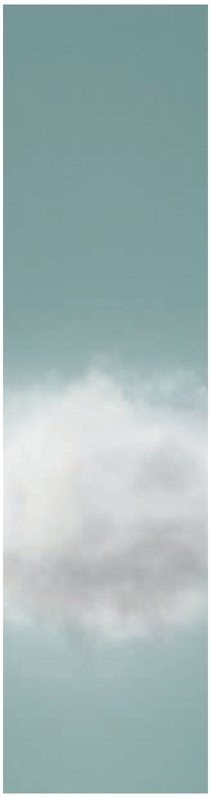
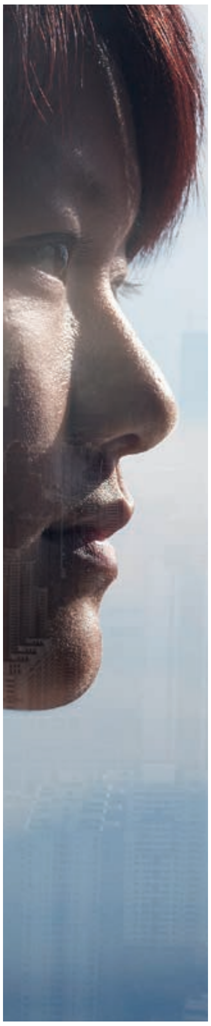
H1
2014

NATURE

THINKING AHEAD



PROMISING
PERSPECTIVES



TRUST

RESPONSIBILITY

THE SOURCES
OF OUR STRENGTH

Interim Report 01-06/2014 . **LENZING GROUP**

LENZING
LEADING FIBER INNOVATION

THE SOURCES **OF OUR STRENGTH**

Business is like natural life, marked by continuing growth but also consistently recurring ups and downs. At present the market environment in our industry is difficult. Whoever knows us can rest assured that Lenzing will continue to keep pace with future challenges – as we did in the past. Lenzing has always been able to rely on its sources of strength. They are what we draw upon, enabling us to proactively shape the future.

SELECTED KEY FIGURES

Selected key figures

		30/06/2014	31/12/2013
Adjusted equity[1]	EUR mn	1,082.5	1,109.6
Adjusted equity in %[2]	%	46.3	45.5
Net financial debt[3]	EUR mn	511.4	504.7
Net debt[4]	EUR mn	589.6	582.0
Net gearing[5]	%	47.2	45.5
Open credit facilities	EUR mn	290.1	296.2
Liquid assets[6]	EUR mn	227.2	296.0
Number of employees at end of period	Headcount	6,392	6,675
		01-06/2014	**01-06/2013**
CAPEX[7]	EUR mn	64.2	134.4

Selected income statement items

		01-06/2014	01-06/2013
Sales	EUR mn	900.0	989.9
EBITDA	EUR mn	91.9	162.0
EBITDA margin	%	10.2	16.4
EBIT	EUR mn	32.4	103.0
EBIT margin	%	3.6	10.4

1) = Equity including government grants less proportionate deferred taxes.
2) = Adjusted equity in relation to total assets.
3) = Interest-bearing financial liabilities (=current and non-current financial liabilities) less liquid assets.
4) = Interest-bearing financial liabilities (=current and non-current financial liabilities) less liquid assets plus provisions for pensions and severance payments.
5) = Net financial debt in relation to adjusted equity.
6) = Cash and cash equivalents, liquid securities and liquid bills of exchange.
7) = Comprising investments in intangible assets, property, plant and equipment and investments in non-controlling interests. 01-06/2013 incl. BU Plastics.

Further details of computation of the selected key figures presented above can be seen in the notes to the condensed consolidated interim financial statements and in the consolidated financial statements of the previous year, respectively.

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General Market Environment

Global economy[1]

The global economy continues to be in the midst of a slight recovery. However, economists at the International Monetary Fund (IMF) now expect slower momentum for economic growth than it still anticipated in April of this year. The IMF has slightly revised its growth forecasts for the global economy in 2014 downwards to 3.4%. The underlying reason is the dampened potential for growth, especially in the emerging markets and in Europe, and an ongoing weak investment climate.

The IMF anticipates GDP growth of 1.8% for the industrialized countries in 2014, compared to 1.3% in 2013. The eurozone is gradually emerging from the recession, and should post a 1.1% growth rate in 2014, up from the prior-year level of -0.4%. The IMF predicts that the American economy will expand by 1.7% in 2014.

The economic growth forecasts were also slightly adjusted downwards for the developing and emerging markets, whose economies are now expected to expand by only 4.6% this year. The IMF expects a slight slowdown in economic activity in China, with GDP growth rates anticipated to level off at about 7.4%. China is continuing to move forward with its transformation from a strongly export-driven economy to a business model featuring higher domestic consumption. Although there have been indications of a slight upturn in recent months, growth rates of the Chinese economy have tended to be more moderate than in the past. This development is confirmed by the steady growth in retail sales in China, which have been steadily rising by about 12-13% per month compared to the previous year[2].

World fiber market[3]

In the first half of 2014, the market environment of the global fiber market remained difficult as expected. With respect to cotton, the continuing increase in inventories, reduced imports by China and another change in Chinese subsidy policies were the main factors underlying ongoing price pressure. Even though the International Cotton Advisory Committee (ICAC) assumes global cotton production in the 2014/15 harvest season will decline by 2%, experts expect total production to once again surpass consumption. The predicted 6% increase in worldwide cotton inventories to 21.4 million tons would comprise an all-time high in the stock-to-use ratio of 89%. This means that existing cotton stockpiles would cover close to 11 months of consumption. As a consequence, it could take several years to reduce such high inventories.

Following this repeated negative ICAC outlook, global cotton prices once again declined sharply. The “Cotton A” index started the year at 89.7 US cents/lb (1.98 USD/kg) and climbed to 98.9 US cents/lb (2.18 USD/kg) at the end of March 2014, and decreased slightly to the initial value of 89.6 US cents/lb (1.98 USD/kg) at the end of June, falling even more to about 80 US cents/lb (1.76 USD/kg) at the end of July 2014.

[1] International Monetary Fund, World Economic Outlook Update, July 2014
[2] National Bureau of Statistics of China
[3] ICAC, "Rising Stocks, Reduced Imports Put Downward Pressure on Price“, July 1, 2014

The cotton price is considered to be the benchmark for all fibers. Therefore, against the backdrop of developments on the cotton market, the global fiber market remains in a state of imbalance. The high stockpiles in China as well as the expected build-up of cotton inventories represent a potential threat to the future price development of all fibers. At the present time market analysts do not anticipate a short-term stabilization of the situation towards a more balanced relationship between supply and demand.

In the first half of 2014, prices for polyester fibers in Asia were at an average level of 1.36 USD/kg, comprising a decline of 11% since the comparable level in the first half of 2013.

Viscose fiber spot market prices in China, the world's largest and most important sales market for viscose fibers, stabilized at a low level and hovered at about CNY 12.000 (net 1.67 USD/kg) throughout the entire first half of 2014. The slight upward trend at the beginning of the second quarter did not prove to be sustainable.

In the middle of 2014, viscose fibers were sold at an approximately 35% markdown compared to cotton. This was the case although viscose fibers had generally achieved a price premium on the marketplace of about 10% above cotton in recent decades due to the fiber's superior technical performance in processing (10% higher productivity in the spinning process). This markdown can only be explained by the ongoing surplus production capacities on the Chinese viscose fiber market and the atypical Chinese subsidy policies. Production capacities were expanded over the past few years on the basis of debt financing, which in turn puts strong pressure on Chinese producers to keep capacity utilization as high as possible, even at margin cost, in order to generate cash to repay the loans. Price pressure in the world's most important fiber market is likely to continue as long as these excess capacities are not absorbed by growing demand.

Development of the Lenzing Group[4]

The business development of the Lenzing Group in the first half of 2014 was impacted by the ongoing difficult market situation featuring low average fiber selling prices. In response, the Lenzing Group already implemented a successful cost reduction program in 2013. However, this initiative was only able to partially offset the decline in sales and earnings. Due to the continuing unsatisfactory market development, the measures encompassed in the excelLENZ 2.0 cost optimization program were further intensified in the first half of 2014. These measures will have a positive effect on earnings of up to EUR 90 mn in 2014, a third higher than originally planned.

Weak fiber prices push down sales and earnings

Consolidated sales in the first half-year 2014 declined by 9.1% to EUR 900.0 mn from the prior-year level of EUR 989.9 mn. More than half of this sales decrease can be attributed to the

[4] The prior-year figures were restated due to changes in presentation (see Note 2 to the interim consolidated financial statements).

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one-off effects relating to the divestment of the Business Unit Plastics at the end of the second quarter of 2013[5] (H1 2013 sales of Lenzing Plastics: EUR 49.9 mn).

On the usual like-for-like basis involving a year-to-year comparison of continuing operations, consolidated sales were down by 4.3% to EUR 900.0 mn from EUR 940.0 mn in the previous year. The drop in sales also reflects the significantly lower average fiber selling prices compared to the prior-year period, which could not be offset by higher fiber shipment volumes and an improved product mix.

Average fiber selling prices of the Lenzing Group in the first half of 2014 equaled 1.54 EUR/kg, comprising a drop of 12.5% from the level of 1.76 EUR/kg in the first half of 2013. This corresponds to a sales decline of 0.22 EUR/kg from fiber sales or approximately EUR 90 mn.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations in the first half-year totaled EUR 91.9 mn (H1 2013: EUR 129.1 mn). This represents a decrease of 28.8% from the first half of 2013. The corresponding EBITDA margin was 10.2%, down from the prior-year level of 13.7%.

The consolidated half-year earnings before interest and taxes (EBIT) from continuing operations amounted to EUR 32.4 mn, a drop of 56.1% from EUR 73.8 mn in the previous year. This comprised an EBIT margin of 3.6% (H1 2013: 7.9%).

The substantial rise in fiber sales volumes, which climbed by about 8% to 474,000 tons in the first half of 2014 (H1 2013: 438,400 tons), resulted in an increase of only 4.0% in the cost of material and other purchased services to EUR 600.2 mn in a like-for-like comparison of continuing operations. This moderate rise reflects the extensive cost reduction measures encompassed in the excelLENZ 2.0 program as well as stable or in some individual cases lower raw material prices for pulp and chemicals. Wood prices remained at a high level.

Personnel expenses adjusted for discontinued operations remained constant at EUR 152.9 mn compared to the first half of 2013. Cost-saving effects from streamlining the organization and optimizing production were in contrast to the cost-increasing effects related to the addition of 140 employees at the new TENCEL® plant at the Lenzing site, the latest round of collective wage increases in Austria and strongly rising wage costs in China and Indonesia.

The amortization of intangible assets and depreciation of property, plant and equipment in the first half of 2014 totaled EUR 60.9 mn, a slight rise of 7.6% above the comparable prior-year level for continuing operations of EUR 56.6 mn. In spite of the considerable increase in fiber sales volumes, other operating expenses were reduced to EUR 107.4 mn from EUR 110.5 mn in the previous year, which is due to the successful implementation of the excelLENZ 2.0 cost-cutting initiative.

The financial result of minus EUR 11.7 mn was below the comparable prior-year figure from continuing operations of minus EUR 13.1 mn, which can be mainly attributable to positive currency effects.

[5] In the first half of 2013, the Lenzing Group benefited from a non-recurring cash inflow from the sale of the Business Unit Plastics amounting to EUR 61.7 mn and a gain on the sale before tax (effect on EBITDA/EBIT) of EUR 25.9 mn.

Earnings before taxes (EBT) from continuing operations in the first half of 2014 totaled EUR 22.8 mn, a decline of 62.9% from EUR 61.5 mn in the first half of 2013. This decrease equaled 74.8% when taking the one-off effects from discontinued operations into account.

The income tax of EUR 7.7 mn in the first half-year 2014 was about 50% lower than in the prior-year period (EUR 16.3 mn from continuing operations, EUR 25.1 mn including discontinued operations) due to the lower EBT. The profit for the period amounted to EUR 15.2 mn, a decrease of 66.4% from the comparable figure of EUR 45.2 mn in the first half of 2013 (or a drop of 76.7% including the effects from discontinued operations).

As a consequence, earnings per share from continuing operations in the first half of 2014 amounted to EUR 0.57 (H1 2013: EUR 1.65).

Investments in intangible assets and property, plant and equipment as well as non-controlling interests (CAPEX) totaled EUR 64.2 mn in the first half of 2014, below the comparable figure of EUR 134.4 mn[6] in the prior-year period. The focal point of the investment activity was the construction of the new TENCEL® production plant in Lenzing as well as modernization work on existing fiber production lines.

Ongoing stable balance sheet

Adjusted group equity[7] at the end of June 2014 was down marginally compared to the end of 2013 due to the dividend payment, decreasing from EUR 1,109.6 mn to EUR 1,082.5 mn. This corresponded to an adjusted equity ratio of 46.3% of total assets (December 31, 2013:45.5%). Non-current liabilities fell to EUR 758.1 mn as a result of Lenzing's proactive cash management (H1 2013: EUR 803.0 mn). Net financial debt amounted to EUR 511.4 mn in the middle of 2014, compared to EUR 504.7 mn at the end of 2013. This corresponded to a net gearing of 47.2% (December 31, 2013: 45.5%). Trade working capital could be improved thanks to a strict working capital management.

Further optimization of cash flow

The gross cash flow from continuing operations of the Lenzing Group totaled EUR 72.2 mn in the first half of 2014, at approximately the same level as the prior-year figure of EUR 71.2 mn. As a result of its active cash management, the cash flow from operating activities could be more than doubled to EUR 103.2 mn (H1 2013: EUR 46.8 mn).

As of June 30, 2014, Lenzing had liquid funds of EUR 220.7 mn at its disposal (December 31, 2013: EUR 287.9 mn). The decline is primarily related to the repayment of financial liabilities and the reduced cash flow from the operating business. Together with its unused lines of credit totaling about EUR 290 mn at the middle of 2014, Lenzing thus has a liquidity of more than EUR 500 mn at its disposal.

6) Including Business Unit Plastics

7) Equity including government grants less proportionate deferred taxes

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Second-quarter performance in line with expectations

The second-quarter 2014 performance of the Lenzing Group developed in line with expectations. Consolidated sales in the second quarter amounted to EUR 448.3 mn, down 4.1% from the comparable second-quarter 2013 level from continuing operations of EUR 467.7 mn the decline including discontinued operations was 9.1%. This reflects the further drop in average fiber selling prices in the second quarter of 2014 to 1.52 EUR/kg (Q2 2013: 1.75 EUR/kg), which could not be offset in spite of very good fiber production and sales volumes.

Nevertheless, the positive effects of the excelLENZ 2.0 program enabled a quarterly EBITDA of EUR 45.6 mn, in comparison to EUR 67.5 mn from continuing operations in the previous year.[8] EBIT from continuing operations in the second quarter of 2014 was EUR 15.7 mn (Q2 2013: EUR 39.7 mn), and EBT amounted to EUR 11.6 mn (Q2 2013: EUR 33.2 mn). The second-quarter profit for the period after taxes of the Lenzing Group totaled EUR 7.5 mn, down from EUR 24.4 mn in a like-for-like comparison of continuing operations.

Further intensification of the cost optimization program excelLENZ 2.0

Due to the continuing tense price development on the global market for viscose fibers, additional cost savings were initiated within the context of the efficiency enhancement program excelLENZ 2.0. In light of the current level of fiber prices, the originally planned savings of about EUR 60 mn in 2014 are not sufficient for Lenzing to be able to profitably manufacture fibers, especially at its European sites. For this reason, Lenzing has set itself the objective of further sharpening the original measures aimed at achieving annual cost savings of EUR 160 mn by the year 2016, and ensuring that the targets are reached earlier. In addition to the implementation of further structural measures, the excelLENZ 2.0 initiative will also encompass a series of one-off effects. The restructuring provisions were increased accordingly in the second quarter of 2014.

The package of measures which were already launched in the fourth quarter of 2013 proved to be more effective in the first half of 2014 than originally expected. As previously mentioned, cost savings of up to EUR 90 mn are now expected for 2014, of which about one quarter involves personnel expenses. The remaining cost reductions equally relate to reductions in material costs and increases in operational efficiency as well as savings derived from efficiency projects to cut general and administrative expenses. The measures are already being implemented for the most part, and have already led to substantial monthly savings.

On balance, the worldwide staff of the Lenzing Group was reduced by about 500 full-time equivalents by the middle of July 2014. The agreed upon redundancy program (Sozialplan) for the Austrian sites remains valid until the end of 2014, and is designed, amongst other purposes, to avoid hardship cases. All employment contracts affected by the job cuts were terminated by mutual agreement.

[8] The divestment of the Business Unit Plastics took place in the second quarter of 2013, which is why EBITDA in the second quarter of 2013 amounted to EUR 95.7 mn.

Go-ahead for a far-reaching strategy process

The go-ahead was given in the second quarter of 2014 for a far-reaching strategy process in order to orient the company towards achieving sustainably profitable growth in a changing market.

Fundamentally speaking, the Lenzing Group with its core business of manufacturing man-made cellulose fibers operates in an attractive market. Volume growth for man-made cellulosics is above that of the overall fiber market. The growth drivers of increasing prosperity and an expanding population as well as the high demand for fibers from sustainable raw materials remain valid. Similarly, the long-term limits to growth of the cotton industry are clearly recognizable.

Against the backdrop of these growth opportunities, but also a quickly changing competitive environment, particularly in China, the challenge is to optimally position the Lenzing Group for the coming years. Within the context of this strategic reorientation and positioning initiative, decisions will have to be made with respect to which specific products Lenzing will be able to manufacture in the long term, at which sites this should take place, and how to best ensure the highest quality and production at competitive costs. The results of this strategy process are expected to be available no later than the first quarter of 2015.

Segment Fibers

As expected, extremely unsatisfactory fiber selling prices continued to shape the business development of the Segment Fibers in the first half of 2014 against the backdrop of ongoing good volume demand. Lenzing succeeded in operating all its fiber production facilities at full capacity, achieving a new half-year record sales volume of 474,000 tons (H1 2013: 438,400). The production and sales of the specialty fibers Lenzing Modal® and TENCEL® were also further increased.

Sales of the Segment Fibers in the first half-year 2014 totaled EUR 853.2 mn, comprising a price-related decline of 4.5% compared to EUR 893.0 mn in the prior-year period. Segment EBITDA amounted to EUR 91.0 mn (H1 2013: EUR 125.4 mn), and segment EBIT was EUR 31.5 mn (H1 2013: EUR 69.9 mn).

Since last year, the Lenzing Group has moved to counteract the sharp decrease in fiber selling prices by more intensively focusing on specialty fibers and the more stable nonwovens business at the expense of the more cyclically sensitive textile sector. Both Lenzing Modal® as well as TENCEL® reported ongoing high demand and very good sales volumes throughout the entire first half of 2014. In contrast to standard viscose fibers, the price premiums generated for Lenzing Modal® and TENCEL® remained at an attractive level during the first six months of 2014. Specialty fibers accounted for 35% of total sales in the Segment Fibers and about 27% of its total production volume.

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The resolute optimization of the customer structure and sales regions ensures that Lenzing will continue to obtain premium prices, even for its standard viscose fibers, which are higher than the level for other viscose fiber manufacturers. Other specialty fibers such as Lenzing Modal® have also profited from an active shift towards sales markets with attractive contribution margins.

Successful start-up of TENCEL® plant in Lenzing

The Lenzing Group successfully initiated production at its new TENCEL® jumbo production facility, the largest in the world, at the Lenzing site in Upper Austria. The plant is in the midst of a stable ramp-up phase. The feedback on the part of the market is very positive.

This factory comprises the first time in which a single production line with an annual nominal capacity of 67,000 tons was installed. Previous TENCEL® production lines were usually only one-quarter as large. The new plant design incorporates lessons learned from the longstanding experience of the three existing Lenzing Group TENCEL® production plants located in Austria, USA and Great Britain. As a consequence, the new TENCEL® plant in Lenzing represents the world's leading generation of TENCEL® technology. The new design of the jumbo production line also enabled investment costs to be maintained at a very competitive level of approximately EUR 150 mn (about 2,200 EUR/ton of capacity). This comprises the decisive approach to the further competitive scaling of TENCEL® fibers as a universally deployable textile and nonwoven fiber. The new, broader product portfolio on the basis of the TENCEL® technology successfully complements Lenzing's specialty strategy.

With a construction time of 24 months, Lenzing completely adhered to both the budgeted investment costs as well as all timetables. The TENCEL® production in Lenzing secures 140 jobs at the Lenzing site.

Thanks to the new plant, annual nominal TENCEL® production capacity of the Lenzing Group will rise from 155,000 tons p.a. to about 222,000 tons p.a. In this way Lenzing will further expand upon its global market leadership for TENCEL® fibers and offer its global customers new expansion opportunities in both the textile and nonwovens segments as well as new and innovative applications. Moreover, new technical applications will be opened up and massively expanded in the years to come.

Preparations to market the fibers manufactured by the new TENCEL® plant in Lenzing were further intensified on the basis of the key project called "Natural Connection", which was launched in the fall of 2013. "Natural Connection" is the cotton blend concept focusing on marketing a blend of cotton with 30% TENCEL® for denim (jeans), shirts and bed linen. Substantial improvements in quality and an improved hand are achieved with these applications thanks to the integration of TENCEL®.

Following a targeted campaign for denim and shirts in the first half of 2014, the focus of TENCEL® in the apparel segment in the upcoming season will be on knitwear. This is designed to promote the performance and aesthetic advantages of TENCEL® LF (hand) and TENCEL® A100 (gloss). MicroModal® and in particular the variety Lenzing Modal® AIR, which is 20% finer, are both extremely popular in China and increasingly successful. This is due to the fact that the fibers enable the finest knitted fabrics to be produced.

The customer base for Lenzing FR® used in protective clothing for law enforcement officials was expanded to Southern Europe.

In the meantime, TENCEL® bed linen is included in the summer collections of all leading Chinese bed linen producers and retailers due to the fiber's cooling effect. Lenzing is now working to develop fabric concepts (flannel). The finest yarns can be manufactured with MicroModal® AIR, which is why its use as a fabric for eiderdown comforters is being promoted on the Chinese market.

Thanks to a new technology, TENCEL® short-cut fibers can be deployed to produce wipes and care wipes which are "flushable" and can thus be disposed of in the toilet. They are highly in demand due to this property and their biodegradability.

The use of TENCEL® Skin for cosmetic facial masks in Asia has exceeded expectations. The innovative marketing of the fiber was honored with an award at INDEX, the world's leading trade fair for nonwovens. Lenzing plans to increasingly market cosmetic facial masks in Western industrialized nations.

For the first time, TENCEL® wipes were introduced on the European market under the brand name "Sweeps". The 15 different types of TENCEL® wipes are used as smart phone cleaning clothes, refreshing wipes, hand disinfecting wipes and in many other ways.

Due to its functionality, the TENCEL® brand boasts a broad range of applications and other options in the retail sector. In addition to bed linen, top retailers in the USA have now added TENCEL® household wipes made of nonwovens to their product lines.

Pulp and Energy

The Pulp Business Unit of the Lenzing Group developed satisfactorily in the first half of 2014. Lenzing itself now produces more than 50% of the pulp it requires to manufacture fibers.

The global market for dissolving pulp continues to be characterized by an oversupply due to higher production capacities. Since the beginning of the year, spot market prices for dissolving pulp have declined by a further 7.5%, reaching its year-to-date low of 830 USD/ton at the middle of the year. The punitive import duties imposed by China on pulp from the USA, Canada and Brazil have not led to an increase in global pulp prices so far.

In the first half of 2014, the Energy Unit profited from low primary energy purchase prices (natural gas, oil, coal and bark) due to the warm winter months. The Lenzing Group also succeeded in achieving positive cost effects with respect to electricity, which can be mainly attributed to low spot electricity market prices.

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Outlook Segment Fibers

From the production side of business operations, the top priority in the second half of 2014 is the implementation of optimization measures during the ramp-up phase at the new TENCEL® plant in Lenzing. At the same time, marketing activities for these additional TENCEL® fiber volumes are in full swing.

Upon instruction of the responsible authority, output at the viscose fiber production site in Nanjing (China) and all industrial facilities in the region must be reduced in August 2014 due to the local Nanjing 2014 Youth Olympic Games. Lenzing has taken the necessary steps to deal with this situation by increasing its inventories. Nevertheless, the production cutback will mean lower production volumes in the second half of 2014, which in turn will affect sales and earnings.

With respect to pulp, the most important raw material required in fiber production, a surplus supply and thus dampened selling prices are expected in the second half of 2014 as a consequence of high new production capacities. Chemical prices should hover for the most part at current levels during the second half of the year.

The Lenzing Group has secured a sufficient supply of wood, pulp and energy for the second half of 2014 and beyond. A stable price development for natural gas, oil and electricity is expected inasmuch as the current geopolitical turmoil (Ukraine, Middle East) remain local conflicts.

Segment Lenzing Technik

The Segment Lenzing Technik was confronted with a decline in incoming orders during the first half of 2014 as expected. The main reasons for this development were completion of construction work on the new TENCEL® plant at the Lenzing site as well as the very restrictive investment policy pursued by the Lenzing Group at the present time. The lower order intake could not be compensated by orders placed by external customers. This has resulted in an ongoing downward pressure on costs and margins. Capacities at Lenzing Technik were adjusted accordingly to reflect the current market and earnings situation. These measures will first have a positive impact on earnings only in the coming months.

Segment sales in the first six months of 2014 amounted to EUR 45.3 mn (H1 2013: EUR 66.0 mn). EBITDA of the Segment Lenzing Technik totaled EUR 0.7 mn (H1 2013: EUR 4.3 mn), whereas segment EBIT slipped slightly into the red at minus EUR 0.3 mn (H1 2013: EUR 3.4 mn).

Outlook Segment Engineering

The order intake of the Segment Engineering is expected to stagnate in the second half of 2014. For this reason, further capacity adjustments will be necessary to reflect the weak level of demand.

Segment Other

Total sales of the Segment Other amounted to EUR 32.4 mn in the first half of 2014, up from EUR 27.6 mn in the prior-year period. Segment result (EBITDA) totaled EUR 4.0 mn in the first half-year, exactly the same level as in the first half of 2013. EBIT amounted to EUR 3.5 mn (H1 2013: EUR 3.6 mn).

The Lenzing Share

The Lenzing share closed trading at EUR 47.11 on June 30, 2014 comprising a rise of 13% from the year-end 2013 share price of EUR 41.64. The Lenzing share rose to its highest price during the first six months of trading on June 18, 2014 when it reached EUR 50.24, which was also the best performance of the second quarter of 2014.

Accordingly, the Lenzing share rallied considerably in comparison to the Vienna Stock Exchange benchmark index ATX, which began the year at a level of 2,548.74 points and closed the first half of 2014 at 2,493.18 points, a drop of 2.2%.

The Ordinary Shareholders' Meeting of Lenzing AG held on April 28, 2014 resolved to distribute a dividend of EUR 1.75 per share for the 2013 financial year (compared to EUR 2.00 per share for the previous year). This corresponds to a total dividend payout of EUR 46.5 mn, and a dividend yield of 3.7% as of May 5, 2014.

In June 2014, the Lenzing share was accepted for listing in VÖNIX, the sustainability index of the Vienna Stock Exchange, for the ninth straight year, and was once again given a very good rating.

Seven analysts covered Lenzing AG during the period under review. One analyst each had a "buy" or "overweight" recommendation, four advised investors to "hold" and one analyst gave the Lenzing share a rating of "underperform".

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Risk Report

Lenzing's risk management system only presents major risks which are not included in the financial statements (statement of financial position, income statement).

On balance, Lenzing's risk management identified a total of 29 risks and bundled them in five main areas which were described in the Annual Report 2013. The interim report only deals with the main risks facing the company in the current reporting period.

Current risk environment

Market and substitution risk

As previously mentioned in the General Market Environment section, excess production capacities for viscose fibers and high cotton inventories comprise the biggest risks to the development of fiber selling prices. There is also a major risk that prices will decline further as a consequence of falling cotton prices, especially for standard viscose fibers.

Procurement risk (incl. pulp supply)

Due to the cyclically-related weak demand, raw material prices for chemicals as well as energy prices tend to move downwards in 2014. Massive risks are not expected in the short term as a consequence of strong price fluctuations. However, substantial electricity price increases were announced in Indonesia as a result of the phasing out of state subsidies, which in turn will likely lead to higher prices for caustic soda (heavily dependent on electricity).

A sufficient supply of pulp for Lenzing's fiber production sites is deemed to have been secured for the year 2014. The level of self-sufficiency was further increased thanks to the expansion of the pulp plant in Paskov (Czech Republic), and including long-term delivery contracts is now at about 90%.

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

There has not been any major damage to Lenzing's production facilities in 2014 as a result of fire, explosions or natural catastrophes. However, these risks permanently represent high loss and damage potential to the Lenzing Group, and thus continue to be rated high.

Innovation risk and competition risk

On a medium term basis, it will be more difficult for Lenzing to maintain its technological leadership in light of the fact that Chinese competitors are increasingly involved in TENCEL® research. However, the substitution risk for cellulosic fibers is mitigated somewhat due to our long-term technological competence and solid sales base.

Risks related to the expansion of production capacity

As previously mentioned, trial operations have successfully started at the new jumbo TENCEL® production plant at the Lenzing site. The Lenzing Group could face the risk that customer demand may prove to be insufficient in order to enable the full utilization of these additional production capacities.

Earnings risk at Lenzing Group subsidiaries

On the basis of its market strategy, the Lenzing Group manufactures fibers at six different plants, which are either fully owned or operated in collaboration with joint venture partners. Depending on the size and market environment, the sites produce different types and volumes of fibers which are sold in the standard segment or as specialty fibers.

The differing levels of demand in the respective fiber markets and fiber segments as well as local conditions could lead to negative earnings at individual production facilities.

Outlook

Global fiber market

There are no perceptible signs of any easing of the situation on the global fiber market. The expectation of a cotton harvest which is lower than in the previous year but still exceeds annual consumption is triggering further pressure on global cotton prices and thus on all fiber prices. For the first time Chinese fiber prices are also showing a clear downward trend. On balance, the global economy is developing positively, and fresh impetus is expected from political reformers in India and Indonesia. However, this momentum is not strong enough to have any appreciable effect on the fiber market. Moreover, uncertainties continue with respect to the cotton stockpiling and pricing policies of the Chinese Government.

In spite of good volume demand, a further price decline for man-made cellulose fibers cannot be excluded in the second half of 2014. The excess supply of standard viscose fibers arising from the higher capacity utilization of Chinese producers will continue to prevail in the second half of the year despite strong demand. Due to the liquidity shortage in China, many producers there

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are still trying to achieve a high volume business in order to generate cash even if the earnings situation is unsatisfactory. As a consequence of the high world market share of Chinese cellulose fiber manufacturers (60%), the resulting low fiber selling price levels impact other important sales markets and repeated measures initiated to stabilize prices are bound to fail. A slight improvement in price levels is expected during the course of the year 2015 at the earliest.

Lenzing Group

Against the backdrop of these developments, the Lenzing Group is intensifying its excelLENZ cost reduction and efficiency enhancement program. The cost-saving effects for the current financial year have been increased to up to EUR 90 mn. In addition, the groundwork has been laid to further raise the initially targeted structural savings of EUR 160 mn p.a. by 2016 and to achieve these reductions more quickly. Higher savings should be possible, especially in 2015. The selective investment policy and cash optimization measures will be further pursued.

In its operating business, Lenzing will continue to determinedly promote its specialty fibers Lenzing Modal® and TENCEL®. In this case, the focus will be on ramping up the new TENCEL® plant at the Lenzing site to achieve a production volume of 30,000 tons and to sell these additional fiber volumes.

We will inform you in greater detail about further developments at the end of the third quarter of 2014.

Major Related Party Transactions

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

Significant Events after the End of the Interim Reporting Period

The Lenzing Group has not been made aware of any events significant to it after the reporting date June 30, 2014 that would have resulted in a different presentation of the financial position and financial performance.

Lenzing, August 15, 2014
Lenzing Aktiengesellschaft

The Management Board

Peter Untersperger
Chief Executive Officer
Chairman of the Management Board

Thomas Riegler
Chief Financial Officer
Member of the Management Board

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

Friedrich Weninger
Chief Operating Officer
Member of the Management Board

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS **AS OF JUNE 30, 2014**

Lenzing AG

Consolidated Income Statement

for the period January 1 to June 30, 2014

EUR mn

		Group	Group	Continued operations	Discontinued operations[1]	Group	Group	Continued operations	Discontinued operations[1]
	Note	04-06/2014	04-06/2013	04-06/2013	04-06/2013	01-06/2014	01-06/2013	01-06/2013	01-06/2013
Sales	(3,5)	448.3	493.3	467.7	25.6	900.0	989.9	940.0	49.9
Changes in inventories of finished goods and work in progress		5.9	(9.2)	(8.4)	(0.9)	5.9	(15.3)	(14.5)	(0.8)
Work performed by the Group and capitalized		10.6	14.1	14.1	0.0	23.2	29.6	29.5	0.1
Other operating income		10.7	33.7[2]	7.5[2]	26.2[2]	23.2	45.2[2]	14.8[2]	30.4[2]
Cost of material and other purchased services	(5)	(298.5)	(297.4)[2]	(282.2)	(15.2)[2]	(600.2)	(607.2)[2]	(577.2)	(30.0)[2]
Personnel expenses	(5)	(78.3)	(81.4)[2]	(76.0)	(5.4)[2]	(152.9)	(163.9)[2]	(152.9)	(10.9)[2]
Other operating expenses	(5)	(53.1)	(57.5)[2]	(55.3)	(2.2)[2]	(107.4)	(116.3)[2]	(110.5)	(5.8)[2]
Earnings before interest, taxes, depreciation and amortization (EBITDA)[3]		**45.6**	**95.7[2]**	**67.5[2]**	**28.2[2]**	**91.9**	**162.0[2]**	**129.1[2]**	**32.9[2]**
Amortization of intangible assets and depreciation of property, plant and equipment	(5)	(30.6)	(28.5)	(28.5)	0.0	(60.9)	(60.5)[2]	(56.6)	(3.8)[2]
Income from the release of investment grants		0.7	0.7[2]	0.7[2]	0.0[2]	1.4	1.4[2]	1.4[2]	0.0[2]
Earnings before interest and taxes (EBIT)[3]		**15.7**	**67.9[2]**	**39.7[2]**	**28.2[2]**	**32.4**	**103.0[2]**	**73.8[2]**	**29.1[2]**
Share in profit or loss of investments accounted for using the equity method		0.4	0.2	0.2	0.0	(0.2)	0.7	0.7	0.0
Income from non-current and current financial assets		1.0	(0.2)	(0.2)	0.0	1.0	1.5	1.4	0.0
Financing costs	(5)	(6.7)	(7.2)	(7.0)	(0.2)	(12.5)	(15.6)	(15.2)	(0.3)
Financial result		**(5.3)**	**(7.1)**	**(6.9)**	**(0.2)**	**(11.7)**	**(13.4)**	**(13.1)**	**(0.3)**
Allocation of profit or loss to puttable non-controlling interests		1.3	0.7	0.4	0.3	2.1	0.8	0.7	0.2
Earnings before taxes (EBT)[3]		**11.6**	**61.5**	**33.2**	**28.3**	**22.8**	**90.4**	**61.5**	**29.0**
Income tax expense	(5)	(4.1)	(17.0)	(8.7)	(8.3)	(7.7)	(25.1)	(16.3)	(8.8)
Profit for the period		**7.5**	**44.4**	**24.4**	**20.0**	**15.2**	**65.3**	**45.2**	**20.2**
Attributable to shareholders of Lenzing AG		7.7	44.0	23.9	20.0	15.2	64.1	43.9	20.2
Attributable to non-controlling interests		(0.3)	0.5	0.5	0.0	(0.1)	1.3	1.3	0.0
Earnings per share		**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Diluted = undiluted		0.29	1.66	0.90	0.75	0.57	2.41	1.65	0.76

1) For details to column „Discontinued operations“ see Note 4.
2) The prior-year figures have been restated due to changes in presentation (see Note 2).
3) EBITDA: Operating result before depreciation or accordingly earnings before interest, taxes, 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 taxes.
EBT: Earnings before taxes.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

Lenzing AG

Consolidated Statement of Comprehensive Income

for the period January 1 to June 30, 2014

EUR mn

	Note	04-06/2014	04-06/2013	01-06/2014	01-06/2013
Profit for the period as per consolidated income statement		**7.5**	**44.4**	**15.2**	**65.3**
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability (thereof from investments accounted for using the equity method: 1-6/2014: EUR 0.0 mn, 1-6/2013: EUR 0.0 mn 4-6/2014: EUR 0.0 mn, 4-6/2013: EUR 0.0 mn)		0.0	0.8	0.0	0.8
Income tax relating to these components of other comprehensive income		0.0	(0.8)	0.0	(0.9)
		0.0	**0.0**	**0.0**	**(0.1)**
Items that may be reclassified to profit or loss					
Foreign operations – foreign currency translation differences arising during the reporting period (thereof from investments accounted for using the equity method: 1-6/2014 EUR 0.0 mn, 1-6/2013: EUR 0.0 mn 4-6/2014 EUR -0.1 mn, 4-6/2013: EUR -0.1 mn)	(6)	5.5	(10.5)	6.3	(3.5)
Foreign operations – reclassification of foreign currency translation differences on loss of control		0.0	(0.6)	0.0	(0.6)
Available-for-sale financial assets – net fair value gains/losses on remeasurement recognized in the reporting period		0.2	(0.1)	0.5	(0.1)
Available-for-sale financial assets – reclassification of amounts relating to financial assets disposed of in the reporting period		0.0	(0.2)	0.0	(0.2)
Cash flow hedges – effective portion of changes in fair value recognized in the reporting period	(6)	(2.6)	3.1	(4.6)	(4.6)
Cash flow hedges – reclassification to profit or loss		(0.1)	(0.3)	(0.7)	(1.5)
Income tax relating to these components of other comprehensive income		0.6	(0.5)	1.0	1.4
		3.5	**(9.2)**	**2.4**	**(9.1)**
Other comprehensive income - net of tax		**3.5**	**(9.2)**	**2.4**	**(9.2)**
Total comprehensive income for the period		**10.9**	**35.3**	**17.6**	**56.2**
Attributable to shareholders of Lenzing AG		11.0	35.4	17.4	54.7
Attributable to non-controlling interests		0.0	(0.1)	0.2	1.5

Lenzing AG

Consolidated Statement of Financial Position as of June 30, 2014

EUR mn

Assets	Note	30/06/2014	31/12/2013
Intangible assets	(6)	87.7	87.4
Property, plant and equipment	(6)	1,325.6	1,324.5
Investments accounted for using the equity method		38.9	39.1
Financial assets	(6)	23.4	23.2
Deferred tax assets		13.7	11.3
Current tax assets		13.3	17.6
Other non-current assets		4.2	5.2
Non-current assets		**1,506.8**	**1,508.2**
Inventories	(6)	334.7	311.5
Trade receivables	(6)	191.6	258.8
Current tax assets		16.9	10.5
Other current assets		67.6	63.0
Cash and cash equivalents	(7)	220.7	287.9
Current assets		**831.5**	**931.7**
Total assets		**2,338.3**	**2,439.9**

Equity and Liabilities	Note	30/06/2014	31/12/2013
Share Capital		27.6	27.6
Capital reserves		133.9	133.9
Other reserves		(42.1)	(44.2)
Retained earnings		919.2	950.4
Equity attributable to shareholders of Lenzing AG		**1,038.6**	**1,067.6**
Non-controlling interests		21.9	21.8
Equity	**(6)**	**1,060.5**	**1,089.5**
Financial liabilities	(6)	559.3	609.6
Government grants		25.6	23.0
Deferred tax liabilities		46.3	41.8
Provisions	(6)	107.5	106.8
Puttable non-controlling interests		17.2	19.5
Other liabilities		2.2	2.3
Non-current liabilities		**758.1**	**803.0**
Financial liabilities	(6)	179.3	191.1
Trade payables		155.9	176.6
Government grants		2.9	3.0
Current tax liabilities		13.8	14.8
Provisions	(6)	124.3	126.4
Other liabilities		43.5	35.5
Current liabilities		**519.7**	**547.4**
Total equity and liabilities		**2,338.3**	**2,439.9**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

Lenzing AG

Consolidated Statement of Changes in Equity

for the period January 1 to June 30, 2014

	Share capital	Capital reserves	Foreign currency translation reserve
As of 01/01/2013	**27.6**	**133.9**	**12.0**
Profit for the period as per consolidated income statement	0.0	0.0	0.0
Other comprehensive income – net of tax	0.0	0.0	(4.3)
Total comprehensive income for the period	**0.0**	**0.0**	**(4.3)**
Dividends	0.0	0.0	0.0
Reclassification due to settlement or disposal of defined benefit plans	0.0	0.0	0.0
As of 30/06/2013	**27.6**	**133.9**	**7.8**
As of 01/01/2014	**27.6**	**133.9**	**(18.9)**
Profit for the period as per consolidated income statement	0.0	0.0	0.0
Other comprehensive income – net of tax	0.0	0.0	6.0
Total comprehensive income for the period	**0.0**	**0.0**	**6.0**
Acquisition of non-controlling interests and and other changes in scope of consolidation	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
As of 30/06/2014	**27.6**	**133.9**	**(12.9)**

See in particular Note 6.

Other reserves						EUR mn
Available-for-sale financial assets	Hedging reserve	Actuarial gains/ (losses) on defined benefit plans	Retained earnings	Equity attributable to shareholders of Lenzing AG	Non-controlling Interests	Equity
1.0	**1.6**	**(26.3)**	**953.3**	**1,103.2**	**27.5**	**1,130.7**
0.0	0.0	0.0	64.1	64.1	1.3	65.3
(0.3)	(4.8)	0.0	0.0	(9.3)	0.2	(9.2)
(0.3)	**(4.8)**	**0.0**	**64.1**	**54.7**	**1.5**	**56.2**
0.0	0.0	0.0	(53.1)	(53.1)	(0.2)	(53.3)
0.0	0.0	1.0	(1.0)	0.0	0.0	0.0
0.8	**(3.2)**	**(25.3)**	**963.3**	**1,104.8**	**28.8**	**1,133.6**
0.8	**0.3**	**(26.4)**	**950.4**	**1,067.6**	**21.8**	**1,089.5**
0.0	0.0	0.0	15.2	15.2	(0.1)	15.2
0.3	(4.2)	0.0	0.0	2.2	0.3	2.4
0.3	**(4.2)**	**0.0**	**15.2**	**17.4**	**0.2**	**17.6**
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	(46.5)	(46.5)	(0.1)	(46.6)
1.2	**(3.9)**	**(26.4)**	**919.2**	**1,038.6**	**21.9**	**1,060.5**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

Lenzing AG

Consolidated Cash Flow Statement (Condensed)

for the period January 1 to June 30, 2014

EUR mn

	Note	01-06/2014	01-06/2013
Gross cash flow			
From continued operations		72.2	71.2
From discontinued operations		0.0	8.7
	(7)	**72.2**	**79.9**
+/- Change in working capital		31.0	(30.7)
Net cash flows from discontinued operations		0.0	(2.5)
Cash flow from operating activities		**103.2**	**46.8**
- Acquisition of intangible assets, property, plant and equipment*		(64.2)	(131.7)
- Acquisition of financial assets		(0.4)	(8.1)
+ Proceeds from the sale of intangible assets, property, plant and equipment		0.1	0.2
+ Proceeds from the sale/repayment of financial assets		0.7	20.7
Net cash flows from discontinued operations		0.0	60.5
Cash flow from investing activities	**(7)**	**(63.8)**	**(58.4)**
- Distribution to shareholders		(46.6)	(53.3)
+ Investment grants		0.9	0.8
+ Inflows from financing activities/-repayment of financial liabilities		(62.0)	(48.2)
Net cash flows from discontinued operations		0.0	5.5
Cash flow from financing activities	**(7)**	**(107.6)**	**(95.2)**
Change in cash and cash equivalents before reclassification		**(68.1)**	**(106.8)**
+/- Reclassification of cash and cash equivalents from discontinued operations, assets held for sale and disposal groups		0.0	1.3
Total change in cash and cash equivalents		**(68.1)**	**(105.5)**
Cash and cash equivalents at the beginning of the year		287.9	481.7
Currency translation adjustment relating to cash and cash equivalents		0.9	(0.5)
Cash and cash equivalents at the end of the reporting period		**220.7**	**375.7**

*) Excluding aquisition of intangible assets and property, plant and equipment of former BU Plastics (EUR 2.7 mn in 1-6/2013).

Lenzing AG

Notes to the Consolidated Financial Statements: Selected Notes

on the condensed consolidated interim financial statements as of June 30, 2014

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 (since April 18, 2011) and in the ATX benchmark index (since September 19, 2011) of the Vienna Stock Exchange in Vienna, Austria.

The main shareholder of Lenzing AG as of June 30, 2014 was the B & C Group, which directly and indirectly held 67.60% of the share capital of Lenzing AG (December 31, 2013: 67.60%). The direct majority shareholder of Lenzing AG is B & C Lenzing Holding GmbH, Vienna. In addition, B & C Iota GmbH & Co. KG, Vienna, also holds shares in Lenzing AG. The indirect majority shareholder of Lenzing AG, which prepares and publishes consolidated financial statements including the Lenzing Group, is B & C Industrieholding GmbH, Vienna. The ultimate parent company of the B & C Group, and therefore also of Lenzing AG, is B & C Privatstiftung, Vienna.

The core business of the Lenzing Group is the production and marketing of man-made cellulose fibers. A significant portion of the pulp needed for production purposes is manufactured in the Group's own plants or partially bought in. The most important raw material for the manufacture of pulp is wood, which is bought in. The Lenzing Group also operates in mechanical and plant engineering and offers engineering services. Specialty products made of plastic polymers are also produced. The Lenzing Group has production locations in Austria (Lenzing and Heiligenkreuz), Germany (Kelheim), the Czech Republic (Paskov), the UK (Grimsby), the United States (Mobile), Indonesia (Purwakarta) and China (Nanjing). The sales network comprises sales companies in China (Hong Kong and Shanghai) and sales offices in Indonesia (Jakarta), India (Coimbatore) and the United States (New York).

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, 2014 were prepared in accordance with all International Financial Reporting Standards (IFRSs) and interpretations effective as of the end of the reporting period, as endorsed in the EU.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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 interim financial statements of the Lenzing Group as of June 30, 2014 are based on the consolidated financial statements as of December 31, 2013 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. 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 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 disclosures 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 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 of December 31, 2013 (Note 1).

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 that are mandatory and effective from January 1, 2014. The accounting standards effective for the first time from January 1, 2014 and relevant to the Lenzing Group had the following effect on the presentation of the financial position and the financial performance of the Lenzing Group as of June 30, 2014:

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

  Under IFRS 11, the structure of the joint arrangement, while still representing an important aid to decision-making, is no longer the main factor for determining the type of joint arrangement and thus for the subsequent accounting treatment. The Group's interest in a joint operation that constitutes an arrangement whereby the parties have rights to the assets and obligations for the liabilities is accounted for on the basis of the Group's interest in these assets and liabilities. The Group's interest in a joint venture that constitutes an arrangement whereby the parties have rights to the net assets is accounted for using the equity method according to IAS 28. As the Lenzing Group already uses the equity method for its joint ventures, this does not result in any changes.

  IFRS 12 combines all disclosure requirements for an entity's interests in subsidiaries, joint arrangements (joint operations and joint ventures), associates and unconsolidated structured entities in one standard. It gives rise to changes for the Lenzing Group, including with regard to disclosures on companies accounted for using the equity method, on underlying judgments, and on the assumptions for control, significant influence or a joint arrangement. Amended or extended disclosures are required in the notes to the annual financial statements as of December 31, 2014.

- **Other:** The other new or amended standards and interpretations that are applicable from January 1, 2014 do not result in any significant changes in the interim financial statements of the Lenzing Group.

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 special effects from restructuring that affect the operating result/EBIT (Earnings before interest and taxes) were previously presented as a separate line item termed "Result from restructuring" in the consolidated income statement. To improve the comparability with the consolidated financial statements of other companies, this line item was dissolved and the revenues and expenses previously included in this item were allocated, depending on their nature, to the general items of the consolidated income statement. The line items "Earnings before interest and taxes (EBIT) before restructuring" and "Earnings before interest and taxes (EBIT) after restructuring" were eliminated from the consolidated income statement. In addition the operating result before depreciation/EBITDA (Earnings before interest, taxes, depreciation

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

on property, plant and equipment and amortization of intangible assets and before the income from the release of investment grants) was introduced to the consolidated income statement as an additional subtotal. To achieve this, the new line item "Income from the release of investment grants" was added and its contents taken out of "Other operating income". The changes in presentation are applied retrospectively by restating all comparative information shown. They have the following effects on the consolidated interim financial statements:

Changes in presentation in the consolidated income statement

	Group		
1-6/2013	**Previously**	**Restatement**	**Restated**
Sales	989.9	0.0	989.9
Changes in inventories of finished goods and work in progress	(15.3)	0.0	(15.3)
Work performed by the Group and capitalized	29.6	0.0	29.6
Other operating income	16.2	29.0	45.2
Cost of material and other purchased services	(607.0)	(0.2)	(607.2)
Personnel expenses	(163.2)	(0.6)	(163.9)
Other operating expenses	(113.9)	(2.4)	(116.3)
Amortization of intangible assets and depreciation of property, plant and equipment	(57.5)	(3.0)	(60.5)
Income from the release of investment grants	0.0	1.4	1.4
Earnings before interest and taxes (EBIT) before restructuring	**78.8**	**24.2**	**103.0**
Result from restructuring	24.2	(24.2)	0.0
Earnings before interest and taxes (EBIT) after restructuring	**103.0**	**0.0**	**103.0**

Changes in presentation in the consolidated income statement

	Group		
4-6/2013	**Previously**	**Restatement**	**Restated**
Sales	493.3	0.0	493.3
Changes in inventories of finished goods and work in progress	(9.2)	0.0	(9.2)
Work performed by the Group and capitalized	14.1	0.0	14.1
Other operating income	8.2	25.5	33.7
Cost of material and other purchased services	(297.4)	0.0	(297.4)
Personnel expenses	(81.1)	(0.3)	(81.4)
Other operating expenses	(56.9)	(0.5)	(57.5)
Amortization of intangible assets and depreciation of property, plant and equipment	(28.5)	0.0	(28.5)
Income from the release of investment grants	0.0	0.7	0.7
Earnings before interest and taxes (EBIT) before restructuring	**42.6**	**25.3**	**67.9**
Result from restructuring	25.3	(25.3)	0.0
Earnings before interest and taxes (EBIT) after restructuring	**67.9**	**0.0**	**67.9**

EUR mn

Continued operations			Discontinued operations		
Previously	Restatement	Restated	Previously	Restatement	Restated
940.0	0.0	940.0	49.9	0.0	49.9
(14.5)	0.0	(14.5)	(0.8)	0.0	(0.8)
29.5	0.0	29.5	0.1	0.0	0.1
16.2	(1.4)	14.8	0.0	30.4	30.4
(577.2)	0.0	(577.2)	(29.8)	(0.2)	(30.0)
(152.9)	0.0	(152.9)	(10.3)	(0.6)	(10.9)
(110.5)	0.0	(110.5)	(3.4)	(2.4)	(5.8)
(56.6)	0.0	(56.6)	(0.8)	(3.0)	(3.8)
0.0	1.4	1.4	0.0	0.0	0.0
73.8	**0.0**	**73.8**	**5.0**	**24.2**	**29.1**
0.0	0.0	0.0	24.2	(24.2)	0.0
73.8	**0.0**	**73.8**	**29.1**	**0.0**	**29.1**

EUR mn

Continued operations			Discontinued operations		
Previously	Restatement	Restated	Previously	Restatement	Restated
467.7	0.0	467.7	25.6	0.0	25.6
(8.4)	0.0	(8.4)	(0.9)	0.0	(0.9)
14.1	0.0	14.1	0.0	0.0	0.0
8.2	(0.7)	7.5	0.0	26.2	26.2
(282.2)	0.0	(282.2)	(15.2)	0.0	(15.2)
(76.0)	0.0	(76.0)	(5.1)	(0.3)	(5.4)
(55.3)	0.0	(55.3)	(1.7)	(0.5)	(2.2)
(28.5)	0.0	(28.5)	0.0	0.0	0.0
0.0	0.7	0.7	0.0	0.0	0.0
39.7	**0.0**	**39.7**	**2.9**	**25.3**	**28.2**
0.0	0.0	0.0	25.3	(25.3)	0.0
39.7	**0.0**	**39.7**	**28.2**	**0.0**	**28.2**

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The change in presentation does not result in any differences in measurement. The earnings per share are not affected either. The prior-year figures were adjusted accordingly for each period presented in the consolidated financial statements. The term “Earnings before interest and taxes (EBIT)” always refers to the previous term “Earnings before interest and taxes (EBIT) after restructuring” unless stated otherwise.

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

Exchange rates for key currencies

		2014		2013	
Unit	Currency	Reporting date 30/06	Average 1-6	Reporting date 31/12	Average 1-6
1 EUR	USD US Dollar	1.3620	1.3705	1.3783	1.3189
1 EUR	GBP British Pound	0.7997	0.8214	0.8364	0.8519
1 EUR	CZK Czech Koruna	27.4590	27.4435	27.4800	25.7589
1 EUR	CNY Renminbi Yuan	8.4689	8.4517	8.3555	8.0905
1 EUR	HKD Hong Kong Dollar	10.5573	10.6302	10.6886	10.2349
1 EUR	INR Indian Rupee	81.8630	83.2930	85.3040	77.0284

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, 2013.

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

	2014		2013	
	Full-consolidation	Equity-consolidation	Full-consolidation	Equity-consolidation
As at 1/1	**31**	**8**	**35**	**8***
Included in consolidation for the first time in reporting period	1	0	0	0
Deconsolidated in reporting period	0	0	(3)	0
As at 30/06	**32**	**8**	**32**	**8***
Thereof in Austria	14	4	14	4*
Thereof abroad	18	4	18	4

*) The prior-year figures have been restated due to changes in presentation (reclassification of an investment in a company from other non-current assets to investments accounted for using the equity method, see in particular Note 2 in the annual financial statements as of December 31, 2013).

In March 2014, a non-proportional capital increase in the amount of EUR 0.1 mn was carried out at Lenzing Modi Fibers India Private Limited. Thus, the Lenzing Group's interest in this company rose from 96.31% (as of December 31, 2013) to 96.33% (as of March 31, 2014). As a result of this transaction, non-controlling interests declined by EUR 0.0 mn.

In April 2014, Lenzing Land Holding LLC, Dover, USA, was founded. The Lenzing Group's share in this company is 100%. The company was included in the group of fully consolidated subsidiaries of the Lenzing Group.

In June 2014, another non-proportional capital increase in the amount of EUR 0.2 mn was carried out at Lenzing Modi Fibers India Private Limited. Thus, the Lenzing Group's interest in this company rose from 96.33% (as of March 31, 2014) to 96.37% (as of June 30, 2014). As a result of this transaction, non-controlling interests declined by EUR 0.0 mn.

Otherwise there were no business combinations or changes in the entities included in consolidation since December 31, 2013.

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. The chief operating decision maker relevant to segment reporting is the Management Board of Lenzing AG as a whole. The following segments are presented separately in the internal reporting of the Lenzing Group to the Management Board:

Segment Fibers:

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

The Fibers segment comprises the sectors Textile Fibers (production and distribution of textile fibers), Nonwoven Fibers (production and distribution of fibers for nonwoven fabrics) and Pulp (manufacture and purchase of pulp; purchase of wood), as these are comparable with regard to the key business characteristics of the cellulose fiber industry (products, production process, customers and distribution methods). These sectors are part of an integrated value chain (from raw material wood via pre-product pulp to the finished product fiber) with comparable risks and opportunities. Moreover, sector Energy (production and purchase of 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.

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Segment Lenzing Technik:

The Lenzing Technik segment (formerly Segment Engineering) operates in the field of mechanical and plant engineering and offers engineering services. It comprises the sector Lenzing Technik.

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

The BU Plastics (formerly Lenzing Plastics GmbH or rather Lenzing Plastics GmbH & Co KG, Lenzing) and European Precursor GmbH, Kelheim, Germany were presented as discontinued operations as of June 30, 2013 and in period 1-6/2013, respectively, and shown separately in segment reporting. Due to the deconsolidation of both companies in 2013 this segment does not contain any values as of June 30, 2014 and in period 1-6/2014, respectively, and will be omitted in the future (refer to Note 4 in these consolidated interim financial statements and for full account see Notes 5 and 6 in the consolidated financial statements as of December 31, 2013, respectively).

Information on business segments

1-6/2014 and 30/06/2014	**Fibers**	**Lenzing Technik**
Sales to external customers	849.5	18.8
Inter-segment sales	3.6	26.4
Total sales	**853.2**	**45.3**
EBITDA (Segment result)	91.0	0.7
EBIT	31.5	(0.3)
EBITDA margin[1]	**10.7%**	**1.5%**
EBIT margin[2]	**3.7%**	**(0.6%)**
Segment assets	1,974.6	44.6
Segment liabilities	406.7	33.7

Information on business segments (prior year)

1-6/2013 and 31/12/2013	**Fibers**	**Lenzing Technik**
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[1]	**14.0%**	**6.5%**
EBIT margin[2]	**7.8%**	**5.1%**
Segment assets	2,015.9	44.8
Segment liabilities	430.8	34.5

1) EBITDA margin = EBITDA (operating result before depreciation) in relation to total sales
2) EBIT margin = EBIT (operating result) in relation to total sales

Other:

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

The residual Other segment 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
-	31.6	900.0	0.0	900.0
-	0.7	30.8	(30.8)	0.0
-	**32.4**	**930.8**	**(30.8)**	**900.0**
-	4.0	95.6	(3.7)	91.9
-	3.5	34.7	(2.3)	32.4
-	**12.2%**	**10.3%**		**10.2%**
-	**10.7%**	**3.7%**		**3.6%**
-	25.2	2,044.5	293.8	2,338.3
-	13.8	454.1	823.7	1,277.8

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%**
0.0	22.7	2,083.4	356.5	2,439.9
0.0	10.3	475.6	874.9	1,350.5

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

Segment Engineering was renamed to Segment Lenzing Technik. Otherwise, the same principles were applied in the presentation of segment reporting as in the consolidated financial statements as of December 31, 2013.

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

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

EUR mn

	1-6/2014	1-6/2013
Segment result (EBITDA)	95.6	139.4
Consolidation	(0.4)	(4.6)
Restructuring	(3.3)	27.2
Group result (EBITDA)	**91.9**	**162.0**
Segment amortization of intangible assets and depreciation of property, plant and equipment	(62,3)	(59,0)
Consolidation	1.4	1.6
Income from the release of investment grants	1.4	1.4
Impairment of intangible assets and property, plant and equipment (from restructuring)	0.0	(3.0)
Earnings before interest and taxes (EBIT)	**32.4**	**103.0**
Financial result	(11.7)	(13.4)
Allocation of profit or loss to puttable non-controlling interests	2.1	0.8
Earnings before taxes (EBT)	**22.8**	**90.4**

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

The line „Restructuring“ shown above relates to personnel expenses due to restructuring measures in 1-6/2014 (in 1-6/2013 this mainly relates to other operating income from the disposal of BU Plastics in the amount of EUR 25.9 mn). The line “Impairment of intangible assets and property, plant and equipment (from restructuring)” shown above relates to the impairment loss recognized in the course of the liquidation of EPG in 1-6/2013 (see Note 4).

Further information on the segments can be derived from the management report of the Lenzing Group as of June 30, 2014.

NOTE 4 Non-current assets and liabilities held for sale, disposal groups and discontinued operations

Lenzing Plastics GmbH or rather Lenzing Plastics GmbH & Co KG, Lenzing, which was the BU Plastics, was a fully consolidated company of the Lenzing Group. In April 2013 the Lenzing Group reached an agreement of the sale of shares. The deal was closed in June 2013 as a result of which the Lenzing Group also lost control over the company. This led to its deconsolidation. 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 that was recognized in other operating income. Income taxes of EUR 7.7 mn (including deferred taxes) related to the gain on disposal. As a result of the loss of control, net assets in the amount of EUR 43.2 mn were deconsolidated. The net cash inflow from the disposal is presented under net cash flows from discontinued operations in the cash flow from investing activities 1-6/2013 and was EUR 61.7 mn.

European Precursor GmbH (EPG), Kelheim, Germany, was a fully consolidated company of the Lenzing Group. In December 2012 the Management Board of Lenzing AG resolved to liquidate EPG. The liquidation was initiated after the Shareholders' Meeting of EPG held in January 2013 and was largely completed from an economic perspective in October 2013. This led to its deconsolidation.

In the context of the liquidation of EPG, impairment on intangible assets and property, plant and equipment of EUR 3.0 mn from fair value measurement less costs to sell was recognized in the interim reporting period 1-6/2013 under "Amortization of intangible assets and depreciation of property, plant and equipment". No income taxes were incurred on impairment losses.

The values of the BU Plastics and EPG were presented under non-current assets and liabilities held for sale, disposal groups and discontinued operations as of June 30, 2013 and 1-6/2013, respectively. Due to the deconsolidation in 2013 as mentioned above, the presentation of assets and liabilities held for sale, disposal groups and discontinued operations will be omitted for 2014.

Notes on the Individual Components of the Consolidated Financial Statements

NOTE 5 Notes on the consolidated income statement

Sales

At EUR 900.0 mn sales declined by 9.1% as against the same period of the previous year (1-6/2013: EUR 989.9 mn).

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Cost of material and other purchased services

The cost of material and other purchased services is EUR 600.2 mn (1-6/2013 adjusted: EUR 607.2 mn) in the interim reporting period. This marks a decline of 1.2% compared to the same period of the previous year.

Personnel expenses

The personnel expenses of EUR 152.9 mn have declined by 6.7% compared to the first six months of the prior-year period (1-6/2013 adjusted: EUR 163.9 mn).

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

Amortization of intangible assets and depreciation of property, plant and equipment amount to EUR 60.9 mn (1-6/2013 adjusted: EUR 60.5 mn). In the interim reporting period no major impairment losses or reversals of impairment losses on fixed assets were recognized.

Other operating expenses

Other operating expenses in the amount of EUR 107.4 mn (1-6/2013 adjusted: EUR 116.3 mn) particularly include selling expenses and expenses for maintenance, repair and other third-party services. They declined by 7.7% as against the same period of the previous year.

Financing costs

Financing costs of EUR 12.5 mn (1-6/2013: EUR 15.6 mn) declined by 19.8% compared to the first half-year of 2013.

Income tax expense

The tax rate (= income tax expense in relation to earnings before taxes/EBT) was 33.5% in the interim reporting period (1-6/2013: 27.8%).

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 Lenzing Group made cash disbursements for intangible assets and property, plant and equipment of EUR 64.2 mn (1-6/2013: EUR 131.7 mn), which primarily related to the creation of new production lines or the conversion of existing ones. This corresponds to a decline of 51.3% as compared to the first half-year 2014. In discontinued operations EUR 2.7 mn were invested in periods 1-6/2013.

Financial assets

Financial assets at EUR 23.4 mn remained virtually unchanged as against December 31, 2013 (December 31, 2013: EUR 23.2 mn).

Inventories

As of June 30, 2014 inventories (EUR 334.7 mn) increased by 7.5% as against December 31, 2013 (EUR 311.5 mn). In the interim reporting period writedowns to net realizable value in the amount of EUR 1.5 mn were recognized in profit or loss.

Trade receivables

Trade receivables at EUR 191.6 mn decreased as against December 31, 2013 (EUR 258.8 mn). As of June 30, 2014 trade receivables in the amount of EUR 64.5 mn were sold due to factoring agreements and derecognized in the consolidated statement of financial position. The amount that was not advanced of EUR 6.3 mn is presented as other current asset as of June 30, 2014. In the interim reporting period valuation allowances on receivables were recognized in profit or loss in the amount of EUR 3.1 mn.

Equity and dividends

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. The Management Board did not exercise the authorizations in place on December 31, 2013 to increase share capital or issue convertible bonds in the interim reporting period.

By resolution of the Ordinary Shareholders' Meeting on April 28, 2014, 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 28, 2014 with the lowest equivalent of not more than 20 % below and the highest

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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 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 228 para 3 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, if necessary, by redeeming such own shares without any further resolution by the Shareholders' Meeting. The Supervisory Board was authorized to adopt any amendments to the articles of association resulting from the redemption of shares.

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 2013 resolved at the Ordinary Shareholders' Meeting on April 28, 2014 (payment April 30, 2014)	46.5	26,550,000	1.75
Dividend for the financial year 2012 resolved at the Ordinary Shareholders' Meeting on April 24, 2013 (payment April 30, 2013)	53.1	26,550,000	2.00

The dividend for the financial year 2013 was distributed in the interim reporting period.

Subsidiaries distributed EUR 0.1 mn (1-6/2013: EUR 0.2 mn) to non-controlling interests in the interim reporting period.

The change in the foreign currency translation reserve led to an increase of equity by EUR 6.0 mn as against December 31, 2013. The change in the hedging reserve led to a decrease of equity by EUR 4.2 mn (after income taxes) as against December 31, 2013.

Financial liabilities

As against December 31, 2013 non-current financial liabilities declined by 8.2% to EUR 559.3 mn (December 31, 2013: EUR 609.6 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 financial 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 (particularly for restructuring measures) and accruals.

As of December 31, 2013 other provisions for restructuring measures amounted to EUR 37.2 mn and particularly relate to provisioning due to the headcount reduction as part of the reorganization and the cost optimization program "excelLenz 2.0". Restructuring measures are continuously implemented. In 1-6/2014, provisions in the amount of EUR 10.5 mn were utilized for that purpose. In addition, provisions in the amount of EUR 3.3 mn were increased through profit or loss in 1-6/2014 as, from a current perspective, the costs incurred or estimated were or will be higher than originally planned. The restructuring measures will lead to cost savings and to operational improvements in efficiency.

NOTE 7 Notes on the consolidated cash flow statement (condensed)

In the first half-year 2014, the gross cash flow (= cash flow from operating activities before change in working capital) decreased year-on-year to EUR 72.2 mn (1-6/2013: EUR 79.9 mn). The cash flow from operating activities was EUR 103.2 mn in the interim reporting period (1-6/2013: EUR 46.8 mn).

In the interim reporting period, the cash flow from investing activities of continued operations particularly included payments for the acquisition of intangible assets and property, plant and equipment in the amount of EUR -64.2 mn (1-6/2013 of continued operations: EUR -131.7 mn) and the sale/repayment of financial assets in the amount of EUR 0.7 mn (1-6/2013 of continued operations: EUR 20.7 mn). In 1-6/2013, the net cash flows from discontinued operations included, in particular, the net inflow from the disposal of subsidiaries of EUR 61.7 mn (see also note 4).

The cash flow from financing activities during the interim period of EUR -107.6 mn (1-6/2013: EUR -95.2 mn) essentially included the borrowing/repayment of financing and the dividend distribution to the shareholders of Lenzing AG.

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Notes on Capital Risk Management and Financial Instruments

NOTE 8 Capital risk management

The key figures for capital risk management are as follows:

Interest bearing financial liabilities EUR mn

	30/06/2014	31/12/2013
Non-current financial liabilities	559.3	609.6
Current financial liabilities	179.3	191.1
Total	**738.6**	**800.7**

Liquid assets EUR mn

	30/06/2014	31/12/2013
Cash and cash equivalents	220.7	287.9
Liquid bills of exchange (in trade receivables)	6.5	8.1
Total	**227.2**	**296.0**

Net financial debt EUR mn

	30/06/2014	31/12/2013
Interest bearing financial debt	738.6	800.7
Liquid assets (-)	(227.2)	(296.0)
Total	**511.4**	**504.7**

The adjusted equity is as follows:

Adjusted equity EUR mn

	30/06/2014	31/12/2013
Equity	1,060.5	1,089.5
Government grants (+)	28.5	26.0
Proportionate deferred taxes on government grants (-)	(6.5)	(5.9)
Total	**1,082.5**	**1,109.6**

The adjusted equity ratio (= adjusted equity in relation to total assets) was 46.3% as of June 30, 2014 (December 31, 2013: 45.5%).

All 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 290.1 mn were available for possible future financing requirements as of June 30, 2014 (December 31, 2013: EUR 296.2 mn).

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, 2014 and December 31, 2013:

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

	30/06/2014		31/12/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	220.7	220.7	287.9	287.9
Trade receivables	191.6	191.6	258.8	258.8
Financial assets – loans	7.3	7.3	7.5	7.5
Other non-current financial assets – non-current receivables	3.8	3.8	3.6	3.6
Other current financial assets (not including derivatives – open positions)	21.0	21.0	13.1	13.1
Loans and receivables	**444.3**	**444.3**	**570.9**	**570.9**
Financial assets – non-current securities	15.1	15.1	14.6	14.6
Financial assets – other equity investments	1.1	1.1	1.1	1.1
Available-for-sale financial assets	**16.2**	**16.2**	**15.7**	**15.7**
Other financial assets – derivative financial instruments at positive fair value (trading)	0.0	0.0	0.1	0.1
Financial assets at fair value through profit or loss	**0.0**	**0.0**	**0.1**	**0.1**
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	0.7	0.7	4.6	4.6
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	2.7	2.7	1.6	1.6
Puttable non-controlling interests	0.0	0.0	0.0	0.0
Other	**3.4**	**3.4**	**6.2**	**6.2**
Total	463.9	463.9	592.9	592.9
Thereof:				
Measured at cost	1.1	1.1	1.1	1.1

*) The difference between the carrying amounts presented in this table and the balance sheet items concerns only non-financial assets.
The reconciliation as of December 31, 2013 can be seen in the consolidated financial statements as of December 31, 2013.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

The carrying amounts and fair values of financial liabilities (liability financial instruments) broke down by class as follows as of June 30, 2014 and December 31, 2013:

Carrying amounts and fair values by classes of financial liabilities*

EUR mn

	30/06/2014		31/12/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities – bond	119.7	126.5	119.6	126.0
Financial liabilities – private placements	228.4	233.5	228.3	226.9
Financial liabilities – liabilities to banks	360.6	361.7	418.5	420.2
Financial liabilities – liabilities to other lenders (miscellaneous)	28.0	27.7	32.4	31.9
Trade payables	155.9	155.9	176.6	176.6
Other non-current financial liabilities	0.0	0.0	0.0	0.0
Other current financial liabilities (not including derivatives – open positions and financial guarantee contracts)	4.4	4.4	5.9	5.9
Provisions – accruals – other (financial)	35.5	35.5	28.1	28.1
Financial liabilities at amortized cost	**932.6**	**945.3**	**1,009.4**	**1,015.6**
Other financial liabilities – derivative financial instruments at negative fair value (trading)	0.3	0.3	0.0	0.0
Financial liabilities at fair value through profit or loss	**0.3**	**0.3**	**0.0**	**0.0**
Financial liabilities – lease liabilities	1.9	1.9	1.9	1.9
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	4.6	4.6	3.1	3.1
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	0.4	0.4	0.7	0.7
Other current financial liabilities (financial guarantee contracts)	0.1	0.1	0.0	0.0
Puttable non-controlling interests	17.2	17.2	19.5	19.5
Other	**24.3**	**24.3**	**25.2**	**25.2**
Total	**957.2**	**969.9**	**1,034.5**	**1,040.8**

Fair value hierarchy

The following breakdowns analyze the financial instruments according to the type of measurement method in the consolidated statement of financial position. The item measured is the relevant individual financial instrument. Three levels of measurement methods have been defined:

Level 1: Prices for identical assets or liabilities on an active market (used without adjustment)

Level 2: Input factors that can be directly (e.g. as prices) or indirectly (e.g. derived from prices) observed for assets or liabilities and that do not fall under level 1

Level 3: Input factors for assets or liabilities that are not data observable on the market

*) The difference between the carrying amounts presented in this table and the balance sheet items concerns only non-financial liabilities. The reconciliation as of December 31, 2013 can be seen in the consolidated financial statements as of December 31, 2013.

The following table shows the carrying amounts and fair values of financial assets and liabilities whose fair value is measured on a recurring basis in the consolidated statement of financial position by class of financial instrument and by the level of the fair value hierarchy to which the fair value measurement is to be allocated, as of June 30, 2014 and December 31, 2013:

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

	30/06/2014			31/12/2013		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Financial assets						
Financial assets – non-current securities	15.1	15.1	Level 1	14.6	14.6	Level 1
Available-for-sale financial assets	**15.1**	**15.1**		**14.6**	**14.6**	
Other financial assets – derivative financial instruments at positive fair value (trading)	0.0	0.0	Level 2	0.1	0.1	Level 2
Financial assets at fair value through profit or loss	**0.0**	**0.0**		**0.1**	**0.1**	
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	0.7	0.7	Level 2	4.6	4.6	Level 2
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	2.7	2.7	Level 2	1.6	1.6	Level 2
Other	**3.4**	**3.4**		**6.2**	**6.2**	
Total	**18.5**	**18.5**		**20.9**	**20.9**	
Financial liabilities						
Other financial liabilities – derivative financial instruments at negative fair value (trading)	0.3	0.3	Level 2	0.0	0.0	Level 2
Financial liabilities at fair value through profit or loss	**0.3**	**0.3**		**0.0**	**0.0**	
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	4.6	4.6	Level 2	3.1	3.1	Level 2
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	0.4	0.4	Level 2	0.7	0.7	Level 2
Other	**5.1**	**5.1**		**3.8**	**3.8**	
Total	**5.4**	**5.4**		**3.8**	**3.8**	

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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 transfers between the different levels of the fair value hierarchy of financial instruments that were already held on December 31, 2013.

Fair value measurement methods

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

- 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. Valuations by banks and other parties are used in addition to the Group's own models to estimate measurement.

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

If there is no market price on an active market, and their market price cannot be measured reliably due to a lack of reliable future cash flows or is of minor importance, equity investments and derivative financial instruments related to equity instruments are measured at the lower of cost and cost less impairment. At EUR 1.1 mn (December 31, 2013: EUR 1.1 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. LP Beteiligungs & Management GmbH, Linz, is a medium-sized Austrian corporation. The Lenzing Group does not currently intend to sell these equity investments. No holdings were derecognized and no gains or losses on remeasurement were recognized for these equity investments in the 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, 2013.

Disclosures on Related Parties and Executive Bodies

NOTE 10 Related party disclosures

Related parties of the Lenzing Group particularly include Lenzing AG, B & C Lenzing Holding GmbH, B & C Iota GmbH & Co KG, B & C Industrieholding GmbH and B & C Privatstiftung and their subsidiaries, jointly controlled entities and associates. They also include the members of the corporate bodies (Management Board/Management and Supervisory Board, if any) of Lenzing AG, B & C Lenzing Holding GmbH, B & C Iota GmbH & Co KG, B & C Industrieholding GmbH and B & C Privatstiftung, their close family members and companies under their influence.

In the interim reporting period, the Lenzing Group received a tax credit of EUR 0.0 mn from the tax group with B & C Industrieholding GmbH (1-6/2013: tax credit of EUR 0.9 mn). Furthermore, in accordance with the contractual obligation, advances on the tax allocation to B & C Industrieholding GmbH of EUR 6.4 mn were paid in the interim reporting period (previous year: EUR 36.5 mn). Moreover, the liability recognized as of December 31, 2013 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, 2014.

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

	1-6/2014	1-6/2013
Sales	37.1	34.0
Cost of material and purchased services	41.9	45.8
	30/06/2014	**31/12/2013**
Trade receivables	7.5	10.9
Liabilities	11.6	11.1

In the first half-year 2014, prior to their engagement to the board, members of the Management Board provided consulting services to the Lenzing Group in the amount of EUR 0.1 mn that have not yet been paid as of June 30, 2014.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

NOTE 11 Corporate bodies of the company

Robert van de Kerkhof was appointed to serve as a Member of the Management Board and Chief Commercial Officer (CCO) for a period of three years starting on May 1, 2014. Thomas Riegler was appointed to serve as a Member of the Management Board and Chief Financial Officer (CFO) for a period of three years starting on June 1, 2014.

Hanno Bästlein was elected to the Supervisory Board for the first time at the Ordinary Shareholders' Meeting on April 28, 2014. Martin Payer resigned from his position on the Supervisory Board.

There were no other changes in the members of the Management Board and the Supervisory Board compared to December 31, 2013.

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 26.3 mn (December 31, 2013: EUR 15.4 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 10.3 mn (December 31, 2013: EUR 0.0 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 of June 30, 2014 (December 31, 2013: EUR 0.0 mn).

The Lenzing Group bears obligations for severance payments and jubilee benefits for former employees of certain sold equity investments up to the amount of the notional claims as of the date of the sale. Provisions have been recognized for these obligations as of the end of the reporting period in the amount of the present value according to actuarial principles.

As of June 30, 2014, obligations for outstanding orders of property, plant and equipment amounted to EUR 16.8 mn (December 31, 2013: EUR 34.3 mn).

In addition, Lenzing AG in particular has assumed contingent liabilities to secure third-party claims against fully consolidated companies that are considered unlikely to become effective.

The Management Board is not aware of any other financial obligations with a significant impact on the financial position and financial performance of the Group.

As an international group, the Lenzing Group is exposed to a variety of legal risks. In particular, these include risks in the areas of product defects, competition and antitrust law, patent law, tax law, employee and environmental protection law. The Lenzing site has been used for industrial purposes for decades and therefore carries an inherent risk of environmental damage. In 1990, Lenzing AG was informed that there is an area of potential pollution here that was previously used as a sedimentation pond and could therefore be contaminated. The company sealed off the area to prevent contamination of the groundwater. The outcomes of currently pending proceedings or future proceedings cannot be predicted, hence expenses that are not fully covered by insurance and that can have a material impact on the future financial position and financial performance of the Group can arise as a result of court or official rulings or settlement agreements. Further information can be found in the risk report of the group management report of the Lenzing Group as of June 30, 2014.

There are legal disputes pending in the Group as a result of its operating activities, particularly in the area of patent law. The Management Board is assuming at this time that the currently known proceedings will not have a significant impact on the current financial position and financial performance of the Group, or it has provided sufficiently for the corresponding risks. Regardless of this careful assessment, residual risks still remain.

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 and for the procurement of pulp (and other central materials) are crucial to the business performance of the Lenzing Group. The cost/revenue items mainly affected by this (Sales and Cost of material) are described in Note 5. Further information can be found in Notes 6 and 7 and the interim group management report.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2014

NOTE 14 Significant events after the end of the reporting period

The Lenzing Group has not been made aware of any events significant to it after the reporting date June 30, 2014 that would have resulted in a different presentation of the financial position and financial performance.

Lenzing, August 15, 2014
Lenzing Aktiengesellschaft

The Management Board

Peter Untersperger
Chief Executive Officer
Chairman of the Management Board

Thomas Riegler
Chief Financial Officer
Member of the Management Board

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

Friedrich Weninger
Chief Operating 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 declare to the best of our knowledge that the condensed consolidated interim financial statements that were prepared in accordance with the applicable accounting standards give a true and fair view of the financial position and financial performance of the Lenzing Group and that the interim group management report gives a true and fair view of the financial position and financial performance of the Group in respect of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated 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 15, 2014
Lenzing Aktiengesellschaft

The Management Board

Peter Untersperger
Chief Executive Officer
Chairman of the Management Board

Thomas Riegler
Chief Financial Officer
Member of the Management Board

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

Friedrich Weninger
Chief Operating 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, 2014 to June 30, 2014 including the consolidated statement of financial position as of June 30, 2014, 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, 2014 to June 30, 2014, as well as selected explanatory notes.

Management is responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS) 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.

Under reference to section 87 (3) of the Austrian Stock Exchange Act (Börsegesetz, BörseG) in conjunction with section 275 (2) of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), our liability for negligence is limited to EUR 12 mn.

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 (ISRE) 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 IFRS 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, 2014 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 15, 2014

Deloitte.
Deloitte Audit Wirtschaftsprüfungs GmbH

Walter Müller	Ulrich Dollinger
(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.

GLOSSAR

Cellulose
The raw material of pulp production. Cellulose is a component of all plants. The cellulose content of wood is about 40%.

Lyocell fibers
A new type of cellulose fiber developed by Lenzing and produced in a very environmentally friendly solvent process. Lenzing markets these fibers under the brand name TENCEL®. Their properties enable new and innovative products to be developed and produced.

Man-made cellulose fibers
A fiber industrially produced from raw materials of plant origin (e.g. wood).

Modal
Modal is a viscose fiber refined under modified viscose production conditions and spinning conditions. It stands apart for its softness and is the preferred fiber for high-quality underwear and similar products. The fibers have improved use characteristics such as tenacity, dimensional stability, and so forth. Lenzing markets these fibers under the brand name Lenzing Modal®.

Nonwovens
Nonwoven materials, fleece. Nonwovens made from Lenzing fibers are used for sanitary, medical and cosmetics applications

Stock-to-Use-Ratio
Measures the relationship of supply and demand for a specified raw material, showing the extent to which the remaining inventories of a certain raw material can fulfill demand or the entire level of consumption. The stock-to-use ratio is stated as a percentage.

Source: **http://www.investor-verlag.de/rohstoffe/basiswissen-die-stocks-to-use-ratio-/111022351/**

Viscose fibers
A regenerated cellulose fiber produced from raw materials of plant origin (e.g. wood) using the viscose process. Lenzing markets these fibers under the brand name Lenzing Viscose®.

Note:
This English translation of this 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 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 15, 2014

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