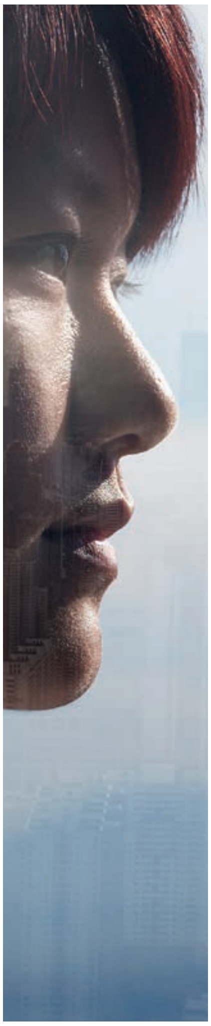
Q3
2014

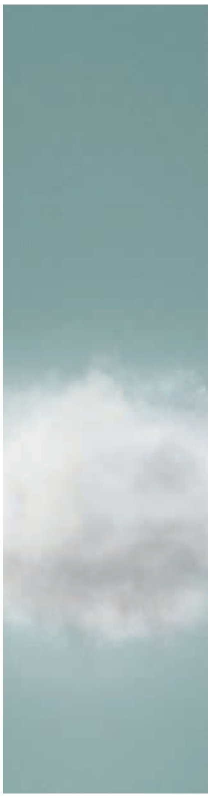
PROMISING
PERSPECTIVES



NATURE

TRUST

THINKING AHEAD



RESPONSIBILITY

THE SOURCES
OF OUR STRENGTH

Interim Report 01-09/2014 . **LENZING GROUP**

LENZING
LEADING FIBER INNOVATION

THE SOURCES **OF OUR STRENGTH**

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

SELECTED KEY FIGURES

Selected key figures

		30/09/2014	31/12/2013
Adjusted equity[1]	EUR mn	1,131.7	1,109.6
Adjusted equity in %[2]	%	46.9	45.5
Net financial debt[3]	EUR mn	483.8	504.7
Net debt[4]	EUR mn	562.9	582.0
Net gearing[5]	%	42.8	45.5
Open credit facilities	EUR mn	301.3	296.2
Liquid assets[6]	EUR mn	246.6	296.0
Number of employees at end of period	Headcount	6,352	6,675
		01-09/2014	**01-09/2013**
CAPEX[7]	EUR mn	84.8	180.6

Selected income statement items

		01-09/2014	01-09/2013
Sales	EUR mn	1,357.7	1,447.0
EBITDA	EUR mn	159.8	223.8
EBITDA margin	%	11.8	15.5
EBIT	EUR mn	69.5	136.4
EBIT margin	%	5.1	9.4

1) = Equity including government grants less proportionate deferred taxes.
2) = Adjusted equity in relation to total assets.
3) = Interest-bearing financial liabilities (=current and non-current financial liabilities) less liquid assets.
4) = Interest-bearing financial liabilities (=current and non-current financial liabilities) less liquid assets plus provisions for pensions and severance payments.
5) = Net financial debt in relation to adjusted equity.
6) = Cash and cash equivalents, liquid securities and liquid bills of exchange.
7) = Comprising investments in intangible assets, property, plant and equipment. 01-09/2013 incl. BU Plastics.

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

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MANAGEMENT REPORT 01-09/2014

General Market Environment

Global economy[1]

According to the International Monetary Fund (IMF), the risks faced by the global economy have substantially increased again recently. On the one hand, the economic recovery of the eurozone is stagnating. On the other hand, geopolitical risks are rising, for example in the Ukraine and Middle East. In October the IMF once again revised its growth forecasts for 2014 downwards. The IMF now expects worldwide economic growth for the entire year 2014 to reach a level of 3.3%, unchanged from the prior-year figure of 3.3%.

The IMF anticipates GDP growth of 1.8% for the industrialized countries in 2014, compared to 1.4% in 2013. The American economy is expected to expand by 2.2% this year. In contrast, growth in the eurozone is slowing down once more, with GDP only forecast to rise by 0.8% in 2014 (minus 0.4% in 2013). In particular, the development of the Italian and French economies was disappointing, but German GDP growth was also much weaker than originally predicted by the IMF.

The IMF also made slight downward revisions to its 2014 growth predictions for the developing and emerging markets, which are now expected to expand by 4.4% this year compared to 4.7% in 2013. The IMF predicts a 7.4% increase in China's economic output for the entire year 2014, lower than the 7.7% level in 2013. This corresponds precisely to the development of China's gross domestic product in the first nine months of 2014, with GDP expanding by 7.4% according to the National Bureau of Statistics of China[2].

World fiber market

The development of the world fiber market in the first three quarters of 2014 was characterized by restrained volume growth against the backdrop of volatile selling prices. The most notable occurrence was the slump in cotton prices during the third quarter of the year. Whereas the Cotton "A" Index was still at 98.9 US cents/lb in March 2014, the index declined by about 30% by the end of September 2014 to approximately 70 US cents/lb. The underlying reason for this dramatic development was the reduction in cotton import quotas in China to only 900,000 tons, a move which will cause sales problems for export-oriented cotton-producing countries such as the USA and Australia.

This was complemented by a change in the Chinese policy of cotton subsidies, which no longer aims to regulate market prices but is designed to support the income of cotton farmers. This approach is likely to lead to a surplus supply of cotton. The resulting selling price decline will be reinforced by the expected high cotton harvest yield in the 2014/15 season. According to the latest ICAC market assessment, global cotton production will once again exceed consumption. Parallel to the prevailing global market trend, Chinese cotton prices which had been up to 40% higher than world market prices in previous quarterly periods also fell from CNY 19,000 to about CNY 15,300 (or about USD 2.22/kg).

[1] International Monetary Fund, World Economic Outlook, October 2014
[2] National Bureau of Statistics of China, October 21, 2014

The high price volatilities for cotton triggered further uncertainty on the global fiber market in light of the difficulty of fiber processing companies to reliably assess further price developments in the fourth quarter of 2014. At the end of the third quarter of 2014, prices for polyester fibers hovered at an average level of USD 1.39/kg in Asia, equivalent to prices at the beginning of the year but reflecting a very volatile development. Moreover, the drop in oil prices which became evident in the period September–October 2014 tended to enhance uncertainty on the polyester fiber market.

Viscose fiber spot market prices in China, the world's largest and most important sales market for viscose fibers, have remained largely stable since the beginning of the second quarter of 2014, contrary to the general trend for fiber selling prices. Viscose fiber prices were at 12,280 CNY/ton at the beginning of the first quarter of 2014 and 12,000 CNY/ton at the end of the third quarter. Viscose fibers are now once again being sold at a price premium compared to the Cotton "A" Index due to the dramatic drop in cotton prices.

Development of the Lenzing Group[3]

The continuing decrease in the average fiber selling prices of the Lenzing Group compared to the previous year and the high volatility on the fiber market continued to negatively impact the company's business operations. In the third quarter of 2014, Lenzing succeeded in improving earnings year-on-year, which can be primarily attributed to the company benefitting from the full impact of the measures implemented within the context of the excelLENZ cost savings program. Consolidated earnings before interest, taxes, depreciation on property, plant and equipment and amortization of intangible assets and before income from the release of investment grants (EBITDA) rose by 10.1% from the third quarter of 2013 to EUR 68.0 mn, which is also substantially higher than the EBITDA of EUR 45.6 mn generated in the second quarter of 2014. However, the consolidated nine-month EBITDA from continuing operations was still 16.0% below the prior-year period on a like-for-like basis.

Ongoing weak fiber prices burden sales and earnings

Consolidated sales decreased by 6.2% to EUR 1,357.7 mn in the first three quarters of 2014, down from EUR 1,447.0 mn in the previous year. More than half of the sales drop is due to the non-recurring effects relating to the disposal of the Business Unit Plastics towards the end of the second quarter of 2013.[4]

Consolidated sales were only down by 2.8% in a like-for-like comparison of continuing operations. The considerably lower average fiber selling prices in relation to the prior-year period could almost be fully offset by increasing fiber production and sales volumes as well as improving the product mix. This reflects the successful start-up of the new TENCEL® fiber manufacturing facility at the Lenzing site and a corresponding gradual upgrading of the product mix to focus more strongly on higher quality fibers. Nevertheless, average fiber selling prices of the

3) The prior year figures were restated due to changes in presentation (see Note 2 to the interim consolidated financial statements).
4) The sale of the Business Unit Plastics in the first half of 2013 led to a non-recurring cash inflow of EUR 61.7 mn and a gain on disposal before taxes (affecting EBITDA and EBIT) of EUR 25.9 mn.

MANAGEMENT REPORT 01-09/2014

Lenzing Group only amounted to 1.55 EUR/kg in the first nine months of 2014, corresponding to a drop of 10.4% from 1.73 EUR/kg in the first three quarters of 2013.

EBITDA from continuing operations in the first nine months of the year amounted to EUR 159.8 mn, a 16.0% decrease compared to EUR 190.2 mn for Q1-3 2013. This corresponded to an EBITDA margin of 11.8%, below the comparable like-for-like figure of 13.6% but still clearly higher than the EBITDA margin of 10.2% in the first half of 2014. Taking account of the non-recurring effects resulting from the sale of the Business Unit Plastics in the previous year, EBITDA in the first nine months of 2014 fell by 28.6%.

Consolidated nine-month earnings before interest and taxes (EBIT) from continuing operations amounted to EUR 69.5 mn, a drop of 34.8% from EUR 106.6 mn in the previous year. This comprised an EBIT margin of 5.1% (Q1-3 2013: 7.6%). This figure was also higher than the EBIT margin of 3.6% in the first half of 2014.

The substantial rise in fiber sales volumes, which climbed by about 7% to 706,900 tons in the first nine months of 2014 (Q1-3 2013: 659,900 tons), resulted in an increase of only 1.8% in the cost of material and other purchased services to EUR 896.7 mn in a like-for-like comparison of continuing operations. This moderate rise reflects the cost reduction measures encompassed in the excelLENZ program as well as stable or in some individual cases lower raw material prices.

Personnel expenditures adjusted for discontinued operations decreased by 1.9% year-on-year as a consequence of the excelLENZ cost savings program to EUR 225.8 mn. The excelLENZ initiative was also responsible for a decline in the total number of employees working for the Lenzing Group to 6,352 people as at September 30, 2014 (Dec 31, 2013: 6,675) despite the full operation of the new TENCEL® fiber production plant in Lenzing.

In the first nine months of 2014, depreciation of property, plant and equipment and amortization of intangible assets totaled EUR 92.4 mn, a slight increase of 7.8% above the comparable prior-year level for continuing operations. Other operating expenses fell 7.8% to EUR 151.0 mn in the first three quarters of 2014 from the prior-year level of EUR 163.8 mn. Considerable savings could be generated as a result of the excelLENZ initiative in spite of higher fiber sales volumes.

The financial result of minus EUR 16.3 mn represents an improvement from the comparable prior-year figure of minus EUR 19.1 mn. This was mainly attributable to positive foreign currency translation effects. Earnings before taxes (EBT) from continuing operations in the first three quarters of 2014 totaled EUR 56.1 mn (Q1-3 2013: EUR 89.4 mn), a decline of 37.2% year-on-year.

The lower earnings and a tax credit from the Group taxation scheme led to a decrease in the income tax from continuing operations during the first nine months of 2014 to EUR 11.8 mn (Q1-3 2013: 23.8 mn). This comprised a tax rate of 21.1% (Q1-3 2013: 26.6%). The nine-month profit for the period amounted to EUR 44.3 mn, a decrease of 32.5% from the comparable figure from continuing operations of EUR 65.7 mn in the first three quarters of 2013.

As a consequence, earnings per share from continuing operations in the first nine months of 2014 amounted to EUR 1.68 (Q1-3 2013: EUR 2.42).

Cash CAPEX[5] in the first nine months of 2014 totaled EUR 84.8 mn, below the comparable figure of EUR 180.6 mn in the prior-year period[6]. The focal point of the investment activity was the completion of the new TENCEL® fiber production plant in Lenzing as well as modernization work on existing fiber production lines.

Continuing balance sheet improvement

Adjusted Group equity[7] at the end of September 2014 rose to EUR 1,131.7 mn from EUR 1,109.6 mn at the end of 2013. Non-current liabilities steadily declined in the course of the year, amounting to EUR 744.0 mn as at September 30, 2014 (December 31, 2013: EUR 803.0 mn). Net financial debt was also reduced at the end of the third quarter of 2014 to EUR 483.8 mn (December 31, 2013: EUR 504.7 mn). Net gearing fell to 42.8% from 45.5% at the end of 2013.

Further optimization of cash flow

The gross cash flow of the Lenzing Group totaled EUR 139.6 mn in the first nine months of 2014, compared to EUR 129.2 mn in the previous year. The cash flow from operating activities was almost tripled to EUR 159.1 mn (Q1-3 2013: EUR 57.3 mn). The free cash flow[8] was clearly positive at EUR 74.5 mn (Q1-3 2013: minus EUR 121.6 mn). Net trading working capital was down by 1.6% from EUR 393.7 mn as at December 31, 2013.

As of September 30, 2014, Lenzing had liquid assets of EUR 246.6 mn, once again higher than the comparable level of EUR 227.2 mn in the middle of 2014 (December 31, 2013: EUR 296.0 mn). Moreover, Lenzing had unused lines of credit at its disposal totaling about EUR 301.3 mn.

Third quarter 2014: positive effects from excelLENZ and TENCEL®

The third-quarter 2014 performance of the Lenzing Group was marked by a slight year-on-year earnings improvement as well as in comparison to the second quarter of 2014. The underlying reason was the perceptible effects from the excelLENZ cost-cutting program and the first fiber sales volumes from the new TENCEL® fiber plant at the Lenzing site.

In spite of higher sales volumes, consolidated sales in the third quarter of 2014 basically stagnated at EUR 457.7 mn compared to the prior-year level of EUR 457.1 mn, which is attributable to the lower average fiber selling prices. EBITDA in the third quarter rose to EUR 68.0 mn (Q3 2013: EUR 61.8 mn). Third-quarter EBIT was EUR 37.1 mn (Q3 2013: EUR 33.4 mn), whereas EBT improved to 33.3 mn from the figure of EUR 28.2 mn in the prior-year quarter. The profit for the period after taxes of the Lenzing Group for the third quarter of 2014 climbed to EUR 29.1 mn, up from the third-quarter 2013 level of EUR 21.3 mn.

5) Investments in intangible assets and property, plant and equipment 6) Including discontinued operations 7) Equity including government grants less proportionate deferred taxes. 8) Cash flow from operating activities less cash flow from investing activities less net cash inflow from the disposal of subsidiaries plus acquisition of financial assets less proceeds from the disposal or redemption of financial assets. The free cash flow corresponds to the freely available cash flow.

MANAGEMENT REPORT 01-09/2014

Cost optimization program excelLENZ bears fruit

The measures being implemented since the beginning of 2014 within the context of the excelLENZ cost cutting program are bearing fruit, positively contributing to the third-quarter earnings improvement. Cost savings clearly exceeding EUR 90 mn are already expected for the entire year 2014, of which about one quarter involves personnel expenses. The remaining cost decreases equally relate to reduction in material costs and savings derived from efficiency projects to cut general and administrative expenses.

As intended, all employment contracts affected by the downsizing program were terminated by mutual agreement.

As already announced in the quarterly report on the first half of 2014, Lenzing is further sharpening the original measures aimed at achieving annual cost savings of up to EUR 160 mn by the year 2016 due to the ongoing difficult market situation. Planning work has begun to enable a further improvement of the Lenzing Group's cost structure to be achieved in 2015. These measures are designed to ensure the sustainable competitive strength of the company and safeguard its self-financing capacity for future investments.

Segment Fibers

Starting in the second quarter of 2014, viscose fiber prices have stabilized at a very low level.

Lenzing reported very high production volumes in the first three quarters of 2014, operating all its fiber production facilities at full capacity. A new record sales volume of 706,900 tons was achieved (Q1-3 2013: approx. 660,000 tons). This is all the more remarkable given the fact that all industrial plants in the greater Nanjing area of China, including Lenzing, were forced to reduce production due to the Nanjing 2014 Youth Olympic Games.

The new sales record is mainly attributable to the successful ramp-up of the new TENCEL® fiber production facility at the Lenzing site in Upper Austria towards the middle of 2014.

Sales of the Segment Fibers in the first three quarters of 2014 totaled EUR 1,285.4 mn, comprising a drop of 3.1% from EUR 1,326.5 mn generated in the first three quarters of 2013. Segment EBITDA in the first nine months of 2014 amounted to EUR 155.1 mn, 15.8% lower than EUR 184.1 mn in the previous year, whereas segment EBIT of EUR 64.6 mn comprised a 35.5% decline from the prior-year figure of EUR 100.1 mn. Specialty fibers accounted for about 39% of total sales revenue in the Segment Fibers.

Lenzing continued to generate very attractive price premiums for the specialty fiber Lenzing Modal® in contrast to viscose fibers, against the backdrop of ongoing high demand. The price premiums achieved for TENCEL® fibers remain at a very attractive level, although prices for new samples and market development projects declined somewhat in individual cases.

The focus of Lenzing's marketing activities in the third quarter was on further developing the market for TENCEL® fibers. The market penetration efforts to promote the use of Lenzing fibers in denim have met with success, as demonstrated by the fact that the most prominent jeans manufacturers are integrating TENCEL® fibers in their fashion collections,. Demand for TENCEL® bed linen remained strong, especially on overseas markets. In the home textiles segment, Lenzing promoted the use of TENCEL® fibers in towels, opening up new application possibilities with large American retail chain stores. A new study in the nonwovens segment confirms that TENCEL® BIOSOFT fibers significantly enhance wearing comfort when used as a top sheet for incontinence pads.

Pulp

The world market for pulp during the first three quarters of 2014 was characterized by an oversupply due to surplus global production capacities and low spot market prices. Anti-dumping duties imposed by China on imports of dissolving pulp did not have a material effect on market developments.

The Business Unit Pulp of the Lenzing Group showed gratifyingly high production volumes in the first three quarters of 2014 at both its sites in Lenzing, Austria and Paskov, Czech Republic. However, wood prices hovered at a very high level. The Lenzing Group has secured a sufficient supply of wood and pulp for the coming months.

Outlook Segment Fibers

In the fourth quarter of 2014 the Segment Fibers of the Lenzing Group will continue to focus on the intensive marketing of the additional TENCEL® fiber volumes which are now available. TENCEL® fiber production in Lenzing is proceeding smoothly and customers are satisfied with the initial deliveries.

Lenzing Modal® is expected to face increasing competition. Lenzing will concentrate more strongly on marketing its high quality specialty fibers (e.g. MicroModal®).

The medium market and price development for viscose fibers is difficult to predict. A structural price recovery is not yet in sight, neither for textile applications nor for nonwovens. The global market for man-made cellulose fibers will remain oversaturated in the foreseeable future.

Segment Lenzing Technik

In the first three quarters of 2014, the Segment Lenzing Technik was confronted with declining investment activity on the part of the Lenzing Group as well as declining incoming orders from the global pulp and fiber industries. At the moment the Lenzing Group does not plan to implement any new large projects in the coming years following completion of the new TENCEL®

MANAGEMENT REPORT 01-09/2014

fiber production plant at the Lenzing site. A process of strategic repositioning and restructuring was initiated to reflect internal and external market requirements.

The entire engineering, maintenance and repair capacities of the Lenzing Group will be incorporated in the strategic reorientation drive and subsequently realigned. The results of these assessments should be speedily put into practice in 2015. Moreover, Lenzing Technik has already intensified its efforts to strengthen the marketing of its products and services for external customers.

Segment sales in the third first quarters of 2014 totaled EUR 68.4 mn (Q1-3 2013: EUR 97.8 mn). EBITDA of the Segment Lenzing Technik amounted to EUR 1.5 mn (Q1-3 2013: EUR 6.0 mn), whereas segment EBIT amounted to EUR 0.2 mn (Q1-3 2013: EUR 4.6 mn).

Risk Report

The assessment of risks facing the Lenzing Group in the current financial year has not substantially changed since the last Risk Report was published in June 2014. The very high viscose fiber production capacities in China continue to have a negative impact on global fiber selling prices.

Risks such as natural catastrophes, fire hazards or the risk of explosions, environmental damages and product liability continue to represent a very high loss potential for the Lenzing Group.

The existing risks as well as the structure and organization of Lenzing's risk management system are described in the Management Report (page 45 ff.) of the Annual Report 2013.

Outlook Lenzing Group

Ongoing geopolitical tensions renewed downward revisions in growth forecasts and continuing high volatilities on financial and capital markets along with the danger of deflation in Western Europe define the business environment in which the Lenzing Group operates at the beginning of the fourth quarter of 2014.

Following the dramatic decline in the third quarter, cotton prices have stabilized for the time being. A further drop in international cotton prices cannot be excluded due to the uncertain price development in China. Polyester prices have also fallen over the past weeks. The effects of the substantial drop in oil prices on polyester fibers cannot accurately be foreseen. For this reason, the development of global fiber prices is hard to forecast.

The global market for man-made cellulose fibers will also be impacted in the upcoming months by low pulp prices and surplus fiber production capacities against the backdrop of good volume demand. Lenzing anticipates a continuation of the difficult market environment prevailing in 2014.

The market is not expected to provide any significant impetus. For this reason, Lenzing will reinforce measures designed to counteract this situation by continuing and further intensifying the excelLENZ cost savings program. The realigned organization will make an important contribution towards achieving operational improvements at Lenzing. The company reaffirms its ability to generate structural and thus sustainable savings of over EUR 160 mn per year starting in the year 2016.

Price increases for raw materials, energy and material costs are already anticipated to take place in some cases as of the fourth quarter of this year. The stronger USD exchange rate against the euro has positive effects on the Lenzing Group's international business.

The successful ramp-up of the TENCEL® fiber plant in Lenzing, the initiated improvements in the product mix, and the strong expansion of marketing and sales activities along the entire value chain should serve to improve the company's market position and its relative competitive strength.

We will inform you in greater detail at the further development of the Lenzing Group no later than March 24, 2015, on the occasion of the presentation of the company's annual results for 2014.

Major Related Party Transactions

Refer to Note 10 of the consolidated interim financial statements.

Significant Events after the End of the Interim Reporting Period

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

Lenzing, November 10, 2014
Lenzing Aktiengesellschaft

The Management Board

Peter Untersperger
Chief Executive Officer
Chairman of the
Management Board

Thomas Riegler
Chief Financial Officer
Member of the
Management Board

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

Friedrich Weninger
Chief Operating Officer
Member of the
Management Board

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2014

Lenzing AG

Consolidated Income Statement

for the period January 1 to September 30, 2014

EUR mn

	Note	Group 07-09/2014	Group 07-09/2013	Continued operations 07-09/2013	Discontinued operations[1] 07-09/2013	Group 01-09/2014	Group 01-09/2013	Continued operations 01-09/2013	Discontinued operations[1] 01-09/2013
Sales	(3, 5)	457.7	457.1	457.1	0.0	1,357.7	1,447.0	1,397.1	49.9
Changes in inventories of finished goods and work in progress		8.4	18.9	18.9	0.0	14.2	3.6	4.3	(0.8)
Work performed by the Group and capitalized		6.4	13.5	13.5	0.0	29.6	43.1	43.0	0.1
Other operating income		8.6	6.4[2]	5.6[2]	0.8[2]	31.8	51.6[2]	20.4[2]	31.2[2]
Cost of material and other purchased services	(5)	(296.5)	(303.4)	(303.4)	0.0	(896.7)	(910.7)[2]	(880.7)	(30.0)[2]
Personnel expenses	(5)	(73.0)	(77.3)[2]	(77.2)	(0.1)[2]	(225.8)	(241.2)[2]	(230.1)	(11.0)[2]
Other operating expenses	(5)	(43.6)	(53.3)[2]	(53.3)	0.0[2]	(151.0)	(169.6)[2]	(163.8)	(5.8)[2]
Earnings before interest, taxes, depreciation and amortization (EBITDA)[3]		**68.0**	**61.8[2]**	**61.1[2]**	**0.7[2]**	**159.8**	**223.8[2]**	**190.2[2]**	**33.6[2]**
Amortization of intangible assets and depreciation of property, plant and equipment	(5)	(31.6)	(29.1)	(29.1)	0.0	(92.4)	(89.5)[2]	(85.7)	(3.8)[2]
Income from the release of investment grants		0.7	0.7[2]	0.7[2]	0.0[2]	2.1	2.1[2]	2.1[2]	0.0[2]
Earnings before interest and taxes (EBIT)[3]		**37.1**	**33.4[2]**	**32.7[2]**	**0.6[2]**	**69.5**	**136.4[2]**	**106.6[2]**	**29.8[2]**
Share in profit or loss of investments accounted for using the equity method		(0.1)	0.6	0.6	0.0	(0.3)	1.3	1.3	0.0
Income from non-current and current financial assets		3.0	(1.1)	(1.1)	0.0	4.0	0.4	0.4	0.0
Financing costs	(5)	(7.5)	(5.3)	(5.6)	0.3	(20.0)	(20.9)	(20.9)	0.0
Financial result		**(4.6)**	**(5.8)**	**(6.1)**	**0.3**	**(16.3)**	**(19.1)**	**(19.1)**	**0.0**
Allocation of profit or loss to puttable non-controlling interests		0.8	0.6	1.3	(0.7)	2.9	1.4	2.0	(0.6)
Earnings before taxes (EBT)[3]		**33.3**	**28.2**	**28.0**	**0.2**	**56.1**	**118.6**	**89.4**	**29.2**
Income tax expense	(5)	(4.2)	(6.9)	(7.5)	0.6	(11.8)	(32.0)	(23.8)	(8.3)
Profit for the period		**29.1**	**21.3**	**20.5**	**0.8**	**44.3**	**86.6**	**65.7**	**21.0**
Attributable to shareholders of Lenzing AG		29.3	21.1	20.3	0.8	44.5	85.2	64.2	21.0
Attributable to non-controlling interests		(0.2)	0.1	0.1	0.0	(0.2)	1.4	1.4	0.0
Earnings per share		**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Diluted = undiluted		1.10	0.80	0.77	0.03	1.68	3.21	2.42	0.79

1) For details to column „Discontinued operations“ see Note 4.

2) The prior-year figures have been restated due to changes in presentation (see Note 2).

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

Lenzing AG

Consolidated Statement of Comprehensive Income

for the period January 1 to September 30, 2014

EUR mn

	Note	07-09/2014	07-09/2013	01-09/2014	01-09/2013
Profit for the period as per consolidated income statement		**29.1**	**21.3**	**44.3**	**86.6**
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability (thereof from investments accounted for using the equity method: 1-9/2014: EUR 0.0 mn, 1-9/2013: EUR 0.0 mn 7-9/2014: EUR 0.0 mn, 7-9/2013: EUR 0.0 mn)		0.0	(0.8)	0.0	0.0
Income tax relating to these components of other comprehensive income		0.0	0.8	0.0	(0.1)
		0.0	**0.0**	**0.0**	**(0.1)**
Items that may be reclassified to profit or loss					
Foreign operations – foreign currency translation differences arising during the reporting period (thereof from investments accounted for using the equity method: 1-9/2014 EUR 0.0 mn, 1-9/2013: EUR 0.0 mn 7-9/2014 EUR -0.1 mn, 7-9/2013: EUR -0.1 mn)	(6)	27.7	(12.7)	34.0	(16.2)
Foreign operations – reclassification of foreign currency translation differences on loss of control		0.0	0.0	0.0	(0.6)
Available-for-sale financial assets – net fair value gains/losses on remeasurement recognized in the reporting period		0.0	(0.1)	0.5	(0.2)
Available-for-sale financial assets – reclassification of amounts relating to financial assets disposed of in the reporting period		0.0	0.1	0.0	(0.1)
Cash flow hedges – effective portion of changes in fair value recognized in the reporting period	(6)	(12.8)	5.9	(17.4)	1.2
Cash flow hedges – reclassification to profit or loss		3.8	(0.6)	3.1	(2.1)
Income tax relating to these components of other comprehensive income		2.0	(1.2)	3.0	0.3
		20.8	**(8.6)**	**23.3**	**(17.7)**
Other comprehensive income - net of tax		**20.8**	**(8.6)**	**23.3**	**(17.7)**
Total comprehensive income for the period		**50.0**	**12.7**	**67.6**	**68.9**
Attributable to shareholders of Lenzing AG		48.6	13.4	66.0	68.1
Attributable to non-controlling interests		1.4	(0.7)	1.6	0.8

Lenzing AG

Consolidated Statement of Financial Position as of September 30, 2014

EUR mn

Assets	Note	30/09/2014	31/12/2013
Intangible assets	(6)	92.3	87.4
Property, plant and equipment	(6)	1,343.9	1,324.5
Investments accounted for using the equity method		38.9	39.1
Financial assets	(6)	23.4	23.2
Deferred tax assets		16.8	11.3
Current tax assets		3.9	17.6
Other non-current assets		4.4	5.2
Non-current assets		**1,523.6**	**1,508.2**
Inventories	(6)	362.8	311.5
Trade receivables	(6)	196.4	258.8
Current tax assets		20.3	10.5
Other current assets		73.0	63.0
Cash and cash equivalents	(7)	239.4	287.9
Current assets		**891.9**	**931.7**
Total assets		**2,415.5**	**2,439.9**

Equity and Liabilities	Note	30/09/2014	31/12/2013
Share Capital		27.6	27.6
Capital reserves		133.9	133.9
Other reserves		(22.8)	(44.2)
Retained earnings		948.5	950.4
Equity attributable to shareholders of Lenzing AG		**1,087.1**	**1,067.6**
Non-controlling interests		23.3	21.8
Equity	**(6)**	**1,110.5**	**1,089.5**
Financial liabilities	(6)	540.0	609.6
Government grants		24.9	23.0
Deferred tax liabilities		48.9	41.8
Provisions	(6)	108.5	106.8
Puttable non-controlling interests		17.8	19.5
Other liabilities		3.9	2.3
Non-current liabilities		**744.0**	**803.0**
Financial liabilities	(6)	190.5	191.1
Trade payables		171.8	176.6
Government grants		2.5	3.0
Current tax liabilities		14.5	14.8
Provisions	(6)	123.9	126.4
Other liabilities		57.8	35.5
Current liabilities		**561.0**	**547.4**
Total equity and liabilities		**2,415.5**	**2,439.9**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

Lenzing AG

Consolidated Statement of Changes in Equity

for the period January 1 to September 30, 2014

	Share capital	Capital reserves	Foreign currency translation reserve
As of 01/01/2013	**27.6**	**133.9**	**12.0**
Profit for the period as per consolidated income statement	0.0	0.0	0.0
Other comprehensive income - net of tax	0.0	0.0	(16.1)
Total comprehensive income for the period	**0.0**	**0.0**	**(16.1)**
Acquisition of non-controlling interests and other changes in scope of consolidation	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Reclassification due to settlement or disposal of defined benefit plans	0.0	0.0	0.0
As of 30/09/2013	**27.6**	**133.9**	**(4.1)**
As of 01/01/2014	**27.6**	**133.9**	**(18.9)**
Profit for the period as per consolidated income statement	0.0	0.0	0.0
Other comprehensive income - net of tax	0.0	0.0	32.2
Total comprehensive income for the period	**0.0**	**0.0**	**32.2**
Acquisition of non-controlling interests and other changes in scope of consolidation	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
As of 30/09/2014	**27.6**	**133.9**	**13.3**

See in particular Note 6.

Other reserves						EUR mn
Available-for-sale financial assets	Hedging reserve	Actuarial gains/ (losses) on defined benefit plans	Retained earnings	Equity attributable to shareholders of Lenzing AG	Non-controlling Interests	Equity
1.0	**1.6**	**(26.3)**	**953.3**	**1,103.2**	**27.5**	**1,130.7**
0.0	0.0	0.0	85.2	85.2	1.4	86.6
(0.2)	(0.7)	0.0	0.0	(17.1)	(0.6)	(17.7)
(0.2)	**(0.7)**	**0.0**	**85.2**	**68.1**	**0.8**	**68.9**
0.0	0.0	0.0	1.1	1.1	(4.6)	(3.5)
0.0	0.0	0.0	(53.1)	(53.1)	(0.2)	(53.3)
0.0	0.0	1.0	(1.0)	0.0	0.0	0.0
0.8	**0.9**	**(25.3)**	**985.5**	**1,119.3**	**23.6**	**1,142.9**
0.8	**0.3**	**(26.4)**	**950.4**	**1,067.6**	**21.8**	**1,089.5**
0.0	0.0	0.0	44.5	44.5	(0.2)	44.3
0.4	(11.1)	0.0	0.0	21.4	1.8	23.3
0.4	**(11.1)**	**0.0**	**44.5**	**66.0**	**1.6**	**67.6**
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	(46.5)	(46.5)	(0.1)	(46.6)
1.2	**(10.8)**	**(26.4)**	**948.5**	**1,087.1**	**23.3**	**1,110.5**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

Lenzing AG

Consolidated Cash Flow Statement (Condensed)

for the period January 1 to September 30, 2014

EUR mn

	Note	01-09/2014	01-09/2013
Gross cash flow			
From continued operations		139.6	119.3
From discontinued operations		0.0	9.9
	(7)	**139.6**	**129.2**
+/- Change in working capital		19.5	(68.1)
Net cash flows from discontinued operations		0.0	(3.8)
Cash flow from operating activities		**159.1**	**57.3**
- Acquisition of intangible assets, property, plant and equipment[1]		(84.8)	(177.9)
- Acquisition of financial assets		(0.5)	(8.0)
+ Proceeds from the sale of intangible assets, property, plant and equipment		0.2	0.2
+ Proceeds from the sale/repayment of financial assets		1.0	28.0
Net cash flows from discontinued operations		0.0	60.5
Cash flow from investing activities	(7)	**(84.1)**	**(97.2)**[2]
- Distribution to shareholders		(46.6)	(53.3)
- Acquisition of non-controlling interests		0.0	(3.5)
+ Investment grants		0.9	0.8
+ Inflows from financing activities/-repayment of financial liabilities		(82.4)	(67.4)
Net cash flows from discontinued operations		0.0	5.5
Cash flow from financing activities	(7)	**(128.0)**	**(117.8)**[2]
Change in cash and cash equivalents before reclassification		**(53.0)**	**(157.7)**
+/- Reclassification of cash and cash equivalents from discontinued operations, assets held for sale and disposal groups		0.0	1.5
Total change in cash and cash equivalents		**(53.0)**	**(156.3)**
Cash and cash equivalents at the beginning of the year		287.9	481.7
Currency translation adjustment relating to cash and cash equivalents		4.6	(1.5)
Cash and cash equivalents at the end of the reporting period		**239.4**	**323.9**

1) Excluding aquisition of intangible assets and property, plant and equipment of former BU Plastics (EUR 2.7 mn in 1-9/2013).
2) The prior-year figures have been restated due to changes in presentation (see Note 2).

Lenzing AG

Notes to the Consolidated Financial Statements: Selected Notes

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

General Information

NOTE 1 Description of the company and its business activities

The Lenzing Group (the "Group") consists of Lenzing Aktiengesellschaft (Lenzing AG) and its consolidated companies. Lenzing AG is a listed stock corporation under Austrian law. It is entered in the Commercial Register of the Wels Commercial and Regional Court, Austria, under FN 96499 k. Its registered office is Werkstrasse 2, 4860 Lenzing, Austria. The shares of Lenzing AG are listed on the Prime Market (since April 18, 2011) and in the ATX benchmark index (since September 19, 2011) of the Vienna Stock Exchange in Vienna, Austria.

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

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

NOTE 2 Accounting principles and methods of the consolidated interim financial statements

Presentation of the consolidated interim financial statements

The consolidated interim financial statements for the period from January 1 to September 30, 2014 were prepared in accordance with all International Financial Reporting Standards (IFRSs) and interpretations effective as of the end of the reporting period, as endorsed in the EU.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

interim financial statements can be presented in condensed form and thereby not contain all the information required of complete consolidated financial statements in accordance with IAS 1 Presentation of Financial Statements. The consolidated interim financial statements of the Lenzing Group as of September 30, 2014 are based on the consolidated financial statements as of December 31, 2013 and should therefore always be read in conjunction with these statements.

The reporting currency is euro (EUR), which is also the functional currency of Lenzing AG and a majority of its subsidiaries. The figures shown in these consolidated interim financial statements and in the notes, unless stated otherwise, have been rounded up to the next mn to one decimal place. Arithmetic differences due to rounding effects can occur when adding up rounded amounts and percentages using automatic tools.

Audit and review

These condensed interim consolidated financial statements of the Lenzing Group have undergone neither a full audit nor a review by an auditor.

Use of estimates, assumptions and other judgments

In preparing the IFRS consolidated financial statements, the Management Board of Lenzing AG uses estimates and other judgments, including in particular assumptions about future developments. These estimates, assumptions and judgments are based on the circumstances assumed as of the end of the reporting period and can have a significant effect on the presentation of the financial position and financial performance of the Group. They concern the recognition and value of assets and liabilities, contingent assets and liabilities, the reporting of cash flows and income and expenses (including other comprehensive income) and the presentation of disclosures in the notes to the consolidated financial statements.

The estimates and judgments for which there is a not inconsiderable risk in the Lenzing Group that they could lead to material adjustment of the financial position and financial performance in a subsequent reporting period are explained in detail in the consolidated financial statements of the Lenzing Group as of December 31, 2013 (Note 1).

Estimates and judgments are based on experience and other assumptions that the Management Board considers appropriate. However, the amounts that ultimately arise can deviate from these estimates, assumptions and judgments if the general conditions assumed develop differently from expectations as of the end of the reporting period. Changes are taken into account when better information is learned and the assumptions are adjusted accordingly.

Principles of consolidation, accounting standards and accounting policies

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

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

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

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

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

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

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

Changes in presentation in the consolidated income statement

	Group		
1-9/2013	Previously	Restatement	Restated
Sales	1,447.0	0.0	1,447.0
Changes in inventories of finished goods and work in progress	3.6	0.0	3.6
Work performed by the Group and capitalized	43.1	0.0	43.1
Other operating income	22.4	29.2	51.6
Cost of material and other purchased services	(910.5)	(0.2)	(910.7)
Personnel expenses	(240.4)	(0.8)	(241.2)
Other operating expenses	(167.2)	(2.4)	(169.6)
Amortization of intangible assets and depreciation of property, plant and equipment	(86.5)	(3.0)	(89.5)
Income from the release of investment grants	0.0	2.1	2.1
Earnings before interest and taxes (EBIT) before restructuring	**111.5**	**24.8**	**136.4**
Result from restructuring	24.8	(24.8)	0.0
Earnings before interest and taxes (EBIT) after restructuring	**136.4**	**0.0**	**136.4**

Changes in presentation in the consolidated income statement

	Group		
7-9/2013	Previously	Restatement	Restated
Sales	457.1	0.0	457.1
Changes in inventories of finished goods and work in progress	18.9	0.0	18.9
Work performed by the Group and capitalized	13.5	0.0	13.5
Other operating income	6.3	0.1	6.4
Cost of material and other purchased services	(303.4)	0.0	(303.4)
Personnel expenses	(77.2)	(0.1)	(77.3)
Other operating expenses	(53.3)	(0.1)	(53.4)
Amortization of intangible assets and depreciation of property, plant and equipment	(29.1)	0.0	(29.1)
Income from the release of investment grants	0.0	0.7	0.7
Earnings before interest and taxes (EBIT) before restructuring	**32.7**	**0.6**	**33.4**
Result from restructuring	0.6	(0.6)	0.0
Earnings before interest and taxes (EBIT) after restructuring	**33.4**	**0.0**	**33.4**

EUR mn

Continued operations			Discontinued operations		
Previously	**Restatement**	**Restated**	**Previously**	**Restatement**	**Restated**
1,397.1	0.0	1,397.1	49.9	0.0	49.9
4.3	0.0	4.3	(0.8)	0.0	(0.8)
43.0	0.0	43.0	0.1	0.0	0.1
22.4	(2.1)	20.4	0.0	31.2	31.2
(880.7)	0.0	(880.7)	(29.8)	(0.2)	(30.0)
(230.1)	0.0	(230.1)	(10.3)	(0.8)	(11.0)
(163.8)	0.0	(163.8)	(3.4)	(2.4)	(5.8)
(85.7)	0.0	(85.7)	(0.8)	(3.0)	(3.8)
0.0	2.1	2.1	0.0	0.0	0.0
106.6	**0.0**	**106.6**	**5.0**	**24.8**	**29.8**
0.0	0.0	0.0	24.8	(24.8)	0.0
106.6	**0.0**	**106.6**	**29.8**	**0.0**	**29.8**

EUR mn

Continued operations			Discontinued operations		
Previously	**Restatement**	**Restated**	**Previously**	**Restatement**	**Restated**
457.1	0.0	457.1	0.0	0.0	0.0
18.9	0.0	18.9	0.0	0.0	0.0
13.5	0.0	13.5	0.0	0.0	0.0
6.3	(0.7)	5.6	0.0	0.8	0.8
(303.4)	0.0	(303.4)	0.0	0.0	0.0
(77.2)	0.0	(77.2)	0.0	(0.1)	(0.1)
(53.3)	0.0	(53.3)	0.0	(0.1)	(0.1)
(29.1)	0.0	(29.1)	0.0	0.0	0.0
0.0	0.7	0.7	0.0	0.0	0.0
32.7	**0.0**	**32.7**	**0.0**	**0.6**	**0.6**
0.0	0.0	0.0	0.6	(0.6)	0.0
32.7	**0.0**	**32.7**	**0.6**	**0.0**	**0.6**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

The cash flows relating to the investment in non-controlling interests were previously reported as part of the cash flow from investing activities in the consolidated cash flow statement. Due to the financial nature of this transaction it is more appropriate to present related cash flows as cash flows from financing activities. The change in presentation is applied retrospectively by restating all comparative information shown and has the following effects on the consolidated financial statements:

Changes in presentation in the consolidated cash flow statement — EUR mn

	Previously 1-9/2013	Restatement 1-9/2013	Restated 1-9/2013
Cash flow from investing activities	(100.7)	3.5	(97.2)
Cash flow from financing activities	(114.3)	(3.5)	(117.8)

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

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

Exchange rates for key currencies

		2014		2013	
Unit	Currency	Reporting date 30/09	Average 1-9	Reporting date 31/12	Average 1-9
1 EUR	USD US Dollar	1.2701	1.3554	1.3783	1.3172
1 EUR	GBP British Pound	0.7827	0.8122	0.8364	0.8522
1 EUR	CZK Czech Koruna	27.5400	27.5038	27.4800	25.7484
1 EUR	CNY Renminbi Yuan	7.8143	8.3579	8.3555	8.1240
1 EUR	HKD Hong Kong Dollar	9.8625	10.5108	10.6886	10.2181
1 EUR	INR Indian Rupee	78.2572	82.3003	85.3040	75.6926

Changes in segment reporting are explained in Note 3.

Otherwise, the same principles of consolidation, accounting standards and accounting policies were used as in the consolidated financial statements as of December 31, 2013.

Scope of consolidation, changes in entities included in consolidation and business combinations

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

Development in number of companies included in consolidation	2014		2013	
	Full-consolidation	Equity-consolidation	Full-consolidation	Equity-consolidation
As at 1/1	**31**	**8**	**35**	**8***
Included in consolidation for the first time in reporting period	1	0	0	0
Deconsolidated in reporting period	0	0	(3)	0
As at 30/09	**32**	**8**	**32**	**8***
Thereof in Austria	14	4	14	4*
Thereof abroad	18	4	18	4

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

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

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

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

NOTE 3 Segment reporting

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

Segment Fibers:

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

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

Segment Lenzing Technik:

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

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

The BU Plastics (formerly Lenzing Plastics GmbH or rather Lenzing Plastics GmbH & Co KG, Lenzing) and European Precursor GmbH, Kelheim, Germany were presented as discontinued operations as of September 30, 2013 and in period 1-9/2013, respectively, and shown separately in segment reporting. Due to the deconsolidation of both companies in 2013 this segment does not contain any values as of September 30, 2014 and in period 1-9/2014, respectively, and will be omitted in the future (refer to Note 4 in these consolidated interim financial statements and for full account see Notes 5 and 6 in the consolidated financial statements as of December 31, 2013, respectively).

Other:

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

Information on business segments

1-9/2014 and 30/09/2014	Fibers	Lenzing Technik
Sales to external customers	1,279.8	30.9
Inter-segment sales	5.6	37.6
Total sales	**1,285.4**	**68.4**
EBITDA (Segment result)	155.1	1.5
EBIT	64.6	0.2
EBITDA margin[1]	**12.1%**	**2.2%**
EBIT margin[2]	**5.0%**	**0.2%**
Segment assets	2,034.2	47.1
Segment liabilities	439.1	31.9

Information on business segments (prior year)

1-9/2013 and 31/12/2013	Fibers	Lenzing Technik
Sales to external customers	1,317.4	35.7
Inter-segment sales	9.0	62.1
Total sales	**1,326.5**	**97.8**
EBITDA (Segment result)	184.1	6.0
EBIT	100.1	4.6
EBITDA margin[1]	**13.9%**	**6.1%**
EBIT margin[2]	**7.5%**	**4.7%**
Segment assets	2,015.9	44.8
Segment liabilities	430.8	34.5

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

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

EUR mn

BU Plastics and EPG (discontinued operations)	Other	Segment total	Reconciliation	Group
-	47.0	1,357.7	0.0	1,357.7
-	1.2	44.3	(44.3)	0.0
-	**48.2**	**1,402.0**	**(44.3)**	**1,357.7**
-	6.8	163.4	(3.5)	159.8
-	6.1	70.9	(1.4)	69.5
-	**14.1%**	**11.7%**		**11.8%**
-	**12.6%**	**5.1%**		**5.1%**
-	24.7	2,106.1	309.4	2,415.5
-	13.2	484.3	820.7	1,305.0

EUR mn

BU Plastics and EPG (discontinued operations)	Other	Segment total	Reconciliation	Group
53.2	40.7	1,447.0	0.0	1,447.0
0.8	1.2	73.1	(73.1)	0.0
54.0	**41.9**	**1,520.2**	**(73.1)**	**1,447.0**
5.8	5.5	201.3	22.5	223.8
5.0	4.8	114.6	21.8	136.4
10.7%	**13.1%**	**13.2%**		**15.5%**
9.2%	**11.5%**	**7.5%**		**9.4%**
0.0	22.7	2,083.4	356.5	2,439.9
0.0	10.3	475.6	874.9	1,350.5

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

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

EUR mn

	1-9/2014	1-9/2013
Segment result (EBITDA)	163.4	201.3
Consolidation	(1.0)	(5.3)
Restructuring	(2.5)	27.8
Group result (EBITDA)	**159.8**	**223.8**
Segment amortization of intangible assets and depreciation of property, plant and equipment	(94.6)	(88.8)
Consolidation	2.2	2.3
Income from the release of investment grants	2.1	2.1
Impairment of intangible assets and property, plant and equipment (from restructuring)	0.0	(3.0)
Earnings before interest and taxes (EBIT)	**69.5**	**136.4**
Financial result	(16.3)	(19.1)
Allocation of profit or loss to puttable non-controlling interests	2.9	1.4
Earnings before taxes (EBT)	**56.1**	**118.6**

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

The line „Restructuring“ shown above relates to personnel expenses due to restructuring measures in 1-9/2014 (in 1-9/2013 this mainly relates to other operating income from the disposal of BU Plastics in the amount of EUR 25.9 mn). The line “Impairment of intangible assets and property, plant and equipment (from restructuring)” shown above relates to the impairment loss recognized in the course of the liquidation of EPG in 1-9/2013 (see Note 4).

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

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

Lenzing Plastics GmbH or rather Lenzing Plastics GmbH & Co KG, Lenzing, which was the BU Plastics, was a fully consolidated company of the Lenzing Group. In April 2013 the Lenzing Group reached an agreement of the sale of shares. The deal was closed in June 2013 as a result of which the Lenzing Group also lost control over the company. This led to its deconsolidation. The consideration received for the sale for 100% of shares amounted to EUR 69.0 mn in total. There was a gain on disposal before taxes of EUR 25.9 mn that was recognized in other operating income. Income taxes of EUR 7.7 mn (including deferred taxes) related to the gain on disposal. As a result of the loss of control, net assets in the amount of EUR 43.2 mn were deconsolidated. The net cash inflow from the disposal is presented under net cash flows from discontinued operations in the cash flow from investing activities 1-9/2013 and was EUR 61.7 mn.

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

In the context of the liquidation of EPG, impairment on intangible assets and property, plant and equipment of EUR 3.0 mn from fair value measurement less costs to sell was recognized in the interim reporting period 1-9/2013 under "Amortization of intangible assets and depreciation of property, plant and equipment". No income taxes were incurred on impairment losses.

The values of the BU Plastics and EPG were presented under non-current assets and liabilities held for sale, disposal groups and discontinued operations as of September 30, 2013 and 1-9/2013, respectively. Due to the deconsolidation in 2013 as mentioned above, this presentation will be omitted for 2014.

Notes on the Individual Components of the Consolidated Financial Statements

NOTE 5 Notes on the consolidated income statement

Sales

At EUR 1,357.7 mn sales declined by 6.2% as against the same period of the previous year (1-9/2013: EUR 1,447.0 mn).

Cost of material and other purchased services

The cost of material and other purchased services is EUR 896.7 mn (1-9/2013 adjusted: EUR 910.7 mn) in the interim reporting period. This marks a decline of 1.5% compared to the same period of the previous year.

Personnel expenses

The personnel expenses of EUR 225.8 mn have declined by 6.4% compared to the first nine months of the prior-year period (1-9/2013 adjusted: EUR 241.2 mn).

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

Amortization of intangible assets and depreciation of property, plant and equipment amount to EUR 92.4 mn (1-9/2013 adjusted: EUR 89.5 mn). This marks an increase of 3.2%. In the interim reporting period no impairment losses or reversals of impairment losses on fixed assets were recognized.

Other operating expenses

Other operating expenses in the amount of EUR 151.0 mn (1-9/2013 adjusted: EUR 169.6 mn) particularly include selling expenses and expenses for maintenance, repair and other third-party services. They declined by 11.0% as against the same period of the previous year.

Financing costs

Financing costs of EUR 20.0 mn (1-9/2013: EUR 20.9 mn) declined by 4.0% compared to the first nine months of 2013.

Income tax expense

The tax rate (= income tax expense in relation to earnings before taxes/EBT) was 21.1% in the interim reporting period (1-9/2013: 27.0%).

NOTE 6 Notes on the consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of changes in equity

Intangible assets and property, plant and equipment

In the interim reporting period the Lenzing Group made cash disbursements for intangible assets and property, plant and equipment of EUR 84.8 mn (1-9/2013: EUR 177.9 mn), which primarily related to the completion of new production lines or the conversion of existing ones. This corresponds to a decline of 52.4% as compared to the same period in the previous year 2013. In discontinued operations EUR 2.7 mn were invested in periods 1-9/2013.

Financial assets

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

Inventories

As of September 30, 2014, inventories (EUR 362.8 mn) increased by 16.5% as against December 31, 2013 (EUR 311.5 mn). In the interim reporting period write-downs to net realizable value in the amount of EUR 1.5 mn were recognized in profit or loss.

Trade receivables

Trade receivables at EUR 196.4 mn decreased as against December 31, 2013 (EUR 258.8 mn). As of September 30, 2014, trade receivables in the amount of EUR 63.6 mn were sold due to factoring agreements and derecognized in the consolidated statement of financial position. The amount that was not advanced of EUR 6.2 mn is presented as other current asset as of September 30, 2014. In the interim reporting period valuation allowances on receivables were recognized in profit or loss in the amount of EUR 3.1 mn.

Equity and dividends

The amount of share capital and the number of no-par-value shares did not change in the interim reporting period. No shares were bought back. The Management Board did not exercise the authorizations in place on December 31, 2013 to increase share capital or issue convertible bonds in the interim reporting period.

By resolution of the Ordinary Shareholders' Meeting on April 28, 2014, the Management Board was authorized to purchase via the stock exchange, with the consent by the Supervisory Board, own shares of up to 10 % of the company's share capital during a period of 30 months from April 28, 2014 with the lowest equivalent of not more than 20% below and the highest equivalent of not more than 10% above the average closing price of the last three stock exchange days prior to the purchase of the shares. The purchase may not be for the purpose of trading in own shares. The authorization may be exercised in whole or in part or in several partial amounts and in pursuit of one or several purposes by the company, by a subsidiary (section 228 para 3 of the Austrian Commercial Code [UGB]) or by third parties for the company's account. In addition, the Management Board was also authorized to reduce the share capital, if necessary, by redeeming such own shares without any further resolution by the Shareholders' Meeting. The Supervisory Board was authorized to adopt any amendments to the articles of association resulting from the redemption of shares.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

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

Dividends of Lenzing AG resolved and paid	Total	Number of shares	Dividend per share
	EUR mn		EUR
Dividend for the financial year 2013 resolved at the Ordinary Shareholders' Meeting on April 28, 2014 (payment April 30, 2014)	46.5	26,550,000	1.75
Dividend for the financial year 2012 resolved at the Ordinary Shareholders' Meeting on April 24, 2013 (payment April 30, 2013)	53.1	26,550,000	2.00

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

Subsidiaries distributed EUR 0.1 mn (1-9/2013: EUR 0.2 mn) to non-controlling interests in the interim reporting period.

The change in the foreign currency translation reserve led to an increase of equity by EUR 32.2 mn as against December 31, 2013. The change in the hedging reserve led to a decrease of equity by EUR 11.1 mn (after income taxes) as against December 31, 2013.

Financial liabilities

As against December 31, 2013, non-current financial liabilities declined by 11.4% to EUR 540.0 mn (December 31, 2013: EUR 609.6 mn).

The seven-year bond with a nominal of EUR 120.0 mn matures in 2017. The coupon of EUR 4.7 mn p.a. (3.875% of the nominal) is due as of September 17 of each year and is accrued accordingly over the financial year. There were no notable issues, repurchases or repayments of bonds in the interim reporting period.

Provisions

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

As of December 31, 2013 other provisions for restructuring measures amounted to EUR 37.2 mn and particularly relate to provisioning due to the headcount reduction as part of the reorganization and the cost optimization program "excelLenz 2.0". Restructuring measures are continuously implemented. In 1-9/2014, provisions in the amount of EUR 15.1 mn were utilized for that purpose. In addition, restructuring provisions were increased by EUR 2.5 mn through profit or loss in 1-9/2014 as, from a current perspective, the costs incurred or estimated were or will be higher than originally planned. The restructuring measures will lead to cost savings and to operational improvements in efficiency.

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

In the first nine months of 2014, the gross cash flow (= cash flow from operating activities before change in working capital) increased year-on-year to EUR 139.6 mn (1-9/2013: EUR 129.2 mn). The cash flow from operating activities was EUR 159.1 mn in the interim reporting period (1-9/2013: EUR 57.3 mn).

In the interim reporting period, the cash flow from investing activities of continued operations particularly included payments for the acquisition of intangible assets and property, plant and equipment in the amount of EUR minus 84.8 mn (1-9/2013 of continued operations: EUR minus 177.9 mn) and cash inflows from the sale/repayment of financial assets in the amount of EUR 1.0 mn (1-9/2013 of continued operations: EUR 28.0 mn). In 1-9/2013, the net cash flows from discontinued operations included, in particular, the net inflow from the disposal of subsidiaries of EUR 61.7 mn (see also note 4).

The cash flow from financing activities during the interim period of EUR minus 128.0 mn (1-9/2013 adjusted: EUR minus 117.8 mn) essentially included the borrowing/repayment of financing and the dividend distribution to the shareholders of Lenzing AG.

Notes on Capital Risk Management and Financial Instruments

NOTE 8 Capital risk management

The key figures for capital risk management are as follows:

Interest bearing financial liabilities — EUR mn

	30/09/2014	31/12/2013
Non-current financial liabilities	540.0	609.6
Current financial liabilities	190.5	191.1
Total	**730.5**	**800.7**

Liquid assets — EUR mn

	30/09/2014	31/12/2013
Cash and cash equivalents	239.4	287.9
Liquid bills of exchange (in trade receivables)	7.3	8.1
Total	**246.6**	**296.0**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

Net financial debt — EUR mn

	30/09/2014	31/12/2013
Interest bearing financial debt	730.5	800.7
Liquid assets (-)	(246.6)	(296.0)
Total	**483.8**	**504.7**

The adjusted equity is as follows:

Adjusted equity — EUR mn

	30/09/2014	31/12/2013
Equity	1,110.5	1,089.5
Government grants (+)	27.4	26.0
Proportionate deferred taxes on government grants (-)	(6.2)	(5.9)
Total	**1,131.7**	**1,109.6**

The adjusted equity ratio (= adjusted equity in relation to total assets) was 46.9% as of September 30, 2014 (December 31, 2013: 45.5%).

All capital requirements were satisfied in the interim reporting period.

In addition to the liquid assets, free credit facilities committed in writing in the amount of EUR 301.3 mn were available for possible future financing requirements as of September 30, 2014 (December 31, 2013: EUR 296.2 mn).

NOTE 9 Financial instruments

Carrying amounts and fair values by class

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

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

	30/09/2014		31/12/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	239.4	239.4	287.9	287.9
Trade receivables	196.4	196.4	258.8	258.8
Financial assets – loans	7.3	7.3	7.5	7.5
Other non-current financial assets – non-current receivables	4.0	4.0	3.6	3.6
Other current financial assets (not including derivatives – open positions)	25.2	25.2	13.1	13.1
Loans and receivables	**472.2**	**472.2**	**570.9**	**570.9**
Financial assets – non-current securities	15.1	15.1	14.6	14.6
Financial assets – other equity investments	1.1	1.1	1.1	1.1
Available-for-sale financial assets	**16.2**	**16.2**	**15.7**	**15.7**
Other financial assets – derivative financial instruments at positive fair value (trading)	0.0	0.0	0.1	0.1
Financial assets at fair value through profit or loss	**0.0**	**0.0**	**0.1**	**0.1**
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	0.3	0.3	4.6	4.6
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	0.3	0.3	1.6	1.6
Puttable non-controlling interests	0.0	0.0	0.0	0.0
Other	**0.7**	**0.7**	**6.2**	**6.2**
Total	**489.1**	**489.1**	**592.9**	**592.9**
Thereof:				
Measured at cost	1.1	1.1	1.1	1.1

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2014

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

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

	30/09/2014		31/12/2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities – bond	119.7	127.1	119.6	126.0
Financial liabilities – private placements	228.4	236.6	228.3	226.9
Financial liabilities – liabilities to banks	346.9	348.1	418.5	420.2
Financial liabilities – liabilities to other lenders (miscellaneous)	33.6	33.1	32.4	31.9
Trade payables	171.8	171.8	176.6	176.6
Other non-current financial liabilities	0.0	0.0	0.0	0.0
Other current financial liabilities (not including derivatives – open positions and financial guarantee contracts)	3.3	3.3	5.9	5.9
Provisions – accruals – other (financial)	42.6	42.6	28.1	28.1
Financial liabilities at amortized cost	**946.2**	**962.7**	**1,009.4**	**1,015.6**
Other financial liabilities – derivative financial instruments at negative fair value (trading)	3.1	3.1	0.0	0.0
Financial liabilities at fair value through profit or loss	**3.1**	**3.1**	**0.0**	**0.0**
Financial liabilities – lease liabilities	1.9	1.9	1.9	1.9
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	13.4	13.4	3.1	3.1
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	8.1	8.1	0.7	0.7
Other current financial liabilities (financial guarantee contracts)	0.1	0.1	0.0	0.0
Puttable non-controlling interests	17.8	17.8	19.5	19.5
Other	**41.2**	**41.2**	**25.2**	**25.2**
Total	**990.6**	**1,007.1**	**1,034.5**	**1,040.8**

Fair value hierarchy

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

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

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

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

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

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

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

	30/09/2014			31/12/2013		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Financial assets						
Financial assets – non-current securities	15.1	15.1	Level 1	14.6	14.6	Level 1
Available-for-sale financial assets	**15.1**	**15.1**		**14.6**	**14.6**	
Other financial assets – derivative financial instruments at positive fair value (trading)	0.0	0.0	Level 2	0.1	0.1	Level 2
Financial assets at fair value through profit or loss	**0.0**	**0.0**		**0.1**	**0.1**	
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges)	0.3	0.3	Level 2	4.6	4.6	Level 2
Other financial assets – derivative financial instruments at positive fair value (cash flow hedges with the underlying already recognized in profit or loss)	0.3	0.3	Level 2	1.6	1.6	Level 2
Other	**0.7**	**0.7**		**6.2**	**6.2**	
Total	**15.8**	**15.8**		**20.9**	**20.9**	
Financial liabilities						
Other financial liabilities – derivative financial instruments at negative fair value (trading)	3.1	3.1	Level 2	0.0	0.0	Level 2
Financial liabilities at fair value through profit or loss	**3.1**	**3.1**		**0.0**	**0.0**	
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	13.4	13.4	Level 2	3.1	3.1	Level 2
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges with the underlying already recognized in profit or loss)	8.1	8.1	Level 2	0.7	0.7	Level 2
Other	**21.5**	**21.5**		**3.8**	**3.8**	
Total	**24.6**	**24.6**		**3.8**	**3.8**	

The Lenzing Group takes into account reclassifications in fair value hierarchy at the end of the reporting period in which they occur. In the interim reporting period, there were no transfers between the different levels of the fair value hierarchy of financial instruments that were already held on December 31, 2013.

Fair value measurement methods

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

- Current and non-current securities (level 1 of the fair value hierarchy)
- Currency and commodity futures (level 2 of the fair value hierarchy)

The securities essentially consist of bonds. Securities also include equity shares and investment funds. The fair values of bonds are derived from their current quoted prices and change in particular according to changes in market interest rates and the credit rating of the bond's debtors. The fair values of shares are derived from the current quoted prices. The fair values of investment funds are derived from their current notional values. All securities are assigned to the "available-for-sale financial assets" category. The change in unrealized fair value measurement, less deferred taxes, can therefore be seen in other comprehensive income.

Derivatives are measured at fair value. Their fair value is equal to their market value, if available, or calculated using standard methods on the basis of the market data available on the measurement date (particularly exchange rates, commodity prices and interest rates). The fair value of derivatives reflects the estimated value that would be payable or receivable by the Lenzing Group if the deal were closed on the reporting date. Currency and commodity forwards are measured using the respective forward rate or price at the end of the reporting period. The forward rates or prices are based on the spot rates or prices taking into account forward premiums and discounts. Valuations by banks and other parties are used in addition to the Group's own models to estimate measurement.

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

If there is no market price on an active market, and their market price cannot be measured reliably due to a lack of reliable future cash flows or is of minor importance, equity investments and derivative financial instruments related to equity instruments are measured at the lower of cost and cost less impairment. At EUR 1.1 mn (December 31, 2013: EUR 1.1 mn), this essentially relates to the equity investment in LP Beteiligungs & Management GmbH, Linz, an option that requires the Lenzing Group to sell this equity investment and an option that entitles the

Lenzing Group to sell this equity investment. LP Beteiligungs & Management GmbH, Linz, is a medium-sized Austrian corporation. The Lenzing Group does not currently intend to sell these equity investments. No holdings were derecognized and no gains or losses on remeasurement were recognized for these equity investments in the interim reporting period.

The accounting policies for financial instruments did not change in the interim reporting period. Further details can be found in the consolidated financial statements as of December 31, 2013.

Disclosures on Related Parties and Executive Bodies

NOTE 10 Related party disclosures

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

In the interim reporting period, the Lenzing Group received a tax credit of EUR 3.0 mn from the tax group with B & C Industrieholding GmbH (1-9/2013: tax credit of EUR 1.3 mn). Furthermore, in accordance with the contractual obligation, advances on the tax allocation to B & C Industrieholding GmbH of EUR 7.9 mn were paid in the interim reporting period (previous year: EUR 40.3 mn). Moreover, the liability recognized as of December 31, 2013 for the tax allocation to B & C Industrieholding GmbH was essentially adjusted for the estimated income tax expense based on the results for the interim reporting period as of September 30, 2014.

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

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

	1-9/2014	1-9/2013
Sales	50.8	51.8
Cost of material and purchased services	54.0	69.6
	30/09/2014	**31/12/2013**
Trade receivables	6.2	10.9
Liabilities	7.6	11.1

In the interim reporting period, prior to their engagement to the board, members of the Management Board provided consulting services to the Lenzing Group in the amount of EUR 0.1 mn.

NOTE 11 Corporate bodies of the company

Robert van de Kerkhof was appointed to serve as a Member of the Management Board and Chief Commercial Officer (CCO) for a period of three years starting on May 1, 2014. Thomas Riegler was appointed to serve as a Member of the Management Board and Chief Financial Officer (CFO) for a period of three years starting on June 1, 2014. On September 25, 2014 Lenzing AG announced that Friedrich Weninger (COO) will not extend his Management Board contract which will expire on December 31, 2014.

In the interim reporting period Hanno Bästlein, Daniela Födinger and Franz Berlanda were elected or delegated, respectively, to the Supervisory Board for the first time. Martin Payer and Gerhard Ratzesberger resigned from their position on the Supervisory Board.

Other Notes

NOTE 12 Financial guarantee contracts, contingent assets and liabilities, other financial obligations and legal risks

There are contingent liabilities, in particular to secure the claims of certain sold equity investments and suppliers, as well as for possible default of payment related to receivables sold and of third parties outside the Group in the amount of EUR 26.5 mn (December 31, 2013: EUR 15.4 mn) and, to a lesser extent, retentions granted. The amounts shown represent the maximum financial risk to the Lenzing Group. The potential for recoveries exists to a limited extent only for the obligations and liabilities relating to the claims of certain sold equity investments. Of the amount mentioned above, EUR 10.2 mn (December 31, 2013: EUR 0.0 mn) relate to financial guarantee contracts. It is predominantly considered unlikely that the Group will be required to make payments under financial guarantee contracts. Liabilities at the amount of the fair values of these financial guarantee contracts of EUR 0.1 mn were recognized as of September 30, 2014 (December 31, 2013: EUR 0.0 mn).

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

As of September 30, 2014, obligations for outstanding orders of property, plant and equipment amounted to EUR 8.5 mn (December 31, 2013: EUR 34.3 mn).

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

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

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

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

NOTE 13 Seasonal and economic influences on intra-year business activities

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

The development of the economy and the indicators for procurement, production and demand significant to the Lenzing Group are monitored by management on an ongoing basis. In particular, the quantities and prices for sales of fibers and for the procurement of pulp (and other central materials) are crucial to the business performance of the Lenzing Group. The cost/revenue items mainly affected by this (Sales and Cost of material) are described in Note 5. Further information can be found in Notes 6 and 7 and in the interim group management report.

NOTE 14 Significant events after the end of the reporting period

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

Lenzing, November 10, 2014
Lenzing Aktiengesellschaft

The Management Board

Peter Untersperger
Chief Executive Officer
Chairman of the
Management Board

Thomas Riegler
Chief Financial Officer
Member of the
Management Board

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

Friedrich Weninger
Chief Operating Officer
Member of the
Management Board

DECLARATION
OF THE MANAGEMENT BOARD

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

We declare to the best of our knowledge that the condensed consolidated interim financial statements that were prepared in accordance with the applicable accounting standards give a true and fair view of the financial position and financial performance of the Lenzing Group and that the interim group management report gives a true and fair view of the financial position and financial performance of the Group in respect of important events that have occurred during the first nine months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining three months of the financial year and of the major related party transactions to be disclosed.

Lenzing, November 10, 2014
Lenzing Aktiengesellschaft

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Management Board

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GLOSSARY

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

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

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

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

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

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

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

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

ICAC
International Cotton Advisory Committee
Source: **https://www.icac.org/**

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

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

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

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

Press date: November 10, 2014

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