

sCoreTEN

Q1
2016

FOCUS ON
PROFITABLE GROWTH

INTERIM REPORT 01-03/2016
LENZING GROUP

www.lenzing.com

LENZING
LEADING FIBER INNOVATION

SELECTED INDICATORS OF THE LENZING GROUP

Key earnings and profitability figures

EUR mn	01-03/2016	01-03/2015	Changes
Revenue	512.8	474.6	8.1%
EBITDA (earnings before interest, tax, depreciation and amortization)	92.2	59.6	54.7%
EBITDA margin	18.0%	12.6%	
EBIT (earnings before interest and tax)	59.5	27.0	120.6%
EBIT margin	11.6%	5.7%	
EBT (earnings before tax)	55.9	24.8	125.3%
Net profit/loss for the year (/the period)	44.1	16.6	165.2%
Earnings per share in EUR	1.63	0.66	147.7%

Key cash flow figures

EUR mn	01-03/2016	01-03/2015	Changes
Gross cash flow	82.4	63.2	30.3%
Cash flow from operating activities	104.3	37.6	177.2%
Free cash flow	88.4	26.5	234.0%
CAPEX	15.9	11.2	42.4%
EUR mn	31/03/2016	31/12/2015	Changes
Liquid assets	427.7	355.3	20.4%
Unused credit facilities	170.4	190.9	(10.7%)

Key balance sheet figures

EUR mn	31/03/2016	31/12/2015	Changes
Total assets	2,440.9	2,421.8	0.8%
Adjusted equity	1,257.3	1,226.4	2.5%
Adjusted equity in %	51.5%	50.6%	
Net financial debt	242.4	327.9	(26.1%)
Net debt	338.3	424.5	(20.3%)
Net gearing	19.3%	26.7%	
Trading working capital	430.8	447.4	(3.7%)
Trading working capital to annualized group revenue ratio	21.0%	21.6%	

Key stock market figures

EUR	31/03/2016	31/12/2015	Changes
Market capitalization in millions	1,847.1	1,846.6	0.0%
Share price	69.57	69.55	0.0%

Employees

Headcount	31/03/2016	31/12/2015	Changes
Employees	6,106	6,127	(0.3%)

The above key financial figures are largely derived from the Lenzing Group's condensed consolidated interim financial statements and 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-Q1>, 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 01-03/2016

Quarterly Report

The economic environment remained challenging at the beginning of the year 2016. In April, the International Monetary Fund (IMF) revised its forecasts for global economic growth downward by 0.2 percentage points to 3.2%.¹ This comprised the IMF's reaction to the weaker cyclical development in the industrialized nations at the beginning of 2016, and the ongoing political and economic uncertainty in several major emerging markets.

In the first quarter of 2016, the global fiber market continued to be burdened by high cotton inventories, and the low cost of oil once again put downward pressure on polyester fiber selling prices. The price of standard viscose recovered in the first quarter of 2016 following the sharp decline towards the end of 2015. On balance, the market for wood-based cellulose fibers was characterized by a balance between supply and demand.

Against this backdrop, the Lenzing Group generated a substantial increase in earnings in the first quarter of 2016 compared to the previous year, thus continuing the positive trend that emerged in recent quarterly periods and achieving the best first quarter since the financial year 2012. The new Group strategy sCore TEN featuring a clear focus on profitable growth is taking hold, and its resolute implementation is having a noticeable effect on earnings. A significant increase in consolidated revenue, operating results (both EBITDA and EBIT) and the net profit for the period was achieved. Similarly, Lenzing succeeded in clearly improving the cash flow from operating activities and further strengthening its balance sheet structure.

A new organizational structure was introduced effective March 1, 2016 in order to ensure the optimal implementation of sCore TEN. Three regional, performance-responsible business units were created to more intensively focus on the fiber business in their respective regions: "Europe & Americas", "North Asia" (China, Japan, Korea, Taiwan and Vietnam) and "AMEA" (Asia excl. North Asia; Middle East and Africa). The three regional business units are complemented by the newly established global "Pulp & Wood" business area. This new organizational structure gives the regions greater management responsibility and further increases customer proximity.

Consolidated revenue rose by 8.1% in the first quarter of 2016 to EUR 512.8 mn. This increase is mainly attributable to the strong demand for Lenzing fibers, as reflected in the 5.7% rise in sales volumes, and the higher fiber selling prices compared to the prior-year quarter. This more than compensated for the revenue decrease related to the disposal of the subsidiaries Dolan GmbH and European Carbon Fiber GmbH in April 2015.

The cost of material and other purchased services fell by 4.8% to EUR 292.5 mn in spite of the higher sales volumes. The sale of subsidiaries and other business units in the previous year as well as cost-saving effects in energy-related purchased services were responsible for the reducing expenses.

Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) rose by 54.7% to EUR 92.2 mn. The level of depreciation and amortization and income from the release of investment grants remained virtually unchanged at EUR 32.7 mn. As a result, earnings before interest and tax (EBIT) of the Lenzing Group increased by 120.6% year-on-year to EUR 59.5 mn in the first quarter of 2016. Earnings before tax (EBT) climbed 125.3% to EUR 55.9 mn. Net profit for the period and earnings per share increased approximately threefold to EUR 44.1 mn (from EUR 16.6 mn) and to EUR 1.63 (after EUR 0.66).

¹ IMF, World Economic Outlook, April 2016

MANAGEMENT REPORT 01-03/2016

The Lenzing Group places a strong emphasis on optimizing trading working capital. Progress was achieved in the first quarter of 2016 by a reduction of EUR 16.6 mn compared to December 31, 2015. Lenzing is striving to generate a further substantial drop in its trading working capital.

Investments in intangible assets, property, plant and equipment (CAPEX) only climbed moderately in the first quarter to EUR 15.9 mn, up from EUR 11.2 mn in the prior-year quarter. However, this is expected to change in the course of the 2016 financial year. As specified in the sCore TEN strategy, the Lenzing Group plans to expand its production capacities for specialty fibers. Various existing and new sites around the world are currently being examined to add new capacities. Initial decisions are to be made in the third quarter of 2016.

Lenzing also achieved a close to three-fold improvement in its cash flow position. The free cash flow was up from EUR 26.5 mn to EUR 88.4 mn in the first quarter of 2016, whereas the operating cash flow rose from EUR 37.6 mn to EUR 104.3 mn. Liquid funds climbed from the beginning of the year by EUR 75.5 mn to EUR 422.8 mn.

In the light of substantial earnings increase in the 2015 financial year and the solid liquidity base of the Lenzing Group, the Management Board and Supervisory Board proposed that the 72nd Annual General Meeting held on April 20, 2016 approve distribution of a dividend of EUR 2 per share for the 2015 financial year, compared to EUR 1 per share for 2014. A clear majority of shareholders voted in favor of this resolution.

Outlook

No economic tailwinds are anticipated for the 2016 financial year in light of the fact that the IMF revised its global economic growth forecasts downwards to 3.2%.

The volatile development prevailing on the global fiber market is expected to persist. High cotton inventories and the ongoing low oil prices continue to put downward pressure on cotton and polyester selling prices. However, a balance between supply and demand should prevail in the market segment of wood-based cellulose fibers, which is of relevance to Lenzing. In particular, Lenzing expects a strong increase in demand for its specialty fibers.

Assuming unchanged conditions on the fiber market and currency exchange rates, Lenzing feels confident to confirm a substantial improvement in earnings for the entire financial year 2016 compared to 2015.

Lenzing, May 10, 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 MARCH 31, 2016

Lenzing AG

Consolidated Income Statement (Condensed)

for the period January 1 to March 31, 2016

EUR mn

	01-03/2016	01-03/2015
Revenue	512.8	474.6
Change in inventories of finished goods and work in progress	(10.4)	(4.2)
Own work capitalized	6.1	5.9
Other operating income	11.4	20.5
Cost of material and other purchased services	(292.5)	(307.2)
Personnel expenses	(75.3)	(76.3)
Other operating expenses	(59.9)	(53.5)
Earnings before interest, tax, depreciation and amortization (EBITDA)¹	92.2	59.6
Amortization of intangible assets, depreciation of property, plant and equipment and income from the release of investment grants	(32.7)	(32.6)
Earnings before interest and tax (EBIT)¹	59.5	27.0
Financial result	(4.4)	(3.1)
Allocation of profit or loss to puttable non-controlling interests	0.8	1.0
Earnings before tax (EBT)¹	55.9	24.8
Income tax expense	(11.8)	(8.2)
Net profit for the period	44.1	16.6
Profit for the period attributable to shareholders of Lenzing AG	43.3	17.5
Attributable to non-controlling interests	0.8	(0.9)
Earnings per share	EUR	EUR
Diluted = undiluted	1.63	0.66

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

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

EBT: Earnings before tax.

Lenzing AG

Consolidated Statement of Comprehensive Income (Condensed)

for the period January 1 to March 31, 2016

EUR mn

	01-03/2016	01-03/2015
Net profit for the period as per consolidated income statement	44.1	16.6
Items that will not be reclassified subsequently to profit or loss	0.0	0.0
Items that may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences	(17.6)	43.5 ²
Available-for-sale financial assets	0.3	0.3
Cash flow hedges	5.9	(18.5)
Share of comprehensive income of investments accounted for using the equity method	0.0	0.1 ²
Income tax relating to these components of other comprehensive income	(1.3)	3.9
	(12.7)	29.4
Other comprehensive income – net of tax	(12.7)	29.4
Total comprehensive income	31.3	46.0
Attributable to shareholders of Lenzing AG	31.5	44.0
Attributable to non-controlling interests	(0.2)	2.0

²⁾ The prior-year amount of foreign currency translation differences (EUR 43.7 mn previously) 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).

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2016

Lenzing AG

Consolidated Statement of Financial Position (Condensed)

as at March 31, 2016

EUR mn

Assets	31/03/2016	31/12/2015
Intangible assets and property, plant and equipment	1,279.3	1,312.7
Investments accounted for using the equity method and financial assets	49.2	48.4
Deferred tax assets	14.2	17.3
Other non-current assets	14.4	14.7
Non-current assets	1,357.2	1,393.1
Inventories	323.0	338.5
Trade receivables	250.1	258.9
Other current assets	87.9	84.1
Cash and cash equivalents	422.8	347.3
Current assets	1,083.7	1,028.8
Total assets	2,440.9	2,421.8
Equity and liabilities	31/03/2016	31/12/2015
Equity attributable to shareholders of Lenzing AG	1,211.0	1,179.4
Non-controlling interests	27.0	27.3
Equity	1,237.9	1,206.7
Financial liabilities	489.4	510.9
Deferred tax liabilities	49.3	52.9
Provisions	121.3	122.7
Other non-current liabilities	30.6	32.6
Non-current liabilities	690.6	719.1
Financial liabilities	180.6	172.3
Trade payables	142.2	150.0
Provisions	78.7	69.9
Other current liabilities	110.7	103.8
Current liabilities	512.3	496.1
Total equity and liabilities	2,440.9	2,421.8

Lenzing AG

Consolidated Statement of Changes in Equity (Condensed)

for the period January 1 to March 31, 2016

EUR mn

	Share capital	Capital reserves	Other reserves	Retained earnings	Equity attributable to shareholders of Lenzing AG	Non-controlling interests	Equity
As at 01/01/2015	27.6	133.9	(30.2)	890.4	1,021.7	23.9	1,045.6
Total comprehensive income	0.0	0.0	26.6	17.5	44.0	2.0	46.0
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	0.0	0.0	(0.1)	(0.1)
As at 31/03/2015	27.6	133.9	(3.6)	907.9	1,065.8	25.8	1,091.5
As at 01/01/2016	27.6	133.9	31.1	986.8	1,179.4	27.3	1,206.7
Total comprehensive income	0.0	0.0	(11.8)	43.3	31.5	(0.2)	31.3
Acquisition/disposal of non-controlling interests and other changes in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)
As at 31/03/2016	27.6	133.9	19.4	1,030.1	1,211.0	27.0	1,237.9

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2016

Lenzing AG

Consolidated Statement Cash Flows (Condensed)

for the period January 1 to March 31, 2016

EUR mn

	01-03/2016	01-03/2015
Gross cash flow	82.4	63.2
+/- Change in working capital	21.9	(25.6)
Cash flow from operating activities	104.3	37.6
- Acquisition of intangible assets, property, plant and equipment (CAPEX)	(15.9)	(11.2)
+ Other	(0.1)	(0.5)
Cash flow from investing activities	(16.1)	(11.7)
- Distribution to shareholders	(0.1)	(0.1)
+ Investment grants	0.0	0.4
+ Inflow from financing activities/ - repayment of financial liabilities	(8.8)	(21.1)
Cash flow from financing activities	(8.9)	(20.8)
Change in liquid funds before reclassification	79.4	5.2
+/- Reclassification of cash and cash equivalents belonging to assets held for sale and disposal groups	0.0	(8.6)
Total change in liquid funds	79.4	(3.4)
Cash and cash equivalents at the beginning of the year	347.3	271.8
Currency translation adjustment relating to liquid funds	(3.9)	8.1
Liquid funds at the end of the reporting period	422.8	276.5

The condensed consolidated interim financial statements as at March 31, 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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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 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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