of amounts relating to financial assets disposed of in the reporting period	0.0	0.0	0.0	0.0
Cash flow hedges – effective portion of changes in fair value recognized in the reporting period	(5.4)	7.0	(0.8)	(35.8)
Cash flow hedges – reclassification to profit or loss	(0.1)	14.9	1.2	39.2
Investments accounted for using the equity method - share of other comprehensive income	0.1	(0.1)[2]	0.1	0.0[2]
Income tax relating to these components of other comprehensive income	1.2	(4.8)	(0.2)	(0.9)
	(0.7)	**11.5**	**(13.2)**	**39.6**
Other comprehensive income - net of tax	**(6.6)**	**11.5**	**(19.1)**	**39.6**
Total comprehensive income	**43.7**	**46.4**	**75.4**	**91.0**
Attributable to shareholders of Lenzing AG	42.0	47.4	73.9	90.0
Attributable to non-controlling interests	1.7	(1.0)	1.5	1.0

1) Restatement according to IAS 8 (see note 2).
2) The prior-year figure of foreign currency translation differences has been restated due to changes in IAS 1
(now obligatory separate disclosure of the share of other comprehensive income of investments accounted for using the equity method) (see note 2).

Lenzing AG

Consolidated Statement of Financial Position

as at June 30, 2016

EUR mn

Assets	Note	30/06/2016	31/12/2015[1]	01/01/2015[1]
Intangible assets		17.9	18.2	21.9
Property, plant and equipment		1,259.6	1,294.5	1,322.5
Investments accounted for using the equity method		26.4	25.6	38.0
Financial assets		21.1	22.8	23.2
Deferred tax assets		4.2	6.1	5.7
Current tax assets		5.3	9.3	6.9
Other non-current assets		4.6	5.4	9.0
Non-current assets		**1,339.2**	**1,381.9**	**1,427.1**
Inventories	(6)	316.6	338.5	344.1
Trade receivables	(6)	251.5	258.9	232.8
Current tax assets		4.5	0.3	13.8
Other current assets		77.2	83.8	69.6
Cash and cash equivalents	(7)	479.2	347.3	271.8
Current assets		**1,129.0**	**1,028.8**	**932.1**
Total assets		2,468.2	2,410.6	2,359.2

Equity and liabilities	Note	30/06/2016	31/12/2015[1]	01/01/2015[1]
Share capital		27.6	27.6	27.6
Capital reserves		133.9	133.9	133.9
Other reserves		11.5	30.3	(30.3)
Retained earnings		1,019.4	979.8	879.4
Equity attributable to shareholders of Lenzing AG		**1,192.4**	**1,171.6**	**1,010.6**
Non-controlling interests		28.7	27.3	23.9
Equity	(6)	**1,221.1**	**1,198.9**	**1,034.5**
Financial liabilities		460.0	510.9	537.0
Government grants		16.9	17.8	22.0
Deferred tax liabilities		48.3	52.9	44.8
Provisions		130.0	122.7	130.0
Puttable non-controlling interests		8.1	8.3	7.6
Other liabilities		3.6	3.1	7.6
Non-current liabilities		**666.8**	**715.7**	**749.2**
Financial liabilities		177.3	172.3	192.7
Trade payables		206.5	150.0	181.1
Government grants		7.2	8.0	4.6
Current tax liabilities		19.2	10.6	25.2
Provisions		85.4	69.9	81.4
Other liabilities		84.6	85.3	90.5
Current liabilities		**580.3**	**496.1**	**575.5**
Total equity and liabilities		2,468.2	2,410.6	2,359.2

1) Restatement according to IAS 8 (see note 2)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

Lenzing AG

Consolidated Statement of Changes in Equity

for the period January 1 to June 30, 2016

	Share capital	Capital reserves	Foreign currency translation reserve
As at 01/01/2015 (previously)	**27.6**	**133.9**	**26.9**
Restatement according to IAS 8 (see note 2)	0.0	0.0	(0.1)
As at 01/01/2015 (restated; see note 2)	**27.6**	**133.9**	**26.8**
Net profit/loss for the period as per consolidated income statement (restated according to IAS 8, see note 2)	0.0	0.0	0.0
Other comprehensive income – net of tax	0.0	0.0	34.7
Total comprehensive income	**0.0**	**0.0**	**34.7**
Acquisition/disposal of non-controlling interests and other changes in consolidated group	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Reclassification due to settlement or disposal of defined benefit plans	0.0	0.0	0.0
As at 30/06/2015 (restated)	**27.6**	**133.9**	**61.5**
As at 01/01/2016 (previously)	**27.6**	**133.9**	**65.4**
Restatement according to IAS 8 (see note 2)	0.0	0.0	(0.9)
As at 01/01/2016 (restated; see note 2)	**27.6**	**133.9**	**64.6**
Net profit/loss for the period as per consolidated income statement	0.0	0.0	0.0
Other comprehensive income – net of tax	0.0	0.0	(13.4)
Total comprehensive income	**0.0**	**0.0**	**(13.4)**
Acquisition/disposal of non-controlling interests and other changes in consolidated group	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
As at 30/06/2016	**27.6**	**133.9**	**51.1**

Other reserves						EUR mn
Available-for-sale financial assets	Hedging reserve	Actuarial gains/ losses	Retained earnings	Equity attributable to shareholders of Lenzing AG	Non-controlling interests	Equity
1.4	(21.0)	(37.5)	890.4	1,021.7	23.9	1,045.6
0.0	0.0	0.0	(11.0)	(11.1)	0.0	(11.1)
1.4	(21.0)	(37.5)	879.4	1,010.6	23.9	1,034.5
0.0	0.0	0.0	52.6	52.6	(1.2)	51.4
0.0	2.7	0.0	0.0	37.4	2.2	39.6
0.0	2.7	0.0	52.6	90.0	1.0	91.0
0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)
0.0	0.0	0.0	(26.6)	(26.6)	(0.1)	(26.7)
0.0	0.0	0.4	(0.4)	0.0	0.0	0.0
1.4	(18.3)	(37.1)	905.0	1,074.0	24.6	1,098.6
1.6	(2.6)	(33.2)	986.8	1,179.4	27.3	1,206.7
0.0	0.0	0.0	(7.0)	(7.8)	0.0	(7.8)
1.6	(2.6)	(33.2)	979.8	1,171.6	27.3	1,198.9
0.0	0.0	0.0	92.7	92.7	1.9	94.6
0.3	0.3	(5.9)	0.0	(18.7)	(0.4)	(19.1)
0.3	0.3	(5.9)	92.7	73.9	1.5	75.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	(53.1)	(53.1)	(0.1)	(53.2)
1.9	(2.3)	(39.1)	1,019.4	1,192.4	28.7	1,221.1

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

Lenzing AG

Consolidated Statement of Cash Flows (condensed)

for the period January 1 to June 30, 2016

EUR '000

	Note	01-06/2016	01-06/2015
Gross cash flow	(7)	172.4	146.4
+/- Change in working capital		96.4	(46.7)
Cash flow from operating activities		**268.8**	**99.7**
- Acquisition of intangible assets, property, plant and equipment (CAPEX)		(40.6)	(26.0)
- Acquisition of financial assets		(0.6)	(1.8)
+ Proceeds from the sale of intangible assets, property, plant and equipment		0.1	0.0
+ Proceeds from the sale/repayment of financial assets		2.8	0.4
+ Net inflow from the sale and disposal of subsidiaries and other business areas	(7)	1.4	13.8
Cash flow from investing activities		**(37.0)**	**(13.6)**
- Distribution to shareholders		(53.2)	(26.7)
+ Investment grants		0.6	1.0
+ Proceeds from/ - Repayment of non-current financial liabilities		(43.0)	(16.7)
Cash flow from financing activities		**(95.6)**	**(42.3)**
Change in liquid funds before reclassification		**136.2**	**43.7**
+/- Reclassification of liquid funds belonging to discontinued operations, assets held for sale and disposal groups		0.0	(0.7)
Total change in liquid funds		**136.2**	**43.0**
Liquid funds at beginning of the year		347.3	271.8
Currency translation adjustment relating to liquid funds		(4.2)	6.8
Liquid funds at the end of the period		**479.2**	**321.7**

Lenzing AG

Notes to the Consolidated Financial Statements: Selected Notes

on the condensed consolidated interim financial statements as at June 30, 2016

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. The main shareholder of Lenzing AG as at June 30, 2016 was the B&C Group, which directly and indirectly held 67.60% (December 31, 2015: 67.60%) of the share capital of Lenzing AG. The core business of the Lenzing Group is the production and marketing of botanic cellulose fibers.

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, 2016 were prepared in accordance with all International Financial Reporting Standards (IFRSs) and interpretations effective as at 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. The consolidated interim financial statements of the Lenzing Group as at June 30, 2016 are based on the consolidated financial statements as at December 31, 2015 and should therefore always be read in conjunction with these statements. The reporting currency is euro (EUR), which is also the functional currency of Lenzing AG and a majority of its subsidiaries.

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. The estimates and judgments for which there is a not inconsiderable risk in the Lenzing Group that they could lead to material adjustment of the financial position and financial performance in a subsequent reporting period are explained in detail in the consolidated financial statements of the Lenzing Group as at December 31, 2015 (Note 1).

Principles of consolidation, accounting standards and accounting policies

The Lenzing Group implemented all accounting standards endorsed by the EU that are mandatory and effective from January 1, 2016. The accounting standards effective for the first time from January 1, 2016 and relevant to the Lenzing Group had no significant effects on the presentation of the financial position and the financial performance of the Lenzing Group as at June 30, 2016.

In the course of a random sample by the Austrian Financial Reporting Enforcement Panel (Österreichische Prüfstelle für Rechnungslegung - OePR) the consolidated annual financial report as at December 31, 2014 and the consolidated interim financial reports as at June 30, 2014 and as at June 30, 2015 of the Lenzing Group were selected and reviewed in accordance with section 2 (1) no. 2 (random review) of the Accounting Control Act (Rechnungslegungs-Kontrollgesetz RL-KG). Lenzing AG was informed that the deferred tax assets relating to a Chinese production site in the amount of EUR 15.9 mn - thereof EUR 4.7 mn on tax loss carryforwards - that were recognized in the annual financial statements as at December 31, 2014 should not have been recognized in

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

the opinion of OePR. This is about 0.7% of total assets as at December 31, 2014; EBIT and EBITDA are not affected. On the basis of several indicators, the management of Lenzing AG estimated in tax planning that sufficient taxable profit will be available in the future to justify the recognition of the deferred tax assets. In the opinion of OePR, management could neither prove the probability that sufficient taxable profit would be available nor the existence of sufficient objective evidence for the consolidated financial statements as at December 31, 2014, as required by IAS 12.29a) in conjunction with IAS 12.35. Hence, OePR stated a deficiency in this regard for the financial year ending at December 31, 2014 and subsequent reporting periods.

Prior period errors are accounted for retrospectively according to IAS 8 (Accounting policies, Changes in Accounting Estimates and Errors). The effects on the items concerned by this retrospective adjustment are presented in the following tables:

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

04-06/2015	Previously	Restatement	Restated
Earnings before interest and tax (EBIT)	**33.5**		**33.5**
Financial result	**10.0**		**10.0**
Allocation of profit or loss to puttable non-controlling interests	(0.1)	0.0	(0.1)
Earnings before tax (EBT)	**43.4**	**0.0**	**43.5**
Income tax expense	(8.5)	0.0	(8.5)
Net profit/loss for the period	**35.0**	**0.0**	**34.9**
Net profit/loss for the period attributable to shareholders of Lenzing AG	35.3	0.0	35.3
Attributable to non-controlling interests	(0.3)		(0.3)
Earnings per share	**EUR**	**EUR**	**EUR**
Diluted = undiluted	1.33	0.00	1.33

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

01-06/2015	Previously	Restatement	Restated
Earnings before interest and tax (EBIT)	**60.5**		**60.5**
Financial result	**6.9**		**6.9**
Allocation of profit or loss to puttable non-controlling interests	0.9	0.1	1.0
Earnings before tax (EBT)	**68.3**	**0.1**	**68.3**
Income tax expense	(16.7)	(0.2)	(16.9)
Net profit/loss for the period	**51.6**	**(0.2)**	**51.4**
Net profit/loss for the period attributable to shareholders of Lenzing AG	52.7	(0.2)	52.6
Attributable to non-controlling interests	(1.2)		(1.2)
Earnings per share	**EUR**	**EUR**	**EUR**
Diluted = undiluted	1.99	(0.01)	1.98

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

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

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

04-06/2015	Previously	Restatement	Restated
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences arising during the reporting period	(5.6)	0.4[1]	(5.2)
Investments accounted for using the equity method – share of other comprehensive income	0.0	(0.1)	(0.1)
	(5.6)	**0.3**	**(5.3)**

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

01-06/2015	Previously	Restatement	Restated
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences arising during the reporting period	38.1	(1.0)[1]	37.0
Investments accounted for using the equity method – share of other comprehensive income	0.0	0.0	0.0
	38.1	**(1.0)**	**37.1**

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

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

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

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

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

30/06/2015	Previously	Restatement	Restated
Assets			
Deferred tax assets	22.6	(17.5)	5.1
Other non-current assets	1,402.9		1,402.9
Non-current assets	**1,425.5**	**(17.5)**	**1,407.9**
Current assets	**993.7**		**993.7**
Total assets	**2,419.2**	**(17.5)**	**2,401.6**
Equity and liabilities			
Share capital	27.6		27.6
Capital reserves	133.9		133.9
Other reserves	8.7	(1.1)	7.5
Retained earnings	916.2	(11.1)	905.0
Equity attributable to shareholders of Lenzing AG	**1,086.3**	**(12.3)**	**1,074.0**
Non-controlling interests	24.6		24.6
Equity	**1,110.9**	**(12.3)**	**1,098.6**
Puttable non-controlling interests	12.6	(5.3)	7.3
Other non-current liabilities	765.4		765.4
Non-current liabilities	**778.1**	**(5.3)**	**772.8**
Current liabilities	**530.2**		**530.2**
Total equity and liabilities	**2,419.2**	**(17.5)**	**2,401.6**

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

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

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

01-06/2015	Previously	Restatement	Restated
Net profit/loss for the period	**51.6**	**(0.2)**	**51.4**
- Income/+ expenses from deferred taxes	5.9	0.2	6.1
- Other non-cash income/expenses	(1.7)	(0.1)	(1.7)
+/- Other	90.7		90.7
Gross cash flow	**146.4**	**0.0**	**146.4**

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

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

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

Exchange rates for key currencies		2016		2015	
Unit	Currency	Reporting date 30/06	Average 1-6	Reporting date 31/12	Average 1-6
1 EUR	USD US Dollar	1.1090	1.1155	1.0926	1.1159
1 EUR	GBP British Pound	0.8255	0.7785	0.7380	0.7323
1 EUR	CZK Czech Koruna	27.1140	27.0393	27.0290	27.5042
1 EUR	CNY Renminbi Yuan	7.3680	7.2937	7.0910	6.9411
1 EUR	HKD Hong Kong Dollar	8.6041	8.6654	8.4685	8.6521
1 EUR	INR Indian Rupee	74.9693	74.9776	72.5350	70.1224

Due to the considerable decrease of long-term interest rates in the Euro-zone since December 31, 2015 the net liability of Austrian defined pension and severance plans was remeasured (discount rate pension plans: 1.3%, previously 2.1%; discount rate severance plans: 1.3%; previously 2.2%). The loss from remeasurement was EUR 5.9 mn (after tax) and was recognized in other comprehensive income.

Otherwise, the same principles of consolidation, accounting standards and accounting policies were used as in the consolidated financial statements as at December 31, 2015.

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

There were no changes in the entities included in consolidation since December 31, 2015.

NOTE 3

Segment reporting

The same principles were applied in the presentation of segment reporting as in the consolidated financial statements as at December 31, 2015.

Information on business segments

EUR mn

1-6/2016 and 30/06/2016	Fibers	Lenzing Technik	Other	Segment total	Reconcilia-tion	Group
Revenue from external customers	1,027.1	6.8	1.0	**1,034.8**	0.0	**1,034.8**
Inter-segment revenue	3.4	10.7	1.0	**15.0**	(15.0)	**0.0**
Total revenue	**1,030.4**	**17.5**	**1.9**	**1,049.8**	**(15.0)**	**1,034.8**
EBITDA (Segment result)	197.6	(1.6)	0.4	**196.3**	(1.2)	**195.1**
EBIT	130.8	(2.0)	0.3	**129.2**	0.6	**129.7**
EBITDA margin[1]	**19.2%**	**(9.4%)**	**18.2%**	**18.7%**		**18.9%**
EBIT margin[2]	**12.7%**	**(11.4%)**	**16.9%**	**12.3%**		**12.5%**
Segment assets	1,936.1	17.6	1.4	**1,955.1**	513.1	**2,468.2**
Segment liabilities	502.4	16.0	2.0	**520.5**	726.6	**1,247.0**

Information on business segments (previous year)

EUR mn

1-6/2015 and 31/12/2015	Fibers	Lenzing Technik	Other	Segment total	Reconcilia-tion	Group
Revenue from external customers	913.4	20.6	21.5	**955.4**	0.0	**955.4**
Inter-segment revenue	4.3	22.2	0.8	**27.2**	(27.2)	**0.0**
Total revenue	**917.7**	**42.8**	**22.2**	**982.7**	**(27.2)**	**955.4**
EBITDA (Segment result)	122.2	1.4	3.6	**127.2**	(0.7)	**126.5**
EBIT	56.0	0.6	3.5	**60.1**	0.4	**60.5**
EBITDA margin[1]	**13.3%**	**3.3%**	**16.2%**	**12.9%**		**13.2%**
EBIT margin[2]	**6.1%**	**1.3%**	**15.7%**	**6.1%**		**6.3%**
Segment assets[3]	2,007.2	21.9	1.2	**2,030.3**	380.3	**2,410.6**
Segment liabilities[3]	424.7	19.4	1.6	**445.6**	766.1	**1,211.8**

[1] EBITDA margin = EBITDA (operating result before depreciation) in relation to total revenue (here: according to segment reporting). [2] EBIT margin = EBIT (operating result) in relation to total revenue (here: according to segment reporting). [3] Restatement according to IAS 8 (see note 2).

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

The reconciliation of segment result to operating result (EBIT) to earnings before tax (EBT) is as follows:

Reconciliation of segment result (EBITDA) to earnings before tax (EBT) EUR mn

	1-6/2016	1-6/2015
Segment result (EBITDA)	196.3	127.2
Consolidation	(1.4)	(1.8)
Restructuring	0.2	1.1
Group result (EBITDA)	**195.1**	**126.5**
Segment amortization of intangible assets and depreciation of property, plant and equipment	(68.5)	(68.5)
Consolidation	1.8	1.7
Income from the release of investment grants	1.4	1.4
Impairment of intangible assets and property, plant and equipment	0.0	(0.6)
Earnings before interest and tax (EBIT)	**129.7**	**60.5**
Financial result	(7.4)	6.9
Allocation of profit or loss to puttable non-controlling interests	(0.1)	1.0[1]
Earnings before tax (EBT)	**122.3**	**68.3**

The line “Impairment of intangible assets and property, plant and equipment” shown above relates to impairments in the amount of EUR 0.6 mn incurred in the course of the restructuring of the technical operations in 1-6/2015.

Restructuring breaks down as follows:

Restructuring EUR mn

	1-6/2016	1-6/2015
Restructuring measures		
Other operating income	0.5	0.0
Cost of material and other purchased services	0.0	(0.1)
Personnel expenses	(0.2)	3.2
Other operating expenses	(0.2)	(7.2)
Sale of subsidiaries		
Other operating income	0.0	5.1
Total	**0.2**	**1.1**

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

Further information on the segments can be derived from the management report of the Lenzing Group as at June 30, 2016.

[1] Restatement according to IAS 8 (see note 2).

NOTE 4

Assets and liabilities held for sale and disposal groups

In April 2016 several parts of Lenzing Technik Production were sold. This led to the loss of control by the Lenzing Group and to the disposal of these business areas in Segment Lenzing Technik.

In April 2015 the sale of the subsidiaries Dolan GmbH, Kelheim, Germany, and European Carbon Fiber GmbH, Kelheim, Germany was closed. This led to the loss of control by the Lenzing Group and to the deconsolidation of these companies.

In the course of the restructuring of the technical operations the Lenzing Group reached an agreement at the end June 2015 on the sale of three business units of Segment Lenzing Technik (the Mechatronics business area incl. the consolidated subsidiary LENO Electronics GmbH, Schörfling, the Automation/Robotics unit and the Sheet Metal business operations). The closing and the loss of control took place in the third quarter 2015. Furthermore the Lenzing Group decided to liquidate the consolidated subsidiary Lenzing Engineering and Technical Services (Nanjing) Co., Ltd, Nanjing, China. As at June 30, 2015, the entities and business units described above were classified as disposal group. More details on this can be found in note 5 of the consolidated financial statements as at December 31, 2015.

Notes on the Individual Components of the Consolidated Financial Statements

NOTE 5

Notes on the consolidated income statement

The change in the item “Income from investments accounted for using the equity method” as compared to the prior year particularly relates to the recognition in profit or loss of a distribution of an investment accounted for using the equity method in the amount of EUR 15.6 mn in the interim reporting period 1-6/2015 (net cash inflow was recognized in the amount of EUR 30.0 mn).

NOTE 6

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

In the interim reporting period write-downs to net realizable value in the amount of EUR 2.8 mn (1-6/2015: write-up of EUR 1.1 mn) were recognized in profit or loss.

As at June 30, 2016, trade receivables in the amount of EUR 86.6 mn (December 31, 2015: EUR 82.0 mn) were sold on the basis of factoring agreements and derecognized in the Lenzing Group’s consolidated statement of financial position. The amount that was not advanced in the amount of EUR 8.4 mn (December 31, 2015: EUR 8.0 mn) (prior to foreign currency measurement) is presented as other current asset as at June 30, 2016. In the interim reporting period allowances for bad debts in the amount of EUR 1.0 mn were recognized in profit or loss (1-6/2015: EUR 0.4 mn).

The amount of share capital and the number of no-par-value shares did not change in the interim reporting period. No shares were bought back. In the interim reporting period, the Management Board did not exercise the authorizations in place on or until June 30, 2016 to increase share capital, issue convertible bonds and repurchase own shares.

By resolution of the Ordinary Shareholders’ Meeting on April 22, 2015, the Management Board was authorized, pending the approval of the Supervisory Board, to raise the nominal capital within five years from registration in the Commercial register – if need be in several tranches - against cash and/or contributions in kind by up to EUR 13,778,412.00 by way of issuing up to 13,274,000 no-par share certificates (“authorized capital”). This authorized capital was entered in the commercial register on May 26, 2016.

By resolution of the Ordinary Shareholders‘ Meeting on April 20, 2016, the Management Board was authorized to purchase via the stock exchange, with the consent by the Supervisory Board, own shares of up to 10% of the company’s share capital during a period of 30 months from April 20, 2016, with the lowest equivalent of not more than 20% below and the highest equivalent of not more than 10% above the average closing price of the last three stock exchange days prior to the purchase of the shares. The purchase may not be for the purpose of trading in own shares. The authorization may be

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

exercised in whole or in part or in several partial amounts and in pursuit of one or several purposes by the company, by a subsidiary (section 189a no. 7 of the Austrian Commercial Code [UGB]) or by third parties for the Company's account. In addition, the Management Board was also authorized to reduce the share capital by redeeming such own shares without any further resolution by the Shareholders' Meeting. The Supervisory Board was authorized to adopt any amendments to the company's Articles of Incorporation resulting from the redemption of shares.

By further resolution of the Ordinary Shareholders' Meeting on April 20, 2016, the cancellation of the existing, registered authorized capital in the companies register pursuant to shareholders' resolution dated 10 December 2010 (authorization of the Management Board to increase the nominal capital within five years against cash and/or contribution in kind by up to EUR 13,358,625.00 by issuing up to 12,862,500 new no-par share certificates in bearer or registered form with the approval of the Supervisory Board) in the previously unutilized amount was resolved. This authorized capital was deleted in the commercial register on May 26, 2016.

In addition, by the same resolution of the Ordinary Shareholders' Meeting the cancellation of the conditional capital pursuant to a shareholders' resolution dated 10 December 2010 (contingent capital increase of up to EUR 13,358,625.00 by issuing up to 12,862,500 new no-par value shares to issue to owners of convertible bonds) was resolved. This contingent capital was deleted in the commercial register on May 26, 2016.

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 2015 resolved at the Ordinary Shareholders' Meeting on April 20, 2016 (payment as of April 26, 2016)	53.1	26,550,000	2.00
Dividend for the financial year 2014 resolved at the Ordinary Shareholders' Meeting on April 22, 2015 (payment as of April 29, 2015)	26.6	26,550,000	1.00

NOTE 7

Notes on the consolidated cash flow statement (condensed)

In the reporting period 1-6/2015, the gross cash flow (= cash flow from operating activities before change in working capital) includes the cash inflow from the distribution of an investment accounted for using the equity method (see Note 5).

In the reporting period 1-6/2016, the cash flow from investing activities includes the net inflow from the sale of several parts of Lenzing Technik Production in the amount of EUR -1.3 mn (in 1-6/2015, the net inflow from the sale of subsidiaries in the amount of EUR 13.8 mn is included; see note 4).

Notes on Capital Risk Management and Financial Instruments

NOTE 8

Capital risk management

All capital requirements were satisfied in the interim reporting period. Unused credit facilities in the amount of EUR 170.9 mn were available for possible future financing requirements as at June 30, 2016 (December 31, 2015: EUR 190.9 mn).

NOTE 9

Financial instruments

The carrying amounts and fair values of financial assets (asset financial instruments) broke down by class as follows as at June 30, 2016 and December 31, 2015:

Carrying amounts and fair values by classes of financial assets[1] EUR mn

	30/06/2016		31/12/2015	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	479.2	479.2	347.3	347.3
Trade receivables	251.5	251.5	258.9	258.9
Financial assets – loans	2.6	2.6	5.0	5.0
Other non-current financial assets – non-current receivables	3.2	3.2	3.1	3.1
Other current financial assets (not including derivatives - open positions)	22.4	22.4	20.7	20.7
Loans and receivables	**758.9**	**758.9**	**635.1**	**635.1**
Financial assets – non-current securities	17.0	17.0	16.3	16.3
Financial assets – other equity investments	1.6	1.6	1.6	1.6
Available-for-sale financial assets	**18.6**	**18.6**	**17.8**	**17.8**
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	1.0	1.0	2.1	2.1
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	1.1	1.1	0.4	0.4
Other	**2.1**	**2.1**	**2.6**	**2.6**
Total	**779.6**	**779.6**	**655.5**	**655.5**
Thereof:				
Measured at cost	1.6	1.6	1.6	1.6

[1] The difference between the carrying amounts presented in this table and the line items of the statement of financial position concerns only non-financial assets. The reconciliation as at December 31, 2015 can be seen in the consolidated financial statements as at December 31, 2015.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

The carrying amounts and fair values of financial liabilities (liability financial instruments) broke down by class as follows as at June 30, 2016 and December 31, 2015:

Carrying amounts and fair values by classes of financial liabilities[1] EUR mn

	30/06/2016		31/12/2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities – bond	119.9	124.0	119.8	126.0
Financial liabilities – private placements	288.9	306.2	288.8	301.4
Financial liabilities – liabilities to banks	198.9	199.6	239.4	240.4
Financial liabilities – liabilities to other lenders (miscellaneous)	26.8	26.9	29.0	28.8
Trade payables	206.5	206.5	150.0	150.0
Other current financial liabilities (not including derivatives - open positions and financial guarantee contracts)	39.1	39.1	40.2	40.2
Provisions – accruals - other (financial)	30.4	30.4	23.4	23.4
Financial liabilities at amortized cost	**910.5**	**932.7**	**890.6**	**910.2**
Financial liabilities – lease liabilities	2.8	2.8	6.3	6.3
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	3.6	3.6	5.3	5.3
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	1.4	1.4	11.1	11.1
Other current financial liabilities (financial guarantee contracts)	0.1	0.1	0.1	0.1
Puttable non-controlling interests	8.1	8.1	11.7	11.7
Other	**16.1**	**16.1**	**34.5**	**34.5**
Total	**926.6**	**948.8**	**925.1**	**944.7**

1) The difference between the carrying amounts presented in this table and the line items of the statement of financial position concerns only non-financial liabilities. The reconciliation as at December 31, 2015 can be seen in the consolidated financial statements as at December 31, 2015.

The following table shows the carrying amounts and fair values of financial assets and liabilities whose fair value is measured on a recurring basis in the consolidated statement of financial position by class of financial instrument and by the level of the fair value hierarchy to which the fair value measurement is to be allocated, as at June 30, 2016 and December 31, 2015:

Carrying amounts, fair values and fair value hierarchy of financial instruments (recurring measurement in statement of financial position)

EUR mn

	30/06/2016			31/12/2015		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Financial assets						
Financial assets – non-current securities	17.0	17.0	Level 1	16.3	16.3	Level 1
Available-for-sale financial assets	**17.0**	**17.0**		**16.3**	**16.3**	
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	1.0	1.0	Level 2	2.1	2.1	Level 2
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	1.1	1.1	Level 2	0.4	0.4	Level 2
Other	**2.1**	**2.1**		**2.6**	**2.6**	
Total	**19.1**	**19.1**		**18.8**	**18.8**	
Financial liabilities						
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	3.6	3.6	Level 2	5.3	5.3	Level 2
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	1.4	1.4	Level 2	11.1	11.1	Level 2
Other	**5.0**	**5.0**		**16.4**	**16.4**	
Total	**5.0**	**5.0**		**16.4**	**16.4**	

In the interim reporting period, there were no transfers between the different levels of the fair value hierarchy of financial instruments that were already held on December 31, 2015.

The accounting policies for financial instruments (particularly concerning measurement methods/techniques and input factors) did not change in the interim reporting period. Further details can be found in the consolidated financial statements as at December 31, 2015 (see note 3).

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2016

Disclosures on Related Parties and Executive Bodies

NOTE 10

Related party disclosures

Owing to the tax group with B&C Industrieholding GmbH, the Lenzing Group paid advances on the tax allocation to B&C Industrieholding GmbH of EUR 13.5 mn in the interim reporting period (1-6/2015: EUR 5.0 mn) in accordance with its contractual obligation. Moreover, the liability recognized as at December 31, 2015 for the tax allocation to B&C Industrieholding GmbH was essentially adjusted as at June 30, 2016 for the estimated income tax expense based on the results for the interim reporting period.

The extent of material transactions and the amounts of outstanding balances with companies accounted for using the equity method and their material subsidiaries were as follows:

Relationships with companies accounted for using the equity method and their material subsidiaries EUR mn

	1-6/2016	1-6/2015
Revenue	32.8	27.5
Cost of material and purchased services	22.3	20.8
	30/06/2016	31/12/2015
Trade receivables	7.1	18.0
Liabilities	7.5	5.7

Please refer to Note 5 for information on the distribution of an investment accounted for using the equity method in the comparable prior-year period.

Due to the resignation of Peter Untersperger from the Managament Board of Lenzing AG EUR 2.4 mn of employee benefits were recognized in “Personnel costs” in 1-6/2015.

NOTE 11

Corporate bodies of the company

Thomas Obendrauf was appointed to serve as a member of the Management Board (Chief Financial Officer/CFO) as of March 1, 2016. Andreas Schmidradner resigned from his position on the Supervisory Board effective March 1, 2016. Franz Berlanda resigned from the Supervisory Board as of March 1, 2016. There were no other changes in the members of the Management Board and the Supervisory Board compared to December 31, 2015.

Other Notes

NOTE 12

Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

There are contingent liabilities, in particular to secure the claims of certain sold equity investments and suppliers, as well as for possible default of payment related to receivables sold and of third parties outside the Group in the amount of EUR 27.6 mn (December 31, 2015: EUR 27.0 mn) and, to a lesser extent, retentions granted. The amounts shown represent the maximum financial risk to the Lenzing Group. The potential for recoveries exists to a limited extent only for the obligations and liabilities relating to the claims of certain sold equity investments. Of the amount mentioned above, EUR 8.2 mn (December 31, 2015: EUR 8.5 mn) relate to financial guarantee contracts. It is predominantly considered unlikely that the Group will be required to make payments under financial guarantee contracts. Liabilities at the amount of the fair values of these financial guarantee contracts of EUR 0.1 mn were recognized as at June 30, 2016 (December 31, 2015: EUR 0.1 mn).

As at June 30, 2016, obligations from outstanding orders of property, plant and equipment amounted to EUR 31.8 mn (December 31, 2015: EUR 21.1 mn). Further details can be found in the consolidated financial statements as at December 31, 2015 (see note 46).

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 the sale of fibers and for the procurement of pulp (and other central materials) are crucial to the business performance of the Lenzing Group.

NOTE 14

Significant events after the end of the reporting period

The Lenzing Group is not aware of any events significant to it after the reporting date June 30, 2016 that would have resulted in a different presentation of the financial position and financial performance.

Lenzing, August 17, 2016
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky
Chief Executive Officer
Chairman of the Management Board

Robert van de Kerkhof
Chief Commercial Officer
Member of the Management Board

Thomas Obendrauf
Chief Financial Officer
Member of the Management Board

DECLARATION OF THE MANAGEMENT BOARD

Declaration of the Management Board pursuant to Section 87 Para 1 No. 3 of the Stock Exchange Act

We confirm to the best of our knowledge that the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Lenzing Group as required by the applicable accounting standards and that the interim 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 17, 2016
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky
Chief Executive Officer
Chairman of the Management Board

Robert van de Kerkhof
Chief Commercial Officer
Member of the Management Board

Thomas Obendrauf
Chief Financial Officer
Member of the Management Board

AUDITOR'S REPORT

Report on the Review of the Condensed Consolidated Interim Financial Statements

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Lenzing Aktiengesellschaft, Lenzing, for the period from January 1, 2016 to June 30, 2016 including the consolidated statement of financial position as at June 30, 2016, the related consolidated income statement, the consolidated statement of other comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the period from January 1, 2016 to June 30, 2016, as well as selected explanatory notes.

The Company's management is responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards applicable on interim financial reporting as adopted by the European Union.

Our responsibility is to issue a report on the condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with applicable Austrian laws and professional standards (e.g. KFS/PG 11) as well as the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Lenzing Aktiengesellschaft are not prepared, in all material respects, in accordance with International Financial Reporting Standards applicable on interim financial reporting as adopted by the European Union.

Statement on the condensed interim group management report and on the responsibility statement of the legal representatives according to section 87 of the Austrian Stock Exchange Act

We have read the accompanying condensed interim group management report of Lenzing Aktiengesellschaft as of June 30, 2016 and assessed whether it contains any obvious contradictions to the condensed consolidated interim financial statements. Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim group management report contains obvious contradictions to the condensed consolidated interim financial statements.

The interim financial report includes the responsibility statement of the legal representatives as required by Section 87 (1) (3) of the Austrian Stock Exchange Act (Börsegesetz, BörseG).

Vienna, August 17, 2016

Deloitte.

Deloitte Audit Wirtschaftsprüfungs GmbH

Walter Müller	**Marieluise Krimmel**
(Austrian) Certified Public Accountant	(Austrian) Certified Public Accountant

This English translation of the review report and the statement was prepared for the client's convenience only. It is no legally relevant translation of the German review report.

Note:
This English translation of the interim report was prepared for the company's convenience only. It is a non-binding translation of the German interim report. In the event of discrepancies between this English translation and the German original the latter shall prevail.

This interim group report also contains forward-looking statements based on current assessment and assumptions made by the Lenzing Group 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 the Lenzing Group 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.

The figures shown in these consolidated interim financial statements and in the notes, unless stated otherwise, have been rounded up to the next million ("mn") to one decimal place. Rounding differences can occur when adding up rounded amounts and percentages. The interim 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.

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