Quarterly Reporting 01-06/2012

Lenzing Group

www.lenzing.com

LENZING

LEADING FIBER INNOVATION

The business and sports worlds have a lot in common – above all the understanding that success only occurs on the basis of cooperation. The right partners have to come together in order to enjoy success – but also the right skills, values and opportunities. This is only possible in an environment characterized by fairness and trust offering space for development, progress and improvements, but also for mistakes and defeats. If success is defined in this way, then one will not have success only once, but be truly “success-ful(l)”.

Key Figures

		30/06/2012	31/12/2011
Adjusted equity[1]	EUR mn	1,096.6	1,048.1
Adjusted equity in %	%	46.7	44.8
Net financial debt	EUR mn	268.0	159.1
Net debt[2]	EUR mn	356.1	245.0
Net gearing	%	24.4	15.2
Open credit lines	EUR mn	211.8	250.8
Strategic liquidity reserve[3]	EUR mn	382.8	493.8
Number of employees at period end		6,724	6,593

		1-6/2012	1-6/2011
EBITDA	EUR mn	193.6	247.8
EBITDA margin	%	18.2	23.0
EBIT	EUR mn	141.1	199.2
EBIT margin	%	13.3	18.5
Capital expenditure (intangible assets, property, plant and equipment)	EUR mn	130.0	82.1

[1)] Equity including grants less proportinally deferred taxes [2)] Including provisions for pension and serverance payments
[3)] Comprises cash and cash equivalents as well as marketable securities

Content

Team spirit.

Probably the most important ingredient for success is team spirit. Team spirit is for us more than just sitting together in the same boat. It is the shared, unequivocal passion and enthusiasm for excellence. It is the “Lenzing Spirit” that makes us so successful. Individual strengths are bundled in the team – enabling us to achieve such unique successes.

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General Market Environment

Global economy[1]

In the first half of 2012, the euro crisis continued to burden the global economy. The emerging markets were also unable to decouple themselves from this development. The International Monetary Fund (IMF) currently expects average global economic growth to reach a level of 3.5% for 2012 as a whole.

The IMF predicts average GDP growth of 1.4% for the Western industrialized nations. Signs point to a mild recession in the eurozone. According to forecasts, the economies of the eurozone countries will contract by 0.3% in 2012, with experts expecting the downturn to bottom out in the second half of the year. The upswing in the USA already lost momentum during the first half-year after lasting only a few months. Financial assistance measures fell flat and were largely ineffective in propping up the real economy.

According to IMF forecasts, the economies of the developing and emerging countries will grow by only 5.6% in 2012, and thus expand at a slower rate than in the previous year. In particular, the BRIC countries suffered from the effects of declining exports to North America and Europe in the first half of 2012. In addition, domestic demand in these markets also weakened as a consequence of restrictive lending policies and limited money supply growth. The IMF thus predicts GDP growth in China (+8.0%) and India (+6.1%) to be somewhat more moderate than originally expected, but still at a comparatively high level.

Global fiber market

The consolidation phase on the global fiber market, which was already perceptible starting in the second half of 2011, continued in the first six months of 2012, particularly in the second quarter of the year.

The main reason was the increasing slowdown of the world economy, which results in dampened private consumer spending, especially in Europe. The sovereign debt and bank crisis in Europe and the weakened economic growth in the USA led to a slackening of textile exports from the emerging markets to the Western industrialized countries. Accordingly, Chinese textile exports in the first five months of 2012 only nominally climbed by about two percent[2] from to the prior-year period compared to double-digit growth rates in past years. Adjusted for inflation, Chinese textile exports even decreased in the first half of 2012. Domestic consumption in China and other Asian emerging markets also tended to be weaker than in the recent past and could not compensate for this decline in demand. The impact of China's still restrictive monetary policies was clearly felt. Ultimately the weak development in China increasingly affected the entire global fiber market in the course of the first half-year 2012.

On the supply side, the market was provided with an adequate supply of fibers for the textile and nonwovens industry. The cotton price as an important benchmark for all fibers continued to develop weakly in past months, whereas cotton inventories remained high. The Cotton A-Index fell from 96.7 US cents/lb at the beginning of the year and the level of 100.8 US cents/lb

1) See International Monetary Fund, World Economic Outlook Update, July 2012 2) Xinhua, June 30, 2012

still prevailing at the end of April 2012 to 80.3 US cents/lb as at the end of June 2012. However, an end to the downward trend and price stabilization became evident in July 2012.

Many Chinese viscose fiber manufacturers had to reduce production volumes in the first six months of 2012. The viscose fiber spot market price in China, the world's largest fiber market, moved slightly further downwards in the first half of 2012, in line with the general market trend but showed less volatility than cotton. At the beginning of the year the price for a kilogram of standard viscose fibers in China was 15,850 Yuan (16,260 Yuan at the end of April), dropping to 14,600 Yuan at the middle of the year. Thus the price decline of 7.8% in the first half of 2012 was much less pronounced than the comparable drop in cotton prices, which fell by about 17% in the same period.[1] Prices for standard polyester fibers in Asia were also down by about 16%[2] in this time. Despite a stabilization in July (July 31, 2012: cotton at 83.5 US cents/lb, spot prices for viscose fibers at 15,150 Yuan per kilogram), there is no evidence indicating a reversal of the current trend on the fiber market during the third quarter of this year.

Development of the Lenzing Group

The Lenzing Group performed well in this difficult market environment. The company fully achieved its ambitious business targets, both in the first as well as in the second quarter of 2012. However, as expected, the absolute record levels generated in the first half of 2011 against the backdrop of a strongly overheated market situation were not reached again due to the changed market conditions.

Consolidated sales in the first half-year 2012 amounted to EUR 1,061.8 mn, a largely stable development comprising a drop of 1.3% from EUR 1,076.2 mn in the previous year. In spite of the lower average fiber prices, this success was due to the higher fiber shipment volumes related to the recently implemented capacity expansion measures for Lenzing Viscose® and Lenzing Modal® fibers. Accordingly, in the first half of 2012, close to 390,000 tons were sold, whereas the comparable volume in the prior-year period was almost 345,000 tons. The guidance of 197,000 tons for the second quarter of 2012 was even slightly exceeded, with sales reaching more than 199,000 tons.

Consolidated EBITDA (earnings before interest, tax, depreciation and amortization) in the first half of 2012 totaled EUR 193.6 mn, down from the all-time high of EUR 247.8 mn in the first six months of 2011. This figure comprised a decline of 21.9% from the previous year and corresponded to the published guidance. The EBITDA margin continued to be at an attractive level of 18.2% (H1 2011: 23.0%).

EBIT (earnings before interest and tax) in the first half-year 2012 amounted to EUR 141.1 mn, a drop of 29.2% from the EBIT of EUR 199.2 mn generated in the first six months of 2011. This corresponded to an EBIT margin of 13.3% (H1 2011: 18.5%). The slightly more pronounced decrease in EBIT in percentage terms in comparison to EBITDA is due to the increased amortization of intangible assets and depreciation of property, plant and equipment within the context of the enhanced investment activity.

Thus the EBITDA and EBIT margins in the first half of 2012 were at about the same level as in the 2010 financial year which was a top performance year in a comparison of the last ten years.

[1] Cotton A-Index at the beginning of 2012: 96.7 US cents/lb; June 29, 2012: 80.3 US cents/lb [2] PCI

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The cost of material and other purchased services increased at a disproportionately low rate in spite of the higher fiber shipment volumes, rising by only 2.5% to EUR 644.5 mn from EUR 628.8 mn in the first half of 2011. This development can be attributed particularly to the lower pulp prices compared to the prior-year period.

Personnel expenditures were up 10.5% to EUR 151.7 mn from EUR 137.3 mn in the first half of 2011. This primarily reflects the 6.3% year-on-year rise in the number of people employed by the Lenzing Group, especially as a consequence of the ongoing capacity expansion in China, as well as salary rises mainly caused by the extremely high increases stipulated by the latest collective wage agreement in Austria.

The current capacity expansion investments led to a 7.5% increase in the amortization of intangible assets and depreciation of property, plant and equipment to EUR 54.3 mn, from EUR 50.5 mn in the first half of 2011. Other operating expenses could be reduced by EUR 5.0 mn year-on-year to EUR 110.6 mn. At the same time, other operating income also fell by EUR 7.6 mn to EUR 19.4 mn.

The financial result in the first half of 2012 improved by EUR 1.7 mn to minus EUR 4.9 mn, which is due to the more favorable financing structure and the ongoing high self-financing strength of the Group. EBT (earnings before tax) amounted to EUR 138.2 mn, down 26.4% from EUR 187.7 mn in the prior year.

After taking account of the income tax totaling EUR 38.1 mn (H1 2011: EUR 42.5 mn), the profit for the period of the Lenzing Group was EUR 100.1 mn (H1 2011: EUR 145.3 mn) in the first half of 2012. This corresponds to a decrease of 31.1% from the record half-year results posted in 2011 but is significantly higher than the comparable profit for the period of EUR 80.4 mn in the first half of 2010.

Earnings per share in the first half of 2012 amounted to EUR 3.66[1], following EUR 5.39 in the first half-year 2011[2].

Investments in intangible assets and property, plant and equipment totaled EUR 130.0 mn in the first half of 2012, compared to EUR 82.1 mn in the prior-year period. The investment focus was on construction of the fifth fiber production line at the Indonesian subsidiary PT. South Pacific Viscose (SPV), the expansion of TENCEL® production capacities in the USA, the remodeling and expansion of the Paskov pulp plant and as well as infrastructure investments at the Lenzing site.

Sound balance sheet

Group equity rose by 4.7% as at June 2012 to EUR 1,072.1 mn (December 31, 2011: EUR 1,023.7 mn). Adjusted equity[3] climbed by 4.6% to EUR 1,096.6 mn (December 31, 2011: EUR 1,048.1 mn). Non-current liabilities were down to EUR 720.5 mn (December 31, 2011: EUR 734.3 mn). Net financial debt amounted to EUR 268.0 mn in the middle of 2012 (December 31, 2011: EUR 159.1 mn), corresponding to a net gearing of 24.4% (December 31, 2011: 15.2%). In particular, the distribution of the dividend to shareholders of Lenzing AG (EUR 66.4 mn) and a tax prepayment of EUR 42.5 mn in Austria were responsible for the higher net financial debt.

[1] Weighted number of shares: 26,550,000 [2] Weighted number of shares: 25,766,250 [3] Incl. investment grants, less prop. deferred taxes

The strategic liquidity reserve[1] in the middle of 2012 declined to EUR 382.8 mn (December 31, 2011: EUR 493.8 mn). This was due to the above-mentioned dividend and tax payments. At the middle of 2012 the Lenzing Group also had unused lines of credit at its disposal to the amount of more than EUR 211.8 mn.

At the end of the first half-year 2012, the Lenzing Group employed a staff of 6,724 people, a rise of 6.3% from the level of 6,323 employees as at June 30, 2011.

Second quarter exactly as expected

The development of Lenzing's business in the second quarter of 2012 corresponded precisely to expectations, and showed a slight upward trend compared to the first quarter of 2012. Whereas consolidated quarterly sales rose only slightly (from EUR 528.2 mn in Q1 2012 to EUR 533.6 mn in Q2 2012), EBITDA rose by 8% (from EUR 93.1 mn in Q1 2012 to EUR 100.6 mn in Q2 2012), comprising an improvement of the EBITDA margin in Q2 2012 to 18.8% (Q1 2012: 17.6%). The EBIT margin could also be increased in the second quarter to 13.8%, up from 12.7% in Q1 2012. The profit for the period of the Lenzing Group amounted to EUR 51.7 mn in the second quarter of 2012, an increase of 6.8% from the profit of EUR 48.4 mn in the first quarter of the year. In the light of a largely unchanged average fiber selling price of EUR 2.04 in Q2 2012 (Q1 2012: EUR 2.03), Lenzing was able to benefit from an improved cost base.

Segment Reporting

Segment Fibers

In the first half of 2012, Lenzing succeeded in quantitatively compensating for the general market weakness and achieved a new record level of fiber shipment volumes. However, the Lenzing Group could only avoid the negative effects of the considerably less favorable price development on the fiber market with respect to TENCEL®. Nevertheless, earnings in the core segment of Lenzing were quite satisfactory thanks to the high share of specialty products and the successful differentiation from the competition.

Segment sales in the first six months of 2012 amounted to EUR 955.9 mn (H1 2011: EUR 967.9 mn). This represented a slight decline of 1.2%. The EBITDA margin of the segment was 19.1% higher than the average for the Lenzing Group. Segment EBITDA in the first half-year 2012 amounted to EUR 182.9 mn, down 22.4% from the prior-year level of EUR 235.8 mn. The half-year segment EBIT totaled EUR 132.6 mn, a drop of 30.2% from the comparable figure of EUR 189.9 mn in the first half of 2011.

Business development in the Segment Fibers was characterized by the ongoing strong demand for Lenzing fibers, however at partially unsatisfactory price levels from which premium suppliers such as Lenzing were not able to fully decouple themselves. The average fiber selling prices of the Lenzing Group equaled EUR 2.03 per kilogram in the first half of 2012. This represents a decrease of about 12% from the very strong first half of 2011 with all-time high prices in the entire fiber industry and a drop of about 5% compared to the second half of 2011. Thus once again the development

[1]) Encompasses cash and cash equivalents and liquid securities

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of average selling prices for Lenzing fibers showed a less pronounced downward trend than spot market prices for viscose fibers in China and a decoupling from the high volatility of cotton prices.

Capacities of all fiber production facilities in the Lenzing Group were fully utilized in the first half of 2012, with inventories remaining at a low level in the middle of the year. The entire fiber sales of the Lenzing Group rose to about 390,000 tons in the first half-year 2012, an increase of approximately 13% compared to the first half of 2011.

The second expansion stage at the manufacturing plant in Nanjing (China) initiated in the previous year was marked by the successful and gradual ramping up of production. For the first time, nonwoven fibers were also produced at this facility. At the Mobile, Alabama (USA) plant, the expansion drive designed to boost production capacity of TENCEL® fibers from 40,000 to 50,000 tons p.a. was successfully concluded. Production is being ramped up at the present time. The construction of the fifth production line at PT. South Pacific Viscose (SPV) in Indonesia is proceeding on schedule. From today's perspective the new facility will be put into operation in the fourth quarter of this year. It will enable the nominal production capacity of viscose fibers at SPV to be increased from 240,000 tons at present to 320,000 tons p.a. In India, authorities have already indicated that they will officially grant the required environmental permits for the planned viscose fiber factory (80,000 tons p.a.). Grading and leveling work has begun on the grounds of the new plant.

At the beginning of June 2012 the licensing and authorization process for construction of the first TENCEL® production plant at the Lenzing site was successfully completed. Shortly afterwards, construction work commenced on the project scheduled to last for about 24 months. Starting in the middle of 2014 the first TENCEL® fibers should be produced at the new facility. The new production line will boast an annual nominal capacity of about 60,000 tons of TENCEL® fibers, about three times the capacity of existing TENCEL® production lines. Expenditures on the project are expected to amount to about EUR 130 mn (excluding infrastructure investments). 110 additional highly qualified jobs will be created in Lenzing by the new TENCEL® plant.

Business Unit Textile Fibers

The Business Unit Textile Fibers registered an ongoing strong demand in all markets during the first half of 2012. As expected, average selling prices of the Business Unit Textile Fibers were at a lower level in the first half of 2012, at EUR 2.11 per kilogram, down by 12% from EUR 2.41 per kilogram in the first half of 2011. In contrast to the general market trend, the Business Unit Textile Fibers succeeded in keeping average prices stable in the second quarter compared to the first quarter of 2012.

Textile demand for TENCEL® fibers developed particularly gratifyingly. Demand for TENCEL® fibers is currently very strong, especially for soft denim applications, sportswear and home textiles. Prices and sales volumes of this specialty fiber were completely unaffected by the weak market situation in the first half of 2012.

In the first half of 2012, Lenzing Modal® sales volumes did not meet up to Lenzing's ambitious expectations. This development was counteracted by intensified marketing measures. In particular, Lenzing promoted sales of MicroModal®. However, Lenzing Modal® was more strongly impacted by the price decline for cotton than other specialty fibers in the Lenzing Group due to the high share of cotton/Modal mixtures. The historically high price premium of Lenzing

Modal® vis-à-vis cotton in the previous year was continually reduced in the first half of 2012. In the meantime, it is back within the historically traditional range of 40 – 50%. Nevertheless, the company managed to achieve a very satisfactory business development with Lenzing Modal® in the first half of 2012. The flame-resistant fiber Lenzing FR® achieved good success with protective clothing for industrial purposes in Europe and Asia, whereas demand in the military sector was extremely restrained.

Business Unit Nonwoven Fibers

The global nonwovens fiber market featured declining cotton and polyester fiber prices, falling pulp prices and tough competition in the first half of 2012. Newly installed production capacities in Europe for wipes ended up leading to overcapacity. In contrast, the market in the USA showed itself to be stable, and the nonwovens sector in Asia, particularly in China, continues to clearly be on a growth path.

Lenzing succeeded in further increasing sales volumes for nonwovens in the first half-year 2012 compared to the previous year, although it was not immune to the overall market trend for viscose fibers with respect to price levels. Average selling prices declined by about 16% from the record prices achieved in the first half of 2011 and were about 8% lower than in the second half of 2011, currently hovering at EUR 1.84 per kilogram. The price situation remained de facto unchanged (on a Euro basis) in the second quarter of 2012 compared to the first quarter of the year.

Business Units Pulp and Energy

The Business Unit Pulp showed a stable development in the first half of 2012.

The availability of wood for pulp production was very good throughout the entire first half-year 2012. However, wood purchasing prices remained at a high level. In order to ensure an ongoing adequate wood supply, the radius for procuring wood has been extended up to 800 kilometers from the Lenzing site.

Pulp production at the Lenzing site was in full swing, and new record production levels were reached. The remodeling and conversion of the pulp plant Biocel Paskov (Czech Republic) to a swing capacity plant capable of producing both paper and dissolving pulp are proceeding on schedule. Some 115,000 tons of dissolving pulp are expected to be manufactured in Paskov already in 2012.

In addition to Lenzing's own production at the Lenzing and Paskov plants, the Business Unit Pulp also ensures the raw material supply on the basis of long-term delivery contracts concluded with external suppliers. In July Lenzing signed a further multi-year pulp delivery contract with Sappi, the world's largest producer of dissolving pulp, at terms and conditions comparable to past agreements. The contract is related to the construction of new dissolving pulp capacities on the part of Sappi. For the Lenzing Group the agreement comprises a further safeguarding of its external raw material supply in the coming years.

In the first half of 2012, the Business Unit Energy profited from the lower energy purchase prices for natural gas and crude oil. The Lenzing Group also managed to achieve positive cost effects with respect to electricity in the first half-year. This can be attributed to lower electricity

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prices against the backdrop of reduced electricity consumption triggered by various energy efficiency programs.

Outlook Segment Fibers

On the supply side, the global fiber market is adequately provided for in the second half of 2012. In the light of sluggish private consumption, the textile pipeline is ensuring that inventories remain low. Cotton prices, an important benchmark for all fibers, remained stable at the beginning of the third quarter of 2012, and price quotes were above the lowest levels reached in the first half-year. No major change in the business environment for the fiber industry is expected in the third quarter of 2012 due to extended holiday shutdowns by Lenzing customers in Europe and the fasting month of Ramadan, which this year already takes place in July and August. Thus increased demand and perspectives for more favorable fiber prices would first be possible starting in the fourth quarter of 2012. However, it is more likely that the current consolidation phase in the global fiber industry will continue as a consequence of the high cotton inventories and the weak economic forecasts for the second half of 2012.

As a quality and innovation leader, Lenzing counteracts market conditions in the textile segment on the basis of intensive marketing and product developments. Thus the company also expects full utilization of its fiber and pulp production capacities in the second half of 2012. However, from today's perspective prices are likely to remain at an unsatisfactory level.

The strong competitive pressure in the nonwovens business is expected to continue in the second half-year 2012. Substantial market impetus, especially for hygienic products, will likely be provided in 2013 at the earliest thanks to the coming on stream of new processing capacities.

On balance, the season-related somewhat weaker business development in the third quarter compared to the second quarter of the year is expected in Lenzing's core fiber segment in 2012. However, the long-term prospects in the core fiber business remain positive, which is why Lenzing will continue to implement its production capacity expansion program for fibers and pulp and pursue an intentionally anti-cyclical investment policy, as it already did in the past.

A sufficient supply of pulp and energy for the Lenzing Group has been secured for the second half of 2012 and beyond. Prices for dissolving pulp as well as for energy (natural gas, crude oil, electricity) should remain at the current level or even decline slightly during the rest of the year.

Segments Plastics Products and Engineering

The Segment Plastics Products continued to develop positively in the first half of 2012. However, the high raw material costs had an adverse effect on earnings. Demand from the construction industry was particularly gratifying. The thermoplastics business area reported market successes relating to its high-tech multi-layer laminate for the cladding of ventilation ducts (Lenzing Jacketing) as well as laminated films for insulating materials. Good sales figures were achieved In the PTFE[1] business with yarns for compression packings used in pumps.

Sales of spundyed acrylic fibers for awning fabrics declined sharply due to the weak economy in the USA and Europe. Fibers for car tops sold well.

[1] Polytetrafluoroethylene

The carbon fiber business in Europe was characterized by low capacity utilization and continued to be under pressure. Lenzing is evaluating all strategic options for the future of its joint venture EPG (European Precursor GmbH) in the field of carbon fiber precursors.

On balance, satisfactory results were posted in the Segment Plastics Products in the first half of 2012.

Segment sales in the first six months of 2012 amounted to EUR 86.9 mn, down 5.7% from the comparable level of EUR 92.2 mn in the first six months of 2011. EBITDA of the Segment Plastics Products declined slightly to EUR 7.8 mn in the first half of 2012 from EUR 8.7 mn in the previous year. EBIT totaled EUR 4.9 mn compared to EUR 5.3 mn in the first half of 2011.

In the Segment Engineering the order intake was at a high level in the first half of the year. In the field of fiber and pulp technology the Segment Engineering profited from the extensive investment activity on the part of the Lenzing Group. However, a slight weakening in the volume of incoming orders from the construction and automobile industries was perceptible in other areas such as sheet metal technology.

The Segment Engineering generated sales of EUR 58.3 mn in the first half of 2012, up from EUR 53.7 mn in the prior-year period. Segment EBITDA amounted to EUR 4.1 mn (H1 2011: EUR 4.9 mn), and segment EBIT totaled EUR 3.3 mn (H1 2011: EUR 4.2 mn).

Outlook Segments Plastics Products and Engineering

A consistent development of the business is expected in both segments in the current financial year.

Lenzing Share

The Lenzing share concluded the first half-year of trading in 2012 (June 30, 2012) at a price of EUR 65.00 per share. This corresponds to a rise in value of about 1.7% compared to the share price of EUR 63.94 on the final day of trading in 2011. The Lenzing share reached its peak value in the first half-year on March 19, 2012 when it was traded at EUR 87.00, and the high for the second quarter was EUR 82.99 on April 3, 2012.

With this performance in the first half of 2012, the Lenzing share developed in line with the Vienna Stock Exchange. The Vienna benchmark index ATX started the year at 1,941.03 points and closed at 1,975.35 points at the end of June 2012, comprising a gain in value of 1.8%.

For the seventh successive year the Lenzing share was accepted for listing in VÖNIX, the Sustainability Index of the Vienna Stock Exchange, and is also ranked among the top five of the 21 companies included in the index.

In April 2012 Kepler Capital Markets initiated its regular analysis of Lenzing AG. Analysts of Deutsche Bank, Morgan Stanley, Erste Bank, Raiffeisen Centrobank and the Bank of America/ Merrill Lynch have covered Lenzing AG since its Re-IPO in the year 2011.

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Outlook for the Lenzing Group

A continuation of the consolidation phase in the global fiber industry is expected in the second half of 2012. The textile pipeline is well filled due to the limited dynamics provided by private consumption in the industrialized countries. As a consequence, the quick reduction of cotton inventories which are currently at a disproportionately high level will likely take longer than expected. Moreover, there are still uncertainties with respect to the volume and quality of the coming cotton harvest, which is related to the extreme drought in the USA and other potentially capricious weather conditions.

Hopes of a market upturn as of the middle of the year have not been fulfilled. We expect global fiber prices to decline slightly in the third quarter of 2012. Accordingly, the average selling prices for Lenzing fibers should be lower in the third quarter than in the second quarter, and end up ranging between EUR 1.95 and EUR 2.0 per kilogram.

The Lenzing Group has correspondingly adapted its outlook for the entire year 2012 in the light of the fact that business is no longer expected to develop in a mirror-inverted manner compared to 2012. From today's perspective consolidated sales will likely be at approximately the prior-year level and amount to EUR 2.1 to 2.15 bn. Fiber shipment volumes are expected to reach about 810,000 tons, corresponding to a considerable rise of 14%. On the basis of the early completion of the new fifth production line at its Indonesian subsidiary SPV, Lenzing is confident of already achieving initial sales revenue from this new production facility in the fourth quarter of 2012. Additional fiber volumes will also be derived from the plant optimization program and expansion of the TENCEL® site in Mobile/Alabama (USA).

As a consequence of this ongoing dynamic development, Lenzing now forecasts a new EBITDA range of between EUR 350 mn and EUR 400 mn (previous guidance: EUR 400 – 480 mn). In addition, Lenzing expects EBIT in 2012 to be within a range of EUR 240 – 290 mn (previous guidance: EUR 285 – 365 mn). Capital expenditure in 2012 will likely total approximately EUR 325 mn.

The overall global economic development could have both positive and negative effects on the company's business in the second half of the year. Furthermore, expectations relating to the upcoming cotton harvest in the upcoming 2012/13 cotton crop year comprise an important but still unclear factor impacting further market development. The long-term trend towards man-made cellulose fibers remains intact. This has been underlined by the nascent rally in agricultural raw material prices since June 2012 as well as the recent stable cotton price level which is significantly higher than in past years despite the temporary surplus in the cotton supply. The Lenzing Group is very well prepared to meet these challenges. For this reason, Lenzing will remain committed to its growth path for the coming years.

Risk Report

According to the July forecast of the IMF, global economic growth in the second half of the year will be weaker than expected, both in the industrialized nations as well as in the emerging markets. Compared to the last outlook published in April, global economic growth rates for 2012 have been revised downwards by 0.1 percentage points to 3.5%. Worldwide GDP is expected to increase by 3.9% in 2013, thus 0.2 percentage points below the last forecast.

The debt situation in Europe and on financial markets has further deteriorated since the end of 2011. However, the IMF outlook only presupposes a slight setback. The economic situation in the eurozone should even improve slightly in the future assuming that the recent political decisions are determinedly implemented. The potentially weaker growth afflicting the emerging markets could have an impact on global economic expansion.

The cotton price, the benchmark for all fiber markets, fell by 20% in the second quarter of 2012 to 80.3 US cents/lb (from 100.8 US cents/lb). This development reflects the uncertainty of the markets, an increased "stock-to-use-ratio" of about 64 – 66% (compared to the longstanding average of 48%) and speculation on the markets at the turn of the year 2011/12. At the same time, the Chinese spot market price for viscose staple fibers (VSF) decreased by only 7.8% in the first half of 2012, from 15,850 Yuan to 14,600 Yuan, which indicates a much less volatile market environment. As expected, uncertainties relating to climatic factors as well as macroeconomic developments will also affect the cotton and viscose fiber prices in the second half of the year.

The ratio of supply to demand on the world's pulp markets has further improved and has led to slight price reductions (the price for dissolving pulp is currently at approximately USD 1,000 per ton).

With the exception of caustic soda, prices of key chemicals used in the production process are stabilizing, which is attributable to weaker worldwide demand at a low level. Global energy prices as well as gas prices in the USA and Great Britain have also stabilized at a low level in recent months.

General risks such as natural catastrophes, fire hazards or the risk of explosions, environmental damage and product liability risks continue to be potential causes of extensive damage to the Group. However, the assessment of these risks remains unchanged. There were no significant events which took place in this regard during the first half of 2012.

With respect to the large-scale expansion projects, no notable negative developments took place with the exception of the delay in construction of the first viscose production line in India, which is related to the written approval of environmental authorities which is still outstanding.

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Major Related Party Transactions

In this regard we refer to Note 10 of the selected explanatory notes to the condensed interim financial statements of this report on the first half of 2012.

Significant Events after the End of the Interim Reporting Period

There were no material events for the Lenzing Group requiring disclosure after the reporting date of June 30, 2012 which would change the presentation of the assets, liabilities, financial position and profit or loss of the company (in this regard we refer to Note 13 of the selected explanatory notes to the condensed interim financial statements).

Lenzing, August 20, 2012

The Management Board

Peter Untersperger

Friedrich Weninger

Thomas G. Winkler

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1, 2012 TO JUNE 30, 2012 · Lenzing Group

Strategic thinking.

At Lenzing we consider success to be less the result of thinking about something but about thinking ahead. For example, we confronted the issue of sustainability long before other companies even recognized its importance. Today it is the foundation for our success. That is why we at Lenzing plan every move in a good and very careful manner, and then implement it with all our strength and energy – for example our expansion strategy, which will raise our annual capacity from 770,000 tons in 2011 to 1.2 million tons in 2015. However, despite all the planning we do we are always good for surprises. Because if you really want to come in first, you have to above all be the first one to think.

Interim Financial Statements (Condensed) as at June 30, 2012

Content

Lenzing AG

Consolidated Income Statement

for the period from January 1 to June 30, 2012

EUR mn

Continuing operations	Note	4-6/2012	4-6/2011	1-6/2012	1-6/2011
Sales	(3,4)	533.6	544.1	1,061.8	1,076.2
Changes in inventories of finished goods and work in progress		(0.7)	9.1	3.2	11.6
Work performed by the Group and capitalized		14.5	9.1	17.7	16.6
Other operating income		8.8	16.1	19.4	27.0
Cost of material and purchased services	(4)	(326.2)	(324.3)	(644.5)	(628.8)
Personnel expenses	(4)	(76.3)	(68.5)	(151.7)	(137.3)
Amortization of intangible assets and depreciation of property, plant and equipment	(4)	(27.5)	(25.4)	(54.3)	(50.5)
Other operating expenses	(4)	(52.3)	(51.8)	(110.6)	(115.6)
Income from operations (EBIT)		**73.9**	**108.5**	**141.1**	**199.2**
Income from investments in associates		1.4	1.5	2.8	2.5
Other investment income		2.5	1.0	3.4	1.6
Financing costs	(4)	(7.2)	(5.4)	(11.1)	(10.6)
Financial result		**(3.3)**	**(3.0)**	**(4.9)**	**(6.6)**
Allocation of profit or loss to puttable non-controlling interests		1.1	(2.5)	2.1	(4.9)
Income before tax (EBT)		**71.6**	**103.0**	**138.2**	**187.7**
Income tax		(20.0)	(24.6)	(38.1)	(42.5)
Profit for the period after taxes from continuing operations		**51.7**	**78.4**	**100.1**	**145.3**
Discontinued operations					
Result from discontinued operations		0.0	0.0	0.0	0.0
Profit for the period after taxes from continuing operations		**51.7**	**78.4**	**100.1**	**145.3**
Attributable to shareholders of Lenzing AG		50.0	76.4	97.1	139.0
Attributable to non-controlling interests		1.6	2.0	3.0	6.3
Earnings per share		**EUR**	**EUR**	**EUR**	**EUR**
From continuing operations and discontinued operations		1.89	2.96	3.66	5.39
From continuing operations		1.89	2.96	3.66	5.39

Interim Financial Statements (Condensed) as at June 30, 2012

Lenzing AG

Consolidated Statement of Comprehensive Income

for the period from January 1 to June 30, 2012

EUR mn

	Note	4-6/2012	4-6/2011	1-6/2012	1-6/2011
Profit for the period		**51.7**	**78.4**	**100.1**	**145.3**
Positions never will be recognized in profit and loss					
Actuarial gains/(losses) on defined benefit plans		0.0	0.0	0.0	0.0
Share of other comprehensive income of associates		0.0	0.0	0.0	0.0
Income tax relating to components of other comprehensive income		0.0	0.0	0.0	0.0
		0.0	**0.0**	**0.0**	**0.0**
Positions which may be recognized in profit and loss					
Exchange differences arising during the period	(5)	20.2	(4.5)	12.4	(22.9)
Net result on revaluation of available-for-sale financial assets during the period		0.0	0.0	0.1	(0.7)
Gains/losses from the valuation of cash flow hedges arising during the period	(5)	(9.6)	(6.2)	0.9	(3.9)
Reclassification adjustments for amounts from cash flow hedges recognized in profit or loss		0.9	3.4	7.1	6.6
Share of other comprehensive income of associates		0.0	0.0	0.0	0.0
Income tax relating to components of other comprehensive income		2.0	0.6	(1.9)	(0.5)
		13.4	**(6.8)**	**18.6**	**(21.3)**
Other comprehensive income for the period - net of tax		**13.4**	**(6.8)**	**18.6**	**(21.3)**
Total comprehensive income for the period		**65.1**	**71.6**	**118.7**	**124.0**
Attributable to shareholders of Lenzing AG		63.5	69.6	114.6	118.0
Attributable to non-controlling interests		1.6	2.0	4.1	5.9

Lenzing AG

Consolidated Statement of Financial Position as at June 30, 2012

Assets

EUR mn

	Note	30/06/2012	31/12/2011
Intangible assets	(5)	92.0	90.1
Property. plant and equipment	(5)	1,177.4	1,091.7
Investments in associates		33.1	30.3
Other financial assets	(5)	57.1	93.6
Deferred tax assets		7.4	10.8
Other non-current assets		10.8	9.3
Non-current assets		**1,377.8**	**1,325.8**
Inventories	(5)	310.9	284.6
Trade receivables	(5)	247.1	236.8
Current taxes		10.6	11.7
Other receivables and assets		58.9	64.4
Investments		0.0	6.7
Cash and cash equivalents	(6)	341.6	410.5
Current assets		**969.2**	**1,014.7**
Total assets		**2,347.0**	**2,340.5**

Equity and Liabilities

EUR mn

		30/06/2012	31/12/2011
Common stock		27.6	27.6
Capital reserves		133.9	133.9
Retained earnings		876.4	828.2
Share of shareholders of Lenzing AG		**1,037.9**	**989.7**
Non-controlling interests		34.2	34.0
Equity	**(5)**	**1,072.1**	**1,023.7**
Government grants		21.6	23.1
Bonds. bank loans	(5)	465.4	488.5
Other loans	(5)	26.3	30.0
Trade payables		0.1	0.0
Deferred taxes liabilities		30.8	28.2
Provisions	(5)	125.5	112.9
Puttable non-controlling interests		30.7	32.1
Other liabilities		20.1	19.6
Non-current liabilities		**720.5**	**734.3**
Government grants		9.9	8.2
Bank loans	(5)	138.5	122.6
Other loans	(5)	20.5	11.8
Trade payables		162.5	148.5
Income tax liabilities		35.8	74.9
Provisions	(5)	123.5	144.5
Puttable non-controlling interests		1.6	1.8
Other liabilities		62.0	70.2
Current liabilities		**554.4**	**582.4**
Total equity and liabilities		**2,347.0**	**2,340.5**

Interim Financial Statements (Condensed) as at June 30, 2012

Lenzing AG

Consolidated Statement of Changes in Equity

for the period from January 1 to June 30, 2012

	Common stock	Capital reserves	Foreign currency translation reserve
Balance as at 1 January 2011	**26.7**	**63.6**	**(0.6)**
Profit for the period	0.0	0.0	0.0
Other comprehensive income for the period - net of tax	0.0	0.0	(22.3)
Total comprehensive income for the period	**0.0**	**0.0**	**(22.3)**
Change in scope of consolidation and other changes	0.0	0.0	0.0
Increase in capital	0.9	70.2	0.0
Dividends	0.0	0.0	0.0
Balance as at 30 June 2011	**27.6**	**133.8**	**(22.9)**
Balance as at 1 January 2012	**27.6**	**133.9**	**16.3**
Profit for the period	0.0	0.0	0.0
Other comprehensive income for the period - net of tax	0.0	0.0	11.6
Total comprehensive income for the period	**0.0**	**0.0**	**11.6**
Increase in capital	0.0	0.0	0.0
Change in scope of consolidation and other changes	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Balance as at 30 June 2012	**27.6**	**133.9**	**28.0**

see note 5.

Profit Reserves

EUR mn

Available-for-sale financial assets	Cash flow hedging reserve	Actuarial gains/ (losses) on benefit plans	Retained earnings	Equity attributable to shareholder of Lenzing AG	Non-controlling Interests	Total equity
(0.1)	1.5	(11.6)	624.3	703.9	28.1	732.0
0.0	0.0	0.0	139.0	139.0	6.3	145.3
(0.5)	1.9	0.0	0.0	(20.9)	(0.4)	(21.3)
(0.5)	1.9	0.0	139.0	118.0	5.9	124.0
0.0	0.0	0.0	0.0	0.0	(0.8)	(0.8)
0.0	0.0	0.0	0.0	71.0	0.0	71.0
0.0	0.0	0.0	(39.9)	(39.9)	(1.5)	(41.4)
(0.6)	3.4	(11.6)	723.4	853.1	31.7	884.8
0.6	(16.4)	(15.3)	842.9	989.7	34.0	1,023.7
0.0	0.0	0.0	97.1	97.1	3.0	100.1
0.1	5.7	0.0	0.0	17.4	1.1	18.6
0.1	5.7	0.0	97.1	114.6	4.1	118.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	(66.4)	(66.4)	(3.9)	(70.3)
0.7	(10.6)	(15.3)	873.7	1,037.9	34.2	1,072.1

Interim Financial Statements (Condensed) as at June 30, 2012

Lenzing AG

Consolidated Cash Flow Statement (Condensed)

for the period from January 1 to June 30, 2012

EUR mn

	Note	1-6/2012	1-6/2011
Gross cash flow	(6)	114.2	218.7
+/- Change in working capital		(22.5)	(31.9)
Operating cash flow		**91.7**	**186.8**
- Acquisition of non-current assets		(130.1)	(85.6)
+ Proceeds from the disposal/ repayment of non-current assets		36.6	0.6
Net cash used in investing activities	**(6)**	**(93.5)**	**(85.0)**
+ Capital increase		0.0	71.0
+ Payments of puttable non-controlling interests		0.0	1.5
- Dividends paid to shareholders		(70.3)	(41.4)
+ Government grants		0.6	2.0
+ Receipts from financing activities/ - repayment of loans		(6.8)	10.8
Net cash used in (-)/ generated by (+) financing activities	**(6)**	**(76.5)**	**43.9**
Change in cash and cash equivalents total		**(78.3)**	**145.8**
Cash and cash equivalents at beginning of the year		417.3	254.5
Currency translation adjustment relating to cash and cash equivalents		2.6	(5.7)
Cash and cash equivalents at the end of the reporting period[1]		**341.6**	**394.6**

1) Comprises only cash and cash equivalents. The non-current marketable securities in the amount of EUR 41.2 mn as at 30 June, 2012 (December 31, 2011: EUR 76.5 mn) are not included.

Lenzing AG

Selected Explanatory Notes

to the Condensed Consolidated Interim Financial Statements as at June 30, 2012

Note 1

Description of the company and its business operations

The Lenzing Group ("the Group") consists of Lenzing Aktiengesellschaft (Lenzing AG) and its subsidiaries. Lenzing AG is a public corporation under Austrian law and has its registered office at 4860 Lenzing, Austria. The company is entered in the commercial register with the Commercial and Regional Court of Wels under the registration number FN 96499 k. The official seat of the company is 4860 Lenzing, Werkstrasse 2, Austria.

As at June 30, 2012, the majority shareholder of Lenzing AG is the B & C Group, which holds, directly or indirectly, 67.6% (December 31, 2011: 67.6%) of Lenzing AG's share capital. The consolidated financial statements, which are publicly accessible and in which Lenzing and its subsidiaries are included, is prepared by B & C Industrieholding GmbH for the largest group of firms in the Group. The ultimate parent company of B & C Industrieholding GmbH, and thus the company, is B & C Privatstiftung.

The Group's main activities are the production of fiber and pulp as well as its business in engineering and plastics processing. It operates production sites in Austria, China, the Czech Republic, Germany, Great Britain, Indonesia and the USA. The global sales network includes trading companies in Shanghai and Hong Kong as well as sales offices in New York and Coimbatore.

Note 2

Accounting policies and valuation methods used in preparing the consolidated interim financial statements

Presentation of the consolidated interim financial statements

The consolidated interim financial statements of the Lenzing Group for the period from January 1, 2012 to June 30, 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union, and which were mandatory at the time of preparation.

In particular, IAS 34 Interim Financial Reporting was applied. In accordance with IAS 34, the consolidated interim financial statements are condensed and thus do not provide all the information requiring disclosure in the complete annual financial statements. The consolidated financial statements of the Lenzing Group as at December 31, 2011 provide the basis for these consolidated interim financial statements as at June 30, 2012, and should be read along with them.

The financial statements are presented in euro (EUR) which is the functional currency of Lenzing AG and most of its subsidiaries. The figures provided in the financial statements and in these notes are rounded to the nearest million (“mn”), unless specified otherwise. Where rounded amounts and percentages are aggregated, rounding differences may occur due to the use of automated calculation aids.

Audit and audit review

The current condensed consolidated interim financial statements of the Lenzing Group were subject to an audit review by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna. The comparable figures from the previous financial year were not the subject of this audit review.

Use of estimates

The preparation of financial statements in accordance with IFRS, in particular the preparation of interim financial statements according to IAS 34, requires that the Management Board makes estimates and assumptions that affect the recognition and valuation of assets and liabilities at the reporting date and of revenues and expenses of the period, as well as the assessment of contingent assets and liabilities. The amounts ultimately realized may differ from these estimates.

In particular, estimates and assumptions need to be made with respect to the valuation of development costs, receivables, long-term construction contracts, provisions for pensions and similar obligations as well as other provisions. The results of possible impairment tests performed significantly depend on the assumptions made about discount rates, growth rates, the development of prices and sales volumes and market risks used in the computation.

The underlying assumptions related to the estimates are reviewed and adjusted on an ongoing basis.

Consolidation principles, accounting standards and polices and valuation methods

The Lenzing Group has applied all the mandatory accounting standards adopted by the EU and whose application is mandatory as of January 1, 2012. The accounting standards applied in the 2012 fiscal year do not have a material effect on the presentation of the assets, liabilities, financial position and profit or loss of the Lenzing Group.

The calculation of the income tax expense in the consolidated interim financial statements is carried out in accordance with IAS 34, and is determined on the basis of the average annual corporate income tax rate expected for the entire fiscal year.

In order to improve the presentation, a change in reporting was implemented in the condensed consolidated cash flow statement. Income taxes are now completely included in the gross cash flow. In earlier financial statements, tax deferrals arising from changes in receivables and liabilities from current taxes were recognized in the cash flow statement as the change in working capital. By changing this approach to reporting, there is thus a shift between the gross cash flow and the cash flow from the change in working capital. On balance, the total reported operating cash flow does not change.

This change has the following effects on the consolidated financial statements:

EUR mn

Consolidated Cashflow Statement (Condensed)	before adjustment 1-6/2011	adjusted 1-6/2011
Cross cash flow	191.5	218.7
Change in working capital	(4.7)	(31.9)
Operating Cash Flow	**186.8**	**186.8**

In the consolidated interim financial statements of the prior-year period (1-6/2011) dividends to non-controlling interests were falsely assigned in the presentation of the consolidated statement of changes in equity. This incorrect shift resulted in an increase in the equity assigned to minority interest and a reduction in the equity assigned to the shareholders of the parent company by EUR 1.2 mn. In the current consolidated interim financial statements the consolidated balance sheet and the consolidated statement of changes in equity were corrected. On balance, the total amount of equity does not change.

This change has the following effects on the consolidated financial statements:

EUR mn

Consolidated Statement of Changes in Equity: Dividends	before adjustment 1-6/2011	adjusted 1-6/2011
Share of shareholders of Lenzing AG	(41.1)	(39.9)
Non-controlling interests	(0.3)	(1.5)
Equity	**(41.4)**	**(41.4)**

The main exchange rates used in translating foreign currencies to euros were as follows:

Unit	Currency		2012		2011	
			Balance sheet date 30/06	Average 1-6	Balance sheet date 31/12	Average 1-6
1	EUR/USD	US-Dollar	1.2589	1.2526	1.2935	1.4388
1	EUR/GBP	British Pound	0.8070	0.8058	0.8352	0.8875
1	EUR/CZK	Czech Koruna	25.6850	25.6400	25.7685	24.2857
1	EUR/CNY	Renminbi Yuan	8.0070	7.9676	8.1413	9.3161
1	EUR/HKD	Hong Kong Dollar	9.7651	9.7192	10.0486	11.2021
1	EUR/INR	India Rupee	70.0110	70.1673	68.5670	64.5200

The accounting policies and valuation methods applied in these consolidated interim financial statements have remained basically unchanged compared to the annual financial statements of the Lenzing Group for the 2011 fiscal year as at December 31, 2011.

Interim Financial Statements (Condensed) as at June 30, 2012

Scope of consolidation, changes to the consolidation scope and business combinations

The number of companies included in the consolidated financial statements of Lenzing AG as the parent company developed as follows:

	2012		2011	
	Full consolidation	Equity consolidation	Full consolidation	Equity consolidation
As at 1/1	35	7	43	7
Consolidated for the first time in reporting period	0	0	1	0
Deconsolidated in reporting period	0	0	(9)	0
As at 30/6	**35**	**7**	**35**	**7**

Thus the scope of consolidation has not changed since the previous reporting date of December 31, 2011.

Since April 2010, the Lenzing Group has increased its interest in Lenzing Modi Fibers India Private Limited, a joint venture with the Modi Group of India, in several tranches. In the first half of 2012, a capital increase was carried out which did not preserve the previous ownership ratios. Accordingly, shares owned by the Lenzing Group rose from 95.4% as at December 31, 2011 to 95.9% as at June 30, 2012. Based on this transaction, the value of the shares owned by non-controlling interests fell by TEUR 28.

Note 3

Segment reporting

The following business segments are used in the Lenzing Group for internal reporting purposes to the company's management:

Segment Fibers:

The Segment Fibers comprises the Business Units Textile Fibers, Nonwoven Fibers, Pulp and Energy, as well as by-products and trading in wood. This segment constitutes the core business of the Group.

Segment Plastics Products:

The Segment Plastics Products produces plastics specialties for processing and finishing. This segment comprises the Business Units Plastics and Filaments.

Segment Engineering:

The Segment Engineering corresponds to the Business Unit Engineering and is the technical competence center of the Group; it consists of three business divisions:

- Engineering and Contracting
- Mechanical Construction and Industrial Services
- Automation and Mechatronics

Other:

The residual segment Other mainly comprises the business activities of BZL-Bildungszentrum Lenzing GmbH, an educational activity of the Lenzing Group.

Interim Financial Statements (Condensed) as at June 30, 2012

Segment reporting

1-6/2012	Fibers	Plastics Products
Sales to external customers	949.8	86.1
Inter-segment sales	6.1	0.8
Total sales	**955.9**	**86.9**
EBITDA (Segment result)	182.9	7.8
EBIT	132.6	4.9
EBITDA margin	19.1%	9.0%
EBIT margin	13.9%	5.7%

30/06/2012	Fibers	Plastics Products
Segment assets	1.792.1	102.6
Segment liabilities	470.5	32.1

1-6/2011	Fibers	Plastics Products
Sales to external customers	962.1	91.2
Inter-segment sales	5.8	0.9
Total sales	**967.9**	**92.2**
EBITDA (Segment result)	235.8	8.7
EBIT	189.9	5.3
EBITDA margin	24.4%	9.5%
EBIT margin	19.6%	5.8%

31/12/2011	Fibers	Plastics Products
Segment assets	1,659.2	105.8
Segment liabilities	479.9	29.0

Earnings before interest, tax, depreciation on property, plant and equipment and amortization of intangible assets taking account of the reversal of government grants (EBITDA) are now recognized as the “segment result“, due to the fact that it has become the primary indicator of internal performance measurement. In this regard, the same principles were used in presenting the segment reporting as in the consolidated financial statements of the Lenzing Group as at December 31, 2011.

[1] Deconsolidation as of 28/2/2011

EUR mn

Engineering	Other	Consolidation	Group
25.0	1.0	0.0	1.061.8
33.3	0.8	(41.0)	0.0
58.3	**1.8**	**(41.0)**	**1.061.8**
4.1	0.3	(1.6)	193.6
3.3	0.3	(0.1)	141.1
7.1%	19.7%	4.0%	18.2%
5.7%	18.0%	0.3%	13.3%

EUR mn

Engineering	Other	Consolidation	Reconciliation	Group
45.1	0.8	(44.6)	451.0	2,347.0
32.1	1.1	(9.7)	748.9	1,274.9

EUR mn

Engineering[1]	Other	Consolidation	Continuing operations	Discontinued operations [1]
22.2	0.7	0.0	1.076.2	9.4
31.4	0.7	(38.9)	0.0	0.0
53.7	**1.4**	**(38.9)**	**1.076.2**	**9.4**
4.9	0.2	(1.8)	247.8	0.8
4.2	0.1	(0.4)	199.2	0.3
9.2%	11.1%	4.6%	23.0%	8.5%
7.9%	9.5%	1.1%	18.5%	3.2%

EUR mn

Engineering	Other	Consolidation	Reconciliation	Group
45.5	0.5	(35.3)	564.8	2,340.5
30.5	1.0	(10.8)	787.2	1,316.8

Note 4

Notes on the income statement

Sales

Consolidated sales amounted to EUR 1,061.8 mn, and were at about the same level as in the prior-year period (1-6 2011: EUR 1,076.2 mn).

Cost of material and purchased services

The cost of material and other purchased services amounted to EUR 644.5 mn in the interim reporting period (1-6 2011: EUR 628.8 mn). This corresponds to a rise of 2.5% from the prior-year period. The increase is mainly due to the overall rise in shipment volumes.

Personnel expenses

The personnel expenses totaling EUR 151.7 mn in the first half of 2012 (1-6 2011: EUR 137.3 mn) include EUR 6.5 mn (1-6 2011: EUR 6.3 mn) in expenses for severance payments and pensions.

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

The amortization of intangible assets and depreciation of property, plant and equipment amounted to EUR 54.3 mn in the first six months of 2012 (1-6 2011: EUR 50.5 mn). In the interim reporting period no major impairment losses or reversals of impairment losses were recognized for property, plant and equipment.

Other operating expenses

Other operating expenses mainly include expenses for freight outward, commissions and advertising costs as well as expenses for service, maintenance and other purchased services.

Financing costs

The financing costs include the interest and interest-like expenses of EUR 11.3 mn (1-6 2011: EUR 10.7 mn), as well as net foreign exchange gains resulting from the valuation of financial liabilities of EUR 0.2 mn (1-6 2011: foreign exchange gains of EUR 0.1 mn).

Note 5

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

Intangible assets, property, plant and equipment

Investments in intangible assets and property, plant and equipment on the part of the Lenzing Group amounted to EUR 130.0 mn in the interim reporting period (1-6 2011: EUR 82.1 mn). The investments primarily focused on the construction of new production lines.

Obligations arising from outstanding purchase orders for the delivery of property, plant and equipment as at June 30, 2012 amounted to EUR 130.6 mn (December 31, 2011: EUR 105.5 mn).

Other financial assets

Financial assets declined by EUR 36.5 mn compared to December 31, 2011, from EUR 93.6 mn at the end of 2011 to EUR 57.1 mn as at June 30, 2012.

Inventories

Inventories of EUR mn 310.9 mn as at June 30, 2012 represent an increase of 9.2% from the comparable level of EUR 284.6 mn as at December 31, 2011. No major losses were recognized on the net realizable value of inventories.

Trade receivables

Trade receivables rose slightly in the first half of 2012 to EUR 247.1 mn, up 4.4% from EUR 236.8 mn as at December 31, 2011.

Equity and dividends

The nominal capital and the number of individual no-par value shares did not change in the interim reporting period. In addition, no shares were bought back. During the interim reporting period the Management Board did not exercise the authorization granted to it which was still valid as at December 31, 2011 to increase the nominal capital and to issue convertible bonds.

Interim Financial Statements (Condensed) as at June 30, 2012

The dividends distributed to the shareholders of Lenzing AG were as follows:

	Total	Number of shares	Dividend per share
	EUR mn		EUR
On April 19, 2012 the Annual General Meeting approved the payment of a dividend (payment April 25, 2012)	66.4	26,550,000	2.50
On March 29, 2011 the Annual General Meeting approved the payment of a dividend (payment April 1, 2011)	39.9	25,725,000	1.55

The dividends for the 2011 financial year were paid to the shareholders of Lenzing AG in the interim reporting period (for the 2010 financial year: payment in the first half of 2011). Subsidiaries distributed dividends totaling EUR 3.9 mn in the interim reporting period to non-controlling interests (1-6 2011: EUR 1.5 mn).

The foreign currency translation reserve increased by EUR 11.6 mn compared to December 31, 2011. Due to the change in the hedging reserve shareholders' equity increased as compared to December 31, 2011 by EUR 7.5 mn (before taxes).

Bonds, banks loans and other loans

Non-current liabilities to banks and from the bond issue as well as other loans fell by EUR 26.7 mn as at June 30, 2012, to EUR 491.8 mn (December 31, 2011: EUR 518.5 mn).

The seven-year bond with a nominal value of EUR 120.0 mn will reach maturity in 2017. The coupon amounting to EUR 4.7 mn annually (or 3.875% of the nominal value) is due each year on September 17th, and is correspondingly deferred during the year. There were no bond issues, share buy-backs or redemption of bonds during the interim reporting period.

Provisions

Provisions mainly include provisions recognized for pensions and related obligations (severance payments and anniversary bonuses as well as other provisions. Other provisions include provisions for guarantees and warranties, anticipated losses and other risks, emission certificates, personnel costs and other obligations.

Note 6

Notes on the cash flow statement (condensed)

The gross cash flow declined in the first half of 2012 from the last year interim reporting period and was down to EUR 114.2 mn from the adjusted comparable level of EUR 218.7 mn in the period 1-6 2011. In addition to operational reasons, the decrease is particularly attributable to the agreed upon advance payment to B & C Industrieholding GmbH of the tax allocation (also refer to Note 10). The operating cash flow amounted to EUR 91.7 mn in the interim reporting period (1-6 2011: EUR 186.8 mn).

The net cash used in investing activities in the interim reporting period was comprised of the acquisition of non-current assets amounting to minus EUR 130.1 mn (1-6 2011: minus EUR 85.6 mn), and the proceeds from the disposal/repayment of non-current assets of EUR 36.6 mn (1-6 2011: EUR 0.6 mn).

The net cash used in/generated by financing activities during the reporting period of minus EUR 76.5 mn (1-6 2011: EUR 43.9 mn) mainly relates to dividend payments to minority shareholders of subsidiaries of Lenzing AG as well as the repayment or raising of loans.

Note 7

Financial guarantee contracts and contingent liabilities

As at June 30, 2012, the Lenzing Group had assumed liability for associated companies amounting to EUR 0.9 mn (December 31, 2011: EUR 1.2 mn). Moreover, there are bank guarantees not already covered by liabilities, especially for securing claims of suppliers, amounting to EUR 1.3 mn (31 December 2011: EUR 1.6 mn) and, to a minor extent, for liability escrow paid. It is considered unlikely that the Group will be held liable as a result of these commitments. No liability was recognized in the statement of financial position for these financial guarantees, considering that the fair value amounted to EUR 0.0 mn as at the reporting date (December 31, 2011: EUR 0.0 mn).

Various legal proceedings resulting from the ordinary course of business are pending. The Management Board believes that these proceedings will not have a material adverse effect on the present and future assets, liabilities, financial position and profit or loss of the Lenzing Group or adequate risk provision was made.

Interim Financial Statements (Condensed) as at June 30, 2012

Note 8

Capital risk management

The main indicators relating to capital risk management are as follows:

EUR mn

Net financial debt	30/06/2012	31/12/2011
Interest bearing financial debt [1]	650.8	652.9
Strategic liquidity reserve (-) [2]	(382.8)	(493.8)
Net financial debt	**268.0**	**159.1**

EUR mn

EBITDA [3]	1-6/2012	1-6/2011
EBIT	141.1	199.2
Depreciation (+)	54.3	50.5
Reversal of government grants (-)	(1.7)	(1.9)
EBITDA	**193.6**	**247.8**

The adjusted equity ratio (equity according to IFRS including investment grants less deferred taxes) amounted to 46.7% of total assets as at June 30, 2012 (December 31, 2011: 44.8%).

All capital requirements were fundamentally fulfilled during the interim reporting period. With respect to a credit agreement for a subsidiary of the Lenzing Group, the management was made aware before the preparation of the consolidated financial statements that the related covenant was not complied with. The resulting negotiations were concluded in the interim reporting period with the result that the corresponding loans were fully funded.

As at June 30, 2012, the Lenzing Group had written commitments for lines of credit to the amount of EUR 211.8 mn (December 31, 2011: EUR 250.8 mn), which could be used to finance working capital or to cover potential cyclically-related financial shortfalls.

[1] Interest-bearing financial debt is defined as long-term and short-term financial liabilities
[2] comprises cash and cash equivalents as well as marketable securities [3] from continuing operations

Note 9

Financial instruments

Exchange rate risk

In order to hedge against currency exchange rate risk, the Lenzing Group makes use of foreign currency forward contracts, which are recognized at their market value. The market value of the hedging instruments at the reporting dates was as follows:

Cash Flow Hedges

	Fair Value	
	30/06/2012	31/12/2011
Type of derivative financial instrument	**EUR mn**	**EUR mn**
Foreign currency forward contracts	(11.3)	(19.0)

Fair Value Hedges

	Fair Value	
	30/06/2012	31/12/2011
Type of derivative financial instrument	**EUR mn**	**EUR mn**
Foreign currency forward contracts	(7.1)	(2.5)

Trading

	Fair Value	
	30/06/2012	31/12/2011
Type of derivative financial instrument	**EUR mn**	**EUR mn**
Foreign currency forward contracts	(0.4)	(1.4)

+ = Receivable, - = Liability from the perspective of the Lenzing Group (recognized in each case as a net value)

Interim Financial Statements (Condensed) as at June 30, 2012

Commodity price risk

In order to hedge against the price risks related to the procurement of raw materials, the Lenzing Group makes use of gas futures which are recognized at their market value. The market value of the hedging instruments at the reporting dates was as follows:

Cash Flow Hedges

	Fair Value	
	30/06/2012	31/12/2011
Type of derivative financial instrument	**EUR mn**	**EUR mn**
Natural gas futures	(2.0)	(2.2)

+ = Receivable, - = Liability from the perspective of the Lenzing Group (recognized in each case as a net value)

Fair values of financial instruments

In particular, the Lenzing Group recognizes securities and derivatives at their fair value. The securities mainly consist of bonds. The fair values of the bonds particularly change on the basis of changes in market interest rates and the creditworthiness of the bond issuer. All bonds are assigned to the category "Available for sale financial assets". The change in the fair value valuation less deferred taxes is primarily evident in the corresponding reserves.

The fair values of the derivatives change especially as a result of changes to market prices (exchange rates, raw material prices, interest rates, etc.) and in the case of positive market values, due to the change in the creditworthiness of the contractual partner. The change in the fair value valuations can be seen in the charts presented above.

There were no shifts among the different levels of the fair value hierarchy for financial instruments which were in Lenzing's portfolio as at December 31, 2011.

Note 10

Related party transactions

Related parties (companies and persons) of the Lenzing Group comprise all subsidiaries and associated companies, as well as the members of the corporate bodies (Management and Supervisory boards) of Lenzing AG, B & C Industrieholding GmbH and B & C Privatstiftung. B & C Industrieholding GmbH and its subsidiaries are also considered related parties. Other shareholders of Lenzing AG or its subsidiaries are considered related parties if they are in a position to exercise significant influence on the operating policies of the company.

From the tax group formed between the Lenzing Group and B & C Industrieholding GmbH, no tax credit was received by the Lenzing Group in the interim reporting period (01-06 2011: no tax credit). This credit is expected in Q3/2012. The recognized liability for the tax allocation payable to B & C Industrieholding GmbH as at December 31, 2011 was basically changed as at June 30, 2012 to take account of the estimated income tax expense based on earnings in the interim reporting period. In addition, in May 2012, contractually agreed, the advance payment totaling EUR 42.5 mn of the tax allocation was transferred to B & C Industrieholding GmbH (no such advance payment took place in the previous year).

The scope of significant business transactions and the amount of the outstanding balances with associated companies is as follows:

EUR mn

	1-6/2012	1-6/2011
Sales	35.1	35.4
Other operating income	0.5	0.7
Cost of material and purchased services	45.7	27.6
	30/06/2012	**31/12/2011**
Trade receivables	9.9	14.2
Liabilities	12.7	6.8

Lenzing AG has assumed proportionate liability for specified loans to a subsidiary of EQUI-Fibres Beteiligungsgesellschaft mbH (see note 7).

Other relationships with related parties (companies and persons) have not significantly changed compared to December 31, 2011.

Interim Financial Statements (Condensed) as at June 30, 2012

Note 11

Seasonal and cyclical influence on business operations in the course of the year

The business development of the Lenzing Group is generally not subject to any major seasonal influences.

Economic development and the main indicators used by the Lenzing Group for procurement purposes and demand are continually monitored by the company's management. In particular, the volumes and prices relating to the sales of fibers and the purchase of pulp (and other significant materials) are decisive factors underlying the success of the Lenzing Group. The cyclical influences primarily relating to strategic success positions (sales and cost of material) are described in note 4. Further information is contained in notes 5 and 6 as well as in the Management Report for this quarter

Note 12

Corporate bodies

The composition of the Management Board and Supervisory Board remained unchanged as at June 30, 2012 compared to the previous reporting date on December 31, 2011. At the Ordinary Shareholders' Meeting of Lenzing AG held on April 19, 2012, Astrid Skala-Kuhmann was elected to the Supervisory Board for the first time. The Supervisory Board mandate of Walter Lederer ended when his term of office expired. Otherwise the composition of the Management Board and Supervisory Board has remained unchanged.

Note 13

Significant events after the end of the interim reporting period

There were no material events for the Lenzing Group requiring disclosure after the reporting date of June 30, 2012 which would have a material impact on the presentation of the assets, liabilities, financial position and profit or loss of the company.

Lenzing, August 20, 2012

The Management Board

Peter Untersperger

Friedrich Weninger

Thomas G. Winkler

Translation of the Report on the review of the interim condensed consolidated financial statements

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Lenzing Aktiengesellschaft, Lenzing, for the period from January 1, 2012 to June 30, 2012 including the consolidated balance sheet as of June 30, 2012, the related income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the period from January 1, 2012 to June 30, 2012, as well as selected explanatory notes. Comparative figures of the previous year were not object of the review.

Management is responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS) applicable on interim financial reporting as adopted by the European Union.

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

The execution of this engagement and our responsibility, also in relation to third parties, shall be governed, as agreed by signing the engagement letter, by the general conditions of contract for the public accounting professions as issued by the Austrian Chamber of Public Accountants and Tax Advisors (AAB 2011) dated March 8, 2000 and February 21, 2011 respectively. Our liability for negligence is agreed to be limited to EUR 12 million. This total maximum liability cap may only be utilized up to its maximum amount even if there is more than one claimant or more than one claim has been asserted.

Scope of review

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

Conclusion

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

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

We have read the accompanying condensed interim group management report of Lenzing Aktiengesellschaft as of June 30, 2012 and assessed whether it contains any obvious contradictions to the condensed consolidated interim financial statements. Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim group management report contains obvious contradictions to the condensed consolidated interim financial statements.

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

Lenzing, August 20, 2012

Deloitte.

Deloitte Audit Wirtschaftsprüfungs GmbH

Harald Breit
(Austrian) Certified Public Accountant

Ulrich Dollinger
(Austrian) Certified Public Accountant

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

Declaration of the Management Board

Declaration of the Management Board pursuant to Section 87 para 1 subpara 3 of the Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Lenzing 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 month of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Lenzing, August 20, 2012

The Management Board

Peter Untersperger
Chief Executive Officer
Chairman of the Board

Responsible for:

Business Unit Engineering

Corporate Communications

Global Human Resources

Internal Audit

Mergers & Acquisitions

Wood Purchasing

Friedrich Weninger
Chief Operating Officer
Member of the Board

Responsible for:

Business Unit Textile Fibers

Business Unit Nonwoven Fibers

Business Unit Pulp

Business Unit Energy

Business Unit Plastics

Business Unit Filaments

Global Safety,
Health & Environment

Environment Lenzing Site

Infrastructure Lenzing Site

Business Planning

Thomas G. Winkler
Chief Financial Officer
Member of the Board

Responsible for:

Global Finance

Global Information Technology

Global Purchasing

Investor Relations

Legal Management

Risk Management

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

This quarterly report also includes forward-looking statements based on current assumptions and estimates that are made to the best of its knowledge by Lenzing AG. Such forward-looking 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 AG represent estimates that were made on the basis of the information available as of 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 percentages are summed.
The quarterly 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.

Editorial deadline: August 20, 2012

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