FOCUS ON VALUE

Q3 2015

INTERIM REPORT 01-09/2015
LENZING GROUP

LENZING
LEADING FIBER INNOVATION

www.lenzing.com

SELECTED KEY FIGURES
OF THE LENZING GROUP

Key earnings figures

EUR mn	01-09/2015	01-09/2014	Changes
Revenue	1,458.9	1,357.7	7.4%
EBITDA (earnings before interest, taxes, depreciation and amortization)	210.6	159.8	31.7%
EBITDA margin	14.4%	11.8%	
EBIT (earnings before interest and taxes)	112.0	69.5	61.1%
EBIT margin	7.7%	5.1%	
EBT (earnings before taxes)	112.6	56.1	100.5%
Net profit/loss for the year (or the period)	84.4	44.3	90.6%
Earnings per share	3.22	1.68	92.2%

Key cash flow figures

EUR mn	01-09/2015	01-09/2014	Changes
Gross cash flow	212.0	139.6	51.9%
Cash flow from operating activities	185.0	159.1	16.3%
Free cash flow	140.9	74.5	89.1%
CAPEX	44.3	84.8	(47.7%)
EUR mn	**30/09/2015**	**31/12/2014**	**Changes**
Liquid assets	380.6	280.3	35.8%
Open credit facilities	190.9	198.5	(3.8%)

Key balance sheet figures

EUR mn	30/09/2015	31/12/2014	Changes
Adjusted equity in %	48.4%	44.9%	
Net financial debt	333.3	449.5	(25.8%)
Net debt	434.5	552.5	(21.4%)
Net gearing	28.5%	42.2%	
Trading working capital	423.5	395.7	7.0%
Trading working capital to annualized group revenue ratio	21.0%	19.5%	

Key stock market figures

EUR	30/09/2015	31/12/2014	Changes
Market capitalization in millions	1,780.7	1,400.2	27.2%
Share price	67.07	52.74	27.2%

Employees

Headcount	30/09/2015	31/12/2014	Changes
Employees	6,130	6,356	(3.6%)

The above key financial figures are largely derived from the Lenzing Group's condensed consolidated interim financial statements or the consolidated financial statements of the previous year according to IFRS. Further details on their calculation can be found in the Glossary of the Interim Report or the Annual Report of the previous year and in the condensed consolidated interim financial statements or the consolidated financial statements of the previous year of the Lenzing Group. Rounding differences can occur when presenting rounded amounts and percentages.

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MANAGEMENT REPORT 01-09/2015

General Market Environment

Global economy

In October the International Monetary Fund (IMF) revised its forecasts for global economic growth in 2015 downwards. The main reason was the restrained economic development of several large emerging markets and the slower economic recovery on the part of the industrialized nations. The IMF now expects global economic growth to reach a level of 3.1% in 2015, thus 0.2 percentage points lower than originally anticipated in July 2015. This compares to a global economic growth rate of 3.4% in 2014.

The IMF predicts economic growth of 2.0% (2014: 1.8%) for the industrialized nations in 2015. The US-American economy is expected to expand by 2.6%, whereas growth in the eurozone should reach 1.5%. Several emerging markets dependent on raw-material exports are under pressure due to the low raw-material prices. For example, Russia, which is also burdened by international sanctions in addition to the raw-material prices, is apparently sliding into a recession, with its economy contracting by 3.8%. The IMF anticipates economic growth rates in 2015 of 4.2% and 4.7% respectively for Pakistan and Indonesia, countries which are important for the global fiber industry.

The outlook for China remains unchanged. The IMF continues to expect GDP growth of 6.8% in 2015, in which case the central government will miss its targeted objective of 7%. India's economy is anticipated to expand at a rate of 7.3%, corresponding to the prior-year level.

Ongoing uneven development of the global fiber market

The global fiber market continued to develop unevenly in the third quarter of 2015. Cotton and polyester were confronted with selling price reductions, whereas viscose fiber prices further increased.

High inventories and lower cotton imports in China still continued to put pressure on the cotton price, considered to be an important reference value for the entire fiber industry. The Cotton A Index had fallen 24.9% by the end of September 2015 to 67.25 US cents per pound (September 30, 2014: 89.55 US cents per pound).

The high cotton inventories in China prevent any sustainable recovery of cotton prices from taking place. However, these stockpiles are being slowly reduced. After five seasons of steadily increasing inventories, the International Cotton Advisory Committee (ICAC) expects global cotton stockpiles to drop by about 5% to 20.6 mn tons at the end of the 2015/16 cotton season (end of July 2016). The reduction in inventories will likely result from lower production volumes as a consequence of a decrease in the area under cultivation, slightly declining yields in the 2015/16 cotton season and a slight rise in consumption. The actual further development of stockpiles and thus the cotton price still strongly depend on how successful China is in implementing the reduction of cotton reserves estimated at 12.6 mn tons, which it announced in

June 2015. Up until now, the demand for cotton at auctions remained far below the expectations of Chinese authorities.

As of September 30, 2015, polyester fiber prices in Asia amounted to an average of USD 0.91 per kilogram, a decline of 27% in a year-on-year comparison. Thus polyester prices were at an all-time low

In contrast, spot prices for viscose fibers have risen since the first quarter of 2015. On the one hand, several production facilities in China had to shut down due to more stringent environmental regulations. On the other hand, there were delivery problems for an important viscose process chemical in Asia. As a result, there was a scarcity of the product against the backdrop of increasing manufacturing costs. Both effects led to rising selling prices. On the Chinese market, the world's largest sales market for viscose fibers, spot market prices for textile viscose fibers were still at RMB 11,540 per kilogram at the beginning of January 2015, rising to RMB 14,380 at the end of September. However, the price rises in many other markets were much less pronounced.

Extremely positive development of the Lenzing Group[1]

In the third quarter of 2015, the Lenzing Group succeeded in continuing the positive economic development achieved in the first two quarters of the year. A significant earnings improvement was generated compared to the first nine months of the previous year. This can be particularly attributed to positive exchange rate effects, fiber price increases and the steady improvement in the cost structure. Moreover, the sale of the former subsidiaries Dolan GmbH and European Carbon Fiber GmbH also positively impacted earnings. The net profit for the period during the first three quarters of 2015 was almost double the comparable level in 2014.

Consolidated revenue amounted to EUR 1,458.9 mn, comprising a 7.4% increase year-on-year from EUR 1,357.7 mn in the first three quarters of 2014. The revenue increase was mainly due to exchange rate effects and selling price increases.

In the first three quarters of 2015, the cost of material and other purchased services declined by 0.4% to EUR 893.0 mn from EUR 896.7 mn in the previous year. At the same time, personnel expenses decreased 0.8% to EUR 224.0 mn from the prior-year level of EUR 225.8 mn. In contrast, other operating expenses rose by 15.2% to EUR 173.9 mn (Q1-3 2014: EUR 151.0 mn). This rise reflects a negative deconsolidation and disposal result in connection with the sale of three business units in the Lenzing Technik segment.

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 31.7% in a year-on-year comparison to EUR 210.6 mn (Q1-3 2014: EUR 159.8 mn). The corresponding EBITDA margin was 14.4%, compared to 11.8% in the first three quarters of 2014.

[1] The definition of financial indicators can be found in the glossary.

MANAGEMENT REPORT 01-09/2015

The amortization of intangible assets and depreciation of property, plant and equipment at EUR 100.7 mn in the first three quarters of the year was 9.0% higher than the prior-year figure of EUR 92.4 mn. Accordingly, earnings before interest and taxes (EBIT) of the Lenzing Group totaled EUR 112.0 mn in the first three quarters of 2015, a rise of 61.1% from EUR 69.5 mn in the previous year. This corresponded to an EBIT margin of 7.7% (Q1-3 2014: EUR 5.1%).

On balance, the net profit for the period amounted to EUR 84.4 mn, comprising an increase of 90.6% from EUR 44.3 mn in the first three quarters of 2014. This resulted in earnings per share of EUR 3.22 in the first three quarters of 2015, compared to EUR 1.68 in the prior-year period.

Ongoing balance sheet improvement

Adjusted equity of the Lenzing Group rose to EUR 1,171.1 mn at the end of September 2015, up from EUR 1,066.1 mn at the end of 2014. The adjusted equity ratio equaled 48.4% (December 31, 2014: EUR 44.9%). Net financial debt at EUR 333.3 mn (December 31, 2014: EUR 449.5 mn) and net gearing of 28.5% (December 31, 2014: 42.2%) both improved as a result of the significantly higher cash flow.

The cash flow from operating activities at EUR 185.0 mn was 16.3% above the prior-year figure of EUR 159.1 mn. The considerably lower level of investments featuring a CAPEX of EUR 44.3 mn, down from EUR 84.8 mn in the previous year, led to a higher free cash flow of EUR 140.9 mn (Q1-3 2014: EUR 74.5 mn). Investment activity primarily focused on maintenance and renovation measures. As a consequence, liquid assets of the Lenzing Group showed a substantial increase, climbing to EUR 380.6 mn at the end of September 2015 in comparison to EUR 280.3 mn at the end of 2014.

The Lenzing Group employed a total of 6,130 people at the end of September 2015 (December 31, 2014: 6,356).

Strong third-quarter earnings increase

Lenzing generated a further earnings improvement in the third quarter of 2015 compared to both the prior-year level and the second quarter of 2015. The third-quarter performance represented the best quarterly results of the Lenzing Group since the second quarter 2013.

Consolidated third-quarter revenue rose 10.0% year-on-year to EUR 503.4 mn (Q3 2014: EUR 457.7 mn), which was mainly attributable to currency effects as well as selling price increases. EBITDA in the third quarter was up 23.7% to EUR 84.1 mn (Q3 2014: EUR 68.0 mn), whereas EBIT in the third quarter of 2015 improved by 38.8% to EUR 51,5 mn from EUR 37.1 mn in the prior-year period. The net profit for the period after taxes climbed to EUR 32.9 mn (Q3 2014: EUR 29.1 mn).

Segment Fibers

Demand for Lenzing fibers remained consistently strong in all regions of the world and all product groups in spite of the high selling prices. For this reason, the fiber and pulp production capacities of the Lenzing Group were well utilized in the first nine months of 2015 and showed a high production output. Lenzing's fiber and pulp production succeeded in mastering the technical challenges of the sites in Central Europe to ensure stably high production volumes in spite of the record-breaking summer with above-average temperatures. Scheduled maintenance standstills were managed with a minimal production downtime.

Revenue of the Segment Fibers amounted to EUR 1,417.6 mn in the first three quarters of 2015, an increase of 10.3% from the prior-year level of EUR 1,285.4 mn. Segment EBITDA improved to EUR 207.3, up 33.7% from EUR 155.1 mn in the previous year. Segment EBIT in the first nine months of 2015 amounted to EUR 108.0 mn, equaling a year-on-year rise of 67.1% from EUR 64.6 mn in the first three quarters of 2014.

Textile fibers accounted for 68.9% of total fiber sales, whereas nonwoven applications comprised a 31.1% share. The textile fibers business in the first nine months was characterized by very strong demand for TENCEL® fibers. In particular, TENCEL® was popular as a fiber blend with cotton in a broad range of applications, especially in the home textiles segment.

As mentioned in the half-year report, the Lenzing Group plans a further medium-term increase in the share of specialty fibers in its Asian viscose fiber business, and is considering additional strategic initiatives and measures.

Segment Lenzing Technik

Segment revenue in the first three quarters of 2015 declined by 15.3% to EUR 57.9 mn (Q1-3 2014: EUR 68.4 mn). EBITDA fell to EUR -0.1 mn (Q1-3 2014: EUR 1.5 mn), whereas EBIT of the Segment Lenzing Technik amounted to EUR -1.2 mn compared to the prior-year results of EUR 0.2 mn. The year-on-year drop in revenue was mainly a consequence of the restructuring measures and the divestment of several operating units from the Segment Lenzing Technik in the current financial year.

Risk Report

The risk situation remained unchanged in the third quarter of 2015.

Risks such as natural catastrophes, fire and explosions, environmental damage and product liabilities continued to pose high risks to the Lenzing Group. The existing risks as well as the structure and organization of the company's risk management system are described in detail in the Annual Report 2014 starting on page 45.

MANAGEMENT REPORT 01-09/2015

Outlook Lenzing Group

The geopolitical and macroeconomic situation remains volatile. The fiber processing companies face increasing difficulties to pass on the higher material costs in the cellulosic fiber value chain. To some extent, this could lead to the substitution of cellulosic fibers, especially by polyester in low-end applications over the medium term. In China, the world's largest sales market for viscose fibers, some of the first previously closed down viscose fiber production capacities are starting operation once again.

The Lenzing Group expects fourth quarter 2015 earnings to show a similar development as in the third quarter of the year. Positive currency effects, higher fiber selling prices and a good cost position in the light of ongoing strong demand for Lenzing products will enable a significant earnings improvement for the year 2015 compared to the prior-year performance.

The Lenzing Group will provide further information on its future strategic development on the occasion of the Capital Markets Day on November 17, 2015.

Related party transactions

Refer to Note 10 of the consolidated interim financial statements.

Significant events after the end of the reporting period

The Lenzing Group is not aware of any events significant to it after the reporting date September 30, 2015 that would have resulted in a different presentation of its financial position and financial performance.

Lenzing, November 6, 2015
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky
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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS **AS AT SEPTEMBER 30, 2015**

Lenzing AG

Consolidated Income Statement

for the period January 1 to September 30, 2015

EUR mn

	Note	07-09/2015	07-09/2014	01-09/2015	01-09/2014
Revenue	(3,5)	503.4	457.7	1,458.9	1,357.7
Change in inventories of finished goods and work in progress		(9.8)	8.4	(15.9)	14.2
Own work capitalized		7.7	6.4	20.6	29.6
Other operating income		2.3	8.6	37.9	31.8
Cost of material and other purchased services	(5)	(292.7)	(296.5)	(893.0)	(896.7)
Personnel expenses	(5)	(72.6)	(73.0)	(224.0)	(225.8)
Other operating expenses	(5)	(54.1)	(43.6)	(173.9)	(151.0)
Earnings before interest, taxes, depreciation and amortization (EBITDA)[1]		**84.1**	**68.0**	**210.6**	**159.8**
Amortization of intangible assets and depreciation of property, plant and equipment	(5)	(33.3)	(31.6)	(100.7)	(92.4)
Income from the release of investment grants		0.7	0.7	2.1	2.1
Earnings before interest and taxes (EBIT)[1]		**51.5**	**37.1**	**112.0**	**69.5**
Income from investments accounted for using the equity method	(5)	0.6	(0.1)	16.8	(0.3)
Income from non-current and current financial assets		(0.1)	3.0	4.6	4.0
Financing costs	(5)	(6.8)	(7.5)	(20.9)	(20.0)
Financial result		**(6.3)**	**(4.6)**	**0.5**	**(16.3)**
Allocation of profit or loss to puttable non-controlling interests		(0.9)	0.8	0.0	2.9
Earnings before taxes (EBT)[1]		**44.3**	**33.3**	**112.6**	**56.1**
Income tax expense	(5)	(11.4)	(4.2)	(28.1)	(11.8)
Net profit for the period		**32.9**	**29.1**	**84.4**	**44.3**
Net profit for the period attributable to shareholders of Lenzing AG		32.8	29.3	85.6	44.5
Attributable to non-controlling interests		0.1	(0.2)	(1.1)	(0.2)
Earnings per share		**EUR**	**EUR**	**EUR**	**EUR**
Diluted = undiluted		1.24	1.10	3.22	1.68

[1] EBITDA: Operating result before depreciation and amortization 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 AT SEPTEMBER 30, 2015

Lenzing AG

Consolidated Statement of Comprehensive Income

for the period January 1 to September 30, 2015

EUR mn

	Note	07-09/2015	07-09/2014	01-09/2015	01-09/2014
Net profit for the period as per consolidated income statement		**32.9**	**29.1**	**84.4**	**44.3**
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: 1-9/2015: EUR 0.0 mn, 1-9/2014: EUR 0.0 mn 7-9/2015: EUR 0.0 mn, 7-9/2014: EUR 0.0 mn)		0.0	0.0	0.0	0.0
Income tax relating to these components of other comprehensive income		0.0	0.0	0.0	0.0
		0.0	**0.0**	**0.0**	**0.0**
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: 1-9/2015: EUR -0.1 mn, 1-9/2014: EUR 0.0 mn 7-9/2015: EUR -0.1 mn, 7-9/2014: EUR -0.1 mn)	(6)	(6.1)	27.7	32.0	34.0
Foreign operations – reclassification of foreign currency translation differences on loss of control		0.0	0.0	0.0	0.0
Available-for-sale financial assets – net fair value gain/loss on remeasurement recognized in the reporting period		(0.1)	0.0	(0.2)	0.5
Available-for-sale financial assets – reclassification of amounts relating to financial assets disposed of in the reporting period		0.0	0.0	0.0	0.0
Cash flow hedges – effective portion of changes in fair value recognized in the reporting period (thereof from investments accounted for using the equity method: 1-9/2015: EUR 0.0 mn, 1-9/2014: EUR 0.0 mn 7-9/2015: EUR 0.0 mn, 7-9/2014: EUR 0.0 mn)	(6)	2.1	(12.8)	(33.7)	(17.4)
Cash flow hedges – reclassification to profit or loss (thereof from investments accounted for using the equity method: 1-9/2015: EUR 0.0 mn, 1-9/2014: EUR 0.0 mn 7-9/2015: EUR 0.0 mn, 7-9/2014: EUR 0.0 mn)		14.2	3.8	53.5	3.1
Income tax relating to these components of other comprehensive income		(3.6)	2.0	(4.5)	3.0
		6.5	**20.8**	**47.1**	**23.3**
Other comprehensive income – net of tax		**6.5**	**20.8**	**47.1**	**23.3**
Total comprehensive income		**39.4**	**50.0**	**131.5**	**67.6**
Attributable to shareholders of Lenzing AG		39.5	48.6	130.7	66.0
Attributable to non-controlling interests		(0.1)	1.4	0.9	1.6

Lenzing AG

Consolidated Statement of Financial Position

as at September 30, 2015

EUR mn

Assets	Note	30/09/2015	31/12/2014
Intangible assets	(6)	18.0	21.9
Property, plant and equipment	(6)	1,298.8	1,322.5
Investments accounted for using the equity method		24.5	38.0
Financial assets	(6)	24.5	23.2
Deferred tax assets		20.4	21.5
Current tax assets		9.0	6.9
Other non-current assets		5.5	9.0
Non-current assets		**1,400.8**	**1,443.0**
Inventories	(6)	324.5	344.1
Trade receivables	(6)	246.5	232.8
Current tax assets		2.6	13.8
Other current assets		70.3	69.6
Cash and cash equivalents	(7)	372.6	271.8
		1,016.5	**932.1**
Assets held for sale and disposal groups	(4)	0.4	0.0
Current assets		**1,016.9**	**932.1**
Total assets		**2,417.6**	**2,375.1**

Equity and liabilities	Note	30/09/2015	31/12/2014
Share capital		27.6	27.6
Capital reserves		133.9	133.9
Other reserves		15.3	(30.2)
Retained earnings		949.0	890.4
Equity attributable to shareholders of Lenzing AG		**1,125.8**	**1,021.7**
Non-controlling interests		24.5	23.9
Equity	**(6)**	**1,150.3**	**1,045.6**
Financial liabilities	(6)	548.2	537.0
Government grants		22.4	22.0
Deferred tax liabilities		64.0	44.8
Provisions	(6)	127.1	130.0
Puttable non-controlling interests		13.1	12.4
Other liabilities		2.4	7.6
Non-current liabilities		**777.2**	**753.9**
Financial liabilities	(6)	165.7	192.7
Trade payables		147.5	181.1
Government grants		4.7	4.6
Current tax liabilities		11.3	25.2
Provisions	(6)	78.1	81.4
Other liabilities		82.2	90.5
		489.6	**575.5**
Liabilities held for sale and disposal groups	(4)	0.5	0.0
Current liabilities		**490.1**	**575.5**
Total equity and liabilities		**2,417.6**	**2,375.1**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2015

Lenzing AG

Consolidated Statement of Changes in Equity

for the period January 1 to September 30, 2015

	Share capital	Capital reserves	Foreign currency translation reserve
As at 01/01/2014	**27.6**	**133.9**	**(18.9)**
Net 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	32.2
Total comprehensive income	**0.0**	**0.0**	**32.2**
Acquisition/disposal of non-controlling interests and other changes in scope of consolidation	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
As at 30/09/2014	**27.6**	**133.9**	**13.3**
As at 01/01/2015	**27.6**	**133.9**	**26.9**
Net 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	29.9
Total comprehensive income	**0.0**	**0.0**	**29.9**
Acquisition/disposal of non-controlling interests and other changes in scope of consolidation	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Reclassification due to settlement or disposal of defined benefit plans	0.0	0.0	0.0
As at 30/09/2015	**27.6**	**133.9**	**56.9**

See in particular Note 6.

Other reserves | EUR mn

Available-for-sale financial assets	Hedging reserve	Actuarial gains/ losses	Retained earnings	Equity attributable to shareholders of Lenzing AG	Non-controlling interests	Equity
0.8	**0.3**	**(26.4)**	**950.4**	**1,067.6**	**21.8**	**1,089.5**
0.0	0.0	0.0	44.5	44.5	(0.2)	44.3
0.4	(11.1)	0.0	0.0	21.4	1.8	23.3
0.4	**(11.1)**	**0.0**	**44.5**	**66.0**	**1.6**	**67.6**
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	**(10.8)**	**(26.4)**	**948.5**	**1,087.1**	**23.3**	**1,110.5**
1.4	**(21.0)**	**(37.5)**	**890.4**	**1,021.7**	**23.9**	**1,045.6**
0.0	0.0	0.0	85.6	85.6	(1.1)	84.4
(0.1)	15.3	0.0	0.0	45.1	2.0	47.1
(0.1)	**15.3**	**0.0**	**85.6**	**130.7**	**0.9**	**131.5**
0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)
0.0	0.0	0.0	(26.6)	(26.6)	(0.1)	(26.7)
0.0	0.0	0.4	(0.4)	0.0	0.0	0.0
1.3	**(5.7)**	**(37.1)**	**949.0**	**1,125.8**	**24.5**	**1,150.3**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2015

Lenzing AG

Consolidated Cash Flow Statement (Condensed)

for the period January 1 to September 30, 2015

EUR mn

	Note	01-09/2015	01-09/2014
Gross cash flow	(7)	212.0	139.6
+/- Change in working capital		(27.0)	19.5
Cash flow from operating activities		**185.0**	**159.1**
- Acquisition of intangible assets, property, plant and equipment		(44.3)	(84.8)
- Acquisition of financial assets		(2.1)	(0.5)
+ Proceeds from the sale of intangible assets, property, plant and equipment		0.2	0.2
+ Proceeds from the sale/repayment of financial assets		0.6	1.0
+ Net inflow from the sale of subsidiaries and other business areas	(4)	14.2	0.0
Cash flow from investing activities	**(7)**	**(31.5)**	**(84.1)**
- Distribution to shareholders		(26.7)	(46.6)
+ Investment grants		1.0	0.9
+ Inflows from financing activities/ - repayment of financial liabilities		(31.9)	(82.4)
Cash flow from financing activities	**(7)**	**(57.6)**	**(128.0)**
Change in cash and cash equivalents before reclassification		**95.9**	**(53.0)**
+/- Reclassification of cash and cash equivalents belonging to assets held for sale and disposal groups		(0.3)	0.0
Total change in cash and cash equivalents		**95.6**	**(53.0)**
Cash and cash equivalents at the beginning of the year		271.8	287.9
Currency translation adjustment relating to cash and cash equivalents		5.2	4.6
Cash and cash equivalents at the end of the reporting period		**372.6**	**239.4**

Lenzing AG

Notes to the Consolidated Financial Statements: Selected Notes

on the condensed consolidated interim financial statements as at September 30, 2015

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 at September 30, 2015 was the B&C Group, which directly and indirectly held 67.60% of the share capital of Lenzing AG (December 31, 2014: 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 is B&C Industrieholding GmbH, Vienna, whose majority owner is B&C Holding Österreich 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. The Lenzing Group has production locations in Austria (Lenzing and Heiligenkreuz), 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 September 30, 2015 were prepared in accordance with all International Financial Reporting Standards (IFRSs) and interpretations effective as at the end of the reporting period, as endorsed in the EU.

In particular, IAS 34 Interim Financial Reporting and its conveniences for condensed consolidated interim financial statements were applied. 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

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Presentation of Financial Statements. The consolidated interim financial statements of the Lenzing Group as at September 30, 2015 are based on the consolidated financial statements as at December 31, 2014 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 million ("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 have undergone neither a full audit nor a review by an auditor.

Use of estimates, assumptions and other judgments

In preparing the IFRS consolidated interim financial statements, the Management Board of Lenzing AG uses estimates and other judgments, including in particular assumptions about future developments. These estimates, assumptions and judgments are based on the circumstances assumed as at 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 at December 31, 2014 (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 at 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, 2015. The accounting standards effective for the first time from January 1, 2015 and relevant to the Lenzing Group had no significant effects on the presentation of the financial position and the financial performance of the Lenzing Group as at September 30, 2015.

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

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

Exchange rates for key currencies		2015		2014	
Unit	Currency	Reporting date 30/09	Average 1-9	Reporting date 31/12	Average 1-9
1 EUR	USD US Dollar	1.1204	1.1145	1.2160	1.3554
1 EUR	GBP British Pound	0.7391	0.7274	0.7823	0.8122
1 EUR	CZK Czech Koruna	27.2080	27.3610	27.7280	27.5038
1 EUR	CNY Renminbi Yuan	7.1316	6.9647	7.5442	8.3579
1 EUR	HKD Hong Kong Dollar	8.6831	8.6409	9.4340	10.5108
1 EUR	INR Indian Rupee	73.9411	70.8406	77.1686	82.3003

Otherwise, the same principles of consolidation, accounting standards and accounting policies were used as in the consolidated financial statements as at December 31, 2014.

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	2015		2014	
	Full consolidation	Equity consolidation	Full consolidation	Equity consolidation
As at 1/1	**32**	**8**	**31**	**8**
Included in consolidation for the first time in reporting period	0	0	1	0
Deconsolidated in reporting period	(3)	0	0	0
As at 30/09	**29**	**8**	**32**	**8**
Thereof in Austria	13	4	14	4
Thereof abroad	16	4	18	4

In April 2015, the closing of the sale of the subsidiaries Dolan GmbH, Kelheim, Germany, and European Carbon Fiber GmbH, Kelheim, Germany, took place. The closing led to the loss of control over and deconsolidation of these subsidiaries. Details of this can be found in Note 4.

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In July 2015 the closing of the sale of the subsidiary LENO Electronics GmbH, Schörfling, took place. The closing led to the loss of control over and deconsolidation of this subsidiary. Details of this can be found in Note 4.

Otherwise there were no business combinations or changes in the entities included in consolidation since December 31, 2014.

NOTE 3 Segment reporting

In the Lenzing Group the segments are classified according to the differences between their products and services; they require different technologies and market strategies. Each segment is managed separately based on the responsibilities of the different members of the Management Board. The chief operating decision maker relevant to segment reporting is the Management Board of Lenzing AG as a whole. The following segments are presented separately in the internal reporting of the Lenzing Group to the Management Board:

Segment Fibers:

The Segment Fibers manufactures 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 Segment Fibers comprises the business areas Textile Fibers (fibers for textiles), Nonwoven Fibers (fibers for nonwoven fabrics) and Pulp (pulp and 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 business areas are part of an integrated value chain (from the raw material wood via the pre-product pulp to the finished product fiber) with comparable risks and opportunities. Moreover, the business area Energy is assigned to the Segment Fibers as the Segment Fibers 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.

Segment Lenzing Technik:

The Segment Lenzing Technik operates in the field of mechanical and plant engineering and offers engineering services. It comprises the business area Lenzing Technik.

Other:

Up to April 2015, the residual Segment Other has comprised the business activities of Dolan GmbH, Kelheim, Germany (manufacture of specialty products from plastic polymers, particularly acrylic fibers) and European Carbon Fiber GmbH, Kelheim, Germany (production of precursor for carbon fibers). It also includes the business activities of BZL-Bildungszentrum Lenzing GmbH, Lenzing (training and personnel development).

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

Information on business segments EUR mn

1-9/2015 and 30/09/2015	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	1,410.3	26.7	21.8	1,458.9	0.0	1,458.9
Inter-segment revenue	7.2	31.2	1.1	39.5	(39.5)	0.0
Total revenue	**1,417.6**	**57.9**	**22.9**	**1,498.4**	**(39.5)**	**1,458.9**
EBITDA (Segment result)	207.3	(0.1)	3.7	210.9	(0.3)	210.6
EBIT	108.0	(1.2)	3.6	110.4	1.6	112.0
EBITDA margin[1]	**14.6%**	**(0.2%)**	**16.1%**	**14.1%**		**14.4%**
EBIT margin[2]	**7.6%**	**(2.1%)**	**15.6%**	**7.4%**		**7.7%**
Segment assets	1,967.1	30.9[3]	0.9	1,998.9	418.7	2,417.6
Segment liabilities	440.6	20.8[4]	1.1	462.4	804.9	1,267.3

Information on business segments (previous year) EUR mn

1-9/2014 and 31/12/2014	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	1,279.8	30.9	47.0	1,357.7	0.0	1,357.7
Inter-segment revenue	5.6	37.6	1.2	44.3	(44.3)	0.0
Total revenue	**1,285.4**	**68.4**	**48.2**	**1,402.0**	**(44.3)**	**1,357.7**
EBITDA (Segment result)	155.1	1.5	6.8	163.4	(3.5)	159.8
EBIT	64.6	0.2	6.1	70.9	(1.4)	69.5
EBITDA margin[1]	**12.1%**	**2.2%**	**14.1%**	**11.7%**		**11.8%**
EBIT margin[2]	**5.0%**	**0.2%**	**12.6%**	**5.1%**		**5.1%**
Segment assets	1,966.1	39.2	27.2	2,032.4	342.6	2,375.1
Segment liabilities	462.4	35.4	11.8	509.6	819.8	1,329.4

The same principles were applied in the presentation of segment reporting as in the consolidated financial statements as at December 31, 2014.

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, before income from the release of investment grants and before restructuring). The reconciliation of segment result to operating result (EBIT) to earnings before taxes (EBT) is as follows:

1) EBITDA margin = EBITDA (operating result before depreciation and amortization) in relation to total revenue (here: according to segment reporting).
2) EBIT margin = EBIT (operating result) in relation to total revenue (here: according to segment reporting). 3) Incl. assets held for sale and disposal groups.
4) Incl. liabilities held for sale and disposal groups.

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

EUR mn

	1-9/2015	1-9/2014
Segment result (EBITDA)	210.9	163.4
Consolidation	(2.4)	(1.0)
Restructuring	2.1	(2.5)
Group result (EBITDA)	**210.6**	**159.8**
Segment amortization of intangible assets and depreciation of property, plant and equipment	(102.7)	(94.6)
Consolidation	2.6	2.2
Income from the release of investment grants	2.1	2.1
Impairment of intangible assets and property, plant and equipment	(0.6)	0.0
Operating result (EBIT)	**112.0**	**69.5**
Financial result	0.5	(16.3)
Allocation of profit or loss to puttable non-controlling interests	0.0	2.9
Earnings before taxes (EBT)	**112.6**	**56.1**

The reconciliation of earnings before taxes (EBT) to net profit for the period can be viewed in the consolidated income statement. For the period 1-9/2015 the line ”Restructuring“ shown above relates to an income of EUR 3.8 mn from restructuring measures recognized in personnel expenses. In the course of the restructuring of the technical operations other operating income in the amount of EUR 0.3 mn, cost of material and other purchased services in the amount of EUR 0.2 mn and other operating expenses in the amount of EUR 7.0 mn were incurred. The sale of subsidiaries contributed other operating income in the amount of EUR 5.1 mn. For the period 1-9/2014 the line “Restructuring” mainly relates to personnel expenses due to restructuring measures in the amount of EUR 2.5 mn. The line “Impairment of intangible assets and property, plant and equipment” shown above relates to impairments in the amount of EUR 0.6 mn incurred in the course of the restructuring of the technical operations in 1-9/2015.

Further information on the segments can be derived from the management report of the Lenzing Group as at September 30, 2015.

NOTE 4 Assets and liabilities held for sale and disposal groups

Dolan GmbH, Kelheim, Germany, and **European Carbon Fiber GmbH**, Kelheim, Germany, were fully consolidated companies of the Lenzing Group belonging to the Segment Other (see Note 3). In April 2015, the Lenzing Group reached an agreement on the sale of both companies. This led to the loss of control by the Lenzing Group and to the deconsolidation of these companies.

The following net assets were deconsolidated as a result of the loss of control:

Deconsolidated net assets	EUR mn
Intangible assets and property, plant and equipment	7.8
Other current assets	18.2
Cash and cash equivalents	8.6
Deconsolidated assets	**34.6**
Trade payables	3.4
Provisions	11.1
Other current liabilities	0.1
Deconsolidated liabilities	**14.7**
Deconsolidated net assets	**19.9**

The consideration received for the sale of shares amounted to EUR 24.9 mn in total. There was a gain on disposal of EUR 5.1 mn reported under other operating income.

The net cash inflow from the disposal is presented in the cash flow from investing activities and breaks down as follows:

Net inflow from the sale of subsidiaries and other business areas	EUR mn
Consideration received (cash and cash equivalents)	22.4
- Holdings of cash and cash equivalents sold	(8.6)
Net inflow from the sale of subsidiaries and other business areas	**13.8**

Non-controlling interests in the amount of EUR 0.2 mn were derecognized due to the loss of control.

In the course of the restructuring of the technical operations the Lenzing Group reached an agreement in June 2015 on the **sale of three business units** of **Segment Lenzing Technik** (the Mechatronics business area incl. the fully consolidated subsidiary LENO Electronics GmbH, Schörfling, the Automation/Robotics unit and the Sheet Metal business operations). The closing took place in July and September 2015. This led to the loss of control by the Lenzing Group and to the disposal of these business units. Non-current assets in the amount of EUR 0.3 mn, current assets (without cash and cash equivalents) in the amount of EUR 2.7 mn, cash and cash equivalents in the amount of EUR 0.5 mn, provisions in the amount of EUR 1.6 mn and other current liabilities in the amount of EUR 1.7 mn were derecognized. The amounts quoted above are the carrying amounts after the recognition of impairments due to the measurement at fair value less costs of disposal which had to be done in the course of the reclassification of these business units as disposal groups held for sale.

The consideration received for the sale of shares and assets and liabilities amounted to EUR 0.5 mn in total. There was a total loss on deconsolidation and disposal of these business units in the amount of EUR 6.6 mn, of which EUR 0.3 mn are presented as other operating income and EUR 6.9 mn are presented as other operating expenses. These amounts quoted above include the recognition of impairments resulting from the measurement at fair value less costs of disposal. In the course of tax write-downs on investments carried out in this transaction deductible sevenths in the amount of EUR 1.3 mn were recognized as deferred tax assets.

The net cash inflow from these disposals in the amount of EUR 0.4 mn is presented in the cash flow from investing activities in line „Net inflow from the sale of subsidiaries and other business areas“. It consists of the consideration of EUR 0,9 mn received in cash less the holdings of cash and cash equivalents sold in the amount of EUR 0.5 mn.

In addition it was decided to liquidate the fully consolidated subsidiary **Lenzing Engineering and Technical Services (Nanjing) Co., Ltd**, Nanjing, China. Thus, this subsidiary was classified as disposal group as at September 30, 2015. The assets in the amount of EUR 0.4 mn (thereof cash and cash equivalents in the amount of EUR 0.3 mn) and liabilities in the amount of EUR 0.5 mn are presented separately on the assets and liabilities side of the consolidated statement of financial position.

The measurement of the fair value less costs of disposal in the interim reporting period 1-9/2015 led to the recognition of impairments and adverse effects from remeasurement of EUR 0.9 mn in total for this disposal group. Of these, EUR 0.6 mn are presented in the line “Amortization of intangible assets and depreciation of property, plant and equipment”, EUR 0.2 mn are presented as “Cost of material and other purchased services” and EUR 0.1 mn are presented in line “Other operating expenses” in the consolidated income statement.

Notes on the Individual Components of the Consolidated Interim Financial Statements

NOTE 5 Notes on the consolidated income statement

Revenue

At EUR 1,458.9 mn revenue increased by 7.4% as against the same period of the previous year (1-9/2014: EUR 1,357.7 mn).

Cost of material and other purchased services

The cost of material and other purchased services is EUR 893.0 mn (1-9/2014: EUR 896.7 mn) in the interim reporting period. This almost corresponds to the amount of the same period of the previous year.

Personnel expenses

The personnel expenses of EUR 224.0 mn decreased by 0.8% compared to the first nine months of the prior-year period (1-9/2014: EUR 225.8 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 100.7 mn (1-9/2014: EUR 92.4 mn). This marks an increase of 9.0%. In the interim reporting period impairment losses on fixed assets in the amount of EUR 0.6 mn (1-9/2014: EUR 0.0 mn) were recognized.

Other operating expenses

Other operating expenses in the amount of EUR 173.9 mn (1-9/2014: EUR 151.0 mn) particularly include selling expenses and expenses for maintenance, repair and other third-party services. They increased by 15.2% as against the same period of the previous year (see particularly Note 4 for details).

Income from investments accounted for using the equity method

The increase of this line item particularly relates to the recognition in profit or loss of the special distribution of an investment accounted for using the equity method in the amount of EUR 15.6 mn. The net inflow recognized in the cash flow statement amounted to EUR 30.0 mn.

Financing costs

Financing costs of EUR 20.9 mn (1-9/2014: EUR 20.0 mn) increased by 4.2% compared to the first nine months of 2014. This is essentially because of the change in exchange rates for financial liabilities.

Income tax expense

The tax rate (= income tax expense in relation to earnings before taxes/EBT) was 25.0% in the interim reporting period 1-9/2015 (1-9/2014: 21.1%).

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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 44.3 mn (1-9/2014: EUR 84.8 mn), which primarily related to the modernization of existing production lines and the investments in efficiency improvements. This corresponds to a decline of 47.7% as compared to the same period of the previous year 2014.

Financial assets

Financial assets as at September 30, 2015 amounting to EUR 24.5 mn remained virtually unchanged as against December 31, 2014 (December 31, 2014: EUR 23.2 mn).

Inventories

As at September 30, 2015, inventories (EUR 324.5 mn) declined by 5.7% as against December 31, 2014 (EUR 344.1 mn). In the interim reporting period write-downs to net realizable value in the amount of EUR 1.0 mn (1-9/2014: EUR 1.5 mn) were recognized in profit or loss.

Trade receivables

Trade receivables at EUR 246.5 mn increased as against December 31, 2014 (EUR 232.8 mn). As at September 30, 2015, trade receivables in the amount of EUR 77.0 mn (December 31, 2014: EUR 78.3 mn) were sold due to factoring agreements and derecognized in the consolidated statement of financial position. The amount that was not advanced of EUR 7.5 mn (December 31, 2014: EUR 7.7 mn) is presented as other current asset as at September 30, 2015. In the interim reporting period allowances for bad debts in the amount of EUR 1.6 mn were recognized in profit or loss (1-9/2014: 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. In the interim reporting period, the Management Board did not exercise the authorizations in place on December 31, 2014 to increase share capital, issue convertible bonds and repurchase own shares.

By resolution of the Ordinary Shareholders' Meeting on April 22, 2015, the Management Board was authorized, pending the approval of the Supervisory Board, to raise the nominal capital within five years – if need be in several tranches – against cash and/or contributions in kind by up to EUR 13,778,412 by way of issuing up to 13,274,000 no-par share certificates.

In addition, the Management Board, by resolution of the Ordinary Shareholders' Meeting on April 22, 2015, was also authorized to issue by April 22, 2020 convertible bonds – if need be in several tranches – which provide or allow for subscription or conversion rights to up to 13,274,000 shares. The issue may be realized by means of the contingent capital to be approved and/or by means of own 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 2014 resolved at the Ordinary Shareholders' Meeting on April 22, 2015 (payment as of April 29, 2015)	26.6	26,550,000	1.00
Dividend for the financial year 2013 resolved at the Ordinary Shareholders' Meeting on April 28, 2014 (payment as of April 30, 2014)	46.5	26,550,000	1.75

The dividend for the financial year 2014 was distributed in the interim reporting period.

Subsidiaries distributed EUR 0.1 mn (1-9/2014: EUR 0.1 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 29.9 mn as against December 31, 2014. The change in the hedging reserve led to an increase of equity by EUR 15.3 mn (after income taxes) as against December 31, 2014.

Financial liabilities

As against December 31, 2014, non-current financial liabilities increased by 2.1% to EUR 548.2 mn (December 31, 2014: EUR 537.0 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 at 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.

In April and May 2015 the Lenzing Group agreed on a refinancing of its German Private Placements and a corresponding volume increase. Existing German Private Placements in the amount of EUR 89.5 mn were terminated and newly issued at extended terms. Furthermore, additional private placements in the amount of EUR 60.5 mn were issued. Overall a total of EUR 150.0 mn of German Private Placements were issued.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2015

Provisions

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

As at December 31, 2014 other provisions for restructuring measures amounted to EUR 11.2 mn and particularly relate to provisioning due to the headcount reduction as part of the reorganization and the cost optimization program "excelLENZ". Restructuring measures are continuously implemented and new measures to support the realignment of the technical functions and the other areas are evaluated. In 1-9/2015, provisions in the amount of EUR 2.6 mn (1-9/2014: EUR 15.1 mn) were utilized for that purpose. In addition, EUR 3.8 mn of restructuring provisions were released in profit or loss in 1-9/2015 (1-9/2014: EUR 2.5 mn were provided in profit or loss). An amount not used of EUR 1.1 mn was reclassified to the severance payment provision in the first nine months 2015. The restructuring measures will lead to cost savings and to operational improvements in efficiency.

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

The gross cash flow (= cash flow from operating activities before change in working capital) increased year-on-year to EUR 212.0 mn (1-9/2014: EUR 139.6 mn) and includes the cash inflow from the special distribution of an investment accounted for using the equity method (see Note 5). The cash flow from operating activities was EUR 185.0 mn in the interim reporting period (1-9/2014: EUR 159.1 mn).

In the interim reporting period, the cash flow from investing activities particularly comprised payments for the acquisition of intangible assets and property, plant and equipment in the amount of minus EUR 44.3 mn (1-9/2014: minus EUR 84.8 mn) and the acquisition of financial assets in the amount of minus EUR 2.1 mn (1-9/2014: minus EUR 0.5 mn). In addition, the net inflow from the sale of subsidiaries and other business areas in the amount of EUR 14.2 mn is included (1-9/2014: EUR 0.0 mn) (see also Note 4).

The cash flow from financing activities during the interim period of minus EUR 57.6 mn (1-9/2014: minus EUR 128.0 mn) essentially included the borrowing/repayment of financing, the inflow from the issuance of private placements (see Note 6, section "Financial liabilities") and the dividend distribution to the shareholders of Lenzing AG.

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 debt

EUR mn

	30/09/2015	31/12/2014
Non-current financial liabilities	548.2	537.0
Current financial liabilities	165.7	192.7
Total	**713.9**	**729.8**

Liquid assets

EUR mn

	30/09/2015	31/12/2014
Cash and cash equivalents	372.6	271.8
Liquid bills of exchange (in trade receivables)	8.0	8.5
Total	**380.6**	**280.3**

Net financial debt

EUR mn

	30/09/2015	31/12/2014
Interest bearing financial debt	713.9	729.8
Liquid assets (-)	(380.6)	(280.3)
Total	**333.3**	**449.5**

The adjusted equity is as follows:

Adjusted equity

EUR mn

	30/09/2015	31/12/2014
Equity	1,150.3	1,045.6
Government grants (+)	27.2	26.6
Proportionate deferred taxes on government grants (-)	(6.3)	(6.1)
Total	**1,171.1**	**1,066.1**

The adjusted equity ratio (= adjusted equity in relation to total assets) was 48.4% as at September 30, 2015 (December 31, 2014: 44.9%).

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 190.9 mn were available for possible future financing requirements as at September 30, 2015 (December 31, 2014: EUR 198.5 mn).

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2015

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 at September 30, 2015 and December 31, 2014:

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

	30/09/2015		31/12/2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	372.6	372.6	271.8	271.8
Trade receivables	246.5	246.5	232.8	232.8
Financial assets – loans	7.0	7.0	7.3	7.3
Other non-current financial assets – non-current receivables	4.7	4.7	7.1	7.1
Other current financial assets (not including derivatives – open positions)	23.3	23.3	20.9	20.9
Loans and receivables	**654.1**	**654.1**	**539.9**	**539.9**
Financial assets – non-current securities	15.9	15.9	14.4	14.4
Financial assets – other equity investments	1.6	1.6	1.6	1.6
Available-for-sale financial assets	**17.5**	**17.5**	**15.9**	**15.9**
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	1.0	1.0	0.3	0.3
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	0.5	0.5	0.2	0.2
Other	**1.4**	**1.4**	**0.5**	**0.5**
Total	**673.0**	**673.0**	**556.3**	**556.3**
Thereof:				
Measured at cost	1.6	1.6	1.6	1.6

[1] The difference between the carrying amounts presented in this table and the line items of the statement of financial position concerns only non-financial assets. The reconciliation as at December 31, 2014 can be seen in the consolidated financial statements as at December 31, 2014.

The carrying amounts and fair values of financial liabilities (liability financial instruments) broke down by class as follows as at September 30, 2015 and December 31, 2014:

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

	30/09/2015		31/12/2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities – bond	119.8	126.4	119.7	126.8
Financial liabilities – private placements[2]	288.8	304.4	228.5	234.2
Financial liabilities – liabilities to banks	272.4	251.6	346.8	347.5
Financial liabilities – liabilities to other lenders (miscellaneous)	26.8	26.7	30.3	30.0
Trade payables	147.5	147.5	181.1	181.1
Other non-current financial liabilities	0.0	0.0	0.8	0.8
Other current financial liabilities (not including derivatives – open positions and financial guarantee contracts)	24.1	24.1	34.6	34.6
Provisions – accruals – other (financial)	24.7	24.7	22.7	22.7
Financial liabilities at amortized cost	**904.0**	**905.4**	**964.5**	**977.7**
Financial liabilities – lease liabilities	6.2	6.2	4.5	4.5
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	8.1	8.1	26.5	26.5
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	18.9	18.9	7.5	7.5
Other current financial liabilities (financial guarantee contracts)	0.1	0.1	0.2	0.2
Puttable non-controlling interests	13.1	13.1	12.4	12.4
Other	**46.4**	**46.4**	**51.1**	**51.1**
Total	**950.4**	**951.8**	**1,015.6**	**1,028.8**

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

[1] The difference between the carrying amounts presented in this table and the line items of the statement of financial position concerns only non-financial liabilities. The reconciliation as at December 31, 2014 can be seen in the consolidated financial statements as at December 31, 2014. [2] German Private Placements

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2015

The following table shows the carrying amounts and fair values of financial assets and liabilities whose fair value is measured on a recurring basis in the consolidated statement of financial position by class of financial instrument and by the level of the fair value hierarchy to which the fair value measurement is to be allocated, as at September 30, 2015 and December 31, 2014:

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

	30/09/2015			31/12/2014		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Financial assets						
Financial assets – non-current securities	15.9	15.9	Level 1	14.4	14.4	Level 1
Available-for-sale financial assets	**15.9**	**15.9**		**14.4**	**14.4**	
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	1.0	1.0	Level 2	0.3	0.3	Level 2
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	0.5	0.5	Level 2	0.2	0.2	Level 2
Other	**1.4**	**1.4**		**0.5**	**0.5**	
Total	**17.3**	**17.3**		**14.9**	**14.9**	
Financial liabilities						
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	8.1	8.1	Level 2	26.5	26.5	Level 2
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	18.9	18.9	Level 2	7.5	7.5	Level 2
Other	**27.0**	**27.0**		**34.0**	**34.0**	
Total	**27.0**	**27.0**		**34.0**	**34.0**	

The Lenzing Group accounts for transfers in the fair value hierarchy at the end of the reporting period when the changes 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, 2014.

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 Lenzing Group (the company) 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, 2014: 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 at December 31, 2014.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2015

Disclosures on Related Parties and Executive Bodies

NOTE 10 Related party disclosures

Related parties of the Lenzing Group particularly include B&C Lenzing Holding GmbH, B&C Iota GmbH & Co KG, B&C Industrieholding GmbH, B&C Holding Österreich 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, B&C Holding Österreich GmbH and B&C Privatstiftung, their close family members and companies under their influence.

Owing to the tax group with B&C Industrieholding GmbH, the Lenzing Group paid advances on the tax allocation to B&C Industrieholding GmbH of EUR 16.8 mn in the interim reporting period (1-9/2014: EUR 7.9 mn) in accordance with its contractual obligation. Moreover, the liability recognized as at December 31, 2014 for the tax allocation to B&C Industrieholding GmbH was essentially adjusted as at September 30, 2015 for the estimated income tax expense based on the results for the interim reporting period.

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

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

	1-9/2015	1-9/2014
Revenue	43.7	50.8
Cost of material and purchased services	28.4	54.0
	30/09/2015	**31/12/2014**
Trade receivables	14.4	9.8
Liabilities	4.8	6.3

Please refer to Note 5 for information on the special distribution of an investment accounted for using the equity method.

Due to the resignation of Peter Untersperger from the Managament Board of Lenzing AG EUR 2.4 mn of employee benefits were recognized in "Personnel costs".

NOTE 11 Corporate bodies of the company

Stefan Doboczky was appointed as the new Chairman of the Management Board (Chief Executive Officer/CEO) of Lenzing AG as of June 1, 2015. He takes over from Peter Untersperger, who stepped down from his function as CEO per May 31, 2015 at his own request prematurely.

Felix Strohbichler was elected to the Supervisory Board for the first time at the Ordinary Shareholders' Meeting on April 22, 2015. Michael Junghans resigned from his position on the Supervisory Board at his own request. Subsequently, Hanno Bästlein was elected to serve as the new Chairman of the Supervisory Board, whereas Felix Strohbichler and Veit Sorger were elected to serve as the Deputy Chairmen.

Helmut Kirchmair was elected/designated to the Supervisory Board for the first time in the interim reporting period. Rudolf Baldinger resigned from the Supervisory Board.

There were no other changes in the members of the Management Board and the Supervisory Board as compared to December 31, 2014.

Other Notes

NOTE 12

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

There are contingent liabilities, in particular to secure the claims of certain sold equity investments and suppliers, as well as for possible default of payment related to receivables sold and of third parties outside the Group in the amount of EUR 27.5 mn (December 31, 2014: EUR 27.1 mn) and, to a lesser extent, retentions granted. The amounts shown represent the maximum financial risk to the Lenzing Group. The potential for recoveries exists to a limited extent only for the obligations and liabilities relating to the claims of certain sold equity investments. Of the amount mentioned above, EUR 8.6 mn (December 31, 2014: EUR 10.3 mn) relate to financial guarantee contracts. It is predominantly considered unlikely that the Group will be required to make payments under financial guarantee contracts. Liabilities at the amount of the fair values of these financial guarantee contracts of EUR 0.1 mn were recognized as at September 30, 2015 (December 31, 2014: EUR 0.2 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 at the date of the sale. Provisions have been recognized for these obligations as at the end of the reporting period in the amount of the present value according to actuarial principles and presented according to their maturity.

As at September 30, 2015, obligations from outstanding orders of property, plant and equipment amounted to EUR 17.2 mn (December 31, 2014: EUR 10.4 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 and other risks. In particular, these include risks in the areas of product defects, competition and antitrust law, patent law, tax law, employees and environmental protection. 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 at September 30, 2015.

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 the sale 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 line items mainly affected by this ("Revenue" and "Cost of material") are described in Note 5. Further information can be found in Notes 6 and 7 and in the interim group management report.

NOTE 14 Significant events after the end of the reporting period

The Lenzing Group is not aware of any events significant to it after the reporting date September 30, 2015 that would have resulted in a different presentation of the financial position and financial performance.

Lenzing, November 6, 2015
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky	**Thomas Riegler**	**Robert van de Kerkhof**
Chief Executive Officer Chairman of the Management Board	Chief Financial Officer Member of the Management Board	Chief Commercial Officer Member of the Management Board

DECLARATION
OF THE MANAGEMENT BOARD

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

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

Lenzing, November 6, 2015
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky
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

GLOSSARY

Adjusted equity
Equity including government grants less proportionate deferred taxes on government grants; the precise derivation can be found in Note 8 in the notes to the consolidated financial statements.

Adjusted equity ratio
Ratio of adjusted equity to total assets as a percentage; the precise derivation can be found in Note 8 in the notes to the consolidated financial statements.

CAPEX
Capital expenditures; comprising investments in intangible assets, property, plant and equipment.

Co-products
By-products recovered during pulp and fiber production.

Earnings per share
Ratio of Lenzing AG shareholders' share in the net profit/loss for the year (/the period) to the weighted average number of shares issued as a percentage, calculated according to IFRS.

EBITDA (earnings before interest, taxes, depreciation and amortization)
Operating result before depreciation and amortization or earnings before interest, taxes, depreciation on property, plant and equipment and amortization of intangible assets and before income from the release of investment grants; the precise derivation can be found in the consolidated income statement.

EBITDA margin
Ratio of EBITDA to revenue as a percentage.

EBIT (earnings before interest and taxes)
Earnings before interest and taxes or operating result; the precise derivation can be found in the consolidated income statement.

EBIT margin
Ratio of EBIT to revenue as a percentage.

EBT (earnings before taxes)
Earnings before taxes; net profit/loss for the year (/the period) before income tax expense; the precise derivation can be found in the consolidated income statement.

Equity
The equity item pools the equity instruments according to IFRS. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting the liabilities. This relates to funds provided to the entity by the owners.

Financial result
Total of income from investments accounted for using the equity method and income from non-current and current financial assets and financing costs; the precise derivation can be found in the consolidated income statement.

Free cash flow
Cash flow from operating activities less cash flow from investing activities less net cash inflow from the disposal of subsidiaries and other business areas plus acquisition of financial assets less proceeds from the disposal or redemption of financial assets. Free cash flow corresponds to the readily available cash flow.

Gross cash flow
Gross cash flow equals cash flow from operating activities before change in working capital; the precise derivation can be found in the consolidated cash flow statement.

IAS
Abbreviation for International Accounting Standard(s); these are internationally recognized accounting rules.

IFRS
Abbreviation for International Financial Reporting Standard(s); these are internationally recognized accounting rules.

Liabilities (excl. post-employment benefits)
Total assets less adjusted equity less post-employment benefits.

Liquid assets
Cash and cash equivalents plus liquid securities and liquid bills of exchange; the precise derivation can be found in Note 8 in the notes to the consolidated financial statements.

Market capitalization
Weighted average number of shares multiplied by the share price as at the reference date.

Net debt
Interest-bearing financial liabilities (=current and non-current financial liabilities) less liquid assets plus provisions for pensions and severance payments.

Net financial debt
Interest-bearing financial liabilities (= non-current and current financial liabilities) less liquid assets; the precise derivation can be found in Note 8 in the notes to the consolidated financial statements.

Net gearing
Ratio of net financial debt to adjusted equity as a percentage.

Net profit/loss for the year (/the period)
Net profit/loss after taxes; net profit/loss; the precise derivation can be found in the consolidated income statement.

PEFC
The Program for the Endorsement of Forest Certification Schemes (PEFC) is an international non-profit organization for wood certification.
www.pefc.org

Post-employment benefits
Provisions for pensions and severance payments.

Total assets
Total of non-current and current assets or the total of equity and non-current and current liabilities; the precise derivation can be found in the consolidated statement of financial position.

Trading working capital
Inventories plus trade receivables less trade payables.

Trading working capital to annualized group revenue ratio
Ratio of trading working capital to the last available quarter revenue x 4 as a percentage.

Working capital
Inventories plus trade receivables plus other non-current and current assets less current provisions less trade payables less other non-current and current liabilities.

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

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

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

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

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Lenzing Aktiengesellschaft
4860 Lenzing, Austria
www.lenzing.com

EDITED BY
Lenzing Aktiengesellschaft
Corporate Communications
Angelika Guldt
Phone: +43 (0) 76 72 701-21 27
Fax: +43 (0) 76 72 918-21 27
E-mail: a.guldt@lenzing.com

Metrum Communications GmbH, Vienna

IDEA AND DESIGN BY
ElectricArts GmbH

PHOTOGRAPHY BY
Günther Gröger (grox press Pressefotoagentur)

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LEADING FIBER INNOVATION