

Report of the Management Board
of
Lenzing Aktiengesellschaft
Commercial Register No. ("FN") 96499 k
pursuant to sec 170 para 2 and sec 153 para 4 of the Austrian Stock Corporation Act
(Exclusion of subscription rights when issuing convertible bonds)
Item 11. of the agenda of the 74th Annual General Meeting

At the 74th Annual General Meeting of Lenzing Aktiengesellschaft, FN 96499 k, with its registered office in Lenzing (the "Company"), to be held on 12 April 2018, the Management Board of Lenzing AG shall be authorized, with the approval by the Supervisory Board, to issue convertible bonds, also in several tranches, which carry the subscription or conversion right or subscription or conversion obligation for up to 13,274,999 shares of the Company. They can be serviced via the conditional capital to be resolved and / or via own shares. The issue price and terms and conditions of issue shall be determined by the Management Board with the consent by the Supervisory Board, whereby the issue price and the exchange ratio shall be determined in accordance with recognized financial mathematical methods and the price of the Company's shares in a recognized pricing procedure. This authorization is valid until 12 April 2023.

The statutory subscription right may be granted to shareholders in such a way that the capital increase is taken over by a bank or a consortium of banks with the obligation to offer it to shareholders in accordance with their subscription right (indirect subscription right).

The Management Board shall be authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights when issuing convertible bonds in whole or in part (i) if the convertible bonds are issued against contributions in kind for the purpose of acquiring companies, parts of companies, operations, parts of operations, equity interests in companies or other assets relating to an acquisition project, or (ii) for the compensation of fractional amounts resulting from the subscription ratio.

The Management Board shall also be authorized, with the consent of the Supervisory Board, to exclude the subscription right for convertible bonds in whole or in part, provided that the Management Board, after due examination, comes to the conclusion that the issue price of the convertible bonds at the time of the final determination of the issue price is not less than the hypothetical market value determined in accordance with recognized, in particular financial mathematical methods, and the conversion or subscription price (issue price) of the subscription shares each determined in accordance with recognized financial mathematical methods and the price of the Company's ordinary shares in a recognized pricing procedure and is not lower than the stock exchange price of the Company's shares during the last 20 trading days prior to the announcement of the issue of the convertible bonds.

The Supervisory Board shall be authorized to resolve on amendments to the articles of incorporation resulting from the issue of shares from conditional capital.

In accordance with the statutory provisions, the Company's Management Board, pursuant to sec 170 para 2 in conjunction with sec 153 para 4 of the Austrian Stock Corporation Act (AktG), makes the following

REPORT:

1. The Management Board of the Company was already authorized at the Annual General Meeting on 22 April 2015, to increase the Company's share capital until 22 April 2020, with the approval by the Supervisory Board, to the extent that holders of convertible bonds exercise their conversion rights (conditional capital). To date, no use has been made of this authorization.
2. The resolution is intended to authorize the Management Board, with the consent by the Supervisory Board, to issue convertible bonds to the maximum extent permitted by stock corporation law until 12 April 2023 at the latest. The issue of convertible bonds is an alternative to a "simple" cash capital increase and offers the company additional flexibility in financing.
3. A convertible bond is also an alternative to a conventional bond. The advantage for the Company lies in the possibility of an accelerated and market-orientated placement of convertible bonds, whose terms and conditions are usually highly complex, thus reducing the price and placement risk.
4. In accordance with sec 170 para 1 of the Austrian Stock Corporation Act in conjunction with sec 153 of the Austrian Stock Corporation Act, the shareholders have a statutory subscription right to convertible bonds to the extent of their existing participation.
5. The authorization of the Management Board to be resolved at the 74th Annual General Meeting now provides that, with the consent of the Supervisory Board, the subscription right of shareholders can be excluded in whole or in part when convertible bonds are issued (i) if the convertible bonds are issued against contributions in kind for the purpose of acquiring companies, parts of companies, operations, parts of operations, participations in companies or other assets relating to an acquisition project, or (ii) for the compensation of fractional amounts resulting from the subscription ratio.
6. The exclusion of subscription rights in these cases is objectively justified and generally recognized as grounds for exclusion:
 - 6.1. The authorization of the Management Board, with the consent by the Supervisory Board, to exclude the subscription right in whole or in part against contributions in kind for the purpose of acquiring companies, parts of companies, operations, parts of operations, participation in companies or other assets related to an acquisition project is intended to give Lenzing AG the possibility of issuing convertible bonds as "transaction currency" in these cases instead of cash purchase price.

The company regularly finds opportunities to acquire suitable acquisition objects. Under certain circumstances, owners of attractive investment and acquisition objects may only be prepared to sell their companies if they receive convertible bonds exclusively or in part as consideration. The use of convertible bonds as "transaction currency" is also advantageous for the Company because the financing requirements for acquisitions can be reduced and the use of convertible bonds as "transaction currency" can preserve the existing liquid funds for the Company and the shareholders.

- 6.2. The Exclusion of subscription rights is also proportionate because the Company regularly has an interest in acquiring the relevant company. The interests of the existing shareholders are safeguarded by the fact that convertible bonds are granted in proportion to the value of the company when the company is acquired.

- 6.3. The authorization of the Management Board shall also include the right, with the consent by the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts. Fractions are partial claims to the subscription of convertible bonds. They arise if the concrete extent of the convertible bond results in an unfavorable subscription ratio. Depending on the extent of the authorization actually used, unfavorable subscription conditions may arise, which tend to make the exercise of subscription rights more difficult, especially for shareholders with little interest. Since the emergence of such fractional amounts tends to impede the exercise of their subscription rights, especially for investors with little participation, such an exclusion of subscription rights to avoid the occurrence of fractional amounts is typically in the interest of minority shareholders and is therefore generally permissible.

As part of the utilization of the authorization to be resolved, the Company's Management Board will make every effort to avoid the occurrence of fractional amounts as far as possible by defining the framework conditions of such a convertible bond.

7. The interests of the Company and its shareholders are safeguarded in particular by the fact that the Management Board is bound by the prior consent of the Supervisory Board in excluding subscription rights and determining the conditions of issue of the convertible bonds.

8. The Management Board will only use the authorization to exclude shareholders' subscription rights and to determine the issuing conditions if the requirements described above and all legal requirements are met. The Management Board will also comply with the disclosure and announcement obligations under stock exchange law and stock corporation law.

Vienna, March 2018

Management Board

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