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Half-Year Report 01-06/2019
Lenzing Group

Selected Indicators of the Lenzing Group

Key earnings and profitability figures

EUR mn	01-06/2019	01-06/2018	Change
Revenue	1,088.5	1,075.4	1.2 %
EBITDA (earnings before interest, tax, depreciation and amortization)	181.2	194.8	(7.0) %
EBITDA margin	16.6 %	18.1 %	
EBIT (earnings before interest and tax)	105.6	128.7	(17.9) %
EBIT margin	9.7 %	12.0 %	
EBT (earnings before tax)	102.6	120.9	(15.1) %
Net profit for the year (/the period)	76.8	91.3	(15.9) %
Earnings per share in EUR	2.97	3.44	(13.8) %

Key cash flow figures

EUR mn	01-06/2019	01-06/2018	Change
Gross cash flow	163.6	150.7	8.6 %
Cash flow from operating activities	123.8	157.7	(21.5) %
Free cash flow	28.8	41.4	(30.4) %
CAPEX	95.1	117.2	(18.9) %
EUR mn	**30/06/2019**	**31/12/2018**	**Change**
Liquid assets	204.7	254.4	(19.6) %
Unused credit facilities	285.1	341.6	(16.6) %

Key balance sheet figures

EUR mn	30/06/2019	31/12/2018	Change
Total assets	2,663.4	2,630.9	1.2 %
Adjusted equity	1,508.2	1,553.0	(2.9) %
Adjusted equity ratio	56.6 %	59.0 %	
Net financial debt	355.7	219.4	62.1 %
Net debt	465.2	322.8	44.1 %
Net gearing	23.6 %	14.1 %	
Trading working capital	439.0	444.4	(1.2) %
Trading working capital to annualized group revenue	20.8 %	20.6 %	

Key stock market figures

EUR	30/06/2019	31/12/2018	Change
Market capitalization in mn	2,601.9	2,109.4	23.3 %
Share price	98.00	79.45	23.3 %

Employees

	30/06/2019	31/12/2018	Change
Number (headcount)	6,914	6,839	1.1 %

The above financial indicators are derived primarily from the Lenzing Group's condensed consolidated interim financial statements and the 2018 consolidated financial statements. Additional details are provided in the section "Notes on the Financial Performance Indicators of the Lenzing Group", in the glossary to the half-year report and in the condensed consolidated interim financial statements, resp. the 2018 consolidated financial statements of the Lenzing Group. Rounding differences can occur in the presentation of rounded amounts and percentage rates.

Introduction by the Chief Executive Officer

Ladies and Gentlemen,

The Lenzing Group continues to strengthen its position as a leading supplier of sustainable specialty fibers. As in the previous years, the specialization strategy also had a very positive impact in the first two quarters of this year. In a significantly more challenging market environment, the Lenzing Group continued its solid development, recording revenues roughly at and earnings slightly below the level of the previous year. Revenue, at EUR 1.09 bn, was 1.2 percent higher than in the previous year, while EBITDA declined by about 7 percent to EUR 181.2 mn.

The economic environment, in particular the persisting smoldering trade conflict between the USA and China, still burdens the global fiber industry in 2019. This uncertainty and global overcapacities led to a further drop in prices for standard viscose, which during the first half of the year reached a historic low level last seen in 2015. Against this background, we are highly satisfied with the business development during the reporting period.

The ongoing very positive development of our specialty fiber business has made us significantly more resilient today than only a few years ago. In order to become even more resistant to market fluctuations, we continue to focus on the implementation of our sCore TEN strategy. The decision to build a state-of-the-art lyocell plant with a capacity of 100,000 tons in Prachinburi (Thailand) is the next logical step in line with this strategy – and the first phase of an ambitious growth plan. The investment volume for the approved plant amounts to roughly EUR 400 mn. Overall, Lenzing plans to invest more than EUR 1 bn in new production facilities for lyocell fibers over the next few years.

“The ongoing very positive development of our specialty fiber business has made us significantly more resilient today than only a few years ago.”

Lenzing is substantially increasing its production of lyocell fibers to meet the strong demand for these products while at the same time strengthening its position as a market leader for wood-based specialty fibers. Our lyocell fibers are considered a benchmark in ecologically responsible fibers. This expansion underscores our commitment to further improve the ecological footprint of the global textile industry.

The plan to build a major dissolving wood pulp plant in Brazil as a joint venture with the Brazilian company Duratex represents anoth-

Introduction by the Chief Executive Officer

er future-oriented project. It is another important step to increase our self-supply with pulp in line with the sCore TEN strategy. Since the project is progressing very well, we expect to make a final decision regarding the construction of the pulp plant by the end of the year. The final investment decision depends, among other things, on the outcome of the basic engineering study. The completion of the expansion and modernization of the pulp production capacities at the Lenzing site in the first half of 2019 was another important milestone in increasing backward integration.

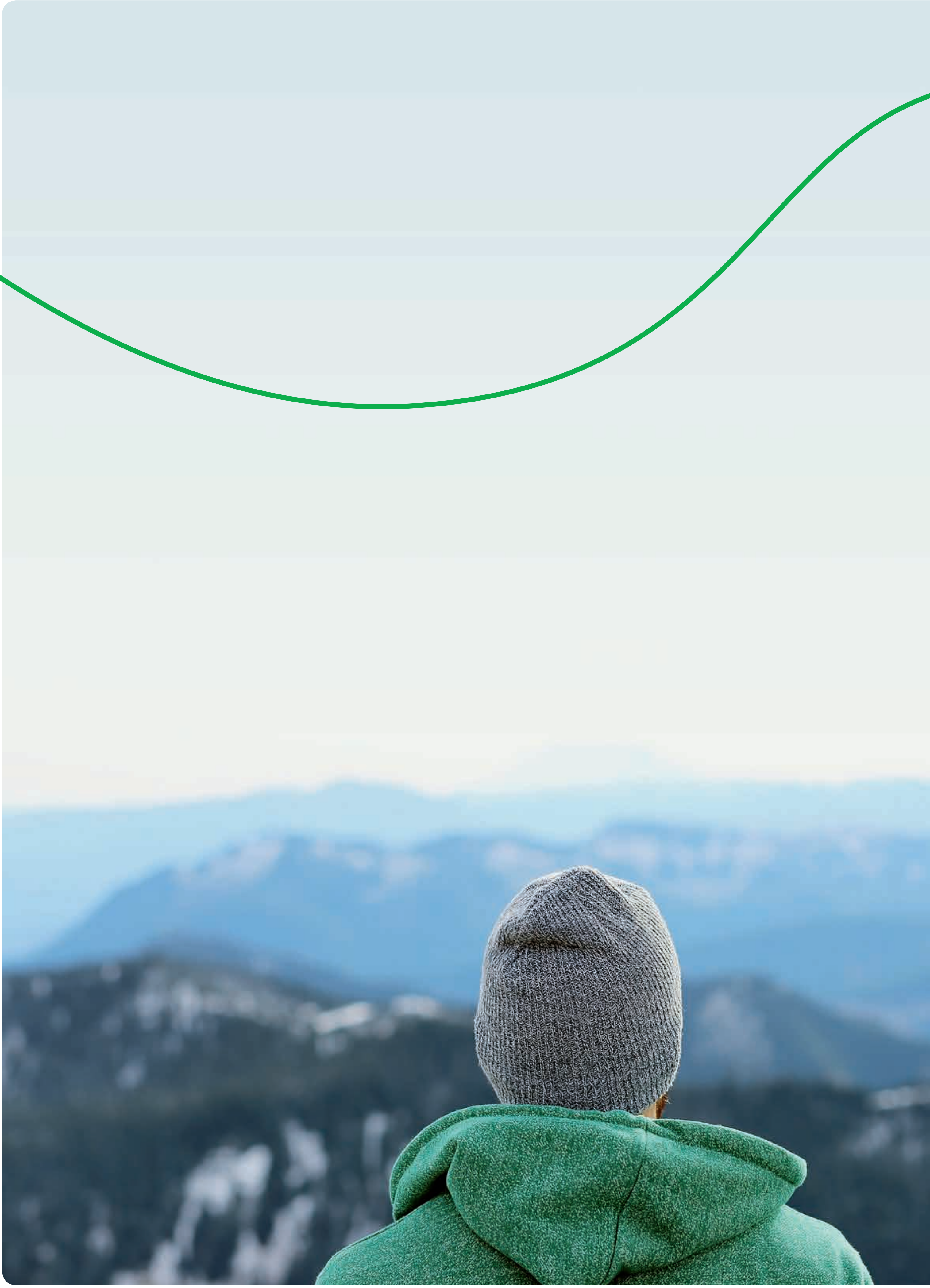
At the same time, we aim to strengthen our position as a sustainability front runner not only in the production industry but in particular also in the fiber industry, by investing EUR 100 mn in energy-saving measures, in the conversion to renewable energies and in new technologies in order to substantially reduce our CO_2 emissions in the coming years. Lenzing will not only lower emissions in the existing production processes, but also put a strong focus on low-carbon energy sources and production processes when building new pulp and lyocell facilities such as the plant in Thailand. The goal of our climate strategy is to reduce net emissions of greenhouse gases to zero by 2050. An important milestone on the way to becoming climate-neutral is set for the year 2030. By then we have committed to reduce emissions per ton of fibers and pulp by 50 percent compared with 2017.

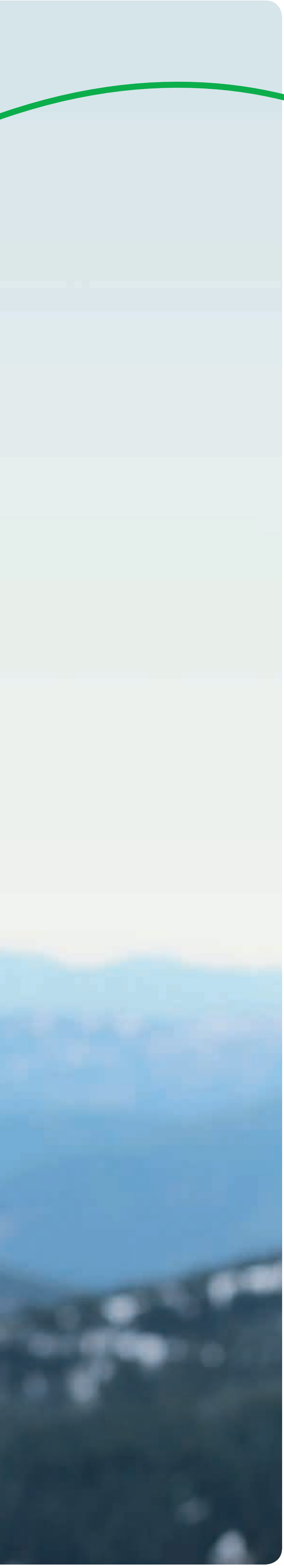
In cooperation with the technology company TextileGenesis™ we pursue the ambitious goal to achieve an unparalleled level of transparency for fashion brands and consumers. We will use blockchain technology to maximize the digital traceability of fibers, thus making an important contribution to greening up the fashion industry. This strong commitment to sustainability and the growing number of co-branding agreements with fashion brands like H&M, Levi's and Victoria's Secret will equally support the business with TENCEL™ branded fibers. The visibility of the other product brands such as VEOCEL™ and the company brand is also steadily enhanced as we are evolving from a B2B brand to a B2B2C brand which consumers are increasingly aware of and consider a quality promise.

In times of major change it is more important than ever to pull together in order to achieve our visions and goals. Only together can we accomplish the tasks that lie ahead of us and we feel committed to. All of this is made possible by the outstanding work of our 6,914 employees. Therefore, I would like to extend my special thanks to all of them. On behalf of the entire Lenzing team, I would also like to thank our customers and partners for the good cooperation and our shareholders for their trust.

Yours,

Stefan Doboczky





Management Report 01-06/2019

General Market Environment

Global economy[1]

After recording strong growth rates in 2017 and the first half of 2018, the economy decelerated noticeably in the second half of 2018. The global economic situation was dominated above all by trade tensions between the USA and China and the weaker-than-expected economic development in the euro area. In its World Economic Outlook, the International Monetary Fund projected a decline in global economic growth from 3.6 percent in 2018 to 3.2 percent in 2019 before reaching the 3.5-percent mark again in 2020.

Global fiber market[2]

The global fiber markets saw a varied development in the first half of 2019. The prices for cotton, polyester and standard viscose dropped, in part significantly. In contrast, the prices for wood-based specialty fibers continued their positive development.

After a decrease in cotton prices last fall following a particularly high-yield harvest and the resulting oversupply, the market recovered in the first quarter of 2019. However, the price fell again in the second quarter as another high-yield harvest is expected for the 2019/2020 season. Both supply and demand are currently at a historic high level. Production is forecast to exceed consumption in the 2019/20 season, which starts in August, and global inventory levels are expected to increase as a result.

Demand on the polyester market was strong at the beginning of the year, slowing down again significantly before the Chinese New Year. Subsequently, demand also fell short of expectations, followed by a slight recovery in April. In May, prices dropped significantly due to declining raw material costs. Demand only picked up again at the end of the second quarter of 2019.

Having started at a level of 13,560 CNY/ton, the prices for standard viscose continued to decrease at the beginning of the year due to new capacities and the seasonal decline in demand. Following the Chinese New Year, the prices continued to fall below 12,200 CNY/ton. This development was only stopped towards the end of the first quarter after production capacities in China had been reduced. However, these measures only had a short-term positive effect and prices continued to fall to a historic low of 11,100 CNY/ton. Prices stabilized when major producers shut down parts of their production, among other things for maintenance work, and oversupply on the market declined. By the end of June, the price for standard viscose rose to 11,360 CNY/ton. A slight recovery on the standard viscose market is expected for the third quarter of 2019.

The prices for wood-based specialties such as lyocell and modal fibers continued their positive development in the first half of 2019 due to persisting strong demand.

1 Source: IMF, World Economic Outlook, July 2019

2 All production figures in this section have been updated from the first estimates given in the Annual Report 2018. Sources: International Cotton Advisory Committee (ICAC), IMF, Cotton Outlook, CCF Group (China Chemical Fibers and Textiles Consulting), Food and Agriculture Organization (FAO)

The Development of Business in the Lenzing Group

The Lenzing Group recorded a solid business development in the first half of 2019. Despite a significantly more challenging market environment, Lenzing even achieved a slight increase in revenue. The disciplined implementation of the sCore TEN strategy and the focus on specialty fibers once again had a positive impact. Demand for sustainably produced specialty fibers such as lyocell and modal fibers as well as LENZING™ ECOVERO™ viscose fibers continued at a high level. As a result of that and because of positive currency effects, the declining prices for standard viscose were largely offset in earnings.

Revenue increased by 1.2 percent in the first half of 2019 and amounted to EUR 1.09 bn. EBITDA (earnings before interest, tax, depreciation and amortization) decreased by 7 percent to EUR 181.2 mn. The EBITDA margin declined from 18.1 percent to 16.6 percent. Details on the development of revenue and earnings in the first half of 2019 are presented below:

Condensed consolidated income statement[1] EUR mn

			Change	
	01-06/2019	01-06/2018	Absolute	Relative
Revenue	**1,088.5**	**1,075.4**	**13.2**	**1.2 %**
Change in inventories, own work capitalized and other operating income	87.3	60.4	26.8	44.4 %
Cost of material and other purchased services	(659.9)	(626.1)	(33.8)	5.4 %
Personnel expenses	(200.7)	(186.0)	(14.7)	7.9 %
Other operating expenses	(133.9)	(128.9)	(5.0)	3.9 %
EBITDA	**181.2**	**194.8**	**(13.6)**	**(7.0) %**
Amortization and depreciation	(77.0)	(67.4)	(9.6)	14.2 %
Income from the release of investment grants	1.4	1.4	0.0	1.8 %
EBIT	**105.6**	**128.7**	**(23.1)**	**(17.9) %**
Financial result	(3.0)	(8.0)	5.0	(62.3) %
Allocation of profit or loss to and measurement result of puttable non-controlling interests	0.0	0.2	(0.2)	(100.0) %
EBT	**102.6**	**120.9**	**(18.3)**	**(15.1) %**
Income tax expense	(25.8)	(29.6)	3.8	(12.7) %
Net profit for the period	**76.8**	**91.3**	**(14.5)**	**(15.9) %**

1) The full consolidated income statement is presented as part of the condensed consolidated interim financial statements.

Significant headwind continues in the second quarter

Significant headwind from the market was even more noticeable in the second quarter of 2019 than in the prior-year period and in the highly challenging first quarter of this year: revenue increased by 0.7 percent over the second quarter of the previous year to EUR 528.5 mn. EBITDA (earnings before interest, tax, depreciation and amortization) declined by 4.2 percent to EUR 89.2 mn and EBIT (earnings before interest and tax) fell by 14.4 percent to EUR 51.2 mn. EBT (earnings before tax) recorded a drop of 12.4 percent to EUR 49 mn and net profit decreased by 17.5 percent to EUR 34 mn.

Product mix further improved

The increase in revenue by 1.2 percent to EUR 1.09 bn in the first half of 2019 was attributable to more favorable currency relations and, in particular, a further product mix optimization and higher prices for specialty fibers. The Lenzing Group increased the share of specialty fibers in revenue from 44.1 percent in the comparative period of the previous year to 48.4 percent. The persisting decline in prices for standard viscose was therefore more than offset. For the production downtime in Heiligenkreuz (Austria) following a fire incident in February 2019 an insurance coverage is given.

Cost of material and other purchased services was also higher than in the comparative period of the previous year. This was mainly due to higher production volumes and currency effects, which led to an increase in the cost of pulp. Personnel expenses rose due to increases in collective agreements and the hiring of new employees.

EBITDA (earnings before interest, tax, depreciation and amortization) dropped by 7 percent to EUR 181.2 mn in the first half of 2019, mainly due to the declining prices for standard viscose. EBIT (earnings before interest and tax) fell by 17.9 percent to EUR 105.6 mn. EBT (earnings before tax) decreased by 15.1 percent to EUR 102.6 mn. The financial result was slightly negative at EUR minus 3 mn in the first half of 2019. The Group's income tax expense amounted to EUR 25.8 mn (H1 2018: EUR 29.6 mn). Net profit for the period decreased by 15.9 percent to EUR 76.8 mn. Earnings per share amounted to EUR 2.97 compared with EUR 3.44 in the first half of 2018.

Cash flow used for investments

Gross cash flow in the first half of 2019 rose by 8.6 percent compared to the first half of the previous year and amounted to EUR 163.6 million. This increase was above all due to non-cash effects in net profit for the period. Cash flow from operating activities declined by 21.5 percent to EUR 123.8 mn during the same period. Cash flow from financing activities improved from EUR minus 108.4 mn in the prior-year period to EUR minus 82.6 mn as long-term loans were taken out. In the second quarter of 2019 a dividend totaling EUR 132.8 mn was paid to shareholders.

CAPEX (investments in intangible assets and property, plant and equipment) dropped by 18.9 percent to EUR 95.1 mn in the first half of 2019. This decline is primarily attributable to the completion of the expansion project in Heiligenkreuz in 2018 and the ongoing planning for major projects in Brazil and Thailand, which will only have an effect on the investment volume in the coming quarters.

As a result of the decline in cash flow from operating activities, free cash flow dropped by 30.4 percent to EUR 28.8 mn. Liquid assets decreased to EUR 204.7 mn as at June 30, 2019 (EUR 254.4 mn as at December 31, 2018). Together with unused credit lines of EUR 285.1 mn, the Lenzing Group thus had a liquidity buffer of EUR 489.8 mn at its disposal as at June 30, 2019. This high liquidity provides the solid financial basis for the Lenzing Group's investment program in the coming quarters within the framework of the sCore TEN strategy.

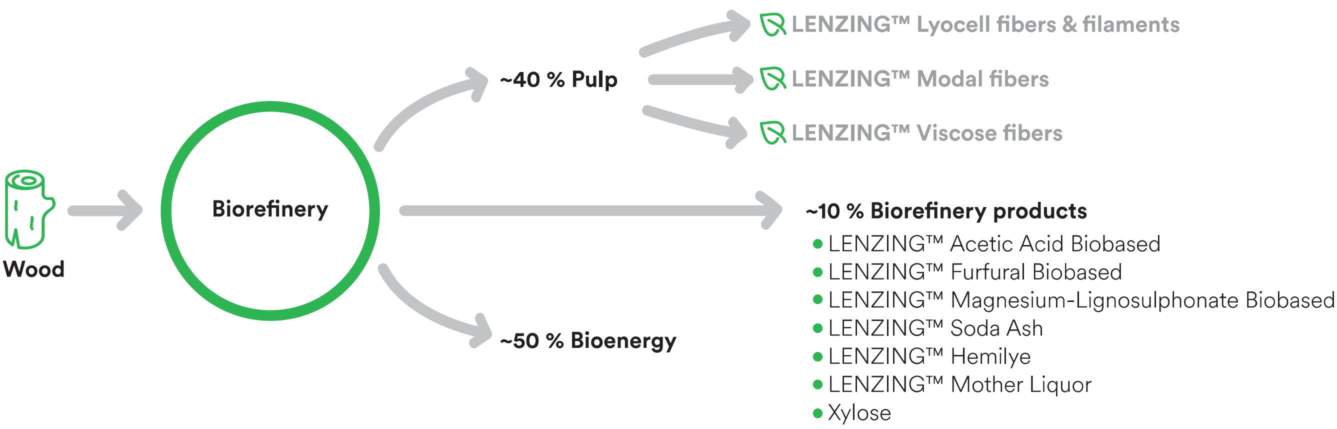
Solid balance sheet structure

The slight decline in adjusted equity by 2.9 percent from EUR 1,553 mn as at December 31, 2018 to EUR 1,508.2 mn as at June 30, 2019 due to the dividend payout led to a reduction of the adjusted equity ratio, which decreased from 59 percent to 56.6 percent in the reporting period. Net financial debt, at EUR 355.7 mn as at June 30, 2019, exceeded the figure of December 31, 2018 of EUR 219.4 mn, but is still at a solid level.

The Development of Business in the Segments

Segment Fibers

From wood to fiber



The Segment Fibers comprises all production steps of the Lenzing Group from wood, pulp and biorefinery products to fibers. In the first half of 2019, activities in the Segment Fibers focused on the expansion of the share of specialty fibers in line with the sCore TEN strategy. Strong demand for Lenzing fibers led to very good capacity utilization in pulp and fiber production.

Wood

Large volumes of damaged wood in spruce forests coupled with the currently very poor revenue situation in this segment put many European forestry businesses under pressure. The challenging economic situation caused them to substantially increase the felling of softwood during the winter months. In addition, considerable amounts of beech windthrow and calamity wood were recorded in the peripheral areas of the northern alpine regions. The sufficient availability of beech wood led to good supply of the pulp plant in Lenzing in the first half of 2019.

The situation for spruce did not change in comparison with the previous year. High volume pressure, full stocks at the customer plants and a deteriorating market outlook in the sawmill, panel and pulp industries led to high inventory levels at external warehouses, falling prices and a tense situation in the forestry businesses. Against this background, purchase prices continued to decline. As a result, the supply situation for pulp production at the location in Paskov (Czech Republic) was very good in the first half of 2019.

Biorefinery

Pulp

The Pulp & Wood business area supplies the Lenzing Group's fiber production locations with high-quality dissolving wood pulp. It operates dissolving wood pulp production plants in Lenzing and Paskov, which cover roughly 60 percent of the Group's dissolving wood pulp requirements. The remaining part is purchased on the basis of long-term contracts. A total of roughly 293,000 tons of dissolving wood pulp was produced at the two pulp plants of the Lenzing Group in the first half of 2019, with Lenzing and Paskov each contributing roughly half. The spot market price for dissolving wood pulp in China decreased by roughly 8 percent to USD 856/ton due to the persisting decline in prices for standard viscose.

The key plant components for the expansion of production capacity at the location in Lenzing, which was approved in 2016, successfully started operation in the first half of 2019. The start-up of the capacities began on time. At the location in Paskov, the new production capacities are gradually launched starting at the beginning of the second half of 2019. This process is scheduled to be finished at the end of the first quarter of 2020.

Lenzing and the Brazilian wood panel producer Duratex continue to advance the construction of a 450,000-ton dissolving wood pulp plant in the state of Minas Gerais (Brazil) within the joint venture established for this purpose. Increasing the self-supply with dissolving wood pulp is a key element of the sCore TEN strategy. The basic engineering, site grading and the applications for required permits are proceeding according to plan.

Biorefinery products and co-products

Wood from certified and controlled forestry is the basis for the production of biobased materials from the Lenzing Group's biorefinery. Renowned customers from the food, animal feed, pharmaceutical and chemical industries increasingly rely on biobased alternatives to conventional oil-based products. The results for biorefinery products were 5 percent lower in the first half of 2019 than in the first half of 2018. This was caused by an increase in supply of acetic acid and furfural, putting pressure on the selling prices. The integration of biorefinery products into the brand strategy supports the company's positioning and underscores its pioneering role in the future-oriented segment of bioeconomy.

Lenzing produces co-products at locations where viscose or modal fibers are made, above all sodium sulfate, which is used in the production of food and animal feed, and also in the pharmaceutical and detergent industries. A shortage of supply in the market led to a significant price increase for sodium sulfate. As a result, net revenue rose by 13 percent on average in the first half of 2019, reaching a level last recorded 20 years ago. A new bagging plant was started up during the reporting period, which will contribute to further earnings improvements, among other things due to the reduction of external storage and bagging costs.

Energy

The Lenzing Group's procurement strategy for electricity and natural gas is based on spot market prices. The European energy markets were characterized by significant price changes in the first half of 2019, with natural gas prices recording the most striking development. Compared with the first half of 2018, prices dropped by roughly 20 percent and even more than halved since the high-price phase in September 2018. This was mainly attributable to the good supply situation due to the relatively warm winter in the northern hemisphere and concurrent capacity expansions for liquefied natural gas.

Electricity prices rose by nearly 15 percent in the first half of the year. In addition to the split of the common power price zone between Austria and Germany, which took effect in October 2018, the massive increase in the price of CO2 allowances had an impact on the development.

The price of Brent crude oil declined by 7 percent year-on-year despite OPEC's decision to maintain the oil production limit in the year 2019. One of the main reasons for this was the increased oil production by non-OPEC countries. Supply was additionally reduced by the reintroduction of sanctions against Iran. The associated geopolitical tensions temporarily caused high volatility in prices.

Other raw materials

The generally weaker economic situation led to falling prices for chemicals in the first half of 2019, in particular for caustic soda. In Asia, the price of caustic soda dropped significantly year-on-year. In Europe, the price of caustic soda declined due to higher import volumes since the beginning of the second quarter of 2019. The sulfur price in Asia eased significantly after peaking towards the end of last year. In contrast, the European sulfur price increased due to unscheduled shutdowns and production downtimes.

Fibers

Key strategic measures were implemented during the first half of 2019 in line with the sCore TEN strategy. The Lenzing Group puts the focus on stable and profitable growth as well as an improvement of the ecological footprint of the textile and nonwovens industries by expanding the production of specialty fibers. The construction of a state-of-the-art lyocell fiber production facility in Prachinburi (Thailand) with a capacity of 100,000 tons is the next logical step to achieve this goal. In addition, the conversion of production capacities from standard viscose to LENZING™ ECOVERO™ fibers was also continued during the reporting period.

Textile fibers

The three generations of wood-based cellulosic fibers – viscose, modal and lyocell fibers – recorded a varied development in the first half of 2019. Demand for standard viscose suffered from global overcapacities resulting from expansion investments of competitors in China, India and Indonesia. In contrast, demand for LENZING™ ECOVERO™ fibers saw a clearly positive development. Lenzing produces the specialty viscose fibers introduced in 2017 at its locations in Lenzing und Nanjing (China).

Demand for modal and lyocell fibers recorded a very encouraging development in the first half of 2019. The fibers' unique properties and Lenzing's continuous business development activities along the entire textile value chain lead to increasing demand for and generally growing interest in products in this segment.

Lenzing structures its marketing activities along the subsegments denim (jeans), innerwear (underwear, nightwear, T-shirts and tops), activewear & outerwear (sportswear, shirts, dresses, etc.) and home & interiors (bed linen, towels, carpets and covers). Depending on the segment, different subtypes of viscose, modal or lyocell fibers addressing the specific functional requirements of the segments are in demand. In the innerwear segment, for example, different modal fibers are primarily used as they are particularly soft and gentle on the skin. The denim (jeans) segment, in contrast, predominantly uses lyocell fibers due to their strength and sustainability to complement – or as an alternative to – the prevailing cotton fibers.

Lyocell fibers stand out in particular due to their high environmental compatibility in comparison with other fiber types. Many clothing producers looking for alternatives to polyester, cotton and other less ecologically responsible fibers therefore use them increasingly. In addition, Lenzing offers lyocell fibers with REFIBRA™ technology as a special subcategory. The REFIBRA™ technology is a special technology for the production of TENCEL™ lyocell fibers based on scraps left over from the production of cotton clothing. They are the first lyocell fibers based on fabric scraps manufactured on an industrial scale, thus making a significant contribution to a circular economy in the fashion industry.

Lenzing will use blockchain technology to support its TENCEL™ branded fiber business, ensuring complete transparency and traceability for brands and consumers of its fibers in the finished garment. In the second quarter Lenzing announced a cooperation with the platform of the Hong Kong based technology company TextileGenesis™ to accomplish this ambition. Lenzing will subsequently carry out several pilot tests involving partners along the entire value chain. Lenzing expects the platform to be fully operational as of 2020.

Demand for TENCEL™ Luxe branded filaments was also wholly positive in the first half of 2019. The filaments are increasingly popular among luxury brands, which use them to create new fabrics and mix them with silk, cashmere and other materials.

The TENCEL™ brand's visibility was further increased through co-branding during the reporting period. Compared with the first half of 2018, the number of end products labeled with the TENCEL™ brand nearly doubled to 91 million in the first half of 2019. The digital marketing concept "Where to buy" was introduced on the product website www.tencel.com in the first quarter of 2019. Based on this concept, products made from TENCEL™ fibers can be presented and linked in the online shops of more than 90 partners including brands like H&M, Levi's, Allbirds, Victoria Secret, Esprit, Pottery Barn and Asos. The "Make it feel right" campaign was also launched in the first quarter of this year. It provides information on sustainable fashion and reached more than 40 million consumers by June 30.

Nonwoven fibers

The nonwoven segment recorded a satisfactory development in the first half of 2019. Fiber prices and in particular prices for standard viscose were under pressure in the entire global market, similar to the textile fibers segment. However, the continued focus on the specialty strategy, in particular hygiene fibers, led to a positive result. The demand for Lenzing specialty fibers in the "flushable wipes" business area continued to develop at a high level, thus partially offsetting the massive drop in standard viscose prices.

Especially in the wipes segment the market environment has a positive effect on the demand for VEOCEL™ branded fibers. Initiatives on the political level support the development of sustainable alternatives to conventional wet wipes, which frequently contain synthetic fibers at present. The EU's Single Use Plastics Directive to fight marine pollution, which was published in June, holds additional potential for biodegradable and compostable fibers of the Lenzing Group. Pursuant to the directive, plastics contained in wet wipes must be properly specified in the future.

With VEOCEL™ fibers, Lenzing offers a biodegradable solution that is fully integrated into the cycle of nature. In order to ensure that the fibers' benefits are maintained in the final application, Lenzing decided to make a groundbreaking push in the fight against plastic in single-use products in the second quarter of 2019: As a "Label of Trust", the VEOCEL™ brand supports environmentally conscious consumers in buying sustainable body care and cosmetic products. This means that in the future all products featuring the VEOCEL™ logo on the packaging are 100 percent based on cellulosic and biodegradable fibers. This is guaranteed by stricter certification criteria specifying that only products free of synthetic fibers may use the VEOCEL™ brand.

In addition, Lenzing employs innovative technologies such as EcoCycle and LENZING™ Web to proactively support sustainable solutions for the closed loop economy and forward integration.

Fibers for technical applications

The range of applications of the Lenzing Group's cellulosic fibers is diverse and goes far beyond textiles and nonwovens. Due to their compostability, biodegradability and consistent high quality LENZING™ fibers are also highly suitable for a variety of technical applications including tea bags and battery separators as well as substitutes for synthetic fibers in agriculture.

In the first half of 2019, several successful measures were taken to further establish this segment. In May, Lenzing presented new potential applications in the maritime industry such as nets for the cultivation of mussels at this year's Techtextil in Frankfurt. Special lyocell fibers have been developed to enable more heat-resistant and sustainable production of batteries. At the Consumer Electronics Show in Las Vegas, the world's largest trade fair for consumer electronics, visitors were able to appreciate the versatility of LENZING™ specialty fibers in vehicle construction. The interest of automotive manufacturers in using LENZING™ fibers in their models, thus taking another step towards a sustainable mobility, is growing steadily.

Segment Lenzing Technik

Lenzing Technik recorded a decline in revenue and earnings in the first half of the year, which was mainly due to the transfer of the pulp technology business from Lenzing Technik to Lenzing AG in the course of a partial transfer of business. The filtration and separation technology business continued its positive development. The mechanical construction unit primarily carried out smaller internal orders in Lenzing and at other locations of the Group.

Revenue in the segment Lenzing Technik declined by 48,1 percent to EUR 12.8 mn in the first half of the year 2019. EBITDA decreased to EUR 0.8 mn. (H1 2018: EUR 2 mn). EBIT amounted to EUR 0.3 mn and was lower than in the previous year (H1 2018: EUR 1.6 mn).

Segment Other

Revenue in the segment Other increased to EUR 2.9 mn in the first half of 2019. EBITDA rose to EUR 0.6 mn and EBIT to EUR 0.5 mn.

The Lenzing Share

In a challenging global economic environment, the Lenzing share showed a positive development in the first half of 2019 and clearly outperformed the Austrian lead index ATX since March. The share started with a closing price of EUR 82.75 on January 2, 2019. The annual low of EUR 81.15 was recorded on January 15. In April, the share price topped the EUR 100 mark and recorded the highest closing price so far this year on April 18, 2019, at EUR 104. The last time the share price exceeded EUR 100 had been on September 26, 2018. At the end of the reporting period, the Lenzing share closed at EUR 98, a development of plus 23.3 percent compared with the end of the year 2018. The ATX rose by 8.4 percent during the same period.

The share of Lenzing AG is currently covered by seven analysts, whose estimates point to buy, hold and sell. The 75th Annual General Meeting of Lenzing AG on April 17, 2019 approved a dividend of EUR 3.00 per share for the financial year 2018 and the payment of a special dividend of EUR 2.00. This represents a dividend distribution of EUR 132.8 million and a dividend yield of 3.8 percent, or 6.3 percent including the special dividend (basis: 2018 closing price). The portion of the 26.55 mn shares that is not freely tradable amounts to 50 percent plus 2 shares and is attributable to B&C Privatstiftung through its wholly-owned subsidiary B&C Österreich GmbH and its wholly-owned subsidiary B&C LAG Holding GmbH in accordance with Section 92 (4) of the Austrian Stock Exchange Act.

Risk Report

The risk report for the first half of the year is based on estimates of the top management of the Lenzing Group and covers the main business risks for 2019 and mid-term. All risks are assessed with respect to their probability of occurrence and their impact, and simulated in a stochastic analysis model. The objective of risk aggregation is to evaluate the overall risk position and to determine the possible influence on EBITDA.

Current risk environment

Global risks are firmly on the downside, in part reflecting the possibility of destabilizing policy developments, including a further escalation of trade tensions between major economies and sharper than expected slowdowns in major economies. Emerging markets and developing economies are also expected to slow to a lower growth alongside subdued investment and export growth. The global growth figures have been downgraded to 3.2 percent in 2019. With no further escalation in trade tensions, global growth is expected to stabilize by 2020.

Lenzing risk outlook 2019

The global fiber market remains under strong pressure due to the increasing fiber capacities in the Asian market, in particular in the standard fiber segment. Lenzing therefore anticipates persisting high price pressure for standard fibers in the second half of 2019. The sCore TEN strategy aims to mitigate the impact of these developments.

Based on the steady expansion of the Group's existing pulp capacity and sufficient available supplies on the global market, pulp supplies are secured. Lenzing is expanding the volume of pulp at the locations in Lenzing and Paskov and is working on the basic engineering for the construction of a new plant in Brazil with an annual pulp capacity of 450,000 tons. The main plant components for the expansion of production capacity at the location in Lenzing successfully commenced operation in the first half of the year.

Prices for key raw materials, in particular for caustic soda and carbon disulfide, showed a downward trend in the first half of 2019.

On the currency side, the US dollar fluctuated within a range of 3.6 percent against the euro. The Chinese yuan remained largely stable. A devaluation of the two currencies would have a negative effect on the Lenzing Group's open currency volume. Liquidity risk is expected to be low in 2019 due to the very stable financial structure.

A major fire at the site in Heiligenkreuz causing a shutdown of the lyocell production for several weeks resulted in a material damage and consequential business interruption. The loss was covered by insurance. There were no significant other damage incidents involving operating, environmental or product liability risks with a high damage potential.

Outlook

The International Monetary Fund expects a slowdown of global economic growth to 3.2 percent in 2019, mainly driven by increasing protectionist tendencies and growing geopolitical tensions. The currency environment in the regions relevant to Lenzing will remain volatile.

Global fiber demand remains strong. According to preliminary calculations, cotton inventory levels should nevertheless increase in the 2019/20 season. Towards the end of the second quarter 2019, the polyester market recovered from slower growth in the preceding months. The price levels for cotton and polyester are expected to decline slightly. Despite continued strong demand, capacity expansions for standard viscose caused higher pressure on prices, which fell to a historic low in the first half of 2019. In specialty fibers, the Lenzing Group expects the positive development of its business to continue.

Driven by the challenging situation in standard viscose, prices for dissolving wood pulp show a downward trend. Caustic soda prices in Asia have already declined significantly over the past months; this development has now become noticeable also in Europe.

In a challenging market environment for standard viscose with prices at historic lows, the Lenzing Group continues to expect its results for 2019 to reach a similar level as in 2018 based on the current exchange rates. Above developments reassure the Lenzing Group in its chosen strategy sCore TEN. Lenzing is very well positioned in this market environment and will continue to focus growth with specialty fibers.

Related Party Disclosures

See Note 7 to the Consolidated Financial Statements.

Lenzing, August 5, 2019
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky
Chief Executive Officer
Chairman of the
Management Board

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

Thomas Obendrauf
Chief Financial Officer
Member of the
Management Board

Heiko Arnold
Chief Technology Officer
Member of the
Management Board

Notes on the Financial Performance Indicators of the Lenzing Group

The key financial indicators for the Lenzing Group are described in detail in the following section. These indicators are derived primarily from the condensed consolidated interim financial statements and the consolidated financial statements of the previous year of the Lenzing Group.

The Management Board believes these financial indicators provide useful information on the financial position of the Lenzing Group because they are used internally and are also considered important by external stakeholders (in particular investors, banks and analysts).

EBITDA, EBITDA margin, EBIT and EBIT margin

EBITDA and EBIT are viewed by the Lenzing Group as the benchmarks for the strength of operating earnings and profitability (performance) before and after depreciation and amortization. Due to their significance - also for external stakeholders - these indicators are presented on the consolidated income statement and, in order to provide a comparison of margins, in relation to group revenue (as the EBITDA margin and EBIT margin).

EUR mn	01-06/2019	01-06/2018
Earnings before interest, tax, depreciation and amortization (EBITDA)	181.2	194.8
/ Revenue	1,088.5	1,075.4
EBITDA margin	**16.6%**	**18.1%**

EUR mn	01-06/2019	01-06/2018
Earnings before interest and tax (EBIT)	105.6	128.7
/ Revenue	1,088.5	1,075.4
EBIT margin	**9.7%**	**12.0%**

EBT

EBT measures the pre-tax earnings strength of the Lenzing Group and is shown on the consolidated income statement.

Gross cash flow

In the Lenzing Group, gross cash flow serves as the benchmark for the company's ability to convert gains/losses from operating activities (before changes in working capital) into cash and cash equivalents.

EUR mn		01-06/2019	01-06/2018
Net profit for the period		**76.8**	**91.3**
+	**Amortization of intangible assets and depreciation of property, plant and equipment**	**77.0**	**67.4**
–	Income from the release of investment grants	(1.4)	(1.4)
+/–	Change in non-current provisions	0.0	(1.3)
–/+	Income / expenses from deferred taxes	(7.3)	0.8
+/–	Change in current tax assets and liabilities	(0.1)	(9.6)
+/–	Non-cash profit/loss from investments accounted for using the equity method	0.0	0.2
–/+	Other non-cash income / expenses	18.6	3.1
	Other non-cash income / expenses	**9.9**	**(8.0)**
Gross cash flow		**163.6**	**150.7**

Free cash flow

The free cash flow generated by the Lenzing Group shows the cash flow generated by operating activities - after the deduction of investments - which is available to service the providers of debt and equity. This indicator is also important for external stakeholders.

EUR mn		01-06/2019	01-06/2018
Cash flow from operating activities		123.8	157.7
–	Cash flow from investing activities	(92.1)	(115.5)
–	Net inflow from the sale and disposal of subsidiaries and other business areas	0.0	(0.1)
+	Acquisition of financial assets and investments accounted for using the equity method	0.4	1.3
–	Proceeds from the sale/repayment of financial assets and the sale of investments accounted for using the equity method	(3.3)	(2.0)
Free cash flow		**28.8**	**41.4**

CAPEX

CAPEX shows the expenditures for intangible assets and property, plant and equipment. It is presented in the consolidated statement of cash flows.

Liquid assets

Liquid assets show the Lenzing Group's ability to meet due payment obligations immediately with available funds. This indicator is also used to calculate other financial ratios (e.g. net financial debt; see below).

EUR mn	30/06/2019	31/12/2018
Cash and cash equivalents	194.9	243.9
+ Liquid bills of exchange (in trade receivables)	9.7	10.5
Liquid assets	**204.7**	**254.4**

Trading working capital and trading working capital to annualized group revenue

Trading working capital in the Lenzing Group is a measure for potential liquidity and capital efficiency. It is used to compare capital turnover by relating it to group revenue.

EUR mn	30/06/2019	31/12/2018
Inventories	387.6	396.5
+ Trade receivables	295.3	299.6
- Trade payables	(243.8)	(251.7)
Trading working capital	**439.0**	**444.4**

EUR mn	2019	2018
Latest reported quarterly group revenue	528.5	539.8
x 4 (= annualized group revenue)	2,114.1	2,159.1
Trading working capital to annualized group revenue	**20.8%**	**20.6%**

Adjusted equity and adjusted equity ratio

Adjusted equity shows the Lenzing Group's independence from the providers of debt and its ability to raise new capital (financial strength). This figure includes equity as defined by IFRS as well as government grants less the proportional share of deferred taxes. Adjusted equity is used to compare equity and debt with total assets. This (and/or a similar indicator) is occasionally used as a financial covenant by lenders.

EUR mn	30/06/2019	31/12/2018
Equity	1,485.4	1,533.9
+ Non-current government grants	16.5	16.9
+ Current government grants	13.9	8.4
- Proportional share of deferred taxes on government grants	(7.5)	(6.3)
Adjusted equity	**1,508.2**	**1,553.0**
/ Total assets	2,663.4	2,630.9
Adjusted equity ratio	**56.6%**	**59.0%**

Net financial debt, net gearing and net debt

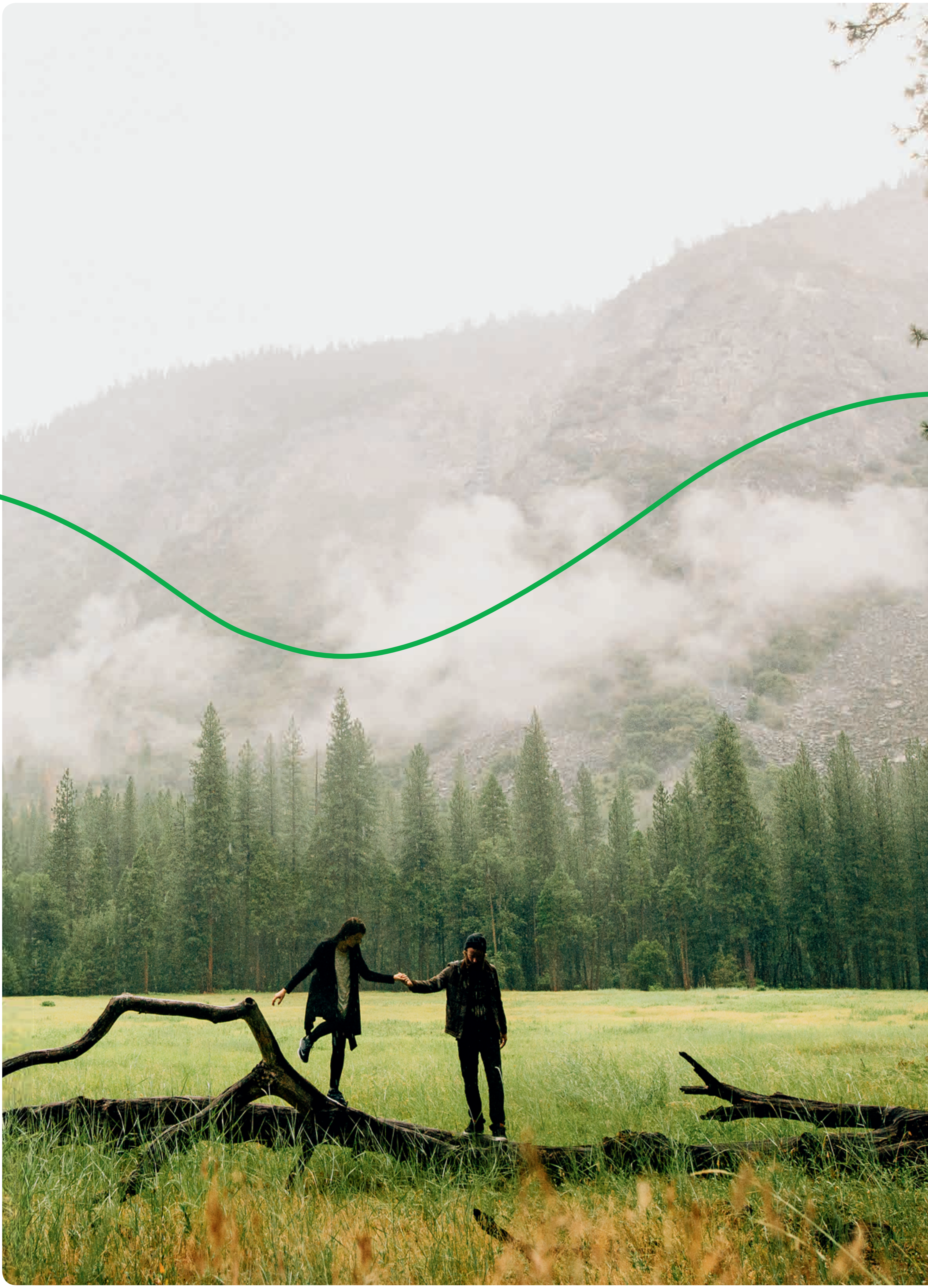
Net financial debt is used by the Lenzing Group as the benchmark for its financial indebtedness and capital structure. It is also an important indicator for external stakeholders. The ratio of net financial debt to adjusted equity (net gearing) illustrates the relation of net debt to adjusted equity. This (and/or a similar indicator) is occasionally used as a financial covenant by lenders. Net debt in the Lenzing Group measures the level of financial debt, including the provisions for severance payments and pensions.

EUR mn	30/06/2019	31/12/2018
Current financial liabilities	163.4	166.2
+ Non-current financial liabilities	397.0	307.6
- Liquid assets	(204.7)	(254.4)
Net financial debt	**355.7**	**219.4**

EUR mn	30/06/2019	31/12/2018
Net financial debt	355.7	219.4
/ Adjusted equity	1,508.2	1,553.0
Net gearing	**23.6%**	**14.1%**

EUR mn	30/06/2019	31/12/2018
Net financial debt	355.7	219.4
+ Provisions for severance payments and pensions[1]	109.5	103.4
Net debt	**465.2**	**322.8**

1) This amount is included in the consolidated statement of financial position in "provisions" (non-current liabilities, resp. current liabilities).



Condensed Consolidated Interim Financial Statements

for the period from January 1, 2019 to June 30, 2019

Content Notes

Consolidated Income Statement

for the period from January 1 to June 30, 2019

EUR mn

	Note	04-06/2019	04-06/2018	01-06/2019	01-06/2018
Revenue	(3)	528.5	525.0	1,088.5	1,075.4
Change in inventories of finished goods and work in progress		22.2	17.8	16.7	2.8
Own work capitalized		13.2	13.0	23.4	28.2
Other operating income		22.3	16.7	47.3	29.5
Cost of material and other purchased services		(325.2)	(317.6)	(659.9)	(626.1)
Personnel expenses		(100.2)	(95.0)	(200.7)	(186.0)
Other operating expenses		(71.7)	(66.8)	(133.9)	(128.9)
Earnings before interest, tax, depreciation and amortization (EBITDA)[1]		**89.2**	**93.2**	**181.2**	**194.8**
Amortization of intangible assets and depreciation of property, plant and equipment		(38.7)	(34.0)	(77.0)	(67.4)
Income from the release of investment grants		0.7	0.7	1.4	1.4
Earnings before interest and tax (EBIT)[1]		**51.2**	**59.8**	**105.6**	**128.7**
Income from investments accounted for using the equity method		0.0	0.0	0.0	(0.2)
Income from non-current and current financial assets		(0.9)	(0.3)	2.4	(0.5)
Financing costs		(1.2)	(3.9)	(5.4)	(7.3)
Financial result		**(2.2)**	**(4.2)**	**(3.0)**	**(8.0)**
Allocation of profit or loss to and measurement result of puttable non-controlling interests		0.0	0.4	0.0	0.2
Earnings before tax (EBT)[1]		**49.0**	**56.0**	**102.6**	**120.9**
Income tax expense		(15.0)	(14.8)	(25.8)	(29.6)
Net profit for the period		**34.0**	**41.2**	**76.8**	**91.3**
Net profit for the period attributable to shareholders of Lenzing AG		35.0	41.2	78.8	91.4
Net profit for the year attributable to non-controlling interests		(1.0)	0.0	(2.0)	(0.1)
Earnings per share		**EUR**	**EUR**	**EUR**	**EUR**
Diluted = basic		1.32	1.55	2.97	3.44

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

Consolidated Statement of Comprehensive Income

for the period from January 1 to June 30, 2019

				EUR mn
	04-06/2019	04-06/2018	01-06/2019	01-06/2018
Net profit for the period as per consolidated income statement	**34.0**	**41.2**	**76.8**	**91.3**
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liability	(6.7)	0.0	(6.7)	0.0
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	0.2	0.3	1.1	0.8
Income tax relating to these components of other comprehensive income	1.6	(0.1)	1.4	(0.2)
	(4.9)	**0.2**	**(4.2)**	**0.6**
Items that may be reclassified to profit or loss				
Foreign operations – foreign currency translation differences arising during the year	(7.5)	17.6	7.7	9.2
Financial assets measured at fair value through other comprehensive income (debt instruments) – net fair value gain/loss on remeasurement recognized during the year	0.0	0.0	0.0	0.0
Financial assets measured at fair value through other comprehensive income (debt instruments) - reclassification of amounts relating to financial assets disposed during the year	0.0	0.0	(0.1)	0.0
Cash flow hedges – effective portion of changes in fair value recognized during the year and non-designated components	5.6	(13.9)	(5.9)	(10.1)
Cash flow hedges – reclassification to profit or loss	5.5	1.9	11.0	(2.8)
Income tax relating to these components of other comprehensive income	(2.3)	2.5	(1.1)	2.6
Investments accounted for using the equity method - share of other comprehensive income (net of tax)	0.0	0.0	0.2	0.0
	1.3	**8.2**	**11.7**	**(1.2)**
Other comprehensive income – net of tax	**(3.6)**	**8.4**	**7.6**	**(0.6)**
Total comprehensive income	**30.4**	**49.6**	**84.3**	**90.7**
Attributable to shareholders of Lenzing AG	31.8	47.9	86.1	89.9
Attributable to non-controlling interests	(1.4)	1.7	(1.8)	0.8

Lenzing AG

Consolidated Statement of Financial Position

as at June 30, 2019

EUR mn

Assets	Note	30/06/2019	31/12/2018
Intangible assets		23.7	21.3
Property, plant and equipment		1,518.4	1,495.3
Right-of-use assets		35.2	0.0
Investments accounted for using the equity method		13.5	13.4
Financial assets		36.5	36.7
Deferred tax assets		5.6	5.1
Current tax assets		23.7	18.8
Other non-current assets		6.8	4.8
Non-current assets		**1,663.5**	**1,595.4**
Inventories	(4)	387.6	396.5
Trade receivables	(4)	295.3	299.6
Current tax assets		2.5	3.1
Other current assets		119.6	92.4
Cash and cash equivalents		194.9	243.9
Current assets		**999.9**	**1,035.5**
Total assets		**2,663.4**	**2,630.9**

Equity and liabilities	Note	30/06/2019	31/12/2018
Share capital		27.6	27.6
Capital reserves		133.9	133.9
Other reserves		14.8	7.5
Retained earnings		1,278.8	1,332.8
Equity attributable to shareholders of Lenzing AG		**1,455.1**	**1,501.7**
Non-controlling interests		30.3	32.2
Equity	**(4)**	**1,485.4**	**1,533.9**
Financial liabilities		397.0	307.6
Government grants		16.5	16.9
Deferred tax liabilities		43.6	50.4
Provisions		133.0	126.5
Other liabilities		5.0	4.2
Non-current liabilities		**595.0**	**505.5**
Financial liabilities		163.4	166.2
Trade payables		243.8	251.7
Government grants		13.9	8.4
Current tax liabilities		14.5	10.4
Provisions		105.8	107.9
Other liabilities		41.5	46.9
Current liabilities		**583.0**	**591.5**
Total equity and liabilities		**2,663.4**	**2,630.9**

Consolidated Statement of Changes in Equity

for the period from January 1 to June 30, 2019

			Other reserves							EUR mn
	Share capital	Capital reserves	Foreign currency translation reserve	Financial assets measured at fair value through other comprehensive income	Hedging reserve and non-designated components	Actuarial gains/losses	Retained earnings	Equity attributable to shareholders of Lenzing AG	Non-controlling interests	Equity
As at 01/01/2018 (previously)	**27.6**	**133.9**	**29.6**	**4.5**	**3.8**	**(39.6)**	**1,316.4**	**1,476.3**	**31.6**	**1,507.9**
First-time adoption of IFRS 9 (Financial Instruments)[1]	0.0	0.0	0.0	4.0	0.0	0.0	0.0	**3.9**	0	**3.9**
As at 01/01/2018 (adjusted)	**27.6**	**133.9**	**29.6**	**8.5**	**3.8**	**(39.6)**	**1,316.4**	**1,480.3**	**31.6**	**1,511.8**
Net profit for the period as per consolidated income statement	0.0	0.0	0.0	0.0	0.0	0.0	91.4	**91.4**	(0.1)	**91.3**
Other comprehensive income – net of tax	0.0	0.0	7.9	0.6	(10.0)	0.0	0.0	**(1.5)**	0.9	**(0.6)**
Total comprehensive income	**0.0**	**0.0**	**7.9**	**0.6**	**(10.0)**	**0.0**	**91.4**	**89.9**	**0.8**	**90.7**
Acquisition/disposal of non-controlling interests and other changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	(132.8)	**(132.8)**	(0.2)	**(132.9)**
As at 30/06/2018	**27.6**	**133.9**	**37.5**	**9.1**	**(6.1)**	**(39.6)**	**1,275.0**	**1,437.4**	**32.2**	**1,469.6**
As at 01/01/2019	**27.6**	**133.9**	**43.0**	**9.3**	**(5.2)**	**(39.7)**	**1,332.8**	**1,501.7**	**32.2**	**1,533.9**
Net profit for the period as per consolidated income statement	0.0	0.0	0.0	0.0	0.0	0.0	78.8	**78.8**	(2.0)	**76.8**
Other comprehensive income – net of tax	0.0	0.0	7.7	0.8	3.9	(5.0)	0.0	**7.4**	0.2	**7.6**
Total comprehensive income	**0.0**	**0.0**	**7.7**	**0.8**	**3.9**	**(5.0)**	**78.8**	**86.1**	**(1.8)**	**84.3**
Acquisition/disposal of non-controlling interests and other changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	(132.8)	**(132.8)**	(0.1)	**(132.9)**
As at 30/06/2019	**27.6**	**133.9**	**50.7**	**10.0**	**(1.2)**	**(44.7)**	**1,278.8**	**1,455.1**	**30.3**	**1,485.4**

1) The first-time adoption of IFRS 9 as of January 1, 2018 resulted in an increase in equity with no effect on profit or loss arising primarily from the reclassification and measurement of equity instruments that were previously measured at cost and are now measured at fair value through other comprehensive income. Additional details are provided in note 2 to the consolidated financial statements 2018.

Consolidated Statement of Cash Flows (condensed)

for the period from January 1 to June 30, 2019

EUR mn

	01-06/2019	01-06/2018
Net profit for the period	**76.8**	**91.3**
+ Amortization of intangible assets and depreciation of property, plant and equipment	77.0	67.4
–/+ Other non-cash income / expenses	9.9	(8.0)
Gross cash flow	**163.6**	**150.7**
+/– Change in inventories	(8.6)	(5.8)
+/– Change in receivables	(7.8)	(13.9)
+/– Change in liabilities	(23.5)	26.8
Change in working capital	**(39.9)**	**7.0**
Cash flow from operating activities	**123.8**	**157.7**
– Acquisition of intangible assets, property, plant and equipment (CAPEX)	(95.1)	(117.2)
– Acquisition of financial assets and investments accounted for using the equity method	(0.4)	(1.3)
+ Proceeds from the sale of intangible assets, property, plant and equipment	0.1	0.8
+ Proceeds from the sale/repayment of financial assets and the sale of investments accounted for using the equity method	3.3	2.0
+ Net inflow from the sale and disposal of subsidiaries and other business areas	0.0	0.1
Cash flow from investing activities	**(92.1)**	**(115.5)**
– Distribution to shareholders	(132.9)	(132.9)
+ Investment grants	0.0	0.2
+ Increase in other financial liabilities	132.5	72.4
– Repayment of bonds and private placements	0.0	0.0
– Repayment of other financial liabilities	(82.2)	(48.0)
Cash flow from financing activities	**(82.6)**	**(108.4)**
Total change in liquid funds	**(50.9)**	**(66.2)**
Liquid funds at the beginning of the year	243.9	306.5
Currency translation adjustment relating to liquid funds	2.0	1.1
Liquid funds at the end of the period	**194.9**	**241.4**
Additional information on payments in the cash flow from operating activities:		
Interest payments received	0.9	0.8
Interest payments made	3.5	3.3
Income taxes paid	32.7	39.1

Notes to the Consolidated Financial Statements: Selected Notes

on the condensed consolidated interim financial statements as at June 30, 2019

General Information

Note 1. Basic Information

Description of the company and its business activities

Lenzing Aktiengesellschaft (Lenzing AG), which maintains its registered headquarters in 4860 Lenzing, Werkstrasse 2, is the parent company of the Lenzing Group (the "Group"). The main shareholder of Lenzing AG as at June 30, 2019 is the B&C Group, which directly or indirectly holds an investment of 50 percent plus two shares (December 31, 2018: 50 percent plus two shares) in the share capital of Lenzing AG. The core business of the Lenzing Group is the production and marketing of botanic cellulose fibers.

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

Basis of reporting

The condensed consolidated interim financial statements for the period from January 1 to June 30, 2019 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and interpretations which were endorsed in the EU and required mandatory application as of the reporting date. In particular, IAS 34 (Interim Financial Reporting) and its conveniences for condensed consolidated interim financial statements were applied. The condensed consolidated interim financial statements of the Lenzing Group as at June 30, 2019 are based on the consolidated financial statements as at December 31, 2018 and should therefore always be read in conjunction with these statements. The accounting policies used in the consolidated interim financial statements are the same as were applied for the consolidated financial statements for the 2018 financial year, except for the mandatory initial application of IFRS 16.

For the condensed 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 reporting currency is euro (EUR), which is also the functional currency of Lenzing AG and a majority of its subsidiaries.

Audit and review

These condensed consolidated interim financial statements of the Lenzing Group were reviewed by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz.

Estimation uncertainty and judgments

The Management Board of Lenzing AG uses estimates, assumptions and judgments in preparing the IFRS condensed consolidated interim financial statements. These estimates, assumptions and judgments are based on the circumstances assumed as at the reporting date and can have a significant effect on the presentation of the Group's financial position and financial performance. They are explained in detail in the consolidated financial statements of the Lenzing Group as at December 31, 2018 (Note 1).

Mandatory changes in accounting policies

Initial application of IFRS 16

The Lenzing Group applied IFRS 16 (Leases) for the first time for the financial year beginning on January 1, 2019 using the modified retrospective approach. The presented changes in the accounting policies resulting from the first-time adoption of IFRS 16 lead to adjustments to the Lenzing Group's consolidated financial statements, which were recognized as of January 1, 2019. The exemption not to restate comparative information on the changes in classification and measurement (including impairment) for previous periods was utilized.

The weighted average incremental borrowing rate on the lease liabilities recognized for the first time as at January 1, 2019 amounts to 3.8 percent. A base rate was used per country, currency and term of the respective lease, which was increased by a credit spread and a country risk premium.

Relief is provided for short-term leases and for leases of low-value assets. The Lenzing Group made use of this relief. Hence, short-term leases and leases for low-value assets are not capitalized as right-of-use assets, but continue to be recognized as an expense over the term of the lease. Leases whose term ends within 12 months of the time of initial application are treated as if they were short-term leases. Termination and extension options were taken into account when estimating the expected term of the leases. The option to select not to capitalize leasing contracts for intangible assets is used. The option to recognize the right-of-use asset in the amount of the lease liability less prepaid or accrued lease payments is used. At the time of initial application, the initial direct costs are not taken into consideration in the measurement of the right-of-use asset. Further explanations regarding the first-time adoption are provided in the Annual Report as at December 31, 2018 (note 2).

The following table shows the reconciliation from operating leases as at December 31, 2018 (see note 39) to the lease liability recognized as at January 1, 2019:

Reconciliation operating leases under IAS 17 to IFRS 16	**EUR mn**
Operating lease commitments disclosed as at 31/12/2018	22.4
- Effect from discounting using the incremental borrowing rate	(1.9)
Discounted operating lease commitments as at 01/01/2019	**20.5**
+ Finance lease liabilities recognized as at 31/12/2018	1.8
+ Adjustments due to changes in the expected terms of the leases considering termination and extension options	13.6
- Low-value leases	0.0
- Expenses from short-term leases	(1.7)
+ Currency translation adjustment	0.1
Lease liability as at 01/01/2019	**34.3**

Note 2. Consolidation

Scope of consolidation

The subsidiary Lenzing Tawain Fibers Ltd., Taipei, Taiwan was founded in the 2019 financial year. In this regard no significant transactions have taken place.

Basis of consolidation

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

Exchange rates for key currencies			**2019**		**2018**	
Unit	**Currency**		**Reporting date 30/06**	**Average 01-06**	**Reporting date 31/12**	**Average 01-06**
1 EUR	USD	US Dollar	1.1380	1.1298	1.1454	1.2108
1 EUR	GBP	British Pound	0.8966	0.8736	0.9027	0.8797
1 EUR	CZK	Czech Koruna	25.4470	25.6837	25.7780	25.4973
1 EUR	CNY	Renminbi Yuan	7.8185	7.6670	7.8778	7.7100

Due to the considerable decrease of long-term interest rates in the Euro-zone since December 31, 2018 the net liability of Austrian defined pension and severance plans was remeasured (discount rate pension plans: 0.9%, previously 1.7%; discount rate severance plans: 0.9%; previously 1.7%). The loss from remeasurement was EUR 5.0 mn (after tax) and was recognized in other comprehensive income.

Note 3. Segment reporting

The same principles were applied in the presentation of segment reporting as in the consolidated financial statements as at December 31, 2018.

Information on business segments — EUR mn

01-06/2019 and 30/06/2019	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	1,082.3	5.0	1.2	**1,088.5**	0.0	**1,088.5**
Inter-segment revenue	1.9	7.8	1.7	**11.4**	(11.4)	**0.0**
Total revenue	**1,084.2**	**12.8**	**2.9**	**1,099.9**	**(11.4)**	**1,088.5**
EBITDA (segment result)	180.4	0.8	0.6	**181.8**	(0.5)	**181.2**
EBIT	103.8	0.3	0.5	**104.6**	1.0	**105.6**
EBITDA margin[1]	16.6%	6.3%	19.3%	**16.5%**		**16.6%**
EBIT margin[2]	9.6%	2.5%	17.7%	**9.5%**		**9.7%**
Segment assets	2,389.6	40.1	2.1	**2,431.8**	231.6	**2,663.4**
Segment liabilities	518.3	34.5	2.4	**555.2**	622.8	**1,178.0**

Information on business segments (previous year) — EUR mn

01-06/2018 and 31/12/2018	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	1,068.8	5.5	1.1	**1,075.4**	0.0	**1,075.4**
Inter-segment revenue	2.2	19.2	1.4	**22.8**	(22.8)	**0.0**
Total revenue	**1,071.0**	**24.6**	**2.5**	**1,098.1**	**(22.8)**	**1,075.4**
EBITDA (segment result)	194.1	2.0	0.4	**196.4**	(1.6)	**194.8**
EBIT	126.7	1.6	0.4	**128.7**	0.0	**128.7**
EBITDA margin[1]	18.1%	8.0%	15.3%	**17.9%**		**18.1%**
EBIT margin[2]	11.8%	6.5%	14.6%	**11.7%**		**12.0%**
Segment assets	2,313.5	37.9	1.8	**2,353.1**	277.8	**2,630.9**
Segment liabilities	522.0	36.4	2.1	**560.5**	536.4	**1,097.0**

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).

The following table shows the reconciliation of segment result (EBITDA) to operating result (EBIT) to earnings before tax (EBT):

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

	01-06/2019	01-06/2018
Segment result (EBITDA)	181.8	196.4
Consolidation	(0.5)	(1.6)
Group result (EBITDA)	**181.2**	**194.8**
Segment amortization of intangible assets and depreciation of property, plant and equipment	(78.5)	(69.1)
Consolidation	1.5	1.6
Income from the release of investment grants	1.4	1.4
Earnings before interest and tax (EBIT)	**105.6**	**128.7**
Financial result	(3.0)	(8.0)
Allocation of profit or loss to and measurement result of puttable non-controlling interests	0.0	0.2
Earnings before tax (EBT)	**102.6**	**120.9**

The consolidated income statement shows the reconciliation of earnings before tax (EBT) to net profit for the period.

Information on products and services

Revenue from external customers can be classified by products and services as follows:

Revenue from external customers by products and services — EUR mn

	01-06/2019	01-06/2018
Botanic cellulose fibers	908.1	915.4
Sodium sulfate and black liquor	28.8	25.4
Pulp, wood, energy and other	147.3	130.2
Segment Fibers	**1,084.2**	**1,071.0**
Mechanical and plant engineering and engineering services	12.8	24.6
Segment Lenzing Technik	**12.8**	**24.6**
Other and consolidation	(8.5)	(20.3)
Revenue as per consolidated income statement	**1,088.5**	**1,075.4**

No single external customer is responsible for more than ten percent of external revenue.

The Segment Fibers primarily sells botanic cellulose fibers. In addition, sodium sulfate and black liquor are sold, among other things. Income is recognized at a point in time, when ownership of the products has been transferred to the customer (i.e. with the transfer of risk), the amount of income and the associated costs can be reliably determined and when the economic benefits from the transaction are likely to flow to the Group.

The Segment Lenzing Technik operates in the field of mechanical and plant engineering and provides engineering services. A significant part of the income results from contracts with customers which are recognized over time.

Information on geographical regions

Revenue from external customers can be classified by geographical regions as follows:

Revenue from external customers by geographic regions — EUR mn

	01-06/2019	01-06/2018
Austria	32.0	46.7
Europe (excl. Austria, incl. Turkey)	308.5	287.1
Asia	651.8	644.0
America	82.6	84.3
Rest of the world	9.3	8.9
Segment Fibers	**1,084.2**	**1,071.0**
Austria	6.6	6.8
Europe (excl. Austria, incl. Turkey)	2.5	3.5
Asia	1.9	1.8
America	1.7	12.5
Rest of the world	0.0	0.0
Segment Lenzing Technik	**12.8**	**24.6**
Other and consolidation	(8.5)	(20.3)
Revenue as per consolidated income statement	**1,088.5**	**1,075.4**

Revenue is allocated according to the geographical region of the customer.

Additional information on the segments is provided in the management report of the Lenzing Group as at June 30, 2019.

Notes on the Primary Financial Statements and on Risk Management

Note 4. Notes on the primary financial statements

In the interim reporting period write-downs to net realizable value in the amount of EUR 19.7 mn (1-6/2018: EUR 1.8 mn) were recognized in profit or loss.

In the interim reporting period bad debt provisions in the amount of EUR 1.5 mn (1-6/2018: EUR 0.3 mn) were reversed in profit or loss.

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. During the interim reporting period, the Management Board did not exercise the authorizations in place on or until June 30, 2019 to increase share capital, issue convertible bonds and buy back treasury 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 2018 resolved at the Annual Shareholders' Meeting on April 17, 2019 (payment as of April 25, 2019)	132.8	26,550,000	5.00
Dividend for the financial year 2017 resolved at the Annual Shareholders' Meeting on April 12, 2018 (payment as of April 18, 2018)	132.8	26,550,000	5.00

Reverse factoring agreements with suppliers of the Lenzing Group were in place as at June 30, 2019. The affected trade payables totaled EUR 125.2 mn (December 31, 2018: EUR 133.9 mn).

Note 5. Capital risk management

All capital requirements were satisfied in the interim reporting period. Unused credit facilities in the amount of EUR 285.1 mn were available for possible future financing requirements as at June 30, 2019 (December 31, 2018: EUR 341.6 mn).

Note 6. Disclosures on financial instruments

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities for each class and each IFRS 9 category and reconciles this information to the appropriate line items on the statement of financial position. Other receivables (non-current and current) and other liabilities (non-current and current) as reported on the statement of financial position include financial instruments as well as non-financial assets and liabilities. Therefore the “no financial instrument” column allows for a complete reconciliation with the line items on the statement of financial position. This “no financial instrument” column contains lease liabilities since they represent other financial liabilities which cannot be allocated to any IFRS 9 measurement category.

Carrying amounts, category, fair value and fair value hierarchy of financial instruments — EUR mn

Financial assets as at 30/06/2019	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Debt instruments	At fair value through other comprehensive income: Equity instruments	At fair value through other comprehensive income: Cash flow Hedges	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Originated loans	9.3						9.3	9.3	[1]
Non-current securities		0.8	4.0	13.4			18.2	18.2	Level 1
Other equity investments				9.0			9.0	9.0	Level 3
Financial assets	**9.3**	**0.8**	**4.0**	**22.4**	**0.0**	**0.0**	**36.5**	**36.5**	
Trade receivables	**295.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**295.3**	**295.3**	[1]
Derivatives with a positive fair value (cash flow hedges)					2.4		2.4	2.4	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		0.1					0.1	0.1	Level 2
Other	24.2	2.0				97.8	124.0	124.0	Level 3
Other assets (current and non-current)	**24.2**	**2.1**	**0.0**	**0.0**	**2.4**	**97.8**	**126.5**	**126.5**	
Cash and cash equivalents	**194.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**194.9**	**194.9**	[1]
Total	**523.7**	**2.8**	**4.0**	**22.4**	**2.4**	**97.8**	**653.1**	**653.1**	

Financial liabilities as at 30/06/2019	Carrying amount: At amortized cost	At fair value through profit or loss	At fair value through other comprehensive income: Cash flow hedges/Fair value hedges	No financial instrument	Total	Fair value: Fair value	Fair value hierarchy
Private placements	219.7				219.7	228.4	Level 3
Liabilities to banks	275.5				275.5	279.6	Level 3
Liabilities to other lenders	31.5				31.5	31.8	Level 3
Lease liabilities				33.6	33.6	33.6	[1]
Financial liabilities	**526.8**	**0.0**	**0.0**	**33.6**	**560.4**	**573.4**	
Trade payables	**243.8**	**0.0**	**0.0**	**0.0**	**243.8**	**243.8**	[1]
Provisions (current)	**26.1**	**0.0**	**0.0**	**79.8**	**105.8**	**105.8**	[1]
Derivatives with a negative fair value (cash flow hedges)			3.4		3.4	3.4	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		4.0			4.0	4.0	Level 2
Derivatives with a negative fair value (fair value hedges)			1.5		1.5	1.5	Level 3
Other	3.7			33.9	37.6	37.6	[1]
Other liabilities (current and non-current)	**3.7**	**4.0**	**4.9**	**33.9**	**46.5**	**46.5**	
Total	**800.4**	**4.0**	**4.9**	**147.2**	**956.5**	**969.6**	

1) The carrying amount approximates fair value.

Carrying amounts, category, fair value and fair value hierarchy of financial instruments (previous year) EUR mn

	Carrying amount							Fair value	
Financial assets as at 31/12/2018	**At amortized cost**	**At fair value through profit or loss**	**At fair value through other comprehensive income**			**No financial instrument**	**Total**	**Fair value**	**Fair value hierarchy**
			Debt instruments	**Equity instruments**	**Cash flow hedges**				
Originated loans	9.4						9.4	9.4	[1]
Non-current securities		1.3	6.2	12.6			20.1	20.1	Level 1
Other equity investments				7.2			7.2	7.2	Level 3
Financial assets	**9.4**	**1.3**	**6.2**	**19.8**	**0.0**	**0.0**	**36.7**	**36.7**	
Trade receivables	**299.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**299.6**	**299.6**	[1]
Derivatives with a positive fair value (cash flow hedges)					1.6		1.6	1.6	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		0.9					0.9	0.9	Level 2
Other	18.4	2.0				74.3	94.7	94.7	Level 3
Other assets (current and non-current)	**18.4**	**2.8**	**0.0**	**0.0**	**1.6**	**74.3**	**97.1**	**97.1**	
Cash and cash equivalents	**243.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**243.9**	**243.9**	[1]
Total	**571.3**	**4.1**	**6.2**	**19.8**	**1.6**	**74.3**	**677.3**	**677.3**	

	Carrying amount					Fair value	
Financial liabilities as at 31/12/2018	**At amortized cost**	**At fair value through profit or loss**	**At fair value through other comprehensive income**	**No financial instrument**	**Total**	**Fair value**	**Fair value hierarchy**
			Cash flow hedges/Fair value hedges				
Private placements	219.7				219.7	227.1	Level 3
Liabilities to banks	221.2				221.2	221.7	Level 3
Liabilities to other lenders	31.1				31.1	31.2	Level 3
Lease liabilities				1.8	1.8	1.8	[1]
Financial liabilities	**472.0**	**0.0**	**0.0**	**1.8**	**473.8**	**481.9**	
Trade payables	**251.7**	**0.0**	**0.0**	**0.0**	**251.7**	**251.7**	[1]
Provisions (current)	**33.0**	**0.0**	**0.0**	**74.8**	**107.9**	**107.9**	[1]
Derivatives with a negative fair value (cash flow hedges)			7.6		7.6	7.6	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		4.7			4.7	4.7	Level 2
Derivatives with a negative fair value (fair value hedges)			0.0		0.0		Level 3
Other	2.8			35.9	38.7	38.7	[1]
Other liabilities (current and non-current)	**2.8**	**4.7**	**7.6**	**35.9**	**51.0**	**51.0**	
Total	**759.5**	**4.7**	**7.6**	**112.6**	**884.4**	**892.5**	

1) The carrying amount approximates fair value.

Depending on the classification/measurement category, financial instruments are subsequently measured at (amortized) cost or fair value. The Lenzing Group uses the following measurement categories: “at amortized cost”, “at fair value through profit or loss” and “at fair value through other comprehensive income”. The measurement category “at fair value through profit or loss” is solely used for financial assets that are mandatorily measured at fair value.

The Lenzing Group accounts for reclassifications in the fair value hierarchy at the end of the reporting period in which the changes occur. There were no transfers between the levels of the fair value hierarchy for the financial instruments in the financial year.

The measurement of financial instruments is monitored and reviewed by the Lenzing Group. The necessary market data are validated based on the four-eyes principle.

In light of the varying influencing factors, the fair values presented can only be considered indicators of the values that could actually be realized on the market.

The fair value of purchased bonds is derived from the respective current market prices and fluctuates, in particular, with changes in market interest rates and the credit standing of the issuers. The fair value of shares is derived from the current stock exchange prices. These securities are assigned to the category “at fair value through other comprehensive income”.

The fair value of investment funds is derived from the latest calculated value. These securities are assigned to the category “at fair value through profit or loss”.

The measurement of equity investments including derivatives designated as a hedge (fair value hedge) is classified “at fair value through other comprehensive income”. The fair value is determined on the basis of a market approach and is to be categorized in level 3 of the fair value hierarchy. The measurement model is based on market multiples derived from listed benchmark companies and adjusted for a discount of 25 percent for the size and marketability of the equity investments. The determined fair value of the equity investment would increase (decrease) in particular if the planned EBITDA or the market multiple increased (decreased). The determined fair value would increase (decrease) if the discount on the market multiple decreased (increased). The determined fair value of the derivative has an inverse correlation to the abovementioned parameters. The adjusted market multiples amount to roughly 6.3 and 7.3 as at June 30, 2019 (December 31, 2018: 5.4 and 5.8).

The following tables show the development of the fair values of the equity investments and the associated derivatives of level 3:

Reconciliation of level 3 fair values of equity investments and related derivatives — **EUR mn**

2019	**Equity investments**	**Derivatives with a negative fair value (fair value hedges)**
As at 01/01	7.2	0.0
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	1.8	(1.5)
As at 30/06	**9.0**	**(1.5)**

Reconciliation of level 3 fair values of equity investments and related derivatives — **EUR mn**

2018	**Equity investments**	**Derivatives with a negative fair value (fair value hedges)**
As at 01/01	10.5	(3.4)
Financial assets measured at fair value through other comprehensive income (equity instruments) – net fair value gain/loss on remeasurement recognized during the year	0.7	(0.7)
As at 30/06	**11.3**	**(4.1)**

A change in key input factors which cannot be observed on the market would have the following effects on the measurement of the equity instruments and the associated derivatives:

Sensitivity analysis of level 3 input factors for equity investments and related derivatives as at 30/06/2019 — EUR mn

	Other comprehensive income (net of tax)					
	Increase			Decrease		
	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total
EBITDA (+/-5%)	0.6	(0.1)	0.5	(0.6)	0.1	(0.5)
Market multiple (+/-1)	1.3	(1.3)	0.0	(1.3)	0.9	(0.3)
Change discount to market multiple (+/-10%)	(0.4)	0.4	0.0	0.4	(0.4)	0.0

Sensitivity analysis of level 3 input factors for equity investments and related derivatives as at 31/12/2018 (previous year) — EUR mn

	Other comprehensive income (net of tax)					
	Increase			Decrease		
	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total	Equity investments	Derivatives with a negative fair value (fair value hedges)	Total
EBITDA (+/-5%)	0.5	0.0	0.5	(0.5)	0.0	(0.5)
Market multiple (+/-1)	1.3	(0.4)	0.9	(1.3)	0.4	(0.9)
Change discount to market multiple (+/-10%)	(0.3)	0.0	(0.3)	0.3	0.0	0.3

The sensitivities are determined by conducting the measurements again using the changed parameters.

Other financial assets from earn-out agreements are classified “at fair value through profit or loss”. The fair value of these other financial assets is determined based on an income approach. It is to be categorized in level 3 of the fair value hierarchy. The measurement model is based on the planned EBITDA, the weighted average cost of capital (WACC) after tax and the repayment terms.

The determined fair value would increase (decrease) in particular if EBITDA increased (decreased). The determined fair value would decrease (increase) if the WACC after tax increased (decreased). The determined fair value would increase if the repayment were to be made two years earlier.

Reconciliation of level 3 fair values of other financial assets — EUR mn

	2019	2018
As at 01/01	2.0	5.8
Gain/loss included in financial result	0.0	(1.2)
Repayment	0.0	(0.1)
As at 30/06	**2.0**	**4.4**

A change in key input factors which cannot be observed on the market would have immaterial effects on other financial assets.

The fair values of the other financial liabilities are determined in accordance with generally accepted valuation methods based on the discounted cash flow method. The most important input factor is the discount rate, which incorporates the available market data (risk-free interest rates) and the credit standing of the Lenzing Group, which is not observable on the market. The fair values of the financial guarantee contracts represent the estimated expected default arising from the maximum possible payment obligation and the expected loss.

The Lenzing Group uses derivative financial instruments to hedge currency risks arising from the operating business. These derivative financial instruments serve to balance the variability of cash flows from future transactions. Hedges are determined in advance on the basis of the expected purchases and sales in the relevant foreign currency. The Lenzing Group generally applies the hedge accounting rules defined by IFRS 9 to these derivative financial instruments. Hedge effectiveness is measured by grouping the hedged items and hedging instruments together in at least quarterly maturity ranges for each hedged risk. The retrospective hedging effect or ineffectiveness is evaluated with the dollar-offset method, which compares the periodic changes in the fair value of the hedged items with the periodic changes in the fair value of the hedges in line with the compensation method. In hedging future cash flows in foreign currencies (cash flow hedges), the Lenzing Group typically hedges the risk up to the time of the foreign currency payment.

Derivatives are measured at fair value. Their fair value corresponds to the applicable market value, if available, or is calculated using standard methods based on the market data available at the measurement date (in particular exchange rates and interest rates). Currency and commodity forwards are measured at the respective forward rate or price at the reporting date. These forward rates or prices are based on the spot rates or prices and include forward premiums and discounts. The Group's own models are used to estimate the measurement. The measurement of derivatives also includes the counterparty risk (credit risk/counterparty risk/non-performance risk) in the form of discounts to the fair value that would be used by a market participant for pricing.

Disclosures on Related Parties and Executive Bodies

Note 7. Related party disclosures

Contractual obligations resulted in the payment or advance payment of tax allocations totaling EUR 14.0 mn to the head of the tax group in the interim reporting period (1-6/2018: EUR 17.5 mn). Moreover, the liability recognized as at December 31, 2018 for the tax allocation to the head of the tax group was essentially adjusted as at June 30, 2019 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**

	01-06/2019	01-06/2018
Goods and services provided and other income	32.6	31.4
Goods and services received and other expenses	0.3	0.4
	30/06/2019	**31/12/2018**
Receivables	15.9	13.2
Liabilities	2.8	3.9

Note 8. Executive bodies

At the Annual General Meeting on April 17, 2019, Christian Bruch and Stefan Fida were newly elected to the Supervisory Board. Hanno Bästlein and Christoph Kollatz retired from the Supervisory Board at their own request. At the subsequent constituent Supervisory Board meeting, Peter Edelmann was elected new Chairman of the Supervisory Board; Veit Sorger was elected new Deputy Chairman of the Supervisory Board of Lenzing AG.

Otherwise the composition of the Management Board and the Supervisory Board has not changed in comparison with December 31, 2018.

Other Disclosures

Note 9. Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

The Lenzing Group has entered into contingent liabilities of EUR 6.8 mn (December 31, 2018: EUR 6.1 mn), above all to secure claims related to the sale of certain equity investments and claims by suppliers, for possible default of payment on sold receivables and for claims by third parties outside the Group. Less important contingencies involve granted retentions. The reported amounts represent the maximum payment obligation from the view-point of the Lenzing Group, and there is only a limited potential for recoveries in connection with obligations and liabilities relating to the claims of certain sold equity investments.

The Lenzing Group provides committed credit lines of EUR 13.2 mn (December 31, 2018: EUR 13.2 mn) to third parties. These credit lines were not in use as at June 30, 2019.

The obligations from outstanding orders for intangible assets and property, plant and equipment amounted to EUR 71.5 mn as at June 30, 2019, (December 31, 2018: EUR 50.0 mn). The Lenzing Group has long-term purchase obligations related to raw material supplies, in particular for wood, chemicals and energy.

Note 10. Significant events after the end of the reporting period

The Lenzing Group is not aware of any significant events occuring after the reporting date June 30, 2019 which would have resulted in a different presentation of its financial position and financial performance.

Lenzing, August 5, 2019

Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky
Chief Executive Officer
Chairman of the
Management Board

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

Thomas Obendrauf
Chief Financial Officer
Member of the
Management Board

Heiko Arnold
Chief Technology Officer
Member of the
Management Board

Declaration of the Management Board

Declaration of the Management Board according to Section 125 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 Group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed 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 5, 2019
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky
Chief Executive Officer
Chairman of the
Management Board

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

Thomas Obendrauf
Chief Financial Officer
Member of the
Management Board

Heiko Arnold
Chief Technology Officer
Member of the
Management Board

Report on the Review of the condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Lenzing Aktiengesellschaft, Lenzing, for the period from 1 January 2019 to 30 June 2019. These condensed interim consolidated financial statements comprise the consolidated statement of financial position as of 30 June 2019 and the consolidated income statement, consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and consolidated statement of changes in equity for the period from 1 January 2019 to 30 June 2019 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements.

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and with the International Standard on Review Engagements (ISRE 2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and/or International Standards on Auditing 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 came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting as adopted by the EU.

Statement on the consolidated interim management report for the 6 month period ended 30 June 2019 and on management's statement in accordance with § 125 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 125 par. 1 subpar. 3 Austrian Stock Exchange Act.

Linz, August 5, 2019

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Gabriele Lehner

Austrian Chartered Accountant

Note: The condensed interim consolidated financial statements together with our review report may be published or transmitted only as agreed by us. This report is a translation of the original report in German, which is solely valid.

Financial Glossary

Adjusted equity Equity including non-current and current government grants less the proportional share of deferred taxes on these government grants.

Adjusted equity ratio Ratio of adjusted equity to total assets in percent.

CAPEX Capital expenditures; i.e. acquisition of intangible assets, property, plant and equipment as per statement of cash flows.

Earnings per share The share of net profit/loss for the year (/the period) attributable to the shareholders of Lenzing AG divided by the weighted average number of issued shares, calculated according to IFRS (IAS 33 earnings per share).

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

EBIT margin EBIT as a percent of revenue; represents the return on sales (ROS).

EBITDA (earnings before interest, tax, depreciation and amortization) Operating result before interest, tax, 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 EBITDA as a percent of revenue.

EBT (earnings before tax) 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 aggregates the equity instruments as defined by IFRS. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. This represents the funds provided to the entity by its owners.

Free cash flow Cash flow from operating activities less cash flow from investing activities and net cash inflows from the sale and disposal of subsidiaries and other business areas plus acquisition of financial assets and investments accounted for using the equity method less proceeds from the sale/repayment of financial assets and the sale of investments accounted for using the equity method. 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 statement of cash flows.

IAS Abbreviation for International Accounting Standard(s), which are internationally recognized accounting rules.

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

Liquid assets Cash and cash equivalents plus liquid securities and liquid bills of exchange.

Liquid funds Cash and cash equivalents plus current securities.

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

Net gearing Net financial debt as a percent of adjusted equity.

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

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 Trading working capital as a percent of the latest reported quarterly group revenue x 4.

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

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Imprint

Copyright and published by
Lenzing Aktiengesellschaft
4860 Lenzing, Austria
www.lenzing.com

Edited by:
Waltraud Kaserer, Daniel Winkelmeier
(Corporate Communications & Investor Relations, Lenzing AG)

Graphic design:
ElectricArts Werbeagentur GmbH

Text pages 7-17, 21-40:
Produced in-house using FIRE.sys

Photographs by:
Isaiah & Taylor Photography/Stocksy United
Peter Muller/Cultura/Getty Images
Lauren Parker/EyeEm/Getty Images
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Notes:

This English translation of the financial statements was prepared for the company's convenience only. It is a non-binding translation of the German financial statements. In the event of discrepancies between this English translation and the German original the latter shall prevail. This annual report also includes forward-looking statements based on current assumptions and estimates that are made to the best of its knowledge by Lenzing Group. Such forwardlooking statements can be identified by the use of terms such as "should", "could", "will", "estimate", "expect", "assume", "predict", "intend", "believe" or similar items. The projections that are related to the future development of the Lenzing Group represent estimates that were made on the basis of the information available as at the date on which this annual report went to press. Actual results may differ from the forecast if the assumptions underlying the forecast fail to materialize or if risks arise at a level that was not anticipated. Calculation differences may arise when rounded amounts and percen- tages are summed. The annual report was prepared with great accuracy in order to ensure that the information provided herein is correct and complete. Rounding, type-setting and printing errors can nevertheless not be completely ruled out.