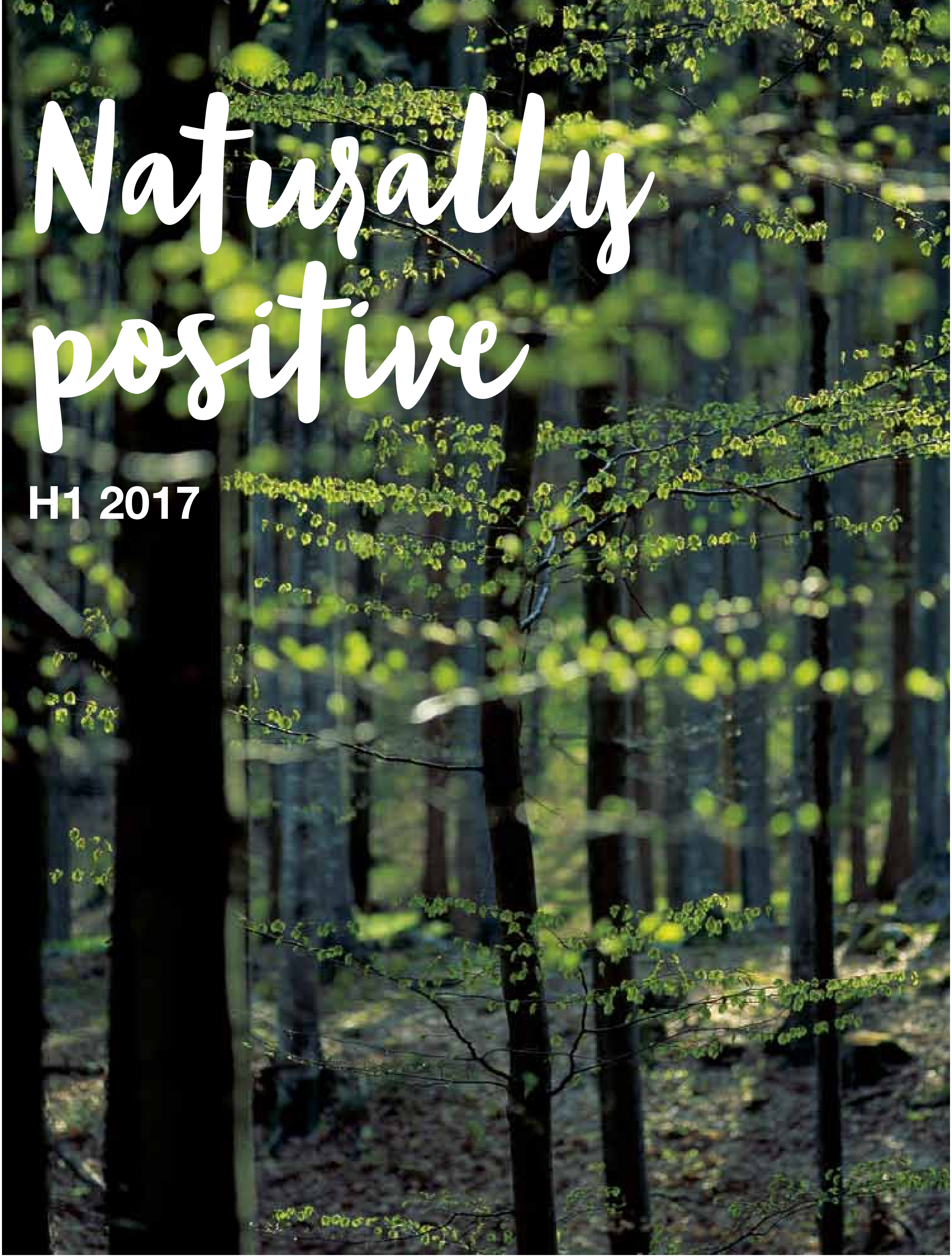

Half-Year Report 01-06/2017
Lenzing Group

lenzing.com

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LEADING FIBER INNOVATION

Selected Indicators of the Lenzing Group

Key earnings and profitability figures			
EUR mn	**01-06/2017**	**01-06/2016**	**Changes**
Revenue	1,149.1	1,034.8	11.0%
EBITDA (earnings before interest, tax, depreciation and amortization)	270.7	195.1	38.8%
EBITDA margin	23.6%	18.9%	
EBIT (earnings before interest and tax)	204.2	129.7	57.4%
EBIT margin	17.8%	12.5%	
EBT (earnings before tax)	194.7	122.3	59.1%
Net profit for the year (/the period)	150.3	94.6	58.9%
Earnings per share in EUR	5.55	3.49	59.0%

Key cash flow figures			
EUR mn	**01-06/2017**	**01-06/2016**	**Changes**
Gross cash flow	227.1	172.4	31.7%
Cash flow from operating activities	201.3	268.8	(25.1%)
Free cash flow	128.5	228.3	(43.7%)
CAPEX	72.9	40.6	79.5%
EUR mn	**30/06/2017**	**31/12/2016**	**Changes**
Liquid assets	521.0	570.4	(8.6%)
Unused credit facilities	209.3	217.7	(3.8%)

Key balance sheet figures			
EUR mn	**30/06/2017**	**31/12/2016**	**Changes**
Total assets	2,564.5	2,625.3	(2.3%)
Adjusted equity	1,413.6	1,390.5	1.7%
Adjusted equity ratio	55.1%	53.0%	
Net liquidity (+) / net financial debt (-)	10.3	(7.2)	n/a
Net debt	(98.5)	(115.8)	(14,9%)
Net gearing	n/a[1]	0.5%	
Trading working capital	352.8	379.6	(7.1%)
Trading working capital to annualized group revenue	15.7%	17.1%	

Key stock market figures			
EUR	**30/06/2017**	**31/12/2016**	**Changes**
Market capitalization in mn	4,165.7	3,053.3	36.4%
Share price	156.90	115.00	36.4%

Employees	**30/06/2017**	**31/12/2016**	**Changes**
Number (headcount)	6,326	6,218	1.7%

The above key financial figures are derived primarily from the Lenzing Group's condensed consolidated interim financial statements and 2016 consolidated financial statements. Additional details are provided in the section "Notes on the Financial Performance Indicators of the Lenzing Group" and the glossary to the half-year report as well as the condensed consolidated interim financial statements and the 2016 consolidated financial statements of the Lenzing Group. Rounding differences can occur in the presentation of rounded amounts and percentage rates.

1) Not applicable due to net liquidity.

Introduction by the Chief Executive Officer

Dear Ladies and Gentlemen,

The Lenzing Group set new records for revenue and earnings in the first half of the 2017 financial year. Revenue was 11 percent higher year-on-year at EUR 1.15 bn and EBITDA improved by 38.8 percent to EUR 270.7 mn.

We are continuing to expand the share of specialty fibers in Group revenues to 50 percent in line with our sCore TEN strategy. Specific steps were taken with the start of construction in Mobile, Alabama (USA), the groundbreaking in Heiligenkreuz (Burgenland) and the announcement of our plans to purchase land in Thailand and to obtain the necessary permits for the construction of a further state-of-the-art plant for the production of our TENCEL® branded lyocell fibers. The responsibility for these expansion projects was combined in a new Management Board position “Technology“ and transferred to the recently appointed Chief Technology Officer Heiko Arnold.

In order to strengthen customer intimacy, a new office in Istanbul (Turkey) was opened during the first half-year. Our new sales organization is moving us closer to our customers and allows us to focus our products even better on their needs. New innovative products like EcoVero™ branded viscose fibers and Refibra™ branded lyocell fibers, which combine raw materials from cotton scraps and wood, have drawn the interest of numerous fashion brands. These products underscore our commitment to the production of particularly sustainable fibers. Proof of our efforts is provided in the new sustainability report which was presented in April.

It is gratifying to see the spirit and enthusiasm with which our employees are working to implement our strategy and the significant achievements we made together during the first half-year. This energy throughout our company and the positive external feedback make me very optimistic for the further course of this year.

Yours

Stefan Doboczky

Management Report 01-06/2017

General Market Environment

Global economy

The global economy[1] was characterized by dynamic momentum during the first half of 2017. Forecasts by the International Monetary Fund (IMF) point to an increase in worldwide growth from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018. Significantly stronger growth is projected for the emerging and developing countries, in particular due to the partial recovery of raw material prices. The developed economies are also expected to accelerate – supported, above all, by higher forecasted growth in the USA. The outlook for Europe and Japan has also improved. This positive development is based on the cyclical recovery of global manufacturing and trade that began in the second half of 2016.

Other factors of special note are the developments on interest rate markets and changed exchange rate relations, especially with regards to the US dollar.

Global fiber market

The global fiber market[2] experienced volatile development during the first half of 2017. Worldwide cotton production rose by 7.7 percent to 22.9 mn tons in 2016/17 – for the first increase after several years of declines. However, worldwide consumption stabilized and outpaced production levels. Cotton supplies therefore fell by 7 percent to 17.3 mn tons. According to the Cotlook A Index, the average price for cotton started 2017 at USD 69.8 cents per pound, rose to a high of USD 94.9 cents per pound in May and subsequently fell to USD 83.3 cents per pound at the end of June.

Polyester prices rose during the first half of the first quarter of 2017, but then declined due to the drop in oil and raw material prices. The first half-year nevertheless brought an average increase of 7 percent over the first half of 2016.

The prices for standard viscose rose quickly at the beginning of the first quarter, especially after the Chinese New Year, due to environmentally-related production stops by competitors. This increase was followed by a roughly three-month decline in the viscose price as a result of higher stocks along the supply chain. A further increase in prices was only noted towards the end of the first half of 2017 due to strong demand. The demand and prices for wood-based specialty fibers like modal and lyocell continued to show very positive development.

[1] Source: IMF, World Economic Outlook, April 2017
[2] Source: ICAC, "Cotton this Month", July 5, 2017

The Development of Business in the Lenzing Group

The Lenzing Group[3] recorded a significant year-on-year improvement in revenue and earnings during the first half of 2017. The sCore TEN strategy with its clear focus on profitable growth through specialty fibers has produced visible results, which are reflected in a significant improvement in profitability for the Lenzing Group during the first six months of 2017. Group revenue rose by 11 percent over the first half of the previous year to EUR 1.15 bn. EBITDA (earnings before interest, tax, depreciation and amortization) increased by 38.8 percent to EUR 270.7 mn, and the EBITDA margin improved from 18.9 percent to 23.6 percent. Details on the development of revenue and earnings in the first half of 2017 are presented below:

Condensed consolidated income statement* **EUR mn**

			Change	
	01-06/2017	01-06/2016	Absolute	Relative
Revenue	**1,149.1**	**1,034.8**	**114.2**	**11.0%**
Change in inventories, own work capitalized and other operating income	45.5	26.7	18.8	70.3%
Cost of material and other purchased services	(618.4)	(590.0)	(28.4)	4.8%
Personnel expenses	(173.8)	(156.1)	(17.7)	11.4%
Other operating expenses	(131.7)	(120.4)	(11.3)	9.4%
EBITDA	**270.7**	**195.1**	**75.6**	**38.8%**
Amortization and depreciation	(67.9)	(66.8)	(1.1)	1.7%
Income from the release of investment grants	1.3	1.4	(0.1)	(6.6%)
EBIT	**204.2**	**129.7**	**74.4**	**57.4%**
Financial result	(6.2)	(7.4)	1.2	(16.1%)
Allocation of profit or loss to puttable non-controlling interests	(3.3)	(0.1)	(3.3)	
EBT	**194.7**	**122.3**	**72.3**	**59.1%**
Income tax expense	(44.3)	(27.7)	(16.6)	59.8%
Net profit for the period	**150.3**	**94.6**	**55.7**	**58.9%**

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

Strong second quarter in 2017

The Lenzing Group successfully continued the positive first quarter trend during the second three months of 2017. Group revenue rose by 7.8 percent quarter-on-quarter to EUR 562.9 mn. EBITDA increased by 31.8 percent to EUR 135.6 mn and EBIT grew by 44.9 percent to EUR 101.8 mn. Earnings before tax (EBT) were 46.4 percent higher at EUR 97.3 mn and net profit rose by 49.6 percent to EUR 75.3 mn.

First half-year with strong earnings growth

The demand for Lenzing fibers was strong throughout the first half of 2017 and led to high capacity utilization. Revenue rose by a strong 11 percent to EUR 1.15 bn, supported by higher prices and an attractive product mix. The Lenzing Group benefited from comparatively high spot market prices for viscose fibers and increased prices for Lenzing™ specialty fibers. The product mix was further optimized with regard to customers and sales regions. In the area of specialty fibers, the Lenzing Group benefited from steady and strong demand.

Higher costs were recorded for material and other purchased services, above all, due to an increase in the prices for raw materials, pulp and energy. However, the cost of material and other purchased services declined further as a percentage of revenue and equaled 53.8 percent of Group revenue for the reporting period (H1 2016: 57 percent).

Personnel expenses increased primarily as a result of adjustments required by collective bargaining agreements in the second quarter of 2017. Other contributing factors included additional hiring for the expansion of production capacity and the more intensive direct servicing of customers in Lenzing's sales and marketing offices in Turkey and Korea. In spite of these increases, personnel expenses remained stable at 15.1 percent of Group revenue (H1 2016: 15.1 percent).

Other operating expenses rose by 9.4 percent, in particular due to foreign exchange effects. The changes in inventories, own work capitalized and other operating income rose by EUR 18.8 mn, among others, due to higher own work capitalized in connection with the expansion of the production sites in Lenzing and Heiligenkreuz.

[3] The above key financial figures are derived primarily from the Lenzing Group's condensed consolidated interim financial statements and 2016 consolidated financial statements. Additional details are provided in the section "Notes on the Financial Performance Indicators of the Lenzing Group" and the glossary to the half-year report as well as the condensed consolidated interim financial statements and the 2016 consolidated financial statements of the Lenzing Group. Rounding differences can occur in the presentation of rounded amounts and percentage rates.

The improvement in financial result is attributable, above all, to the decline in financing costs. Earnings before tax (EBT) rose substantially by 59.1 percent to EUR 194.7 mn and was also reflected in a corresponding increase in income tax expense.

Working capital remains at a sound level

The optimization of trading working capital remains a clear focus for the Lenzing Group. The end of the reporting period on June 30, 2017 brought a decline compared with December 31, 2016, which resulted primarily from improved payment terms with customers. Trading working capital fell 7.1 percent below the level on December 31, 2016 to EUR 352.8 mn as at June 30, 2017, and the ratio of trading working capital to annualized Group revenue declined to 15.7 percent (December 31, 2016: 17.1 percent).

Cash flow influenced by dividend payment and higher investments

Gross cash flow rose significantly from EUR 172.4 mn in the first half of 2016 to EUR 227.1 mn for the reporting period. This improvement resulted, above all, from higher prices and a better product mix and the resulting sound growth in earnings. Cash flow from operating activities declined from EUR 268.8 mn in the first half of 2016 to EUR 201.3 mn. The positive prior year effect resulted from improved payment conditions and a reduction in inventories. Cash flow from financing activities fell from EUR minus 95.6 mn in the comparable prior year period to EUR minus 171.2 mn following the dividend payment of EUR 111.6 mn to shareholders in the second quarter.

Investments in intangible assets and property, plant and equipment (CAPEX) rose by 79.5 percent year-on-year to EUR 72.9 mn in the first half of 2017. The focal point of these investments was the planned expansion and modernization of the production sites in Lenzing, Heiligenkreuz and Mobile (USA). Free cash flow declined, among others due to these expenditures, to EUR 128.5 mn (H1 2016: EUR 228.3 mn). Liquid assets fell by 8.6 percent to EUR 521 mn at mid-year 2017, compared with EUR 570.4 mn as at December 31, 2016. Together with unused credit lines of EUR 209.3 mn, the Lenzing Group has a liquidity buffer of EUR 730.4 mn at its disposal. This continuing, above-average high liquidity forms the financial basis for the Lenzing Group's investment program over the coming quarters within the framework of the sCore TEN strategy.

Net financial debt reduced to zero

The Lenzing Group has a solid balance sheet structure which was further strengthened between December 31, 2016 and June 30, 2017. Net financial debt was reduced to zero, and net liquidity equaled EUR 10.3 mn at the end of the reporting period (December 31, 2016: net financial debt of EUR 7.2 mn). Adjusted Group equity rose by 1.7 percent to EUR 1,413.6 mn, and the adjusted equity ratio increased to 55.1 percent (December 31, 2016: 53 percent).

Segment Fibers

With its new sCore TEN strategy, the Lenzing Group is placing a consistent focus on high-quality specialty fibers. The success of this concept was also clearly demonstrated during the first half of 2017 by a further increase in Lenzing's leading market position in specialty fibers. The expansion of production capacity for TENCEL® branded fibers in Europe and the USA and the planned expansion of production for TENCEL® fibers in Thailand will strengthen this development in the future. These comprehensive construction projects have been combined in an own Management Board position and transferred to the recently appointed Chief Technology Officer Heiko Arnold (for further details see note 9 to the consolidated interim financial statements).

The demand for all three fiber groups – TENCEL® fibers, Lenzing Modal® fibers and Lenzing Viscose® fibers – was high during the first six months of 2017. Revenue in the Segment Fibers rose by a sound 11 percent to EUR 1,144.1 mn in the first half of 2017. EBITDA increased by 35.7 percent to EUR 268.1 mn and EBIT by 52.9 percent to EUR 200 mn.

Wood

The development of the wood market in Central Europe during the first half of 2017 was influenced by the long, severe winter and by the Ukrainian ban on round timber exports that was introduced at the end of 2015. Strong demand by electricity and heat producers as well as the reduced availability of wood led, in part, to destocking. These factors were reflected in a slight year-on-year increase in market prices.

The wood storage facilities in the Lenzing Group's pulp plants (Lenzing and Paskov) were well filled at the beginning of the winter and have prevented shortages and price increases to date. All of the wood used in the Group's production comes from PEFC™ and FSC® certified or controlled sources.

Energy & Chemicals

The decline in energy prices in recent years was followed by a substantial year-on-year increase on the spot market during the first half of 2017. The oil price was 9 percent higher on average, with prices coming under pressure once again towards the end of the first six months. The spot market price for coal was also 9 percent higher. Gas prices recorded the largest increase over the previous half-year with a plus of 14 percent, in part due to the cold winter in Europe. Average electricity prices in Austria were roughly 8 percent higher.

Most of the key chemicals, like sulfur, remained stable during the first half-year in line with the moderate development of the oil price. However, there was a substantial rise in the price of caustic soda which has a strong influence on raw material costs. The increase reflected widespread supply and demand distortions in Asia which were driven by market developments in China.

Biorefinery Products

Pulp

The Lenzing Group covers more than half its pulp requirements with the two production sites in Lenzing and Paskov. Production for the first half of 2017 exceeded the forecast due to a strong second quarter. The oversupply that characterized the global dissolving wood pulp market in the previous year has been replaced by well-balanced supply and demand. The price for dissolving wood pulp imports to China changed during the first half of 2017, nearly parallel to the viscose spot market prices, and averaged USD 904 per ton. This represents an increase of seven percent over the price of USD 845 recorded in the first half of 2016.

Bio-based chemicals

Higher selling prices for acetic acid and furfural were realized during the first half-year due to a supply shortage on the market.

The acetic acid, furfural and magnesium lignin sulfonate manufactured in the Lenzing Group's biorefinery received the Biobased Product Label from the United States Department of Agriculture (USDA) in March 2017. This label indicates that the designated products have been certified by the USDA and are 100 percent based on the natural and renewable resource wood.

Fibers

Key strategic measures were implemented during the first half of 2017 in line with the sCore TEN strategy. The focus was, first of all, placed on targeted marketing and an even clearer orientation on the needs of partners along the entire value chain. In order to support this focus, Lenzing opened sales offices in Korea and Turkey. Direct contact to customers and fashion labels, in contrast to the previous approach through sales agents, now allows the Lenzing Group to provide better advice to all of its value chain partners. Showrooms equipped with clothing samples, home textiles and nonwoven products also provide specific examples for processing and applications.

A second focal point for the Lenzing Group is stable and profitable growth through the expansion of specialty fiber production. Important steps to reach this goal include the expansion of production through de-bottlenecking at the plants in Lenzing and Grimsby (Great Britain), the groundbreaking in Heiligenkreuz (Austria) and the start of construction in Mobile, Alabama (USA) where a further state-of-the-art production facility for TENCEL® fibers will be built. At the end of June the Supervisory Board also approved a proposal by the Management Board to acquire land in Thailand for the next plant to produce TENCEL® fibers, to found a subsidiary and to obtain the necessary permits.

Textile Fibers

Lenzing experienced strong global demand for all fashion label applications across all three generations of wood-based cellulose fibers – viscose, modal and lyocell – during the first half of 2017. The strong demand for Lenzing Modal® and TENCEL® specialty fibers was reinforced by retail-focused marketing campaigns and business development measures.

The demand for specialty fibers on the end customer market for the most important textile applications – denim (jeans), home textiles (bed linen, towels), activewear & outerwear (sportswear, shirts, dresses etc.) and innerwear (underwear, nightwear, T-shirts and tops) – remained strong and prices were stable. TENCEL® fibers were also introduced in new segments like carpets and increasingly combined with high-quality fibers like wool, silk and cashmere to improve their functionality. The demand for Lenzing Modal® fibers was also strong in the innerwear clothing segment, with these fibers finding increasing use in activewear.

The viscose market remained volatile with continuing sound demand during the first half of 2017. There was substantial fluctuation in prices, above all because of supply-related uncertainty (e.g. due to the environmentally-related shutdown of production facilities and expected new capacity on the market).

Two product innovations assure Lenzing's role as a pioneer for the development of particularly sustainable botanic cellulose fibers: Refibra™ branded fibers and EcoVero™ branded fibers.

The introduction of Refibra™ fibers at the Première Vision trade fair in Paris attracted great interest. This new fiber allows the fashion sector to enter the circular economy and establish a position in the booming segment of particularly sustainable products. It combines pulp from two sources – scraps from the production of cotton clothing and wood – to create a new lyocell fiber. Lenzing is currently working with 25 fashion brands which plan to launch collections made with Refibra™ fibers beginning next year.

With the introduction of EcoVero™ branded viscose fibers in May 2017, Lenzing is addressing the growing demand by partners along the value chain for products from ecologically sustainable fiber production. EcoVero™ fibers include a special identification system that supports the trend in the fashion industry towards greater transparency by making these fibers identifiable in finished clothing. There are no comparable products on the market at the present time. EcoVero™ fibers are therefore marketed as specialty fibers which stand out from the mass of conventional viscose fibers.

Nonwoven fibers

The sound development in the nonwovens sector continued during the first half of 2017. Massive investments in additional capacity were made by the Lenzing Group's customers in all regions. Nonwoven production capacity increased significantly not only in Turkey and China, but also in Western Europe and the USA.

The Lenzing Group grew with its customers in this sector and further expanded its technically oriented hygiene business. In line with the sCore TEN strategy, a particular focus was placed on special applications like the use of TENCEL® SKIN fibers for facemasks and TENCEL® shortcut fibers for filtration or battery separators.

TENCEL® fibers are now also used in agricultural applications, for example to support strings and ropes in the fruit and vegetable production. One special benefit of TENCEL® fibers is that they are 100 percent biologically degradable and compostable, which eliminates the disposal issues associated with synthetic products.

In summary, Lenzing continued to focus on the specialization and customer-oriented aspects of the sCore TEN strategy in the textile and nonwovens businesses during the first half of 2017 and made significant progress in the implementation of this strategy.

Segment Lenzing Technik

All areas in the segment Lenzing Technik recorded a year-on-year increase in revenue and earnings during the first half of 2017. The positive development of the filtration and separation technology business was supported by the realization of several major external projects. Internal and external projects were also successfully completed in the area of pulp technology. Mechanical construction, which operates as a production area within the Lenzing Group, benefited from the positive development of business in the various Lenzing Technik areas and from the Group's expansion activities.

Revenue in the segment Lenzing Technik rose by 21.8 percent to EUR 21.3 mn. EBITDA totaled EUR 2 mn (H1 2016: minus EUR 1.6 mn), and EBIT amounted to EUR 1.7 mn (H1 2016: minus EUR 2 mn).

Segment Other

Revenue in the segment Other increased to EUR 2.4 mn in the first half of 2017. EBITDA rose to EUR 0.5 mn and EBIT increased slightly to EUR 0.5 mn.

The Lenzing Share

The Lenzing share continued to gain substantial value during the first half of 2017. The share started the year at EUR 116.35, reached a closing price high of EUR 178.95 on May 10, 2017 and traded at EUR 156.90 at the end of June. With a plus of 34.9 percent, the Lenzing share again ranked as one of the top performers in the Vienna benchmark index ATX for the first six months of 2017. The ATX rose by 17 percent during this same period.

The Lenzing share is currently covered by seven analysts, whereby the estimates point to buy and hold. The 73rd Annual General Meeting of Lenzing AG on April 25, 2017 approved an increase in the dividend for the 2016 financial year from EUR 2.00 per share to EUR 3.00 as well as the payment of a special dividend of EUR 1.20 per share. That represents a dividend distribution of EUR 111.5 mn and a dividend yield of 2.6 percent, or 3.7 percent including the special dividend (basis: 2016 closing price).

The majority shareholder B&C Privatstiftung sold 12.56 percent of its investment on May 16, 2017 and now holds 50 percent plus two shares of Lenzing AG.

Risk Report

In the first half year risk report the most important corporate perils for 2017 are aggregated based on the insight from the top management of the Lenzing Group. Compared to the old COSO® model all risks are now assessed in terms of their frequency of occurrence and their impact and simulated in a stochastic analyses model with 100,000 cycles. The aim of risk aggregation is to calculate the overall risk position and determine the possible influence on EBITDA.

Current Risk Environment

On a global view short term risks have eased which is also reflected in a pickup in global growth by 3.5 percent in 2017 and 3.6 percent in 2018. However, several risks can threaten the recovery in the medium term.

The International Monetary Fund has identified several risks in its World Economic Outlook Update in July 2017, which can have a negative impact on the economic recovery especially in the medium term.

- Continued policy uncertainty: Post-Brexit negotiations, U.S. budget, regulatory and fiscal policies
- Financial tensions: China’s credit growth, U.S. monetary policy, Euro area bank stability, rollbacks of financial regulation
- Noneconomic factors: Geopolitical tensions, domestic political discord, weak governance and corruption
- Inward-looking policies: Protectionism and lack of market reforms that hinder inclusive growth

Lenzing Risk Outlook 2017

The short term outlook for botanic cellulose fibers is cautiously positive. Especially the price risk for specialty fibers of the Lenzing Group is currently expected to be lower. Pressure on standard viscose fibers may become higher with new capacities from competition in China and Indonesia.

Dissolving wood pulp prices have been varying between 800 USD/ton and 950 USD/ton in the last 1.5 years, being on the higher edge in the first half of 2017 and decreasing again since June.

Because of the high influence of fiber and pulp prices on the result of the Group, these are always among the top risks and constantly monitored. Lenzing is countering these risks by further investments in line with the sCore TEN strategy and will among other measures expand its capacities for pulp and TENCEL® fibers in the next years.

Volatile prices of raw materials, especially chemicals, can also influence the EBITDA to a high extent. The security of raw materials supply is monitored closely. Started easing of the US dollar against the EUR and the Chinese Yuan by roughly 10 percent in the first half of 2017 will have a negative impact on the unhedged volume of the Group in this year.

In the last years there have been only minor incidents of damage in the Group, where risk avoidance is constantly further improved. Nevertheless, operational risks as well as environmental damage and product liability risks continue to be main causes of damage to the Lenzing Group and are thus classified as high risk factors.

Natural hazards are globally seen a strongly increasing risk. However our Group wide insurance program has been designed to cover losses of production shortfalls comprehensively.

Outlook for the Lenzing Group

The wood-based cellulose fiber segment, which is relevant for Lenzing, should again outpace the overall fiber market. The demand for these cellulose fibers was very good in the first half year of 2017, with the long-term trend pointing towards further growth in viscose and, above all, wood-based cellulose specialty fibers. On the supply side, the market is not expected to see the entry of any notable new production capacity in 2017.

Lenzing is very well positioned in this environment. In 2017 we will continue to focus on the disciplined implementation of the sCore TEN strategy and, specifically, on specialization and sustainability-driven innovation. The steady expansion of the specialty fiber capacities and the intensification of our brand management will be essential to increasing consumers' awareness for the unique selling proposition of our fiber products.

The Lenzing Group had an excellent half year 2017 and registered strong demand for its fibers during the first two quarters which, in turn, led to continued very high capacity utilization in all product groups. The market price index for viscose fibers was substantially higher than in the comparable prior year period. Under the assumption of unchanged conditions in the fiber market and stable exchange rates, Lenzing expects a considerable improvement in results in the fiscal year 2017 compared to 2016.

Related Party Disclosures

See Note 8 to the Consolidated Financial Statements.

Lenzing, August 18, 2017
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

Key financial indicators of 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	01-06/2017	01-06/2016
Earnings before interest, tax, depreciation and amortization (EBITDA)	270.7	195.1
/ Revenue	1,149.1	1,034.8
EBITDA margin	**23.6%**	**18.9%**

EUR mn	01-06/2017	01-06/2016
Earnings before interest and tax (EBIT)	204.2	129.7
/ Revenue	1,149.1	1,034.8
EBIT margin	**17.8%**	**12.5%**

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, the 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	01-06/2017	01-06/2016
Net profit/loss for the period	150.3	94.6
+ Amortization of intangible assets and depreciation of property, plant and equipment	67.9	66.8
- Income from the release of investment grants	(1.3)	(1.4)
+/- Change in non-current provisions	1.4	2.2
- Income/+ expenses from deferred taxes	2.9	(0.5)
+/- Change in current tax assets and liabilities	3.9	8.5
+/- Non-cash income from investments accounted for using the equity method	(0.4)	(0.8)
- Other non-cash income/+ expenses	2.4	3.1
Other non-cash income/+ expenses	8.9	11.0
Gross cash flow	**227.1**	**172.4**

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	01-06/2017	01-06/2016
Cash flow from operating activities	201.3	268.8
- Cash flow from investing activities	(69.6)	(37.0)
- Net cash inflow from the sale and disposal of subsidiaries and other business areas	(3.1)	(1.4)
+ Acquisition of financial assets	1.0	0.6
- Proceeds from the sale/repayment of financial assets	(1.0)	(2.8)
Free cash flow	**128.5**	**228.3**

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 use to calculate other financial ratios (e.g. net financial debt; see below).

EUR mn	30/06/2017	31/12/2016
Cash and cash equivalents	513.2	559.6
+ Liquid bills of exchange (in trade receivables)	7.8	10.8
Liquid assets	**521.0**	**570.4**

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	30/06/2017	31/12/2016
Inventories	326.9	329.4
+ Trade receivables	261.3	277.4
- Trade payables	(235.3)	(227.2)
Trading working capital	**352.8**	**379.6**

EUR mn	2017	2016
Latest reported quarterly group revenue	562.9	555.7
x 4 (= annualized group revenue)	2,251.5	2,222.9
Trading working capital to annualized group revenue	**15.7%**	**17.1%**

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 similar indicators) is occasionally used as a financial covenant by lenders.

EUR mn	30/06/2017	31/12/2016
Equity	1,393.4	1,368.5
+ Non-current government grants	18.2	17.0
+ Current government grants	8.4	11.9
- Proportional share of deferred taxes on government grants	(6.4)	(7.0)
Adjusted equity	**1,413.6**	**1,390.5**
/ Total assets	2,564.5	2,625.3
Adjusted equity ratio	**55.1%**	**53.0%**

Net liquidity/net financial debt, net gearing and net debt

Net liquidity/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 capital 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	30/06/2017	31/12/2016
- Current financial liabilities	(224.4)	(249.2)
- Non-current financial liabilities	(286.4)	(328.3)
+ Liquid assets	521.0	570.4
Net liquidity (+) / Net financial debt (-)	**10.3**	**(7.2)**

EUR mn	30/06/2017	31/12/2016
Net liquidity (+) / Net financial debt (-)	10.3	(7.2)
/ Adjusted equity	1,413.6	1.390.5
Net gearing	**n/a[1]**	**0.5%**

EUR mn	30/06/2017	31/12/2016
Net liquidity (+) / Net financial debt (-)	10.3	(7.2)
- Provisions for severance payments and pensions[2]	(108.8)	(108.6)
Net debt	**(98.5)**	**(115.8)**

1) Not applicable due to net liquidity.
2) This amount is included in the consolidated statement of financial position in „provisions" (non-current, resp. current liabilities).

Condensed Consolidated Interim Financial Statements

for the period from January 1, 2017
to June 30, 2017

Lenzing AG

Consolidated Income Statement

for the period from January 1 to June 30, 2017

	Note	04-06/2017	04-06/2016	01-06/2017	01-06/2016
					EUR mn
Revenue	(4)	562.9	522.0	1.149.1	1.034.8
Change in inventories of finished goods and work in progress		20.4	2.4	(1.0)	(8.0)
Own work capitalized		10.5	5.4	19.8	11.5
Other operating income		14.1	11.8	26.8	23.3
Cost of material and other purchased services		(319.2)	(297.5)	(618.4)	(590.0)
Personnel expenses		(88.3)	(80.8)	(173.8)	(156.1)
Other operating expenses		(64.8)	(60.5)	(131.7)	(120.4)
Earnings before interest, tax, depreciation and amortization (EBITDA)[1]		**135.6**	**102.9**	**270.7**	**195.1**
Amortization of intangible assets and depreciation of property, plant and equipment		(34.5)	(33.4)	(67.9)	(66.8)
Income from the release of investment grants		0.7	0.7	1.3	1.4
Earnings before interest and tax (EBIT)[1]		**101.8**	**70.3**	**204.2**	**129.7**
Income from investments accounted for using the equity method		0.5	0.5	0.6	0.8
Income from non-current and current financial assets		(0.1)	2.0	0.3	1.1
Financing costs		(3.1)	(5.4)	(7.1)	(9.3)
Financial result		**(2.7)**	**(3.0)**	**(6.2)**	**(7.4)**
Allocation of profit or loss to puttable non-controlling interests		(1.7)	(0.8)	(3.3)	(0.1)
Earnings before tax (EBT)[1]		**97.3**	**66.5**	**194.7**	**122.3**
Income tax expense		(22.0)	(16.1)	(44.3)	(27.7)
Net profit for the period		**75.3**	**50.3**	**150.3**	**94.6**
Net profit for the period attributable to shareholders of Lenzing AG		74.4	49.2	147.3	92.7
Net profit for the period attributable to non-controlling interests		0.9	1.1	3.0	1.9
Earnings per share		**EUR**	**EUR**	**EUR**	**EUR**
Diluted = basic		2.80	1.85	5.55	3.49

[1] EBITDA: Operating result before depreciation and amortization or accordingly 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, 2017

				EUR mn
	04-06/2017	04-06/2016	01-06/2017	01-06/2016
Net profit for the period as per consolidated income statement	**75.3**	**50.3**	**150.3**	**94.6**
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit liability	0.0	(7.9)	0.0	(7.9)
Income tax relating to these components of other comprehensive income	0.0	2.0	0.0	2.0
	0.0	**(5.9)**	**0.0**	**(5.9)**
Items that may be reclassified to profit or loss				
Foreign operations – foreign currency translation differences arising during the reporting period	(21.6)	3.4	(29.5)	(13.9)
Available-for-sale financial assets – net fair value gain/loss on remeasurement recognized during the reporting period	1.2	0.2	2.5	0.4
Cash flow hedges – effective portion of changes in fair value recognized during the reporting period	14.5	(5.4)	14.8	(0.8)
Cash flow hedges – reclassification to profit or loss	(1.2)	(0.1)	3.0	1.2
Income tax relating to these components of other comprehensive income	(3.2)	1.2	(4.5)	(0.2)
Investments accounted for using the equity method - share of other comprehensive income (net of tax)	(0.1)	0.1	(0.1)	0.1
	(10.4)	**(0.7)**	**(13.8)**	**(13.2)**
Other comprehensive income - net of tax	**(10.4)**	**(6.6)**	**(13.8)**	**(19.1)**
Total comprehensive income	**64.9**	**43.7**	**136.5**	**75.4**
Attributable to shareholders of Lenzing AG	66.0	42.0	136.2	73.9
Attributable to non-controlling interests	(1.1)	1.7	0.4	1.5

Consolidated Statement of Financial Position

as at June 30, 2017

EUR mn

Assets	Note	30/06/2017	31/12/2016
Intangible assets		19.1	18.3
Property, plant and equipment		1,264.3	1,278.9
Investments accounted for using the equity method		13.0	12.7
Financial assets		27.4	25.1
Deferred tax assets		3.9	4.1
Current tax assets		5.2	4.4
Other non-current assets		7.5	9.6
Non-current assets		**1,340.3**	**1,353.1**
Inventories	(5)	326.9	329.4
Trade receivables	(5)	261.3	277.4
Current tax assets		0.0	0.7
Other current assets		122.9	105.1
Cash and cash equivalents		513.2	559.6
Current assets		**1,224.2**	**1,272.2**
Total assets		**2,564.5**	**2,625.3**

Equity and liabilities	Note	30/06/2017	31/12/2016
Share capital		27.6	27.6
Capital reserves		133.9	133.9
Other reserves		12.3	23.5
Retained earnings		1,187.0	1,151.1
Equity attributable to shareholders of Lenzing AG		**1,360.8**	**1,336.1**
Non-controlling interests		32.6	32.4
Equity	**(5)**	**1,393.4**	**1,368.5**
Financial liabilities		286.4	328.3
Government grants		18.2	17.0
Deferred tax liabilities		58.1	52.9
Provisions		137.4	138.1
Puttable non-controlling interests		15.3	13.0
Other liabilities		4.7	3.7
Non-current liabilities		**520.2**	**552.9**
Financial liabilities		224.4	249.2
Trade payables	(5)	235.3	227.2
Government grants		8.4	11.9
Current tax liabilities		29.4	25.7
Provisions		101.2	97.2
Other liabilities		52.2	92.5
Current liabilities		**650.9**	**703.8**
Total equity and liabilities		**2,564.5**	**2,625.3**

Lenzing AG

Consolidated Statement of Changes in Equity

for the period from January 1 to June 30, 2017

			Other reserves							EUR mn
	Share capital	Capital reserves	Foreign currency translation reserve	Available-for-sale financial assets	Hedging reserve	Actuarial gains/ losses	Retained earnings	Equity attributable to share-holders of Lenzing AG	Non-controlling interests	Equity
As at 01/01/2016 (previous)	**27.6**	**133.9**	**65.4**	**1.6**	**(2.6)**	**(33.2)**	**986.8**	**1,179.4**	**27.3**	**1,206.7**
Error correction in accordance with IAS 8 (see note 1)	0.0	0.0	(0.9)	0.0	0.0	0.0	(7.0)	**(7.8)**	0.0	**(7.8)**
As at 01/01/2016 (restated, see note 1)	**27.6**	**133.9**	**64.6**	**1.6**	**(2.6)**	**(33.2)**	**979.8**	**1,171.6**	**27.3**	**1,198.9**
Net profit for the period as per consolidated income statement	0.0	0.0	0.0	0.0	0.0	0.0	92.7	**92.7**	1.9	**94.6**
Other comprehensive income - net of tax	0.0	0.0	(13.4)	0.3	0.3	(5.9)	0.0	**(18.7)**	(0.4)	**(19.1)**
Total comprehensive income	**0.0**	**0.0**	**(13.4)**	**0.3**	**0.3**	**(5.9)**	**92.7**	**73.9**	**1.5**	**75.4**
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	(53.1)	**(53.1)**	(0.1)	**(53.2)**
As at 30/06/2016	**27.6**	**133.9**	**51.1**	**1.9**	**(2.3)**	**(39.1)**	**1,019.4**	**1,192.4**	**28.7**	**1,221.1**
As at 01/01/2017	**27.6**	**133.9**	**67.9**	**2.4**	**(6.2)**	**(40.7)**	**1,151.1**	**1,336.1**	**32.4**	**1,368.5**
Net profit for the period as per consolidated income statement	0.0	0.0	0.0	0.0	0.0	0.0	147.3	**147.3**	3.0	**150.3**
Other comprehensive income - net of tax	0.0	0.0	(27.0)	1.9	14.0	0.0	0.0	**(11.2)**	(2.6)	**(13.8)**
Total comprehensive income	**0.0**	**0.0**	**(27.0)**	**1.9**	**14.0**	**0.0**	**147.3**	**136.2**	**0.4**	**136.5**
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	(111.5)	**(111.5)**	(0.1)	**(111.6)**
As at 30/06/2017	**27.6**	**133.9**	**40.9**	**4.3**	**7.8**	**(40.7)**	**1,187.0**	**1,360.8**	**32.6**	**1,393.4**

Lenzing AG

Consolidated Statement of Cash Flows (Condensed)

for the period from January 1 to June 30, 2017

EUR mn

	01-06/2017	01-06/2016
Net profit for the period	150.3	94.6
+ Amortization of intangible assets and depreciation of property, plant and equipment	67.9	66.8
- Other non-cash income/ + expenses	8.9	11.0
Gross cash flow	**227.1**	**172.4**
+/- Change in inventories	(11.3)	12.9
+/- Change in accounts receivable	(6.6)	6.5
+/- Change in liabilities	(7.9)	77.0
Change in working capital	**(25.8)**	**96.4**
Cash flow from operating activities	**201.3**	**268.8**
- Acquisition of intangible assets, property, plant and equipment (CAPEX)	(72.9)	(40.6)
- Acquisition of financial assets	(1.0)	(0.6)
+ Proceeds from the sale of intangible assets, property, plant and equipment	0.1	0.1
+ Proceeds from the sale/repayment of financial assets	1.0	2.8
+ Net inflow from the sale and disposal of subsidiaries and other business areas	3.1	1.4
Cash flow from investing activities	**(69.6)**	**(37.0)**
- Distribution to shareholders	(111.6)	(53.2)
+ Investment grants	1.5	0.6
+ Proceeds from the issue of bonds and private placements	0.0	0.0
- Repayment of bonds and private placements	0.0	0.0
+ Inflows from financing activities/ - repayment of other financial liabilities	(61.1)	(43.0)
Cash flow from financing activities	**(171.2)**	**(95.6)**
Total change in liquid funds	**(39.5)**	**136.2**
Liquid funds at the beginning of the year	559.6	347.3
Currency translation adjustment relating to liquid funds	(6.8)	(4.2)
Liquid funds at the end of the reporting period	**513.2**	**479.2**
Additional information on payments in cash flow from operatin activities:		
Interest payments received	1.4	0.8
Interest payments made	3.6	6.0
Income taxes paid	37.4	21.2

Notes to the Consolidated Financial Statements: Selected Notes

on the condensed consolidated interim financial statements as at June 30, 2017

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, 2017 is the B&C Group, which directly or indirectly holds an investment of 50.01 percent (December 31, 2016: 62.60 percent) 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, 2017 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, 2017 are based on the consolidated financial statements as at December 31, 2016 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 2016 financial year.

Due to the considerable decrease of long-term interest rates in the Euro-zone since December 31, 2015 the net liability of Austrian defined pension and severance plans was remeasured in the first half of 2016 (discount rate pension plans: 1.3 percent, previously 2.1 percent; discount rate severance plans: 1.3 percent; previously 2.2 percent). For the period 1-6/2016, the loss from remeasurement was EUR 5.9 mn (after tax) and was recognized in other comprehensive income. In the first half of 2017 the net liability for defined benefit pension and severance plans was not remeasured.

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.

Changes in accounting policies
In connection with a random review by the Austrian Financial Reporting Enforcement Panel (AFREP; "Österreichische Prüfstelle für Rechnungslegung"), the Lenzing Group's consolidated financial statements as at December 31, 2014 and the half-year financial statements as at June 30, 2014 and June 30, 2015 were selected and audited in accordance with Section 2 Para. 1 no. 2 of the Austrian Financial Reporting Enforcement Act ("Rechnungslegungs-Kontrollgesetz"; review without particular cause).

The consolidated financial statements as at December 31, 2014 contained deferred tax assets of EUR 15.9 mn from a Chinese production site, which included deferred tax assets on tax loss carryforwards totaling EUR 4.7 mn that should not have been recognized (i.e. approximately 0.7 percent of total assets as at December 31, 2014; EBIT and EBITDA for the 2014 financial year were not affected). The probability of sufficient taxable profit and the convincing substantial evidence required by IAS 12.29(a) in connection with IAS 12.35 for the consolidated financial statements as at December 31, 2014 could not be substantiated. The AFREP therefore classified this as an error in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). Errors from previous periods are corrected retrospectively. This error is explained in detail in the consolidated financial statements as at December 31, 2016 (see note 2 of those statements).

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, 2016 (Note 1).

Note 2. Consolidation

Scope of consolidation

Lenzing Elyaf Anonim Sirketi, Istanbul, Turkey, was founded in January 2017 and subsequently included in the scope of consolidation.

The closing for the sale of LKF Tekstil Boya Sanayi ve Ticaret Anonim Sirketi, Istanbul, Turkey, took place in May 2017 and resulted in an overall gain on disposal of EUR 0.2 mn which was recognized as income from investments accounted for using the equity method.

In the course of an intra-group reorganization, the Lenzing Group purchased 100 percent of the shares in Delta LAG Holding GmbH, Vienna from the B&C Group and resold this investment to the B&C Group in May 2017. The purchase price and selling price of this transaction were immaterial and no significant result of disposal arose from this transaction.

Basis of consolidation

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

Exchange rates for key currencies			2017		2016	
Unit	Currency		Reporting date 30/06	Average 1-6	Reporting date 31/12	Average 1-6
1 EUR	USD	US Dollar	1.1413	1.0825	1.0541	1.1155
1 EUR	GBP	British Pound	0.8799	0.8601	0.8562	0.7785
1 EUR	CZK	Czech Koruna	26.3000	26.7870	27.0210	27.0393
1 EUR	CNY	Renminbi Yuan	7.7412	7.4418	7.3202	7.2937

Note 3. Non-current assets and liabilities held for sale, disposal groups and discontinued operations

Individual business areas of Lenzing Technik Fertigung were sold during April 2016. This led to the loss of control by the Lenzing Group and the subsequent deconsolidation of these business areas in Segment Lenzing Technik.

Note 4. Segment reporting

The same principles were applied in the presentation of segment reporting as in the consolidated financial statements as at December 31, 2016.

Information on business segments — EUR mn

1-6/2017 and 30/06/2017	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	1,141.0	6.9	1.2	**1,149.1**	0.0	**1,149.1**
Inter-segment revenue	3.1	14.4	1.2	**18.7**	(18.7)	**0.0**
Total revenue	**1,144.1**	**21.3**	**2.4**	**1,167.8**	**(18.7)**	**1,149.1**
EBITDA (segment result)	268.1	2.0	0.5	**270.5**	0.2	**270.7**
EBIT	200.0	1.7	0.5	**202.2**	2.0	**204.2**
EBITDA margin[1]	23.4%	9.3%	20.4%	**23.2%**		**23.6%**
EBIT margin[2]	17.5%	7.8%	19.8%	**17.3%**		**17.8%**
Segment assets	2,017.7	18.2	1.0	**2,036.9**	527.6	**2,564.5**
Segment liabilities	538.5	19.4	1.9	**559.8**	611.3	**1,171.1**

Information on business segments (previous year) — EUR mn

1-6/2016 and 31/12/2016	Fibers	Lenzing Technik	Other	Segment total	Reconciliation	Group
Revenue from external customers	1,027.1	6.8	1.0	**1,034.8**	0.0	**1,034.8**
Inter-segment revenue	3.4	10.7	1.0	**15.0**	(15.0)	**0.0**
Total revenue	**1,030.4**	**17.5**	**1.9**	**1,049.8**	**(15.0)**	**1,034.8**
EBITDA (segment result)	197.6	(1.6)	0.4	**196.3**	(1.2)	**195.1**
EBIT	130.8	(2.0)	0.3	**129.2**	0.6	**129.7**
EBITDA margin[1]	19.2%	(9.4%)	18.2%	**18.7%**		**18.9%**
EBIT margin[2]	12.7%	(11.4%)	16.9%	**12.3%**		**12.5%**
Segment assets	2,033.4	16.2	1.4	**2,051.0**	574.3	**2,625.3**
Segment liabilities	561.7	17.6	1.8	**581.1**	675.6	**1,256.8**

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**
	1-6/2017	**1-6/2016**
Segment result (EBITDA)	270.5	196.3
Consolidation	(0.3)	(1.4)
Restructuring	0.5	0.2
Group result (EBITDA)	**270.7**	**195.1**
Segment amortization of intangible assets and depreciation of property, plant and equipment	(69.7)	(68.5)
Consolidation	1.8	1.8
Income from the release of investment grants	1.3	1.4
Earnings before interest and tax (EBIT)	**204.2**	**129.7**
Financial result	(6.2)	(7.4)
Allocation of profit or loss to puttable non-controlling interests	(3.3)	(0.1)
Earnings before tax (EBT)	**194.7**	**122.3**

Restructuring includes the following components:

Restructuring		**EUR mn**
	1-6/2017	**1-6/2016**
Restructuring measures		
Other operating income	0.5	0.5
Personnel expenses	0.0	(0.2)
Other operating expenses	0.0	(0.2)
Total	**0.5**	**0.2**

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

Further information on the segments can be derived from the management report of the Lenzing Group as at June 30, 2017.

Notes on the Individual Components of the Consolidated Financial Statements

Note 5. Notes on the primary financial statements

In the interim reporting period write-downs to net realizable value in the amount of EUR 0.3 mn (1-6/2016: EUR 2.8 mn) were recognized in profit or loss.

Trade receivables of EUR 46.2 mn were sold on the basis of factoring agreements and derecognized in the Lenzing Group's consolidated statement of financial position as at June 30, 2017 (December 31, 2016: EUR 83.3 mn). The amount that was not advanced totaled EUR 4.5 mn as at June 30, 2017 (December 31, 2016: EUR 8.1 mn) and is reported under other current assets. In the interim reporting period bad debt provisions in the amount of EUR 0.4 mn were reversed in profit or loss (1-6/2016: recognized in the amount of EUR 1.0 mn).

The amount of share capital and the number of no-par-value shares did not change in the interim reporting period. No shares were bought back. In the interim reporting period, the Management Board did not exercise the authorizations in place on or until June 30, 2017 to increase share capital, issue convertible bonds and repurchase own shares.

The dividend to the shareholders of Lenzing AG was as follows:

Dividends of Lenzing AG resolved and paid	Total	Number of shares	Dividend per share
	EUR mn		EUR
Dividend for the financial year 2016 resolved at the Annual Shareholders' Meeting on April 25, 2017 (payment as of May 02, 2017)	111.5	26,550,000	4.20
Dividend for the financial year 2015 resolved at the Annual Shareholders' Meeting on April 20, 2016 (payment as of April 26, 2016)	53.1	26,550,000	2.00

Reverse factoring agreements with suppliers of the Lenzing Group were in place as at June 30, 2017. The affected trade payables totaled EUR 122.8 mn (December 31, 2016: EUR 128.9 mn).

Note 6. Capital risk management

All capital requirements were satisfied in the interim reporting period. Unused credit facilities in the amount of EUR 209.3 mn were available for possible future financing requirements as at June 30, 2017 (December 31, 2016: EUR 217,7 mn).

Note 7. 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 IAS 39 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.

Carrying amounts, fair values, measurement categories and fair value hierarchy of financial instruments **EUR mn**

Financial assets as at 30/06/2017	Carrying amount						Fair value	
	At amortized cost (loans and receivables)	At fair value through profit or loss	At fair value directly in equity		No financial instrument	Total	Fair value	Fair value hierachy
			Available for sale	Cashflow hedges				
Originated loans	7.5					7.5	7.5	[2]
Non-current securities			18.3			18.3	18.3	Level 1
Other equity investments			1.6[1]			1.6	1.6	[1]
Financial assets	**7.5**	**0.0**	**19.8**	**0.0**	**0.0**	**27.4**	**27.4**	
Trade receivables	**261.3**	**0.0**	**0.0**	**0.0**	**0.0**	**261.3**	**261.3**	[2]
Derivatives with a positive fair value (cash flow hedges)				10.9		10.9	10.9	Level 2
Derivatives with a positive fair value (cash flow hedges with the underlying already recognized in profit or loss)		3.4				3.4	3.4	Level 2
Other	54.6				61.5	116.0	116.0	[2]
Other assets (current and non-current)	**54.6**	**3.4**	**0.0**	**10.9**	**61.5**	**130.3**	**130.3**	
Cash and cash equivalents	**513.2**	**0.0**	**0.0**	**0.0**	**0.0**	**513.2**	**513.2**	[2]
Total	**836.6**	**3.4**	**19.8**	**10.9**	**61.5**	**932.2**	**932.2**	

Financial liabilities as at 30/06/2017	Carrying amount					Fair value	
	At amortized cost	At fair value through profit or loss	At fair value directly in equity	No financial instrument	Total	Fair value	Fair value hierachy
			Cashflow hedges				
Bond	120.0				120.0	121.9	Level 1
Private placements	248.5				248.5	260.2	Level 3
Liabilities to banks	115.1				115.1	115.4	Level 3
Liabilities to other lenders	24.5				24.5	24.5	Level 3
Lease liabilities				2.7	2.7	2.7	[2]
Financial liabilities (current and non-current)	**508.1**	**0.0**	**0.0**	**2.7**	**510.8**	**524.7**	
Trade payables	**235.3**	**0.0**	**0.0**	**0.0**	**235.3**	**235.3**	[2]
Provisions (current)	**25.0**	**0.0**	**0.0**	**76.2**	**101.2**	**101.2**	[2]
Puttable non-controlling interests	**15.3**	**0.0**	**0.0**	**0.0**	**15.3**	**15.3**	[2]
Derivatives with a negative fair value (cash flow hedges)			0.9		0.9	0.9	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		0.5			0.5	0.5	Level 2
Financial guarantee contracts		0.1			0.1	0.1	Level 3
Other	18.7			36.7	55.4	55.4	[2]
Other liabilities (current and non-current)	**18.7**	**0.6**	**0.9**	**36.7**	**56.9**	**56.9**	
Total	**802.5**	**0.6**	**0.9**	**115.6**	**919.6**	**933.4**	

[1] Measured at cost.
[2] The carrying amount approximates fair value.

Carrying amounts, fair values, measurement categories and fair value hierarchy of financial instruments (previous year) **EUR mn**

	Carrying amount						Fair value	
Financial assets as at 31/12/2016	**At amortized cost (loans and receivables)**	**At fair value through profit or loss**	**At fair value directly in equity**		**No financial instrument**	**Total**	**Fair value**	**Fair value hierachy**
			Available for sale	**Cashflow hedges**				
Originated loans	7.3					7.3	7.3	[2]
Non-current securities			16.2			16.2	16.2	Level 1
Other equity investments			1.6[1]			1.6	1.6	[1]
Financial assets	**7.3**	**0.0**	**17.7**	**0.0**	**0.0**	**25.1**	**25.1**	
Trade receivables	**277.4**	**0.0**	**0.0**	**0.0**	**0.0**	**277.4**	**277.4**	[2]
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)		0.7				0.7	0.7	Level 2
Other	59.9				52.4	112.3	112.3	[2]
Other assets (current and non-current)	**59.9**	**0.7**	**0.0**	**1.6**	**52.4**	**114.6**	**114.6**	
Cash and cash equivalents	**559.6**	**0.0**	**0.0**	**0.0**	**0.0**	**559.6**	**559.6**	[2]
Total	**904.3**	**0.7**	**17.7**	**1.6**	**52.4**	**976.7**	**976.7**	

	Carrying amount					Fair value	
Financial liabilities as at 31/12/2016	**At amortized cost**	**At fair value through profit or loss**	**At fair value directly in equity**	**No financial instrument**	**Total**	**Fair value**	**Fair value hierachy**
			Cashflow hedges				
Bond	119.9				119.9	123.4	Level 1
Private placements	248.5				248.5	261.4	Level 3
Liabilities to banks	180.5				180.5	181.0	Level 3
Liabilities to other lenders	25.9				25.9	25.9	Level 3
Lease liabilities				2.8	2.8	2.8	[2]
Financial liabilities (current and non-current)	**574.8**	**0.0**	**0.0**	**2.8**	**577.5**	**594.4**	
Trade payables	**227.2**	**0.0**	**0.0**	**0.0**	**227.2**	**227.2**	[2]
Provisions (current)	**26.3**	**0.0**	**0.0**	**70.9**	**97.2**	**97.2**	[2]
Puttable non-controlling interests	**13.0**	**0.0**	**0.0**	**0.0**	**13.0**	**13.0**	[2]
Derivatives with a negative fair value (cash flow hedges)			9.3		9.3	9.3	Level 2
Derivatives with a negative fair value (cash flow hedges with the underlying already recognized in profit or loss)		2.4			2.4	2.4	Level 2
Financial guarantee contracts		0.2			0.2	0.2	Level 3
Other	33.3			51.1	84.4	84.4	[2]
Other financial liabilities (current and non-current)	**33.3**	**2.6**	**9.3**	**51.1**	**96.2**	**96.2**	
Total	**874.6**	**2.6**	**9.3**	**124.7**	**1.011.1**	**1.028.0**	

1) Measured at cost.
2) The carrying amount approximates fair value.

In the interim reporting period, there were no transfers between the different levels of the fair value hierarchy of financial instruments that were already held on December 31, 2016.

The accounting policies for financial instruments (particularly concerning measurement methods/techniques and input factors) did not change during the interim reporting period.

Disclosures on Related Parties and Executive Bodies

Note 8. Related party disclosures

The tax group with B&C Group was reorganized with B&C Holding Österreich GmbH, Vienna being the new head of the tax group. The former head of the tax group was B&C Industrieholding GmbH, Vienna. This does not lead to major changes in the financial statements of the Lenzing Group. Contractual obligations resulted in the payment or advance payment of tax allocations totaling EUR 18.0 mn to the head of the tax group in the interim reporting period (1-6/2016: EUR 13.5 mn). Moreover, the liability recognized as at December 31, 2016 for the tax allocation to the head of the tax group was essentially adjusted as at June 30, 2017 for the estimated income tax expense based on the results for the interim reporting period.

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

Relationships with companies accounted for using the equity method and their material subsidiaries		**EUR mn**
	1-6/2017	**1-6/2016**
Goods and services provided and other income	39.1	33.0
Goods and services received and other income	17.9	22.6
	30/06/2017	**31/12/2016**
Receivables	13.3	11.4
Liabilities	5.7	4.1

Note 9. Executive bodies

Heiko Arnold was appointed to serve as a member of the Management Board (Chief Technology Officer/CTO) as of May 1, 2017. The principles of his remuneration package are similar to the remuneration models of the other members of the Management Board. There were no other changes in the members of the Management Board and the Supervisory Board compared to December 31, 2016.

Other Disclosures

Note 10. Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

The Lenzing Group has entered into contingent liabilities of EUR 22.5 mn (December 31, 2016: EUR 27.9 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 viewpoint 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 reported amount includes EUR 4.4 mn (December 31, 2016: EUR 7.9 mn) from financial guarantee contracts. It is predominantly considered unlikely that the Group will be required to make payments under financial guarantee contracts. Liabilities of EUR 0.1 mn, which equal the fair value of these financial guarantee contracts, were recognized as at June 30, 2017 (December 31, 2016: EUR 0.2 mn).

The obligations from outstanding orders for intangible assets and property, plant and equipment amounted to EUR 74.4 mn as at June 30, 2017, (December 31, 2016: EUR 34.9 mn). The Lenzing Group has long-term purchase obligations related to raw material supplies, in particular for wood, chemicals and energy.

Note 11. Significant events after the end of the reporting period

The Lenzing Group is not aware of any significant events occurring after the reporting date on June 30, 2017 which would have resulted in a different presentation of its financial position and financial performance.

Lenzing, August 18, 2017
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 87 Para 1 No. 3 of the Stock Exchange Act

We confirm to the best of our knowledge that the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the interim group management report gives a true and fair view of important events that have occurred during the first 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 18, 2017
Lenzing Aktiengesellschaft

The Management Board

Stefan Doboczky	**Robert van de Kerkhof**	**Thomas Obendrauf**	**Heiko Arnold**
Chief Executive Officer	Chief Commercial Officer	Chief Financial Officer	Chief Technology Officer
Chairman of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

Report on the Review of the Condensed Consolidated Interim Financial Statements

Introduction
We have reviewed the accompanying condensed consolidated interim financial statements of Lenzing Aktiengesellschaft, Lenzing, for the period from January 1, 2017 to June 30, 2017. These condensed consolidated interim financial statements comprise the consolidated statement of financial position as at June 30, 2017 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 January 1, 2017 to June 30, 2017 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed consolidated interim 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 consolidated interim 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 June 30, 2017 and on management's statement in accordance with § 87 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 consolidated interim financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed consolidated interim financial statements.

The interim financial information contains the statement by management in accordance with § 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

KPMG

Linz, August 18, 2017
KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Gabriele Lehner
Austrian Chartered Accountant

Note: The consolidated interim financial statements togehter 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.

Glossary

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 inflow 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. 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/net liquidity Interest-bearing financial liabilities (= non-current and current financial liabilities) less liquid assets. Net liquidity is the excess of liquid assets over interest-bearing financial liabilities.

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 severance payments and pensions.

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.

Imprint

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

This interim group report also includes forward-looking statements based on current assumptions and estimates that are made to the best of its knowledge by the Lenzing Group. Such forward-looking statements can be identified by the use of terms such as "should", "could", "will", "expect", "assume", "predict", "estimate", "intend", "believe", "plan", "anticipate", "is of the opinion", "to our knowledge", "in our estimation" 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 at the date on which this interim 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.

The figures shown in these consolidated interim financial statements and notes were rounded to the next million ("mn") and to one decimal place, unless stated otherwise. Calculation differences may arise when rounded amounts and percentages are summed. The interim 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.

LENZING

LEADING FIBER INNOVATION