

sC<sup>ore</sup>reTEN

Q3  
2016

FOCUS ON  
PROFITABLE GROWTH

INTERIM REPORT 01-09/2016  
LENZING GROUP

[www.lenzing.com](http://www.lenzing.com)

**LENZING**  
LEADING FIBER INNOVATION

# SELECTED INDICATORS OF THE LENZING GROUP

## Key earnings and profitability figures

EUR mn	01-09/2016	01-09/2015 <sup>1</sup>	Changes
Revenue	1,578.4	1,458.9	8.2%
EBITDA (earnings before interest, tax, depreciation and amortization)	320.6	210.6	52.2%
EBITDA margin	20.3%	14.4%	
EBIT (earnings before interest and tax)	221.7	112.0	98.0%
EBIT margin	14.0%	7.7%	
EBT (earnings before tax)	207.1	112.4	84.2%
Profit/loss for the year (/the period)	162.1	84.8	91.1%
Earnings per share in EUR	5.98	3.24	84.6%

## Key cash flow figures

EUR mn	01-09/2016	01-09/2015	Changes
Gross cash flow	282.8	212.0	33.4%
Cash flow from operating activities	374.9	185.0	102.7%
Free cash flow	310.8	140.9	120.6%
CAPEX	64.2	44.3	44.9%

  

EUR mn	30/09/2016	31/12/2015	Changes
Liquid assets	542.9	355.3	52.8%
Unused credit facilities	180.0	190.9	(5.7%)

## Key balance sheet figures

EUR mn	30/09/2016	31/12/2015 <sup>1</sup>	Changes
Total assets	2,537.0	2,410.6	5.2%
Adjusted equity	1,302.2	1,218.6	6.9%
Adjusted equity in %	51.3%	50.6%	
Net financial debt	64.2	327.9	(80.4%)
Net debt	169.1	424.5	(60.2%)
Net gearing	4.9%	26.9%	
Trading working capital	382.5	447.4	(14.5%)
Trading working capital to annualized group revenue ratio	17.6%	21.6%	

## Key stock market figures

EUR	30/09/2016	31/12/2015	Changes
Market capitalization in millions	2,761.2	1,846.6	49.5%
Share price	104.00	69.55	49.5%

## Employees

Headcount	30/09/2016	31/12/2015	Changes
Employees	6,140	6,127	0.2%

<sup>1)</sup> The figures were partially adjusted (for further details please refer to the „Notes on the Financial Performance Indicators of the Lenzing Group“, available at the following link <http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-Q3>).

The above key financial figures are largely derived from the Lenzing Group's condensed consolidated interim financial statements or the consolidated financial statements of the previous year. Further details can be found in „Notes on the Financial Performance Indicators of the Lenzing Group“, available at the following link <http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-Q3>, and the condensed consolidated interim financial statements or the consolidated financial statements of the previous year of the Lenzing Group. Rounding differences can occur when presenting rounded amounts and percentages.

# MANAGEMENT REPORT 01-09/2016

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## Quarterly Information

The economic environment remained challenging in the first nine months of 2016. The International Monetary Fund (IMF) expects growth to slow down to only 3.1 percent in 2016. It continues to forecast a 3.4 percent growth rate in 2017. The IMF considers developments in the more mature economies to be “disappointing”. In contrast, the economies in developing and emerging markets are expected to gain considerable momentum. The effect of the recent political shifts, the Brexit vote in Great Britain in June and the recent U.S. elections is yet difficult to forecast.

In the third quarter of 2016 prices on the global fiber market showed a volatile performance: At the end of the cotton season in July, rising demand for superior qualities led to significant price increases. This demand could neither be satisfied by large state stockpiles in China nor by global inventories. This shortfall was reduced again at the beginning of the new cotton harvest season in August and prices dropped almost to the original level prevailing at the beginning of July. Polyester fiber prices stagnated at a very low level in the third quarter, with a slight upward movement also in July.

For wood-based cellulosic fibers the demand was very healthy in the third quarter across all elements of the supply chain. This paired with a somewhat reduced supply due to curtailed production in the course of the G20 summit held in China at the beginning of September led to a 17 percent pick-up in viscose prices by the end of July, and prices trending further upwards during the third quarter with the Chinese spot price peaking at RMB 16,950 (CCF medium) at the end of the quarter. In the same period dissolving wood pulp prices went up to a level of USD 975 as by the Chinese spot market quotation.

The Lenzing Group achieved a significant year-on-year improvement in revenue and earnings in the third quarter of 2016. This increase builds on the positive momentum of the previous two quarters. Consolidated third-quarter revenue amounted to EUR 543.5 mn, up 8 percent year-on-year. Earnings before interest, tax, depreciation and amortization (EBITDA) improved by 49.2 percent to EUR 125.5 mn. Earnings before interest and tax (EBIT) increased by 78.5 percent to EUR 92 mn. Earnings before tax (EBT) and the net profit for the period approximately doubled, to EUR 84.8 mn and EUR 67.5 mn respectively.

Consolidated revenue in the first three quarters of 2016 rose 8.2 percent to EUR 1,578.4 mn year-on-year. Next to slightly higher sales volumes it was primarily higher selling prices of all three fiber generations – Viscose, Modal und TENCEL® – and a more attractive product mix that contributed to higher revenues. In the third quarter it was specifically the sharp increase in viscose prices that fueled the results. As a consequence, the revenue decline resulting from the sale of the subsidiaries Dolan GmbH and European Carbon Fiber GmbH in 2015 was more than offset.

The disciplined implementation of the new group strategy sCore TEN with focus on profitable growth is bearing fruit. Consolidated EBITDA in the first nine months of 2016 was up 52.2 percent to EUR 320.6 mn year-on-year. This led to an EBITDA margin of 20.3 percent, up from 14.4 percent. EBIT almost doubled to EUR 221.7 mn. The corresponding EBIT margin equaled 14 percent, compared to 7.7 percent previously. EBT totaled EUR 207.1 mn, up 84.2 percent. The net profit for the period at EUR 162.1 mn was 91.1 percent higher than in the first three quarters of 2015. As a result, earnings per share increased 84.6 percent to EUR 5.98.

# MANAGEMENT REPORT 01-09/2016

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In the first nine months of 2016, the good business development resulted in a twofold increase in the operating cash flow to EUR 374.9 mn. Next to the very strong operational performance it was particularly good working capital management that fueled cash generation. As a consequence key balance sheet indicators further improved. At the end of September 2016, net financial debt fell to EUR 64.2 mn (December 31, 2015: EUR 327.9 mn). Net gearing was down to 4.9 percent from 26.9 percent.

The Lenzing group has been continuing to implement its sCore TEN strategy: The expansion of specialty fiber production by 35,000 tons per year at the Heiligenkreuz, Lenzing and Grimsby sites is already underway. Investment volume will total about EUR 100 mn. In addition, pulp production will be modernized in Lenzing and Paskov by 2019, also at a cost of around EUR 100 mn. This will lead to additional capacities of approximately 35,000 tons annually.

In the third quarter the Lenzing group announced a groundbreaking innovation, which is the basis for a strategic cooperation with Inditex: This new TENCEL<sup>®</sup> fiber uses cotton fabric waste as a key raw material in the pulp production. Accordingly it has a very favorable ecological footprint. The new fiber generation helps Lenzing to further expand its leading role in the sustainable production of cellulose fibers and is also an answer to the latent industry's issue of more than 150 bn garments produced and partly disposed of every year. Besides Inditex (i.e. Zara, Massimo Dutti) also the active wear specialist Patagonia will launch clothes made of these fibers next year.

## Outlook

The macroeconomic environment remains volatile especially given the recent political events. Against this background the fundamentals of the wood-based cellulosic fiber industry should stay favorable in the mid-term. Lenzing expects however viscose prices to be notably lower than the high peaks of the third quarter due to seasonality effects. Under the assumption of unchanged positive fiber market conditions and foreign exchange rates Lenzing will deliver excellent business results in the financial year 2016.

Lenzing, November 14, 2016

**Lenzing Aktiengesellschaft**

**The Management Board**

**Stefan Doboczky**  
Chief Executive Officer  
Chairman of the Management Board

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

**Thomas Obendrauf**  
Chief Financial Officer  
Member of the Management Board

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2016

Lenzing AG

## Consolidated Income Statement (Condensed)

for the period January 1 to September 30, 2016

EUR mn

	07-09/2016	07-09/2015 <sup>1</sup>	01-09/2016	01-09/2015 <sup>1</sup>
Revenue	543.5	503.4	1,578.4	1,458.9
Change in inventories of finished goods and work in progress	(3.8)	(9.8)	(11.8)	(15.9)
Own work capitalized	6.5	7.7	18.0	20.6
Other operating income	10.7	2.3	33.9	37.9
Cost of material and other purchased services	(294.8)	(292.7)	(884.9)	(893.0)
Personnel expenses	(83.1)	(72.6)	(239.1)	(224.0)
Other operating expenses	(53.6)	(54.1)	(173.9)	(173.9)
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)<sup>2</sup></b>	<b>125.5</b>	<b>84.1</b>	<b>320.6</b>	<b>210.6</b>
Amortization of intangible assets, depreciation of property, plant and equipment and income from the release of investment grants	(33.5)	(32.6)	(98.9)	(98.6)
<b>Earnings before interest and tax (EBIT)<sup>2</sup></b>	<b>92.0</b>	<b>51.5</b>	<b>221.7</b>	<b>112.0</b>
Financial result	(4.1)	(6.3)	(11.4)	0.5
Allocation of profit or loss to puttable non-controlling interests	(3.1)	(1.1)	(3.2)	(0.1)
<b>Earnings before tax (EBT)<sup>2</sup></b>	<b>84.8</b>	<b>44.1</b>	<b>207.1</b>	<b>112.4</b>
Income tax expense	(17.3)	(10.7)	(45.0)	(27.6)
<b>Net profit for the period</b>	<b>67.5</b>	<b>33.4</b>	<b>162.1</b>	<b>84.8</b>
Profit for the period attributable to shareholders of Lenzing AG	66.0	33.3	158.7	85.9
Attributable to non-controlling interests	1.5	0.1	3.4	(1.1)
<b>Earnings per share</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Diluted = undiluted	2.49	1.26	5.98	3.24

<sup>1)</sup> Amounts were partially adjusted (particularly income tax expense; for further details please refer to the „Notes on the Financial Performance Indicators of the Lenzing Group“, available at the following link <http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-Q3>).

<sup>2)</sup> EBITDA: Operating result before depreciation and amortization or accordingly earnings before interest, tax, depreciation on property, plant and equipment and amortization of intangible assets and before income from the release of investment grants.

EBIT: Operating result or accordingly earnings before interest and tax.

EBT: Earnings before tax.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2016

Lenzing AG

## Consolidated Statement of Comprehensive Income (Condensed)

for the period January 1 to September 30, 2016

EUR mn

	07-09/2016	07-09/2015 <sup>1</sup>	01-09/2016	01-09/2015 <sup>1</sup>
<b>Net profit for the period as per consolidated income statement</b>	<b>67.5</b>	<b>33.4</b>	<b>162.1</b>	<b>84.8</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Remeasurement of defined benefit liability	0.0	0.0	(7.9)	0.0
Income tax relating to these components of other comprehensive income	0.0	0.0	2.0	0.0
	<b>0.0</b>	<b>0.0</b>	<b>(5.9)</b>	<b>0.0</b>
<b>Items that may be reclassified to profit or loss</b>				
Foreign operations – foreign currency translation differences	(6.8)	(5.6) <sup>2</sup>	(20.7)	31.5 <sup>2</sup>
Available-for-sale financial assets	0.4	(0.1)	0.8	(0.2)
Cash flow hedges	2.2	16.3	2.5	19.8
Share of comprehensive income of investments accounted for using the equity method	0.0	(0.2) <sup>2</sup>	0.1	(0.1) <sup>2</sup>
Income tax relating to these components of other comprehensive income	(0.6)	(3.6)	(0.7)	(4.5)
	<b>(4.8)</b>	<b>6.9</b>	<b>(18.0)</b>	<b>46.5</b>
<b>Other comprehensive income - net of tax</b>	<b>(4.8)</b>	<b>6.9</b>	<b>(24.0)</b>	<b>46.5</b>
<b>Total comprehensive income</b>	<b>62.7</b>	<b>40.3</b>	<b>138.1</b>	<b>131.3</b>
Attributable to shareholders of Lenzing AG	61.5	40.4	135.4	130.4
Attributable to non-controlling interests	1.2	(0.1)	2.7	0.9

<sup>1</sup> Amounts were partially adjusted (for further details please refer to the „Notes on the Financial Performance Indicators of the Lenzing Group“, available at the following link <http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-Q3>).

<sup>2</sup> The prior-year figure of foreign currency translation differences has been restated due to changes in IAS 1 (now obligatory separate disclosure of the share of comprehensive income of investments accounted for using the equity method). Further details can be found in „Notes on the Financial Performance Indicators of the Lenzing Group“, available at the following link <http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-Q3>.

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2016

Lenzing AG

## Consolidated Statement of Financial Position (Condensed)

as at September 30, 2016

EUR mn

Assets	30/09/2016	31/12/2015 <sup>1</sup>
Intangible assets and property, plant and equipment	1,265.1	1,312.7
Investments accounted for using the equity method and financial assets	48.4	48.4
Deferred tax assets	4.0	6.1
Other non-current assets	12.6	14.7
<b>Non-current assets</b>	<b>1,330.1</b>	<b>1,381.9</b>
Inventories	313.1	338.5
Trade receivables	282.9	258.9
Other current assets	79.2	84.1
Cash and cash equivalents	531.7	347.3
<b>Current assets</b>	<b>1,206.9</b>	<b>1,028.8</b>
<b>Total assets</b>	<b>2,537.0</b>	<b>2,410.6</b>
Equity and liabilities	30/09/2016	31/12/2015 <sup>1</sup>
Equity attributable to shareholders of Lenzing AG	1,254.0	1,171.6
Non-controlling interests	29.9	27.3
<b>Equity</b>	<b>1,283.8</b>	<b>1,198.9</b>
Financial liabilities	330.0	510.9
Deferred tax liabilities	50.8	52.9
Provisions	130.4	122.7
Other non-current liabilities	30.9	29.2
<b>Non-current liabilities</b>	<b>542.1</b>	<b>715.7</b>
Financial liabilities	277.0	172.3
Trade payables	213.5	150.0
Provisions	90.0	69.9
Other current liabilities	130.4	103.8
<b>Current liabilities</b>	<b>711.0</b>	<b>496.1</b>
<b>Total equity and liabilities</b>	<b>2,537.0</b>	<b>2,410.6</b>

<sup>1)</sup> Amounts were partially adjusted; particularly deferred tax assets 31/12/2015 previously: EUR 17.3 mn, restatement: EUR (11.2) mn, restated EUR 6.1 mn; equity 31/12/2015 previously: EUR 1,206.7 mn, restatement EUR (7.8) mn, restated EUR 1,198.9 mn; other non-current liabilities 31/12/2015 previously: EUR 32.6 mn, restatement EUR (3.4) mn, restated EUR 29.2 mn (for further details please refer to the „Notes on the Financial Performance Indicators of the Lenzing Group“, available at the following link <http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-Q3>).

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2016

Lenzing AG

## Consolidated Statement of Changes in Equity (Condensed)

for the period January 1 to September 30, 2016

EUR mn

	Share capital	Capital reserves	Other reserves	Retained earnings	Equity attributable to shareholders of Lenzing AG	Non-controlling interests	Equity
<b>As at 01/01/2015 (previously)</b>	<b>27.6</b>	<b>133.9</b>	<b>(30.2)</b>	<b>890.4</b>	<b>1,021.7</b>	<b>23.9</b>	<b>1,045.6</b>
Restatement according to IAS 8 <sup>1)</sup>	0.0	0.0	(0.1)	(11.0)	(11.1)	0.0	(11.1)
<b>As at 01/01/2015 (restated)</b>	<b>27.6</b>	<b>133.9</b>	<b>(30.3)</b>	<b>879.4</b>	<b>1,010.6</b>	<b>23.9</b>	<b>1,034.5</b>
Total comprehensive income (restated according to IAS 8 <sup>1)</sup> )	0.0	0.0	44.5	85.9	130.4	0.9	131.3
Acquisition/disposal of non-controlling interests and other changes in scope of consolidation	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)
Dividends	0.0	0.0	0.0	(26.6)	(26.6)	(0.1)	(26.7)
Reclassification due to settlement or disposal of defined benefit plans	0.0	0.0	0.4	(0.4)	0.0	0.0	0.0
<b>As at 30/09/2015 (restated)</b>	<b>27.6</b>	<b>133.9</b>	<b>14.6</b>	<b>938.4</b>	<b>1,114.4</b>	<b>24.5</b>	<b>1,138.9</b>
<b>As at 01/01/2016 (previously)</b>	<b>27.6</b>	<b>133.9</b>	<b>31.1</b>	<b>986.8</b>	<b>1,179.4</b>	<b>27.3</b>	<b>1,206.7</b>
Restatement according to IAS 8 <sup>1)</sup>	0.0	0.0	(0.9)	(7.0)	(7.8)	0.0	(7.8)
<b>As at 01/01/2016 (restated)</b>	<b>27.6</b>	<b>133.9</b>	<b>30.3</b>	<b>979.8</b>	<b>1,171.6</b>	<b>27.3</b>	<b>1,198.9</b>
Total comprehensive income (restated according to IAS 8 <sup>1)</sup> )	0.0	0.0	(23.2)	158.7	135.4	2.7	138.1
Acquisition/disposal of non-controlling interests and other changes in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	(53.1)	(53.1)	(0.1)	(53.2)
<b>As at 30/09/2016</b>	<b>27.6</b>	<b>133.9</b>	<b>7.1</b>	<b>1,085.4</b>	<b>1,254.0</b>	<b>29.9</b>	<b>1,283.8</b>

<sup>1)</sup> Amounts were partially adjusted (for further details please refer to the „Notes on the Financial Performance Indicators of the Lenzing Group“, available at the following link <http://www.lenzing.com/Notes-Financial-Performance-Indicators-Lenzing-Group-2016-Q3>).



# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2016

Lenzing AG

## Consolidated Statement of Cash Flows (Condensed)

for the period January 1 to September 30, 2016

	EUR mn	
	01-09/2016	01-09/2015
Gross cash flow	282.8	212.0
+/- Change in working capital	92.1	(27.0)
<b>Cash flow from operating activities</b>	<b>374.9</b>	<b>185.0</b>
- Acquisition of intangible assets, property, plant and equipment (CAPEX)	(64.2)	(44.3)
+ Other	3.8	12.9
<b>Cash flow from investing activities</b>	<b>(60.5)</b>	<b>(31.5)</b>
- Distribution to shareholders	(53.2)	(26.7)
+ Investment grants	1.0	1.0
+ Inflows from financing activities/ - repayment of financial liabilities	(71.5)	(31.9)
<b>Cash flow from financing activities</b>	<b>(123.7)</b>	<b>(57.6)</b>
<b>Change in liquid funds before reclassification</b>	<b>190.7</b>	<b>95.9</b>
+/- Reclassification of cash and cash equivalents belonging to assets held for sale and disposal groups	0.0	(0.3)
<b>Total change in liquid funds</b>	<b>190.7</b>	<b>95.6</b>
Liquid funds at the beginning of the year	347.3	271.8
Currency translation adjustment relating to liquid funds	(6.2)	5.2
<b>Liquid funds at the end of the reporting period</b>	<b>531.7</b>	<b>372.6</b>

The condensed consolidated interim financial statements as at September 30, 2016 were prepared in accordance with the regulations "prime market – section interim reports" of the Vienna stock exchange. They are based on the consolidated financial statements as at December 31, 2015 and should therefore always be read in conjunction with these statements.

The reporting currency is euro (EUR). The figures shown in these condensed consolidated interim financial statements, unless stated otherwise, have been rounded up to the next million ("mn") to one decimal place. Arithmetic differences due to rounding effects can occur when adding up rounded amounts and percentages using automatic tools.

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

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ElectricArts GmbH

### **Note:**

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

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

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

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



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