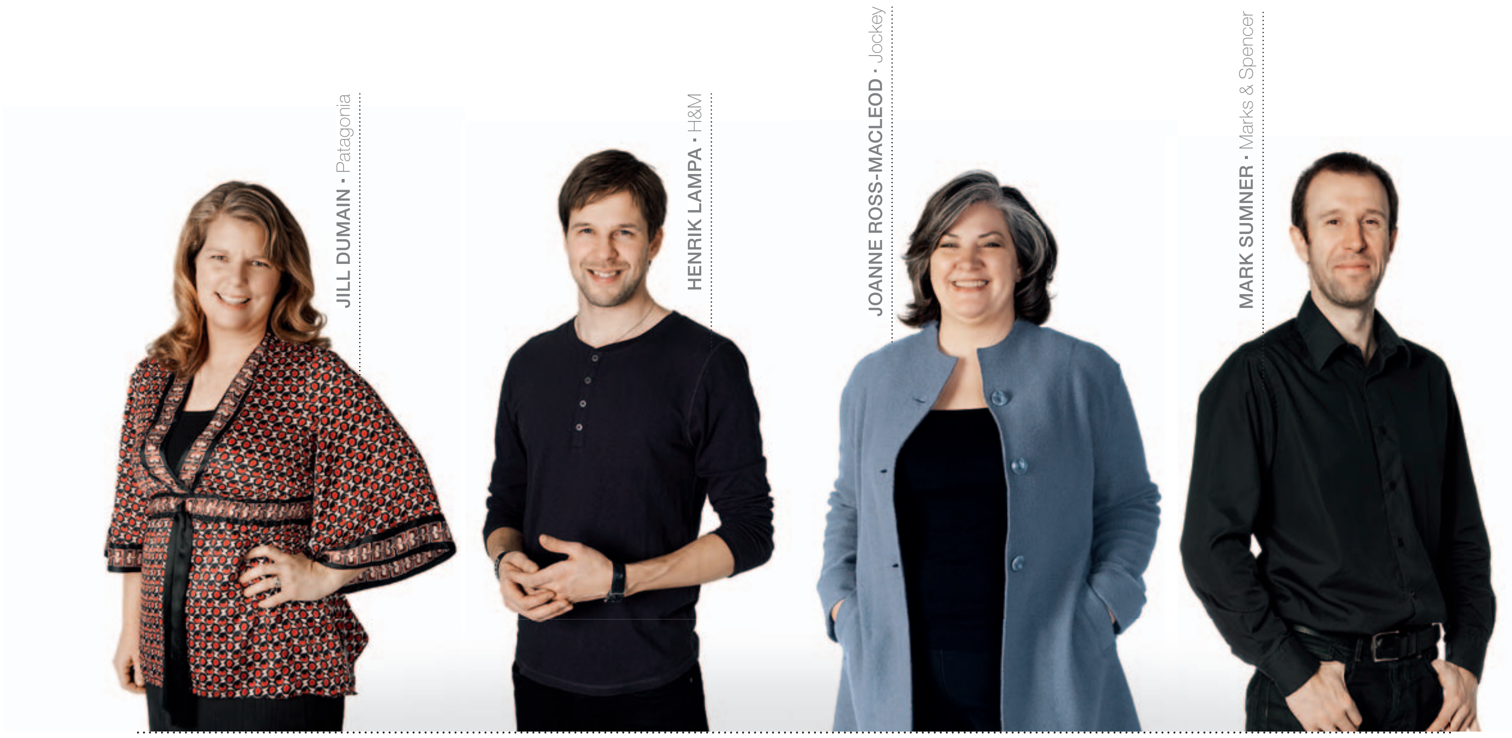


Smart products for great customers

www.lenzing.com

LENZING
LEADING FIBER INNOVATION

Smart products for great customers

Sustainable customer relations and profound experience in creating cellulose fibers are the basis of our success. Passion for new solutions is the basis of our future.

Acute ecological awareness plus the renewable raw material wood create sustainable products. Global market expertise plus excellent service to our downstream customers create sustainable and long-standing partnerships.

Close cooperation with innovative partners create innovative solutions for discerning manufacturers, or simply – smart products for great customers.

We would like to thank renowned companies like Hennes & Mauritz, Jockey, Marks & Spencer and Patagonia for their readiness to talk about our products. We are proud to be their partner.

This annual report is dedicated to this fine selection of customers, but it has been compiled to thank all our customers. Their success is our success – our success is their success.

And of course, our thanks go out to the excellent teams of international merchandisers and the dedicated people of the Lenzing Group who tirelessly spread the message of Lenzing fiber quality and sustainability. They made the results – we report them.

Smart products for great customers

H&M's business idea is to offer its customers fashion and quality at the best price. H&M has expanded substantially in recent years and has now around 2,000 stores spread over 37 markets. H&M offers a broad and varied range that allows customers to find their own personal style.

H&M's business concept is to offer its customers fashion and quality at the best price. At H&M, quality is about more than making sure that the products meet or exceed the customers' expectations. It also means that they should be manufactured under good conditions and with limited environmental impact – and that the customers are satisfied with H&M as a company. Lenzing with its sustainable fiber products from the natural resource wood therefore is an ideal match for H&M.

Respect for the environment is important to H&M, and to its customers. Therefore the company is using – and continuously trying out new – sustainable materials in its products. Through the cooperation with Lenzing, TENCEL®, the botanic fiber from the natural raw material wood, has become part of H&M's sustainable materials range.

"We are working with Lenzing because its products add value to our customer offer – our customers care about the environment and Lenzing's fibers help them make a greener choice".

Henrik Lampa · CSR Manager Team Product, H&M

www.hm.com

HENRIK LAMPA · H&M

Contents

Editorial by the Chairman of the Management Board

The Lenzing Group looks back on a good business year 2009. The result – considering the highly volatile economic environment in which it was achieved – is satisfactory.

We are looking back on a divided 2009: The first quarter was characterized by the dramatic collapse of the global fiber market. The financial and economic crisis caused, starting in Asia, prices to collapse and demand to significantly decline. We, however, remained confident that the second half of 2009 would bring an upturn. Therefore we decided to run production at Lenzing, the only fully integrated site, at full capacity despite weak prices and to cut back fiber production at our other, non-integrated sites and to flexibly control and adapt production to demand. Our intention was to clearly stand by our customers throughout the textile chain, even at temporarily unsatisfactory margins, and to clearly show our flag by continuing to supply them with fibers. This strategy fully paid off.

As anticipated, fiber demand recovered slightly at the end of the second quarter. As soon as the global market showed early signs of recovery we made full use of this upturn right from the start and increasingly achieved good results in the three quarters that followed the negative first quarter.

We achieved our 2009 operative goal and secured maximized capacity utilization combined with maximized flexibility. Simultaneously, stringent operative cost management and optimized capital cost structure added to the good development of results. In addition, balance sheet structure was strengthened.

It should be noted that the upturn of 2009 was limited almost exclusively to the fiber business and that it was powered by the very good economic development of the emerging markets in Asia and South America. Thanks to our consistent and long-standing strategy of globalization our products and teams were at the right places at the right time. Our Nanjing plant in China and our Indonesian subsidiary PT. South Pacific Viscose (SPV) have turned out to be the powerhouses of recovery.

And lastly, our strong global position in special fibers combined with a number of novel and innovative applications secured the full utilization of capacity and profitability of our European fiber production sites. It was here that we focused on high quality specialty fibers and it was from here that we exported significant quantities to Asia. The Lenzing site again provided firm support. Our success shows that European production sites with the right products, the right cost structure and a high degree of innovation can and do compete well even under difficult global conditions. Of course, innovation does demand investment in dedication and financial resources – but it clearly pays off, especially in difficult times.

We expect the speedy recovery of the fiber business in 2009 to be not just transitory but sustainable. Rising private consumption as a consequence of growing prosperity in the emerging markets, backed by economic programs, turned out to be the

We achieved our 2009 operative goal in fiber business

biggest growth driver in 2009. The domestic markets of Asia and South America will continue to gain importance for us alongside the mature industrialized markets. We will therefore expand local capacity in line with demand.

At the same time numerous factors, among these many related to sustainability, indicate a future rise in the demand for cellulose fibers. Some of these are: a very good climate record due to renewable raw material wood, no competition with acreage for food production, low use of increasingly scarce fossil raw materials and ecologically sound production. We, as the world market leader, intend to not only follow this trend but to actively shape it by maximum innovation, new, creative applications and optimized customer service. Our unequaled and environmentally sound production processes are working for a sustainable and positive future.

Our strategy for 2010: We have laid the foundations for future expansion, a fourth line at our Indonesian subsidiary PT. South Pacific Viscose became fully operational and will enhance our leading position in the world market and in Asia. An ambitious expansion program is intended to expand the production capacity of our European sites and in Asia. The Lenzing Group considers Asia to be the gateway to future success.

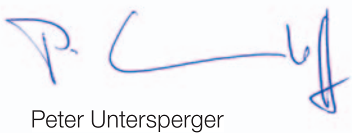
Segment Plastics Products, with its emphasis on western industrial markets, did not yet benefit from the recovering demand in 2009 to the same extent as segment Fibers. But here, too, the second half-year brought stable business development and restructuring showed positive results. The same holds true for segment Engineering where order bookings have improved again after a difficult second quarter 2009.

Can we then take a confident view of 2010? From the perspective of early 2010 there is reason to do so, even if individual parts of the global economy are exposed to setbacks and challenging conditions.

The Lenzing Group not only overcame the biggest global economic crisis of the past 70 years – we also emerged from it stronger than before. We have gained customer confidence in growth markets and secured our lead as the innovative leader in quality. Our balance sheet structure with an equity ratio of 43,5 % is healthy and net debt in 2009 was significantly reduced despite considerable investment. All this will provide us with the strength and confidence required to take up the challenges of the coming decade.

In closing, I would like to use the opportunity to thank especially our much valued customers, suppliers, banks and all other partners for their cooperation and support through difficult times. My thanks in particular go to our staff members for their marvelous dedication in the face of such difficult conditions. Finally, I especially want to acknowledge the trust our shareholders have placed in us.

Yours,



Peter Untersperger

The Lenzing Group

Leading Fiber Innovation

The Lenzing Group is an international group of companies with its headquarters in Austria, production sites in all major markets and a global network of sales and marketing offices. Lenzing provides the global textile and nonwovens industry with high-quality cellulose fibers. The company is the leading supplier in many business-to-business markets – from special cellulose fibers to high-quality plastic polymer products.

Lenzing quality and Lenzing innovative power set standards for man-made cellulose fibers world-wide

Lenzing quality and Lenzing innovative power set standards for man-made cellulose fibers world-wide. More than seventy years of fiber production expertise make us the only producer world-wide of all three man-made cellulose fiber generations, from classic viscose to modal and lyocell. Lenzing's unique combination of consistent customer orientation with leadership in quality, innovation and technology is the foundation of our success.

Our focus on specialty products from cost efficient production is the source of our economic power. Lenzing is committed to the principles of sustainable management and very high environmental standards. Lenzing's core business fibers is complemented by our activities in business fields plastics, as well as engineering.

Lenzing at a Glance

Segment Fibers

Business Unit
Textile Fibers

Business Unit
Nonwoven Fibers

Business Unit
Pulp

Business Unit
Energy

Segment Plastics Products

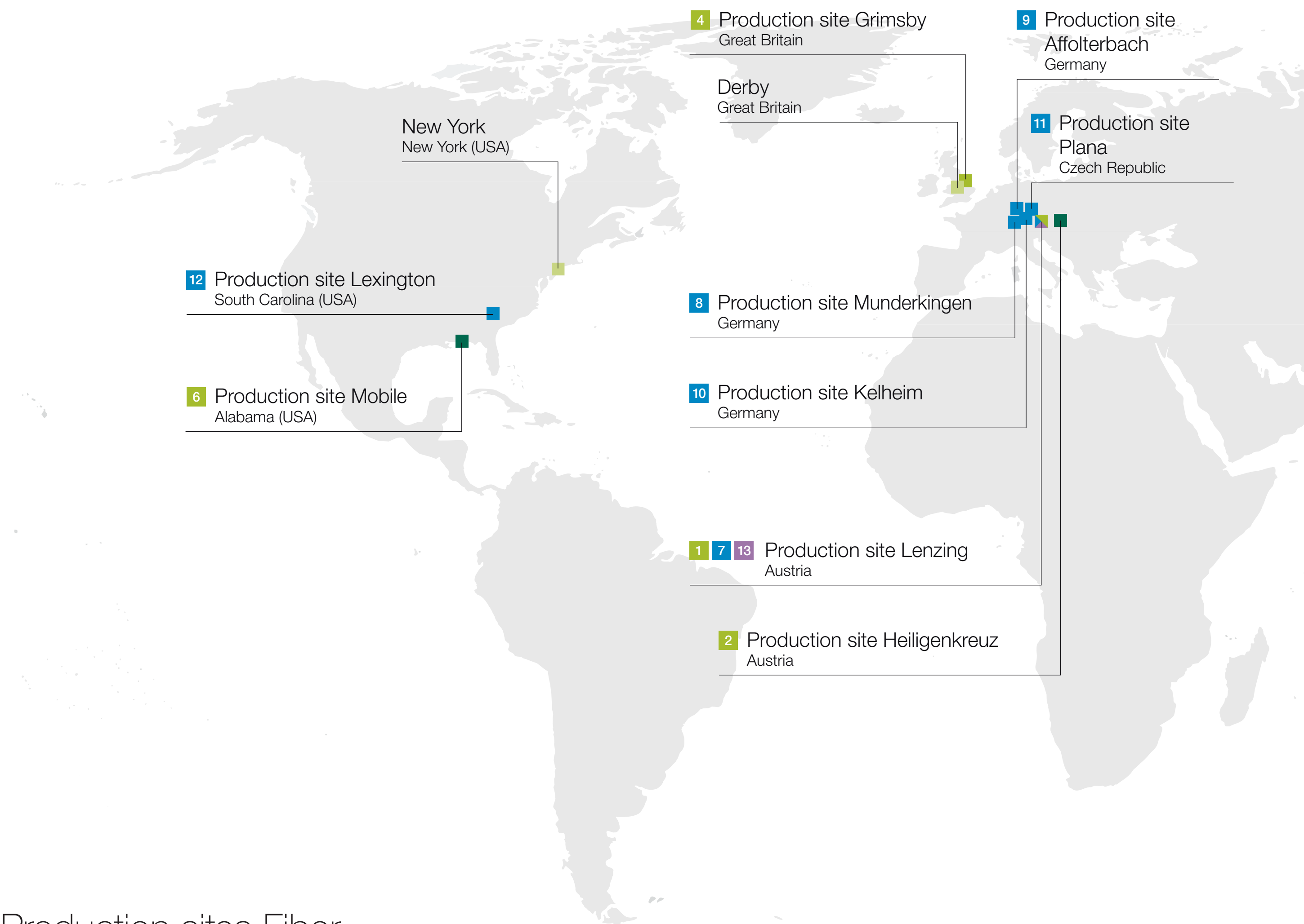
Business Unit
Plastics

Business Unit
Filaments

Segment Engineering

Business Unit
Engineering

The Lenzing Group 2009



Production sites Fiber

1 Lenzing, Austria
World´s largest integrated pulp and viscose fiber production site
Annual capacity: 250,000 tons of pulp
255,000 tons of fibers

3 Purwakarta, Indonesia
Viscose fibers
Annual capacity: 160,000 tons

5 Nanjing, China
Viscose fibers
Annual capacity: 60,000 tons

2 Heiligenkreuz, Austria
Lyocell fibers (TENCEL®)
Annual capacity: 50,000 tons

4 Grimsby, Great Britain
Lyocell fibers (TENCEL®)
Annual capacity: 40,000 tons

6 Mobile, Alabama (USA)
Lyocell fibers (TENCEL®)
Annual capacity: 40,000 tons

Production sites:

Fiber | Plastics | Engineering

Offices:

Fiber | Plastics | Engineering

Plastics

7 Lenzing, Austria
Thermoplastics, PTFE

8 Munderkingen, Germany
Bristles, monofilaments, abrasives

9 Affolterbach, Germany
Dental care, bristles

10 Kelheim, Germany
Acrylic fibers, carbon fiber precursor

11 Plana, Czech Republic
Bristles, monofilaments

12 Lexington, USA
Bristles, monofilaments, abrasives

Engineering

13 Lenzing, Austria
Technology competence center

Management Board

Responsibilities

Peter Untersperger

Chairman of the Board

Global Finance
Global Information Technology
Wood Purchasing
Global Human Resources
Corporate Communications
Legal Management
Risk Management
Strategy

Christian Reisinger

Member of the Board (until 31 March 2010)

Business Unit Engineering
Business Unit Energy
Global Purchasing
Infrastructure Lenzing
Internal Audit
Global Environment, Health & Safety
Environmental Protection Lenzing

Friedrich Weninger

Member of the Board

Business Unit Textile Fibers
Business Unit Nonwoven Fibers
Business Unit Plastics
Business Unit Filaments
Business Unit Pulp

Business Unit Heads

Textile Fibers
Dieter Eichinger

Nonwoven Fibers
Wolfgang Plasser

Pulp
Wilhelm Feilmair

Plastics
Johann Huber

Filaments
David Hoyland

Engineering
Helmut Aigner

Engineering
Johann Weber

Engineering
Herbert Hummer
(from 1 January 2010)

Energy
Gottfried Rosenauer

Products of the Lenzing Group

Segment Fibers

Lenzing's innovation lead ensures that special fibers made by Lenzing can be found in almost every branch of the textile industry – from lingerie to firefighters' protective wear.

Business unit Textile Fibers

TENCEL®

TENCEL® is made from eucalyptus wood produced by sustainable forestry. The production process received the European Award for the Environment of the European Union. The fiber's properties such as moisture management and skin-friendliness make it an attractive choice for many applications.

Areas of application:
- Quilts, bedwear, mattresses
- Shirts, blouses, pants, denim, sportswear, outerwear, workwear
- Sleeping bags, technical applications

Lenzing Modal®

Lenzing Modal®, the Lenzing fiber classic, is distinguished by being made from beech wood and with integrated process control. The fiber is super soft and skin-friendly and stands for gloss and color brilliance.

Areas of application:
- Terry products
- Homewear and lingerie
- Fashion knitwear

Lenzing Viscose®

70 years of production experience in viscose fibers set the international quality standard for processing.

Areas of application:
- Woven and knitted garments

Lenzing FR®

The extraordinary properties of this flame-retardant special fiber in heat insulation and moisture management reduce the risk of heat stress or heat stroke and increase protection from second and third degree burns.

Areas of application:
- Protective wear for industry, fire fighting and military
- Flame resistant fabrics for public transport (airplanes, trains)
- Flame resistant fabrics for furniture
- Thermal insulation systems for protective jackets

Business unit Nonwoven Fibers

Their cellulose origin makes Lenzing fibers naturally absorbent, making them the natural choice for nonwovens. Lenzing fibers are used in sensitive applications such as cosmetics, hygiene and medicine. Moreover, they are used in advanced electrical and filter applications, as well as carbon fiber precursor.

Lenzing Viscose® and TENCEL® are fully biodegradable after use.

Lenzing Viscose®

Purity, skin friendliness and breathability make Lenzing Viscose® an excellent choice for applications in hygiene and other sensitive areas.

Viscostar®

Its special cross section makes Viscostar® particularly absorbent. It is used mainly by the tampon industry. This fiber was developed to meet the customers' exacting requirements in hygiene applications.

TENCEL®

The improved physical properties of this fiber, such as increased tensile strength, especially when wet, low linting and natural absorbency make TENCEL® the advanced fiber of the nonwovens industry. TENCEL® delivers the unique combination of efficiency, purity and softness.

Fields of application for Lenzing Viscose® and TENCEL®:

- Wipes for infant care, cosmetic, domestic and industrial applications
- Wound pads, surgical swabs and components of surgical gowns
- Tampons
- Separators for highly efficient energy storage in advanced electrical products
- Fuel and oil filters, as well industrial filtration of air and liquids
- Carbon fiber precursor for high-temperature applications

Business unit Energy

- Electricity
- Heat
- Utilities
- Disposal management

Products of the Lenzing Group

Segment Plastics Products

Thermoplastics, polytetrafluoroethylene (PTFE), solution-dyed acrylic fibers and precursor for carbon fiber manufacture are just a few examples from the broad range of business fields covered by segment Plastics Products. The products are used in special high-tech applications such as medical technology, dental floss, automotive, hot gas filtration and in construction materials. Two business units with two subunits each manage the versatile product range.

Business unit Plastics *

Thermoplastics:

Production of films, fabrics, tapes and multilayer laminates

Areas of application:
- Construction materials
- Cables
- Insulation

Polytetrafluoroethylene (PTFE):

Production of special yarns and fibers from high-tech PTFE for a broad range of applications

Areas of application:
- Medical technology
- Textile architecture
- Hot gas filtration

Business unit Filaments

Monofilaments:

Innovative monofilament products from a broad range of different polymers

Areas of application:
- Abrasives for engineering and floor care
- Dental and personal care
- Brushes for technical and consumer applications
- Monofilaments for industrial, sports and consumer products

*) Formerly business unit Performance Products

Fibers:

Special homopolymeric and copolymeric acrylic fibers

Areas of application:
- Car tops
- Sun shades and awnings
- Indoor and outdoor furniture

Precursor for carbon fiber production

Areas of application:
- Wind energy systems
- Aviation and automotive
- Yacht construction and sports equipment

Segment Engineering

Segment Engineering essentially consists of the company Lenzing Technik GmbH. Its staff of about 600 realizes engineering projects, plant construction and services worldwide in these fields:

Business unit Engineering

Engineering and Contracting

- Fiber and Environmental Technology
- Pulp Technology
- Filtration and Separation

Automation and Mechatronics

- Automation
- Electronics

Mechanical Construction and Industrial Services

- Mechanical Construction and Industrial Services
- Sheet Metal Technology

Smart products for great customers

From the invention of the brief in 1934, to the introduction of its No Panty Line Promise® leg treatment in 2000, Jockey has become an innovation leader in the world of men's and women's underwear. Jockey can be found in more than 120 countries in thousands of department and specialty stores.

For many women, the Jockey® brand experience centers on two key collections; Classics and Elance®. Our brand's heritage and our reputation for unsurpassed quality, fit and performance have helped these collections become the foundation of Jockey's intimates offering. Given their significance to the Jockey® brand and their prominence in the marketplace, any change made to either collection moves forward with a great deal of consideration and scrutiny. Any vendor chosen to partner with Jockey, especially when making significant changes to a major program, is held in the highest level of confidence and trust.

Lenzing was a model partner in developing the Jockey® Classics Supersoft and Jockey® Elance® Supersoft collections. Through Lenzing's support, innovation and the amazing properties of their MicroModal® fiber fabric, Lenzing partnered with Jockey to deliver products with enhanced softness and expanded appeal in an increasingly complex market. Lenzing worked with Jockey's entire supply chain… facilitating our relationships with the fiber producers, the yarn spinners and the fabric mill… to deliver a game-changing product that elevates our intimates offering and strengthens our core programs.

JOCKEY®

www.jockey.com

"Lenzing was a model partner in developing the Jockey® Classics Supersoft and Jockey® Elance® Supersoft collections."

Joanne Ross-Macleod · Manager Fabric Development, Jockey

JOANNE ROSS-MACLEOD · Jockey

Management Report

Management Report

General Market Environment

The world fiber market in 2009 was dominated by the massive effects of the global economic crisis. Demand in the first quarter was very weak. It revived in the following quarters with the onset of recovery in important emerging markets, in particular in Asia. Chinese demand was stimulated by an economic program for boosting private consumption and Chinese manufacturers benefited from rising domestic demand. Fiber producers in other parts of Asia derived advantage from rising global demand as well.

The development of the European textile industry in 2009 was again weak whereas the European nonwovens industry managed to defend its good market position by consistent product innovation and efficient sales and marketing structures.

Although the development of the US nonwovens business was stable, North American fiber demand continued to decline as a consequence of sinking private consumption after the collapse of the real estate sector, the crisis of the US automotive industry and the strong rise of the private savings rate.

Chemical fibers win again with growth in Asia

According to first estimates global fiber production in 2009 grew by 1.9 % to 68.8 mill. tons after a decline of 2008 by 6.7 % to 67.5 mill. tons. Production after the collapse of 2008 was therefore significantly lower than that of record year 2007 at 72.3 mill. tons. The slight gain was realized by Asia whereas production in Western industrialized nations declined again.

Cotton production declined by an estimated 7.3 % to 22.7 mill. tons despite the increased cultivation of genetically modified plant material. This decline is, among other reasons, attributable to weaker demand, poor harvests and the increasing allocation of acreage to the production of food and biofuels. Wool again declined slightly by 1.2 %.

Chemical fibers are estimated to have achieved a production plus of 7.3 % to 44.9 mill. tons. The highest growth rate, at 8.8 %, was realized by cellulose chemical fibers (viscose, modal and lyocell). Production of synthetic chemical fibers, such as polyester, grew by 7.1 %. Growth by quantity was highest in China which accounts for around 61 % (an estimated 27.4 mill. tons) of global chemical fiber production. Other gainers in Asia were Indonesia (+12.7 %), Thailand (+12.5 %) and India (+10.4 %). European production again declined by significant 19.1 % to about 3.0 mill. tons. American chemical fiber production, too, again declined by an estimated 8.2 %.

Cellulose fibers up

The growth of cellulose fiber production by 8.8 % is mainly attributable to China where production grew by almost a quarter to 48 % of global cellulose fiber production. Strong growth was also recorded for Thailand at 23.4 % and Indonesia at 17.1 %. Brazil's production, up 46.5 % at comparatively low volumes, almost recovered from the collapse of 2008 to nearly its level before the crisis. European production is expected to have declined by about 10 %, due to a plant closure and weaker demand by the European textile industry in the first half of the year.

Clear recovery of fiber prices in the second half of the year

The cotton price, the impulse generator for many fiber prices, stayed at an extremely low level of 50 to 57 US cents per pound (Cotton A Index) at the beginning of the year. A slight upward trend of the fiber markets from the second quarter of the year on started a price recovery which then took the index up to 75 to 78 US cents at the end of the year. A similar trend was noted for the most important chemical fibers. Polyester fibers, in the most import market, Asia, started at USD 0.90 per kilogram after the sharp decline at the end of 2008 and firmed up at around USD 1.20 by mid-year. Part of the increase can be explained by the significant rise of crude oil prices.

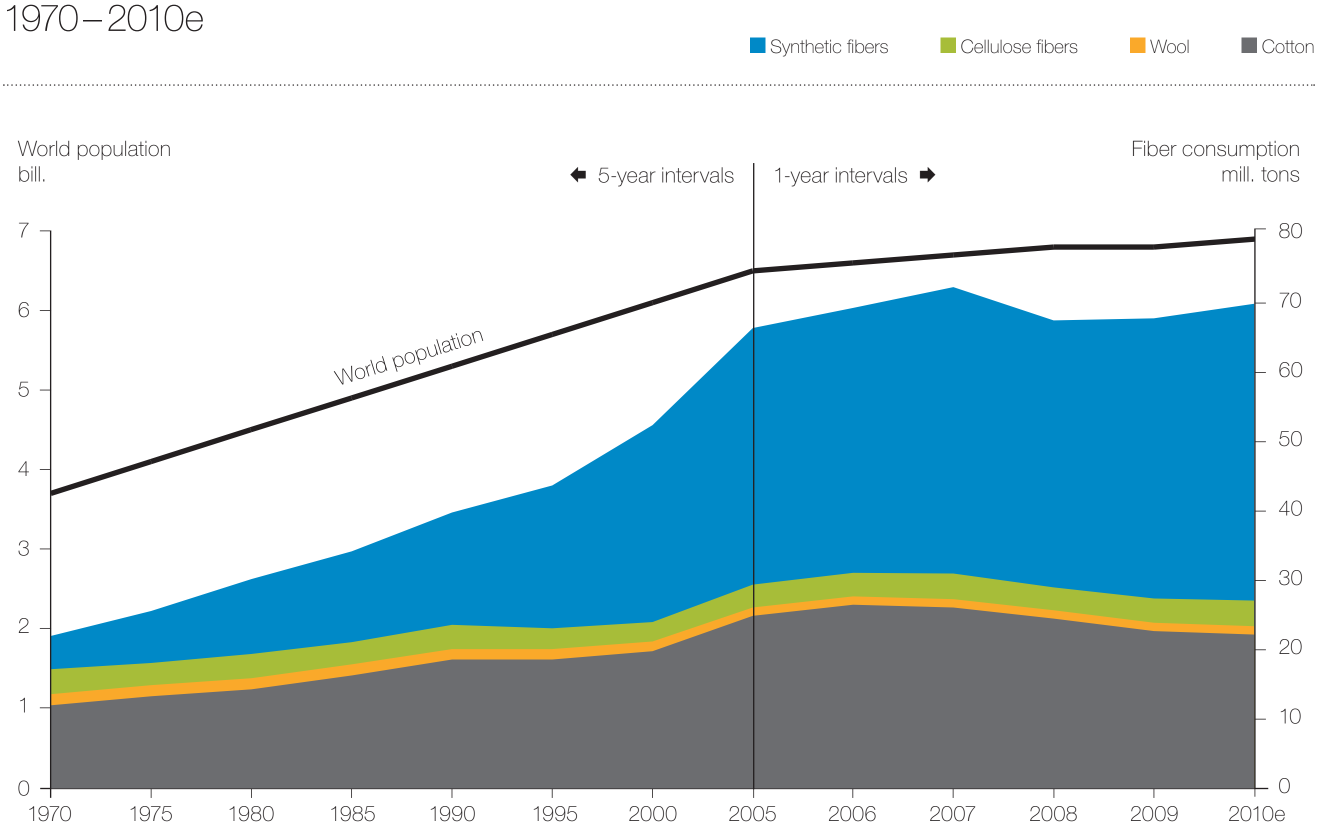
Rising demand for cellulose fibers of standard quality enabled price adaptations from the second quarter on. These were supported by the low stock levels at spinneries (and the textile chain as a whole) as well as necessitated by rising pulp prices at strong quantity demand. It should be kept in mind, however, that prices in the first quarter of 2009 were still 30 to 40 % below the average prices of 2008 and that subsequent adaptations did not fully compensate the previous decline. Prices for special cellulose fibers firmed up in 2009 as well. The top market segment, however, had not been that strongly affected by the previous decline in the first place.

The growth of cellulose fiber production is mainly attributable to China where production grew by almost a quarter to 48 % of global cellulose fiber production

Management Report

World population and fiber consumption*

1970 – 2010e



*) Sources: Lenzing AG, CIRFS, Fiber Economics Bureau

Development of the Lenzing Group

The Lenzing Group in 2009 succeeded in achieving an altogether satisfactory result despite a highly volatile market environment due to the good development of its core business cellulose fibers in the second half of the year. Results are smaller than those of record years 2007 and 2008 but on par with those of the preceding years. After a negative first quarter caused by the global collapse of demand for cellulose fibers, good results were achieved again in the following quarters due to significantly improved fiber demand and considerable cost reduction.

The consolidated sales of reporting year 2009 declined to EUR 1.25 bill. (2008: EUR 1.33 bill.). This slight decline of 5.6 % essentially reflects the massive collapse of fiber prices. Shipped fiber quantity exceeded that of 2008 but did not suffice to fully compensate the decline in earnings due to lower prices. Although price adaptations were implemented from the second quarter on, the average prices in 2009 were still significantly below those of 2008. Core business Fibers contributed 85.9 % to consolidated sales, Plastics Products 11.7 % and Engineering 2.3 % (external sales only).

Due to the lower raw material prices of pulp and chemicals as compared to 2008 cost of material significantly declined by 14.4 % to EUR 704.3 mill. (2008: EUR 823.0 mill.) despite increased fiber production.

Personnel expenses grew by 3.0 % to EUR 251.5 mill. (2008: EUR 244.1 mill.). Apart from a considerable rise as a result of collective bargaining agreements the increase was caused by hiring labor as part of the expansion of the Indonesian subsidiary PT. South Pacific Viscose (SPV) by a forth production line. Personnel expenses declined in some operative subsidiaries in segment Plastics Products. Slight savings were realized in other operating expenses to EUR 145.8 mill. as compared to EUR 148.2 mill. in 2008.

Consolidated EBITDA at EUR 182.0 mill. (2008: EUR 200.8 mill.) declined by 9.3 % and EBIT decreased by 22.7 % to EUR 100.7 mill. (2008: EUR 130.3 mill.).

Lower interest levels reduced average interest rates for bank loans from 5.6 % in 2008 to about 3.5 % in 2009. This cost advantage and positive foreign exchange effects enabled the reduction of finance costs from EUR 24.5 mill. in 2008 to EUR 14.6 mill. in business year 2009 resulting in EBT of EUR 89.0 mill. (2008: EUR 114.7 mill.).

Lower income tax burden led to a net income of EUR 67.4 mill. compared to EUR 78.7 mill., a decline of 14.4 %. The share attributable to shareholders of Lenzing AG of EUR 64.4 mill. (2008: EUR 77.7 mill.) provided earnings per share of EUR 17.52 EUR after EUR 21.00* in the previous year.

Strategic investment continued as scheduled

The Lenzing Group in 2009 continued its strategic investment in the expansion of cellulose fiber production despite the very difficult market environment. The focus was put on the construction of the fourth production line at PT. South Pacific Viscose in Indonesia, where construction was essentially completed by the end of the reporting year, capacity expansion in segment Plastics Products, as well as investment in the optimization of pulp and energy facilities at the Lenzing site. Investment in intangible assets, property, plant and equipment and financial assets came to EUR 167.4 mill. (2008: 165.9 mill.). The essential prerequisites for continued profitable growth above all in Asia have therefore been created.

*) From continuing operations

Management Report

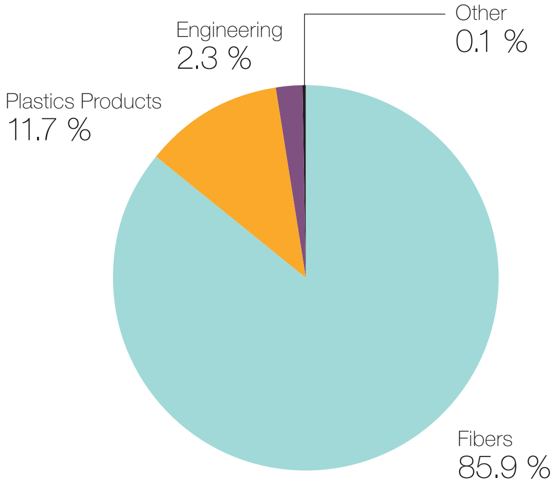
Healthy balance sheet structure despite economic crisis

Despite the crisis the Group presents a balance sheet structure actually improved as compared to 2008 and a solid financial position. Equity at the reporting date came to EUR 606.1 mill. EUR (2008: EUR 579.7 mill.). The adjusted equity ratio* of 43.5 % continues to provide Lenzing with a solid balance sheet structure. Short-term debt was considerably reduced and partially replaced by debt at longer dates and favorable terms. Net debt of the Lenzing Group at the end of 2009 came to EUR 315.7 mill. (2008: EUR 365.4 mill.) despite a dividend payment of EUR 51.5 mill. Net gearing, too, improved slightly from 60.4 % to 50.2 %. Lenzing AG's equity ratio at the balance sheet date 2009 came to 52.4 % (2008: 51.7 %).

Lenzing Group:

Sales by segment

100 % = EUR 1.25 bill.



The Group presents a balance sheet structure actually improved as compared to 2008 and a solid financial position

*) Incl. government grants less prop. deferred taxes

Segment Fibers

The development of the global fiber market in business year 2009 was highly uneven, the structural consequences for the next ten years (China), however, were considerable. Prices and quantity demand, after their sharp decline at the end of 2008, remained at very low levels in the first quarter and slightly improved in the second. This trend gained momentum in the remainder of the year and triggered a general rise in prices. The recovery of the market was essentially caused by rising demand in Asia and partly in South America. Economic programs in China along with a general rise in prosperity in the emerging markets enabled a significant recovery of the textile and nonwovens industry in these regions.

Lenzing succeeded in making the most of this upward trend. Despite an ungratifying first quarter the Group produced very satisfactory results in its most important business field, fibers.

Sales according to segment reporting came to EUR 1,090.2 mill. (2008: EUR 1,107.9 mill.), a decline of just 1.6 %. Segment EBIT declined to EUR 109.8 mill. (2008: 118.1 mill.), a very good result in view of the volatile market development. The EBIT margin of segment fibers declined to 10.1 % (2008: 10.7 %).

The staff of segment Fibers as at 31 December 2009 came to 4,511, including trainees (2008: 4,335).

Growing sales – declining results

The decline in results was above all due to the unfavorable development of prices and lower sales volumes in the first months of 2009. Lower raw material prices and several price increases only partially compensated this development in the further course of the year. Moreover, the prices of individual raw materials started to climb again significantly, especially in the second half of the year after their low at the turn of 2008/09.

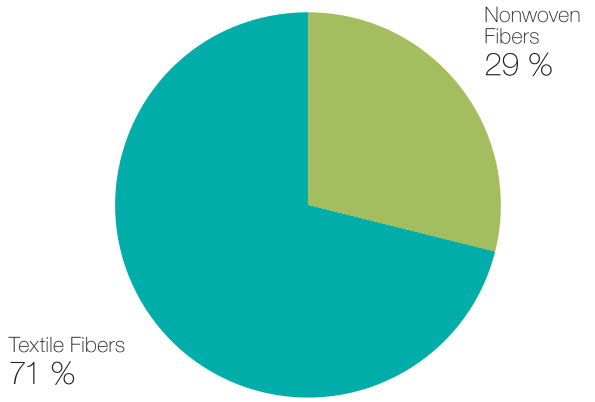
A period of underutilized production capacity and production cutbacks in the first quarter was followed by production at full capacity as early as from the end of the first quarter due to countermeasures taken by sales. Lenzing deliberately followed the anti-cyclical strategy of reliably supplying its customers in the textile chain with fibers even in commercially troubled times and enabled the company to gain further share of supply and to deepen its partnerships with essential customers.

Due to the uncertain global economic situation investment was cut back to an absolute minimum at the beginning of 2009. Strategic measures geared to expansion and activities in research and development, however, were sustained or even expanded, in particular for the major construction project of the fourth production line at the Indonesian subsidiary PT. South Pacific Viscose (SPV). The project with a total investment volume of about USD 150 mill. was implemented on schedule and trial production was taken up in February 2010. The new production facility will increase SPV's capacity for viscose fibers for the textile and the nonwovens industries by 60,000 to 220,000 tons. Very strong demand for cellulose fibers and in particular Lenzing fibers has reaffirmed the validity of this investment decision.

Management Report

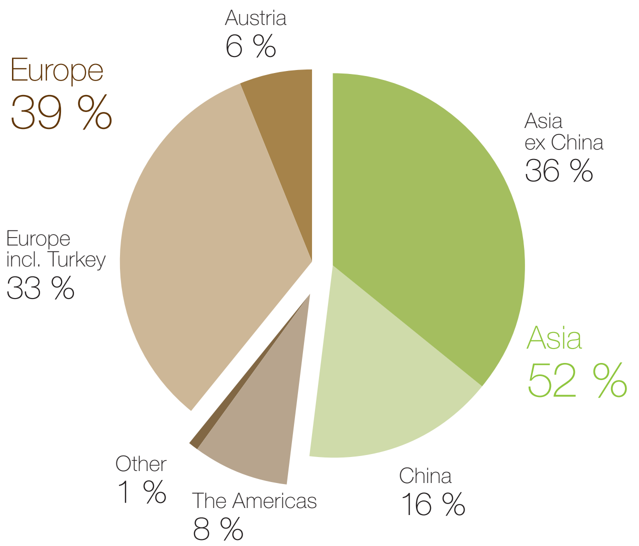
Lenzing Group: Core business fibers

Volume distribution



Segment Fibers:

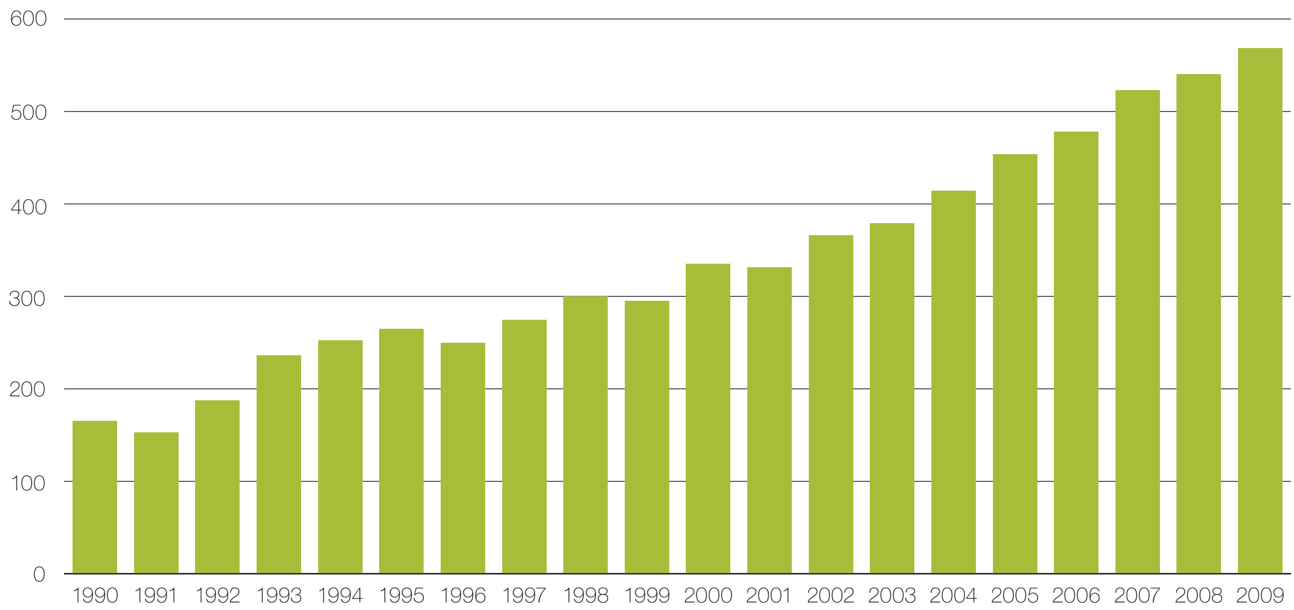
Lenzing Group key markets*



*) by quantity

Lenzing Group production

in 1,000 tons



Business unit Textile Fibers

Business unit Textile Fibers at the beginning of the year focused its distribution activities on the emerging markets in order to counter the weak sales trend in western industrialized nations. Lenzing in particular succeeded with viscose standard fibers in India, Pakistan and Turkey.

Special fibers, such as Lenzing Modal®, in 2009 proved to be largely resistant to the crisis. Prices as well as quantities were kept comparatively stable even under difficult circumstances.

Sales of TENCEL® fibers were equally gratifying. Although the demand for TENCEL® for textile applications declined somewhat during the first months of 2009, Lenzing succeeded in gaining a strong market position for innovative fiber blends with cotton, in particular in the denim segment. TENCEL® applications for home textiles developed equally well after considerable marketing and development activity in the preceding years. Sales of flame retardant fibers for military applications remained stable whereas industrial protective applications declined due to the general economic situation.

Management Report

Outlook business unit Textile Fibers

Business unit Textile Fibers had a good start into business year 2010. The fiber market at the turn of the year was characterized by continuing good demand from the emerging markets. Cotton prices currently are stable at relatively high levels, benefiting all other fiber prices. The startup of several capacity expansion projects in Asia might give rise to uncertainty in the second half of the year. Rising fiber consumption may lead to shortage of cotton available at attractive prices as a positive counter effect.

2010, with the inception of the fourth production line at SPV, will provide Lenzing with significant additional volume to further secure its leading role in the world market. Marketing offensives in home textiles, clothing and workwear will support this effort. Lenzing therefore expects a comparatively good result from business unit Textile Fibers – pending a positive global economic situation.

Business unit Nonwoven Fibers

Business unit Nonwoven Fibers in 2009 again succeeded in producing a good result despite the volatile market environment. The year started poorly: the nonwovens industry, in a difficult market environment marked by the global recession, was hesitant and initially reduced stock levels and cut back on order bookings. However, demand for consumer goods such as wet wipes was unbroken and so the nonwovens market recovered in the course of the year. The strong rise in demand for nonwoven fibers even led to first supply bottlenecks in the third and fourth quarters.

The re-segmentation of business unit Nonwoven Fibers in 2008 resulted in even closer proximity to markets and customers and was consistently enhanced in the reporting year. Contact to the downstream links of the distribution chain, such as converters, trade, brands, as well as store brands, were intensified due to their growing importance.

Segments

of business unit Nonwoven Fibers

- Technical (Filtration, Electrical Separators, Precursor, Automotive)
- Medical (Wound Care)
- Feminine Hygiene (Tampons)
- Wipes

Specialty wipes in the reporting year benefited from two factors. Firstly, the new flu raised awareness of prevention by hygienic measures and caused the demand for wipes with anti-bacterial action to rise. Secondly, consumers buying disposable products, such as wipes, increasingly opt for environmentally friendly alternatives. The certification of the TENCEL® fiber as fully biodegradable made Lenzing a global pioneer in this field. For example, a major US retailer in 2009 became a TENCEL® customer for its store brand of baby wet wipes. The company explains the ecological advantages of the Lenzing fiber on the package.

In technical applications, business unit Nonwoven Fibers emphasized its focus on niche products with future potential, such as components for hybrid drives and solar energy devices.

The cooperation with Weyerhaeuser started in 2008 for developing novel nonwovens products based on lyocell recorded further progress. In June 2009 a pilot plant for the production of TencelWeb™ went operational at the Lenzing site. The plant produces novel cellulose nonwovens materials made from the raw material wood using the meltblown process. The product is an ecologically sound alternative to nonwovens products made from crude oil – an example of a sustainable climate policy for the industrial consumer market with positive effects on CO_2 reduction.

Outlook business unit Nonwoven Fibers

Quantity demand continued to develop well in 2010. New production capacity in 2010 is expected to be absorbed well by the market – as is the case with textile fibers. Demand for fibers by the nonwovens industry continues to grow and products are characterized by increasing versatility and eco-friendliness. Continuously rising demand in the established markets of Western Europe and the United States will be supported by rising prosperity in Asia and boost demand further. This is where Lenzing perceives further growth potential.

Business unit Nonwoven Fibers in 2010 will focus on intensified marketing activity in Asia and Europe in order to add to marketing success, as in the case of the branding cooperation with the US retail chain. The new fourth production line at PT. South Pacific Viscose (SPV) will in 2010 provide Lenzing nonwovens with sufficient fiber quantity for marketing.

Business unit Pulp

Pulp produced from the renewable resource wood is the most important raw material for the production of cellulose fibers. Business unit Pulp ensures supply of the global fiber production sites with the appropriate pulp qualities required for viscose production, thereby supporting uninterrupted production. At the fully integrated Lenzing site, the business unit is additionally responsible for pulp production. The non-integrated fiber production sites are supplied with pulp purchased on the world market by a group-owned company, Pulp Trading GmbH. Moreover, the business unit sells complementary chemical products from pulp and fiber production of increasing environmental value, such as acetic acid, xylose, furfural and sodium sulfate.

The pulp markets in 2009 were characterized by extreme price volatility. Global demand for pulp for fiber production dramatically declined from the beginning of the year as a consequence of the economic crisis and prices accordingly dropped. However, demand recovered from the second quarter on and prices began to rise. By the end of 2009 chemical pulp already fetched record prices at spot markets, in particular in Asia, as available supply was limited. The Lenzing Group in part managed to evade this situation due to long-term supply contracts and the full integration of pulp production at the Lenzing site.

Management Report

Lenzing site pulp production

Several debottlenecking measures in 2009 increased pulp production at the Lenzing site by another 5,000 tons to a total of 251,000 tons per year, thereby not only fully supplying the Lenzing site but also, to a small extent, the Group's non-integrated sites.

The supply of wood for pulp production in the reporting year was not without problems, as the 2009 harvest did not meet the plans and expectations of forestry. But stores were well stocked and, at an average stock turnover of 20 days, at peak times represented up to one monthly production due to long-term supply contracts and very good supply chain management. Acquisition prices were slightly lower than previous year's and provided cost advantages to pulp production at Lenzing. Moreover, a series of optimization measures increased pulp production efficiency.

The production of complementary products such as sodium sulfate, xylose, acetic acid and furfural developed in line with fiber production. Sodium sulfate, an essential ingredient to detergents in powder form sold very well. Weak demand for acetic acid and furfural caused prices to decline. Xylose sales, too, decidedly failed expectations due to declining global demand.

Outlook business unit Pulp

The recovery of the fiber business revived demand for chemical pulp. In 2010 pulp production capacity at the Lenzing site will be increased by almost another 10,000 tons as part of fiber production expansion. The pulp supply for non-integrated sites in 2010 is covered by long-term supply contracts, although at higher prices.

The optimization of, and the search for new complementary products made from the valuable raw material wood continues. In 2010 the production of acetic acid will be upgraded to food quality level, shifting sales away from the volatile industrial chemical market to the attractive food industry market.

Business unit Energy

Business unit Energy is responsible for developing energy supply concepts for all production sites of the Lenzing Group in order to ensure optimized supply with electricity, process water, steam and cooling. Fiber and pulp production are energy-intensive processes. The business unit's responsibility to ensure supply is therefore growing and also a factor affecting the Group's results.

The decline of crude oil prices continued into 2009, reached a low of USD 40 per barrel in February and stabilized at USD 70 to 80 in the further course of the reporting year. The Lenzing Group uses natural gas and coal at all its sites, with the exception of the fully integrated Lenzing site. As fuel prices as a rule follow crude oil prices with time delay, the Lenzing Group benefited from this situation and costs were slightly eased as compared to 2008.

Lenzing site Energy

A new boiler for the combustion of caustic bleach plant effluents from pulp production went into operation in the fourth quarter. Total investment came to about EUR 16 mill. and construction was completed within one year. The new boiler's added capacity enables the full internal utilization of the effluents from pulp production, resulting in further cost savings.

Waste air from the site's viscose fiber production has been combusted in a fluidized bed boiler since 1998 for emission protection reasons. A second boiler now linked up to the system reduces emissions further.

A plant for the full desalinization of boiler feed water is currently under construction to accommodate increased production capacity. Startup is scheduled for the end of May 2010.

More energy saving measures were implemented in 2009. Lenzing, jointly with the technical university of Vienna, participates in a research program focusing on energy efficiency, renewable energy sources and intelligent energy systems. It is promoted by the Austrian Ministry of Economy and Labour, and the Austrian Ministry of Transport, Innovation and Technology. In parallel, a project for the optimization of power and steam generation was started, to be realized in 2010.

PT. South Pacific Viscose, Indonesia

A new multi-fuel fluidized bed boiler with attached steam turbine is currently under construction at the Indonesian subsidiary PT. South Pacific Viscose as part of the site's fiber capacity expansion program. Startup is scheduled for the first quarter of 2010.

Outlook business unit Energy

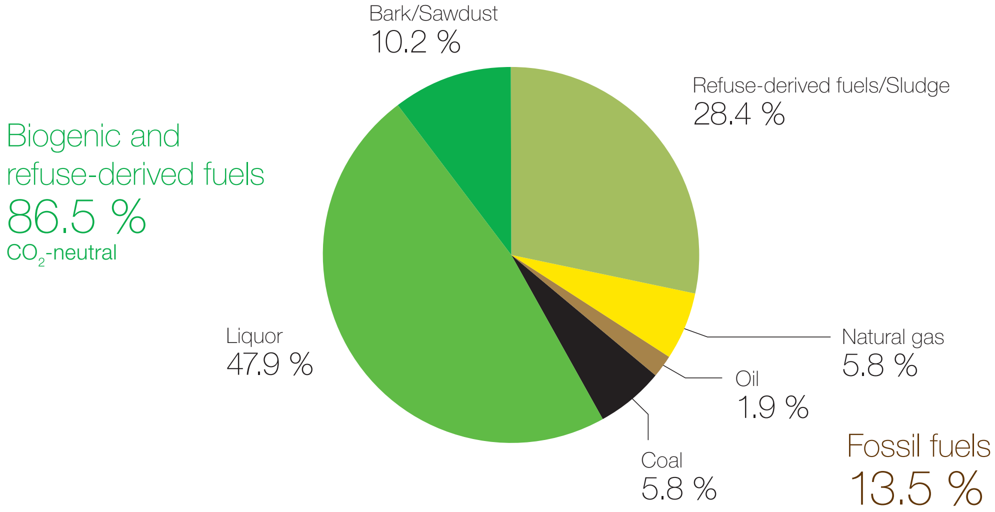
A new evaporation plant for bleachery waste water to take up operation in the fourth quarter of 2010 is currently under construction at the Lenzing site as a further cost cutting measure as part of energy optimization. Other projects to be completed in 2010 include bringing a gas boiler up to the state-of-the-art and plans for a new drinking water well. The Heiligenkreuz site will replace the older of the two gas turbines with a newer and stronger model.

Business unit Energy is responsible for developing energy supply concepts for all production sites of the Lenzing Group

Management Report

Lenzing AG* fuel mix

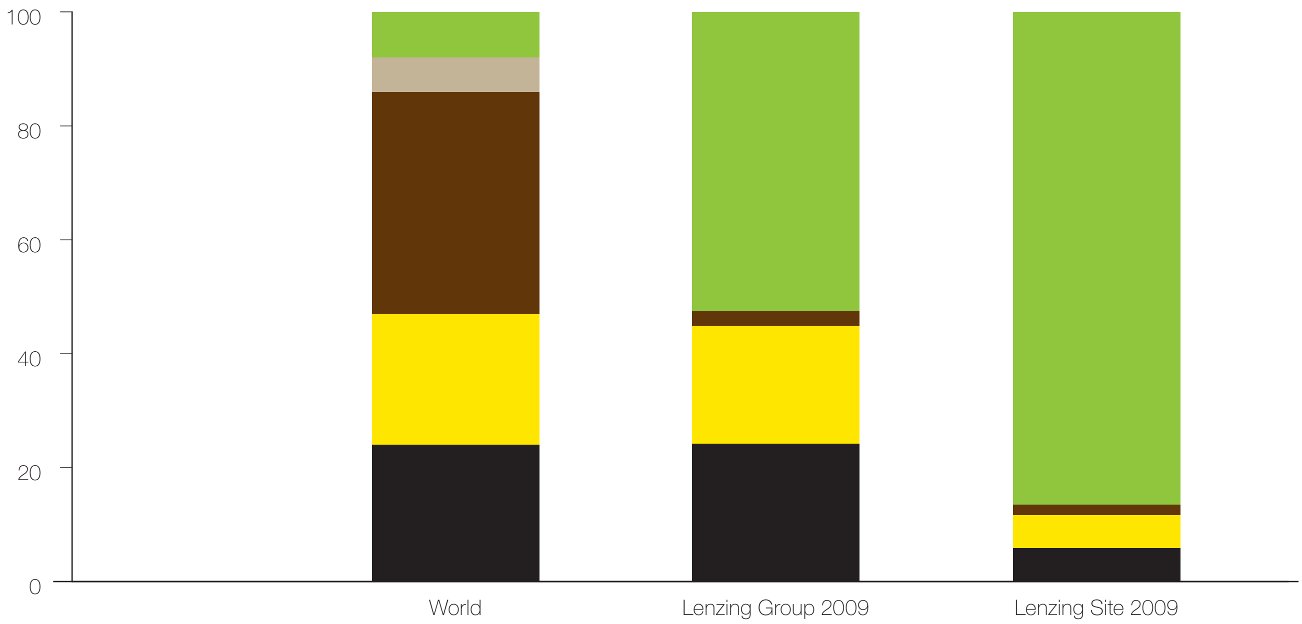
Annual fuel input (2009): 13,086,212 GJ



*) Including RVL

Comparison of energy sources

Global, Lenzing Group and Lenzing Site*



	World	Lenzing Group 2009	Lenzing Site 2009
Non-fossil fuels	8.0 %	52.5 %	86.5 %
Nuclear	6.0 %	0.0 %	0.0 %
Oil	39.0 %	2.6 %	1.9 %
Gas	23.0 %	20.7 %	5.8 %
Coal	24.0 %	24.2 %	5.8 %

*) Including RVL

Management Report

Segment Plastics Products

Segment Plastics Products consists of business unit Plastics* and business unit Filaments.

The market environment of segment Plastics Products in 2009 was characterized by a strong decline of the economy of western industrialized nations. In particular the very weak business situation in the construction and automotive sectors led to a massive fall of order bookings. Industrial and infrastructural investment was significantly reduced despite the start of economic stimulation packets. However, the sales markets for special products in other global regions, especially in the Near East, developed well. By the end of 2009 the market for special plastics had generally stabilized. Raw material prices in the first half of the year were significantly lower than in the reference period 2008 and had a positive impact on business development but climbed considerably in the fourth quarter.

In view of the market situation at hand, segment Plastics Products in 2009 focused on securing operative business and on adapting production capacity to current demand. Short hours were introduced at some European sites in order to be able to react to the market situation with maximum flexibility. However, the development of new products with future potential, as in PTFE and carbon fibers, continued undiminished.

The result achieved by segment Plastics Products was negative due to the extremely difficult general economic situation. Segment sales declined to EUR 147.8 mill. (2008: EUR 182.2 mill.) because of lower sales volumes and lower prices. The segment's EBIT came to EUR -9.8 mill. (2008: EUR: 7.3 mill.). The negative result reflects the very difficult business development on one hand and the non-cash write-off of goodwill relating to business unit Filaments on the other. EBITDA at EUR 2.0 mill. was positive. As at 31 December 2009, the segment employed a staff of 857 (2008: 943), including trainees.

Business unit Plastics

Business unit Plastics consists of business divisions thermoplastics and polytetrafluoroethylene (PTFE).

Business division thermoplastics offers films, technical fabrics, tapes, yarns and multilayer laminates. These pre-products are purchased by industrial customers from the construction, insulation, cable and packing industries.

Business development, especially in the first half of the year, was rather unsatisfactory due to slow European construction activity. Sales by volume in this field slightly revived in the second half of the year. Films and laminates for the cable industry suffered from excess market supply and prices remained at low levels.

Business division PTFE offers mainly industrial pre-products in the form of yarns, fibers and films. These are used for braided packing sets in the chemical industry and for weaving and knitting technical and textile fabrics, as well as for felting, medical applications and dental floss.

Textile architecture (high-quality shading systems) in cooperation with international partners were highly successful and required additional production capacity. The demand for packing sets and filtration materials from industrial customers was weak due to hesitant investment as a consequence of cost saving measures.

Outlook business unit Plastics

The market environment in 2010 is expected to remain difficult. Government subsidies should have a positive impact on the construction industry and therefore demand for construction and insulation materials. It is assumed that renovation and investment in energy saving brought forward will compensate the decline in private construction. Excess capacity will continue to depress market prices in 2010. Business unit Plastics will continue to focus on the improvement

*) Formerly business unit Performance Products

of products and processes. In addition further measures to save costs and to increase efficiency will be implemented. Increased marketing activity in non-European markets and the extension of strategic partnerships are to counter the impact of the economic situation in western industrialized nations which is still unstable.

Business unit Filaments

Business unit Filaments includes business divisions monofilaments, acrylic fibers and carbon fiber precursor. Business field filaments offers innovative dental care products (toothbrush bristles), as well as monofilaments and industrial and abrasive bristles. Business field acrylic fibers produces high-quality acrylic fibers for special applications, such as awnings and car top fabrics. Business field precursor manufactures precursor material for carbon fiber production.

Sales in business division monofilaments declined by double digit percentage figures in the first quarter of 2009 due to the economic crisis. By the end of 2009 the market situation had stabilized. In the United States Lenzing benefited from the closure of a competitor in monofilaments and an acquisition increased Lenzing's market share in abrasives to 40 %.

The product range was enhanced by two new high-quality polymers (PVDF[1] and PEEK[2]). Technology for reducing raw material costs is being continuously developed.

Short hours had to be temporarily introduced for the production of Dolan® special acrylic fibers due to the difficult market situation and weak order bookings. The closure of Lenzing's biggest competitor and the recovery of the market from mid-year on expanded Lenzing's European market share in special acrylic fibers to over 50 %. A slight expansion of Dolan® production capacity was required and completed in 2009. By the end of the year production operated at full capacity.

European Precursor GmbH (EPG) in 2009 started a newly developed production facility for the production of precursor. Operation is in its test phase and considerable technical progress has been made. Regular operation is scheduled to start in 2010. The carbon fiber market in the reporting year declined by 20 to 30 %.

Outlook business unit Filaments

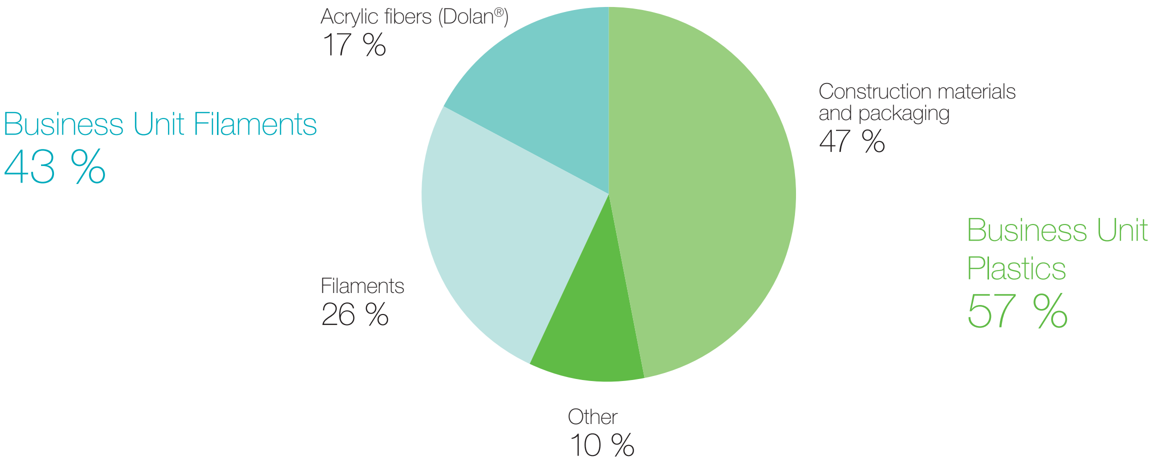
Improvement of the general economic situation in business year 2010 is expected to bring improved results of business unit Filaments. The implementation of measures to save costs and increase efficiency started in 2009 will continue to make a contribution in 2010.

1) PVDF – Polyvinyldifluoride 2) PEEK – Polyetheretherketone

Management Report

Segment Plastics Products

Sales by market segment



Focus segment Plastics Products 2009: Securing operative business and adapting production capacity to current demand

Segment Engineering

Business unit Engineering offers products and services in engineering and contracting, in mechanical construction and industrial services, as well as in automation and mechatronics.

Engineering could not escape the negative business situation of 2009. The full impact of the global decline of the investment goods industry was felt in the second half of the year, with individual sectors being affected to a varying extent. Moreover, order calls postponed in 2010 had to be accepted from individual customers.

Total sales in 2009 came to EUR 81.5 mill. (2008: EUR 110.9 mill.) of which EUR 29.5 mill. (2008: EUR 51.3 mill.) were external (non-Lenzing Group) sales. EBIT by segment reporting came to EUR 2.2 mill. (2008: EUR 10.0 mill.). Segment Engineering as at 31 December 2009 employed a staff of 623 (2008: 648), including trainees.

Engineering and Contracting

Business division Engineering and Contracting focuses on engineering and project services, as well as on mechanical and special constructions for industrial customers. The business division includes fiber and environmental technology, pulp technology as well as filtration and separation technology.

Fiber technology designs the Group's fiber production plants and is essential in maintaining Lenzing's lead in quality and expertise. Environmental technology is concerned with biological reduction processes and the elimination of waste air contaminants for industrial and communal applications.

Pulp technology offers global consulting and engineering projects and again managed to expand its market position in 2009.

Filtration and separation technology maintained its world market position by creating new applications and by developing new products.

All in all, 2009 was characterized by declining sales which were countered by new product offers and increased marketing activity. Business development had again stabilized by the end of 2009.

Mechanical Construction and Industrial Services

Mechanical construction offers superior contract manufacture with decades of experience in classic machine and plant construction.

Industrial services offers servicing of individual components as well as reconditioning of entire production systems to a variety of industrial branches.

The business division managed to achieve a good result despite the difficult market situation. The recent product group sheet metal technology managed to consolidate its market position at good capacity utilization.

Management Report

Automation and Mechatronics

This business division offers platform-independent automation solutions for the process industry, as well as electromechanical devices and printed circuit board assembly.

Automation in 2009 had to accept a significant decline in sales as well as results.

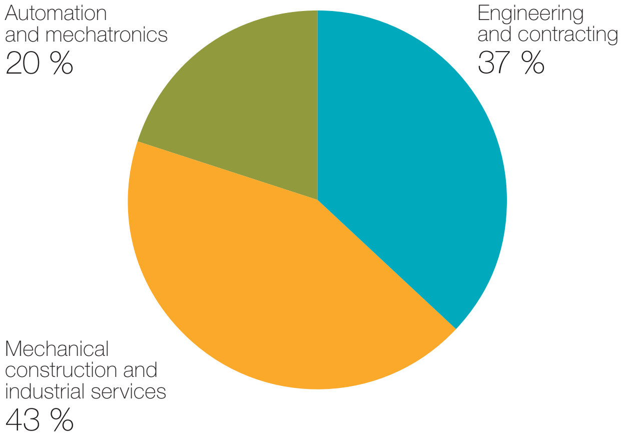
Outlook business unit Engineering

Business unit Engineering expects a difficult market environment for 2010 with order booking at the same level as in the reporting year. Consistent development of existing products and services, as well as selective broadening of the product portfolio and increased marketing will be important prerequisites for positive business development.

Investment in 2010 will be allocated to the continuation of the development of simulation program SIMEX for the pulp industry, the further development of waste gas treatment in environmental technology and product innovations in separation technology.

Segment Engineering

Sales distribution



Business unit Engineering expects a difficult market environment for 2010

Risk Report

Current risk environment

In the reporting year the financial crisis caused credit markets to dry up within just a couple of weeks and led to a measure of hitherto unprecedented insecurity at capital and financial markets. Concurrently fiber markets collapsed. The Lenzing Group reacted fast and comprehensive risk management minimized damage.

Various measures secured company liquidity: Credit lines negotiated with banks already before the crisis ensured sufficient liquidity and secured operative business. Other important measures included cutting back investment to a minimum and reducing working capital by decreasing stock and receivables. Simultaneously, a corresponding initiative implemented a string of cost saving measures.

This program enabled Lenzing to maintain scheduled business operations during a difficult global economic situation and to actually benefit from it by faster response to the market. Essential investment in terms of need and opportunity, especially in the major project of expanding the Indonesian site, continued unhindered.

Risk management

The Lenzing AG management board and its corporate centers carry out extensive coordination and controlling operations for the operating units of the Lenzing Group, the Business Units, within the framework of a comprehensive internal management and monitoring system including all sites. Timely detection and evaluation of operational and strategic risks and the formulation of countermeasures are essential parts of the leadership activities of these entities. A standardized and group-wide reporting system on a monthly basis and continuous updating of operative and strategic plans, as well as scenario simulation ('what would happen if?') form the basis of this approach.

Lenzing's risk management system comprehensively covers the company and provides central coordination and monitoring of group-wide risk management processes. Central risk management collects and assesses essential risks which could threaten the existence of the company and communicates its findings directly to the management board and management. This includes anticipatory analyses of potential or near events as well. Another task is the active mitigation of risks and the implementation of adequate measures in cooperation with concerned business entities and insurers.

Risk management strategy

Lenzing has a four-step approach to risk management:

1. Risk analysis by COSO

Central risk management regularly conducts interviews and risk assessments at all production sites using the international COSO standards of likelihood and financial impact (value-at-risk approach).

2. Risk mitigation

The potential impact of any evaluated risk is either minimized, fully eliminated or, in certain cases, intentionally undertaken.

Management Report

3. Responsibility

The responsibility for managing a particular risk is clearly assigned.

4. Monitoring and control

Management holds regular meetings and discusses the development of the risks as defined by each category and re-evaluates them at least once a year.

The main objective of company-wide risk management is to create increased risk awareness and to integrate subsequent findings into operational activity and strategic corporate development. Another objective is the utilization of opportunities that accompany risks and to balance risk and opportunity for the company.

Critical risks		Financial impact	Likelihood	Change vs. 2008
Raw materials	Volatile raw material prices may lead to lower product margins and trade loss	high	high	↓
Environment	Damage to property or persons may lead to legal claims Changes in environmental legislation as such	very high	moderate	=
Critical equipment	Failure of equipment or equipment parts critical to production may lead to loss of production	high	moderate	↓
Technology	Loss of technological leadership may have negative impact on competitive edge	moderate	moderate	↓
Market adaptation	Potential change in the market for dissolving pulp	very high	high	↑
Market change	Changes in the political situation of host countries may endanger cash flow and results objectives	high	moderate	↓
Exchange rate	Volatility may lead to real and balance sheet loss.	very high	high	=
Innovation	Restrictive innovation measures may lead to product substitution	very high	moderate	↑
Energy	Increasing global energy demand will in the long term lead to rising energy prices Large-scale energy black-outs	very high	moderate	↑
Natural disasters	Serious property damage and loss of production caused by natural disasters	very high	moderate	↑
Financial crisis	Major banking crises may lead to financing bottlenecks for future major projects	high	high	↑
Logistics	Delayed raw material procurement due to impairment of international transport routes may lead to loss of production	high	high	↑

Risk management is embedded in strategic processes in order to be able to identify opportunities and risks in good time and to utilize arising market opportunities.

Lenzing market intelligence globally monitors and analyzes strategic market risks. Moreover, risks are evaluated jointly with the business unit heads at annual medium-term planning sessions.

Emergency management

Plans for the management of emergencies are supplemented by an emergency communication concept which structures internal and external paths of communication for the event of emergencies or process upsets. Real-life scenarios based on organizational workflows form part of on site training.

General risks

The global Lenzing Group is exposed to a multitude of general macroeconomic risks. The development of product price and product quantity for Business units Textile Fibers, and to a lesser degree, for Nonwoven Fibers, is cyclical. They depend on global and regional economic conditions. Lenzing counters these potential risks by international market presence, ever increasing product portfolio specialization, local presence, first-rate agents and high product diversity.

Special risks

Lenzing fibers compete with cotton and synthetics on some markets. Their price development can affect Lenzing fiber sales results as well as sales quantities. Lenzing counters this risk by continuously increasing the share of specialty products with lower substitution potential in its global product portfolio.

Purchasing risk

Lenzing purchases large amounts of raw materials (wood, pulp, chemicals, polymers) and energy. Fiber and plastics production and their business margins are subject to risks of raw material availability and pricing. Lenzing counters these risks by carefully selecting its suppliers according to specified criteria, such as price, reliability, and quality, as well as by stable partnerships, partly with contractual commitments covering several years. Lenzing's energy strategy is directed at maintaining a maximum degree of self sufficiency combined with hedging against price volatility.

Environmental risk

The production of cellulose fibers is a complex series of chemical and physical processes which entail particular environmental risks. These are well controlled by dedicated, proactive and sustainable management of the environment, closed production cycles and continuous monitoring of emissions.

Risk of natural disasters

Immediate safeguarding of certain risks, such as cyclones, earthquakes and floods is not possible. Exposed production sites are covered by corresponding policies, as and if available on the market, to cover the major part of potential damage.

Management Report

Sales risk

Lenzing is a niche player in all its fields of activity. Sales loss caused by major clients constitutes a risk which Lenzing counters by its global presence and the continuous broadening of its client base and sales segments.

Exchange rate risk

The international business of the companies of the Lenzing Group exposes them to exchange rate risk. This in particular concerns exchange rate fluctuations of the euro versus the US dollar. This risk is largely contained by prospective hedging of the expected net exposure on an annual basis. Please refer to note 35.4 for details.

Competitive risk

Lenzing is a technology leader and therefore exposed to the risk of losing its fiber market position due to imitators or new technologies developed by its competitors. Lenzing contains this risk by above-average research and development efforts, a high product innovation rate and active technology screening.

Financial instruments

Clearly documented guidelines have been developed and implemented by the management board on how to handle financial risks. These guidelines are continuously monitored. The Lenzing Group employs derivatives to protect itself against exchange rate risks associated with business operations, mainly resulting from sales in US dollars. These derivatives are forward rate agreements and foreign exchange options. The objective of exchange rate risk management is to protect payment flow from business operations against adverse exchange rate fluctuations. Hedging activity as well as the correlation between risk and hedging instrument are continuously monitored and reported. There is an active exchange of information between management, treasury and the involved business units.

The risk of loss with regard to these instruments is monitored on a regular basis and is rated as relatively small, taking into account the financial strength of the contractual partners.

Allowances are made for identifiable risk of loss related to primary financial instruments, such as loans, securities, receivables and cash. The carrying amounts of these financial instruments represent the maximum risk entailed. In addition, the Lenzing Group accepted liability for associates (see note 39 for details). The risk of subsidiary liability is considered to be small as the concerned companies can be expected to meet their payment obligations.

The risk of changes in the market value of primary financial instruments and their derivatives is rated as relatively small. To the extent that this risk is related to exchange rate risks it is covered by foreign currency forward contracts and options. No increased volatility until maturity is expected for short-term financial instruments. 34% of the company's long-term liabilities are linked to variable interest rates.

Liquidity risk, namely the risk of insufficient funds for meeting obligations resulting from primary financial instruments and their derivatives, does not exist. Derivatives are exclusively employed for hedging. The resulting obligations are therefore covered by the hedged business operations. Obligations resulting from primary financial instruments are covered by liquid funds and if needed by internal financing.

Cash flow risks related to financial instruments arise from fluctuations in their respective payment flows. These are essentially limited to variable interest rate liabilities. Corresponding hedges ensure that exchange rate fluctuations will not affect payment streams. Translation risks are on principle not covered but monitored continuously.

Insurance

All of Lenzing's tangible assets and investments are insured with international renowned insurers against loss resulting from unforeseeable events such as fire, explosion, natural disasters and resulting business interruption. The company's policy is to bear frequency losses itself and to obtain sufficient coverage in the event of major loss.

Possible loss of accounts receivable is on principle covered by global credit insurance. Lenzing countered the general tendency of credit insurers to reduce liability limits by bearing risks itself and by altering payment modalities as and when feasible and meaningful.

Report on essential elements of the internal control system (section 243a, paragraph 2 of the Austrian Business Code – UGB)

The internal control system of the Lenzing Group is defined as a process: It monitors and controls efficiency and cost-effectiveness of business activity, reliability of financial reporting and compliance with relevant legislation. The process is to ensure that business goals will not be compromised.

The process of monitoring the efficiency of the internal control system on principle includes all parts of company-wide risk management, financial reporting, corporate strategy, course of business operations, and corporate compliance.

The control environment and the internal control system of the Lenzing Group is based on its organization structure and its process organization.

The organization structure clearly assigns competence and responsibility to the respective management levels, including all its Austrian sites and its international subsidiaries. Essential corporate functions are centralized in corporate centers to accommodate the Group's decentralized business and site organization. The respective management is responsible for executing and monitoring national business.

The process organization of the company is a defined and comprehensive set of regulations. It is an adequate basis of a strong control environment and control system. The Mandates of the Lenzing Group define essential group-wide areas of competence and authorization. The management of the respective business unit or corporate center is responsible for montoring compliance with respective regulations and controls.

The corporate center Risk Management and Internal Audit is in charge of risk management and internal auditing. The company has established a clearly structured risk manage-

Management Report

ment process. It meets international standards and includes identification and assessment of risk as the fundamental elements of risk control (please refer to section Risk Report for more details).

The essential elements of the management information system of the Lenzing Group provide data and analyses through a centralized system and compile and distribute regular reports. The provision of prompt, reliable and structured information with the option of deviation analysis is a central management control instrument.

The corporate center Global Finance & IT manages information technology within the framework of a corporate IT strategy. This provides clearly defined responsibilities and a strong control environment. Individual systems and operative processes are strongly monitored through annual and special per-case audits.

Global Finance & IT is responsible for financial reporting within a clear structure and scope of responsibility. Pre-processes are comprehensively regulated.

A comprehensive set of regulations details the execution of control functions. Lenzing pursues the global implementation of a uniform IT (SAP) at its main sites.

Treasury and payments is rated as a highly sensitive area, due to its potential direct access to company assets. Correspondingly, comprehensive regulations and instructions address the respective requirements. They mandate the strict application of the four-eyes-principle for executing transactions, close cooperation with and ongoing reports to central treasury functions. Internal auditing is responsible for monitoring compliance with control regulations for business operations.

The responsibility for human resources is defined and shared between corporate center Global Human Resources and the local national sites. Globally applicable guidelines for human resources processes and their continuous analysis and monitoring by the corporate center provide central control and management of human resources issues. Essential tasks, such as job and staff assessments or career planning are controlled centrally.

Corporate center Legal Management is responsible for the company's legal issues, in particular for those beyond standard business operations.

Corporate center Corporate Communications is responsible for corporate communication and investor relations, as well external reporting and communication.

Balance Sheet Structure and Liquidity

The Lenzing Group meets its payment obligations in a timely manner. Current payments are covered by cash flow from operations. Liquidity and equity of the company are sound, as is the balance sheet structure. Moreover, various banks provide adequately committed credit lines ready for usage at any time.

As at 31 December 2009 the management board of Lenzing AG in its capacity as the management of the Lenzing Group is not aware of any risks that could endanger the continued existence of the Group during business year 2010.

Research and Development

The Lenzing Group as the leader in technology and innovation has been setting standards in the world of cellulose fibers for decades. Continuous development of viscose, lyocell and pulp technology ensures that Lenzing will continue to enhance its lead in the future. Research and development activity is concentrated at the Lenzing site where an internationally recognized team of experts is working at the latest developments for the world of fibers.

Continuous cooperation with external research institutions and universities ensures exchange with experts. Several pilot plants for developing specific fiber properties, new cellulose products and process research are in operation at the innovation center at Lenzing. Research and development in the Lenzing Group is integrated into the individual business units in order to be as close to the market and customers' needs as possible.

Expenses for research and development (as calculated by the Frascati method) in business year 2009 came to EUR 19.9 mill. (2008: EUR 18.8 mill.) and were therefore intensified, unaffected by the volatile market environment.

Research in 2009 again focused on the optimization of pulp and viscose fiber production processes. Process improvement work at the lyocell pilot plant continued. Moreover, a focus was put on the development of new products with increased added value along the process chain from wood to pulp and fiber. Funded research in cooperation with K-Plus-Centers and some Christian Doppler Laboratories was primarily concerned with these research topics.

In pulp production work was carried out on the reduction of caustic bleach effluents. Due to the strategic importance of caustic soda and sulfuric acid for fiber production, pilot tests were conducted for the first time in 2009 to extract these two chemicals from the sodium sulfate resulting from production processes.

The focus of business year 2010 will remain on the optimization of pulp, viscose and lyocell production processes, as well as on creating novel applications for Business units Textile Fibers and Nonwoven Fibers.

The central issue of business unit Plastics was the further development of high-diffusion roof underlinings. Moreover, the development of biodegradable materials as part of a project of the European Union was continued. Several experiments concerned surface modification in order to improve adhesive power, scratch resistance and resistance to light. Other developments concerned PTFE cable films and PTFE filaments for textile applications.

Business unit Filaments focused on carbon precursor development for high quality carbon fibers and on the development of high-quality polymers.

Management Report

Environment and Sustainability

Sustainability in the Lenzing Group

The principles of sustainable management form the basis of every decision made by the Lenzing Group. As an international company Lenzing is committed to the sustainable development of all its global sites. The steady development of all three dimension of sustainability – ecology, economy and social responsibility – is part of Lenzing's corporate culture.

The textile as well as the nonwovens industry continue to attach more and more importance to ecological product aspects. Global consumers increasingly want to know about the origin of the products they buy and whether they are ecologically sound and climate-friendly. The trend towards ecologically discerning products is increasingly visible in fibers. After all, which other product is closer to your skin? Lenzing with its fibers made from the natural raw material wood is a pioneer: The company was the first ever to be awarded the Eco Label of the European Union. Since then, many more certificates and awards, such as the Nordic Swan (Nordic Ecolabel), have confirmed the ecological soundness of Lenzing's products.

The principles of social responsibility and a humane and healthy work environment complement Lenzing's corporate philosophy. Employees are the basis of corporate success. This is why Lenzing offers interesting and challenging jobs with the opportunity of personal development and career in a just and safe work environment. Global remuneration schemes factoring in market and success as well as corporate health care at all sites add to the Group's attractive profile as an employer.

Sustainability brochure

More information on sustainability is provided by our brochure "Sustainability in the Lenzing Group". Current as well as back issues can be ordered or downloaded at www.lenzing.com.

EHS Policy

Policy for Environment, Health and Safety

Responsibility for prosperity

- We are leaders in fiber innovation.
- We are technology leaders in our core business.
- We add value in all our activities and for all stakeholders.
- We focus on long-term sustainable growth.
- Through our strengths in innovation and technology leadership we provide our customers with high-quality products and services with which they can successfully differentiate themselves in their markets.

Responsibility for the environment

- We apply environmentally sensitive processes to ensure that the environment is a place worth living for future generations. Reducing our impact on the environment is a top priority and a never ending process of continuous improvement.
- We respect the environment in everything we do. We are considerate in our use of resources.
- We create opportunities by facing environmental challenges.
- We respond to stakeholder concerns regarding EHS and address them proactively in our operations.

Responsibility for people

- It is our policy to provide a workplace free from accidents, injuries and with minimized exposure to hazardous chemicals.
- Each individual has a responsibility to act safely.
- We train and motivate employees to conduct their activities in a safe and environmentally responsible manner.
- Line management is responsible for maintaining an awareness of safe working practices.
- We promote a safe and healthy lifestyle.

Responsible operation

- All our activities comply with the applicable laws and regulations in each country we do business.
- We work according to international standards and benchmarks.
- We continually review our objectives and set targets to improve our EHS performance.
- We supply and use safe and reliable products and services.
- We integrate EHS evaluation into product design and process improvement.

Lenzing, August 2009

Peter Untersperger

Christian Reisinger

Friedrich Weninger

LEADING FIBER INNOVATION

Management Report

New corporate center EHS

The new corporate center Global Environment, Health and Safety was established in the summer of 2009. It coordinates all measures related to environmental protection, safety and health on a global level. One of the first steps was to define an EHS Policy, a philosophy integrating environmental protection, safety and health into the framework of the three dimension of sustainability and responsible action.

All of the Group's fiber production sites hold the leading position in environmental protection, safety and health in their respective region. As a matter of course they comply with all guidelines and local regulations pertaining to environmental protection, safety and health. The challenging standards defined by the Eco Label of the European Union and the Nordic Swan were met by all European fiber production sites. In the reporting year the first non-European site to join the holders of both awards was the US site in Mobile, Alabama. It is considered to extend this benchmark to sites in Asia.

Certification

Certification is important proof of an organization's status with regard to systems and products. Certificates provide business partners and customers with the certainty that standards with regard to quality, environment and safety are maintained. The development of management systems for the Lenzing Group has been a continuous process of many years. It started in 1995 with the design of a quality management system at the Lenzing site and its subsequent extension to other sites. In the reporting year Lenzing consistently followed system certification, such as ISO 9001, ISO 14001 and OHSAS 18001.

Certification in the Lenzing Group

	ISO 9001	ISO 14001	OHSAS 18001
Lenzing	✔	✔	✔
Heiligenkreuz	✔	✔	✔
Grimsby	✔	✔	✔
Mobile	✔	2010	2010
Purwakarta	✔	✔	✔
Nanjing	✔	2011	2011

Significant progress was made in the certification of wood: The Lenzing Group obtained the FSC Chain of Custody Multi Site certification for Purwakarta (Indonesia), Nanjing (China), Heiligenkreuz (Austria), Grimsby (Great Britain) and Mobile, Alabama (USA). The Lenzing site is certified by PEFC.

Environmental protection at the Lenzing site

The reporting year saw further productivity increase in pulp and fiber production. Environmental protection therefore had to again meet the challenges brought about by increased production. Environmental protection systems were continuously adapted to the new requirements and absorbed the dynamic expansion of the Lenzing site successfully.

A particularly important project was the expansion of the storage and disposal site for ashes at Obereck. Completion and startup is scheduled for the second quarter of 2010. Lenzing will then be able to use a state-of-the-art storage and disposal facility meeting the latest regulations of 2008 detailing intermediate storage and disposal of ashes thus assuring the company of adequate disposal capacity.

Moreover, comprehensive noise reduction facilities were installed at the ventilation compressor unit of the sewage treatment plant and studies for the further expansion of sewage treatment systems were carried out in view of the continuing dynamics of production.

Waste air treatment in 2009 focused on further improvement of recovery systems and their optimized operation.

Lenzing‘s environmental test laboratory, Prüfstelle Umweltanalytik Lenzing (UAL), in the reporting year again provided proof of its competence. The re-accreditation audit was concluded successfully. The compliance with its standards guarantees a high level of laboratory performance. Apart from Lenzing as internal customer, a variety of services in environmental analytics, such as the analysis of waste water, solid waste and eco-toxicity studies are offered to external customers.

Environmental protection successfully coped with the challenges posed by the dynamic growth of the Lenzing site

Management Report

Human Resources

Well-trained and motivated employees are fundamental to the success and development of any company. The Lenzing Group to a large measure owes its leading market position and technological edge to the commitment, creativity and qualification of its staff. That is why Lenzing continuously improves its image as an attractive and reliable employer with initiatives promoting self-development, further education and training, such as seminars, feedback discussions and measures conducive to a good work climate.

Lenzing's business success to a large degree depends on the maximum performance of individual staff members and the general performance level of work teams. Active performance management requires a shared understanding and commitment about what needs to be achieved and the way in which goals will be reached, as well an on-going process of review to ensure that staff are focused, achieve results and receive regular feedback.

The group-wide performance management process for optimized planning and assessing staff development was expanded in the reporting year. The so-called "360° Feedback[1]" a comprehensive evaluation program was extended

Lenzing promotes individual responsibility and self-responsible action and supports the personal development of its staff members.

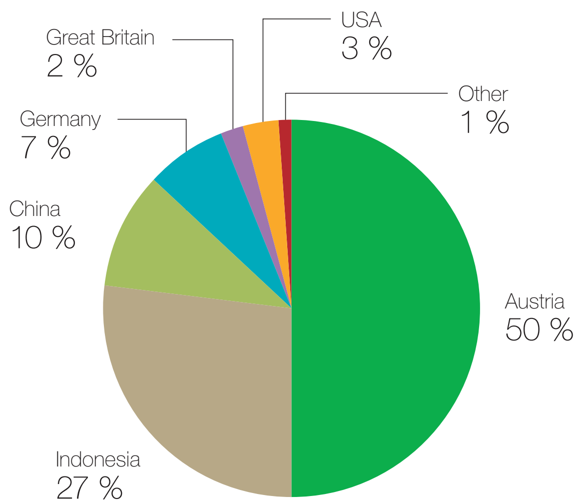
[1] Appraisal system involving upward, downward and peer reviews

to a further management level in 2009 after its introduction at the board and top reporting levels. It now includes almost 100 managers who receive valuable feedback from co-workers, colleagues and line managers.

At the reporting date, 31 December 2009, the Lenzing Group employed a staff of 6,021 (2008: 5,945). The increase was mainly due to additional hired labor for the operation of the new production line 4 at PT. South Pacific Viscose.

Staff by country

Lenzing Group Headcount 31/12/2009: 6,021[2]



[2] Including trainees, excluding leased labor

Management Report

The Group's biggest site, Lenzing, with its companies Lenzing AG, Lenzing Technik, Lenzing Plastics, Leno and BZL at the balance sheet date employed a staff of 2,813 (2008: 2,865) of which 162 were trainees (2008: 143). Lenzing knows about the importance of well-trained skilled labor and is very serious about its responsibility as a provider of vocational training. This also explains the increase in trainees and underlines Lenzing's significance for the regional labor market as one of the most important employers in Upper Austria. An additional 20 trainees received vocational training at Heiligenkreuz (Austria), Affolterbach and Munderkingen (Germany) and Grimsby (Great Britain).

Lenzing promotes individual responsibility and self-responsible action and supports the personal development of its staff members. In 2009 a group-wide job opportunity system was introduced which enables employees to easily apply for any position in any country, offering them the opportunity to gain valuable international experience. The reporting year provided many such short and long-term opportunities for international job assignments, in particular due to the expansion of the Purwakarta site in Indonesia.

Moreover, a group-wide pilot program for management development was established which offers young management the opportunity to gain experience at any of the Group's sites by participating in training modules there. Due to its great success the program will be expanded in 2010.

In Asia comprehensive training assessments were conducted in order to offer staff members of all levels the opportunities for further training. The first of these programs took place in Indonesia in December 2009.

The training center at Lenzing in the reporting year again offered a number of courses promoting employee skills and qualification.

Safety and health

The Lenzing Group is aware of its responsibility for the health and safety of its staff. To meet this responsibility even better, the corporate center Global Environment, Health and Safety was established in the summer of 2009.

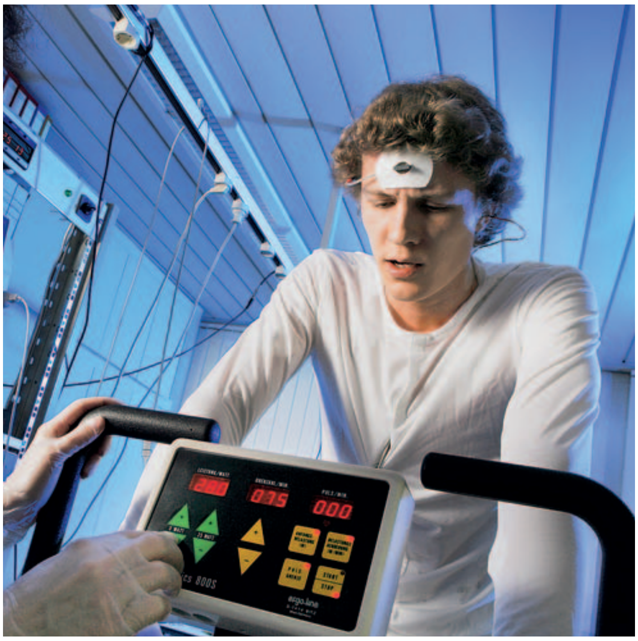
Safety

The number of accidents per 1,000 significantly declined in reporting year 2009 because established sites maintained their high safety standards and the safety situation at newly integrated sites was considerably improved. The systematic effort of the past years to raise safety awareness has been successful. The OHSAS 18001 certification of already four fiber production sites is proof of this. Certification of the yet uncertified sites Mobile (USA) and Nanjing (China) is scheduled for 2010 and 2011.

As every year, the annual safety program will be guided by a motto. The slogan for 2010 is: "Think ahead = Healthy + Safe". The program is intended to promote safety and health awareness in concrete work situations. The focus is shifted away from copious safety regulations towards the development of a general work attitude concerned with safety and health. A distinct "Think ahead = Healthy + Safe" process will be applied.

Health

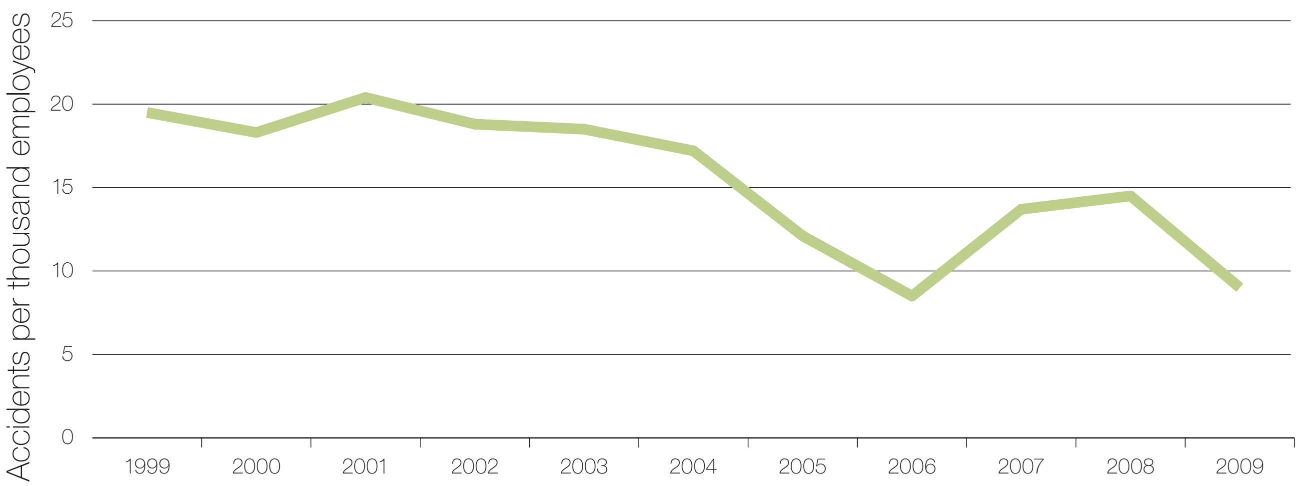
The Lenzing site again offered its proven health programs, such as health days, spinal exercise courses and quit-smoking seminars. These were developed further with the support of the occupational physicians of the health center.



In addition to health promotion programs, such as preventive medical checkups, quit smoking seminars, eye tests for display screen workers, gymnastics and muscle function tests, Health Days have become a company tradition at the Lenzing site: Active involvement in topics like food, physical activity and avoiding stress promote health awareness through application to everyday life.

Lenzing Group: Development of injury rates

1999 – 2009



The trainee health project continued to great success. Every trainee at the beginning of a vocational year receives a health pass with mandatory and voluntary health modules and offers.

By this means the subject of health is integrated into vocational training. A second Human Work Index survey was conducted at Lenzing Technik. It showed considerable improvement in all three dimensions (work ability, work interest and cooperation) over the first survey of 2005.

Management Report

Corporate Communications

As a global enterprise the Lenzing Group with its numerous production sites and offices around the globe is aware of its high local responsibility. In this context internal and external communication are of particular importance. Continuous and transparent external communication with all target and interest groups and an open internal flow of information including all employees are essential to the corporate culture of the Lenzing Group.

Corporate center Corporate Communications controls communication processes at the group level and is responsible for operative communication processes with investors and the general public. The center thereby ensures functional and competent public relations.

Investor relations

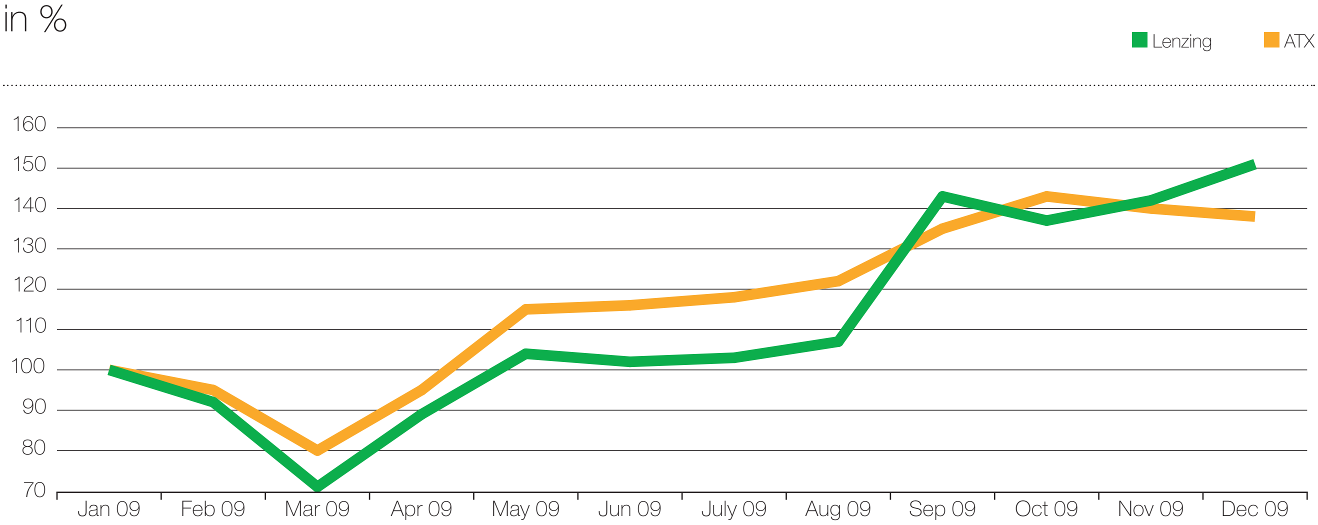
The Lenzing share is quoted at the Standard Market Continuous of the Vienna Stock Exchange and at over-the-counter markets of some German stock exchanges.

The share capital of Lenzing AG is EUR 26,717,250.00. It is divided into 3,675,000 individual and equal share certificates. B & C Industrieholding GmbH, Vienna, jointly with its full subsidiary B & C Lenzing Holding GmbH, is the majority shareholder with a total of 90.15 % of voting rights. It considers itself a key shareholder of Lenzing AG with a long-term perspective.

The global recession of 2008 led to a crash of prices at international stock exchanges followed by a partial recovery of capital markets in 2009. Accordingly, the Lenzing share started the year 2009 at a price of EUR 166.99 and improved to EUR 249.00 by the end of the year. This corresponds to a

The Lenzing share price

in %



rise of 49 %. The price of the Lenzing share therefore essentially followed the general development of the lead index ATX of the Vienna stock exchange.

The Lenzing share has been listed on the VÖNIX sustainability index since 2005. In the reporting year the company again succeeded in meeting the stringent standards of this index. VÖNIX (VBV-Österreichischer Nachhaltigkeitsindex) is an Austrian sustainability index of quoted Austrian companies with lead performance in social and ecological issues.

As in the preceding years, Lenzing provided its shareholders with regular and comprehensive information by press releases, detailed Letters to the Shareholders and through individual discussions. The management board held numerous talks with institutional investors and analysts.

Public relations

In 2009 the public and Lenzing's staff were informed promptly and comprehensively on business developments, projects and relevant activities. Press releases, numerous press meetings and talks with journalists provided the general public with information. The Journalists' Day provided invited representatives of the Austrian media with the opportunity to get to know the Lenzing site and to obtain detailed information in the course of lectures and talks with the management board.

In-house and customer magazines, newsletters and a regular TV feature on local television in the Lenzing region were other means of communication.

The quarterly German-language staff magazine "Der Lenzinger" provides its local readership with news about and around Lenzing. The semiannual bilingual magazine Lenzing Inside is distributed to staff at all company sites, as well as to customers and partners. It covers new developments in the Lenzing Group from an international perspective.

TV magazine Lenzing Aktuell was again broadcast by local TV station Bezirks TV in 2009. Ten features presented news, background information and current events from the world of Lenzing. For the first time English versions of selected features were made available to all employees via the Group's intranet.

Moreover, Lenzing in 2009 again presented itself at numerous international trade fairs, such as Texworld, Heimtextil, Techtextil Première Vision and Expofil, providing the international audience of the industry with the opportunity of acquainting themselves with the Group and to learn about product innovations. A highlight in Textile Fibers was the Lenzing stand at the trade fair Intertextile Shanghai. Lenzing's exhibition space of more than 1,000 square meters offered satellite facilities to a record number of 41 Asian customers to present their Lenzing fiber product developments to the trade visitors. Important fairs for business unit Nonwoven Fibers were ANEX in Shanghai, Techtextil in Frankfurt and World of Wipes in Atlanta. Lenzing welcomes trade fairs as an opportunity to maintain and cultivate contacts with customers and partners and to discuss business.

More than 2,000 visitors of the Lenzing site took the opportunity to experience viscose fiber production at first-hand – from beech to bale – in the course of guided tours.

Lenzing again received several awards: CSR Ranking Austria ranks the country's 100 biggest companies by their performance in corporate social responsibility and sustainability and Lenzing in 2009 moved up two ranks from 2008 to position six, achieving an excellent second place in its category.

The Paul Schlack Award went to Li Shen and her colleagues at Utrecht University, The Netherlands, at the annual Dornbirn Man-made Fibers Congress in September 2009 for their life cycle analysis of fibers. The pioneer study had been commissioned by Lenzing and was published in 2008. Several peer studies have confirmed its findings since. In the same month Lenzing received the regional "Vöckla Award" which again underlines the special responsibility the Lenzing Group assumes wherever the company does business.

Management Report

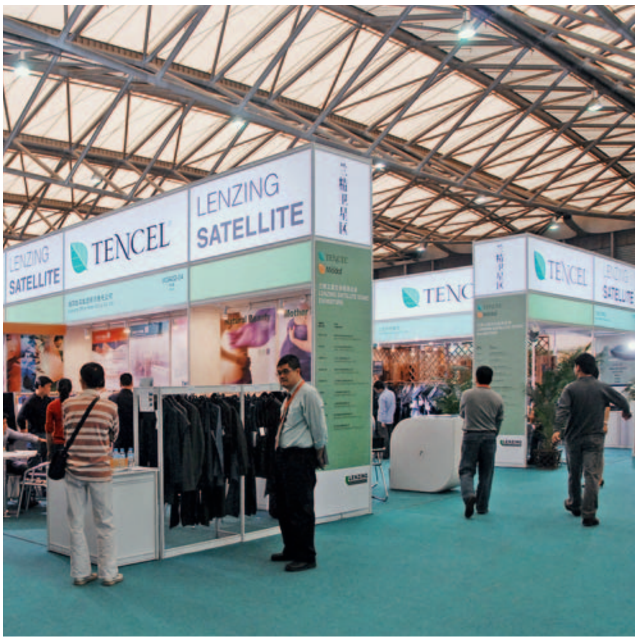
Outlook Lenzing Group

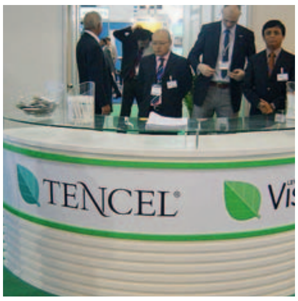
The global economy continued to stabilize in the first weeks of 2010. Whether, and if so to which extent, the aftereffects of the global economic and financial crisis will still be felt in 2010 is highly uncertain. Tremors are perceptible, in particular in Europe and another economic setback cannot be excluded. Further uncertainty is added by the fact that economic stimulus packages have run their course and raw material prices are rising. The prices for pulp have already reached record levels again.

The Lenzing Group – assuming a more or less stable global economic situation – is looking forward to 2010 with cautious optimism. We are confident that we will continue to expand. And we will use arising market opportunities to the fullest extent. Asia is our future market.

Our main segment, Fibers, can expect full capacity utilization and good results due to strong demand, in particular from emerging markets. The new fourth production line at our subsidiary PT. South Pacific Viscose (SPV) will make additional quantity available for marketing. Even if Asian competition will start up new viscose fiber production capacity in 2010, it can be assumed that the market will need additional cellulose fiber quantity in the short and medium term. Therefore further capacity expansion in 2010 and the following years is planned for the sites in Lenzing (Upper Austria), Heiligenkreuz (Burgenland) and at SPV (Indonesia) and is under consideration for China.

New Lenzing fiber applications and blends, as well as the growing demand for fibers from renewable resources will promote the demand for Lenzing fibers. It is Lenzing's goal for 2010 to further enhance its lead in the world market as the innovative producer of cellulose fibers with new products and applications.





Trade fair highlight Intertextile Shanghai: 41 customers used Lenzing's satellite facilities to present their Lenzing fiber product developments.

Right: Nonwoven Fibers presentation at the ANEX trade fair in Shanghai

Segment Plastics Products will still have to operate in a difficult market environment in 2010. Increased marketing activity in non-European countries and further optimization measures are planned as countermeasures for 2010 and better results than those of 2009 can be expected from this segment. Segment Engineering in 2010 will have to face a similar situation. But current order bookings permit expectation of a positive development in 2010.

Due to the gratifying prospects of core business fibers positive results can be expected for the Lenzing Group in 2010 which may even be in line with the development of 2009.

Events after the Balance Sheet Date

There were no events subject to report.

Lenzing, 12 March 2010

Peter Untersperger

Christian Reisinger

Friedrich Weninger

Smart products for great customers

Marks & Spencer is one of the UK's leading retailers, globally recognized, with over 21 million people visiting its stores each week. Marks & Spencer offers stylish, high quality, great value clothing and home products, as well as outstanding quality foods, responsibly sourced from around 2,000 suppliers globally.

Now more than ever, Marks & Spencer is known for its green credentials as a result of its 180-point eco and ethical plan, Plan A, which was launched in January 2007. Through Plan A Marks & Spencer is working with customers, suppliers and partners to combat climate change, reduce waste, use sustainable raw materials, trade ethically, and help consumers to lead healthier and greener lifestyles.

Marks & Spencer recognizes that the textile supply chain is a complex one, and many of the environmental issues we face today require a multi-stakeholder approach. Marks & Spencer can only achieve its targets by working in close partnership with key players in the textile industry, and Lenzing is a well respected organisation in the development of innovative products and processes.

"Marks & Spencer is working with Lenzing as we reocognize its ability to develop innovative products that are delivered with the consistency of quality required by our suppliers and customers."

Mark Sumner · Sustainable Raw Materials Specialist, Marks & Spencer

YOUR M&S

www.marksandspencer.com

MARK SUMNER · Marks & Spencer

Corporate Governance Report 2009

The Austrian Corporate Governance Code (ACGC) provides Austrian stock corporations with a framework for company management and monitoring. This framework includes international standards of good corporate governance, as well as relevant regulations of Austrian stock corporation law.

The code aims for responsible management and control of companies and groups orientated towards sustainable and long-term value creation. The code is intended to create a high measure of transparency for all company stakeholders.

Lenzing AG in the reporting year (business year 2009) did not submit itself to any particular corporate governance code as Lenzing AG has complied with common international standards of good corporate governance without submission to any particular corporate governance code.

Lenzing AG intends, pending the approval of the management board and the supervisory board, to submit itself to the Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex) from business year 2010 on. The Code is available in German and English at http://www.corporate-governance.at.

As Lenzing has largely complied with the so-called C regulations ("comply or explain") of the Austrian Code of Corporate Governance already in business year 2009, Lenzing AG decided to publish information mandated by the Austrian Code of Corporate Governance on a voluntary basis and to explain non-compliance with C regulations. The corporate governance report of Lenzing AG is available to the public at the company's website.

1) Reasons for non-compliance with ACGC's C regulations

C regulation 31/51

Lenzing AG is of the opinion that the individual presentation of management board or supervisory board remuneration will not provide shareholders or stakeholders with any additional information relevant to capital markets and will therefore provide no gain in knowledge or insight relevant to commercial or economic issues.

C regulation 53

The supervisory board has defined criteria for its independence according to ACGC.

2) Management board information

Peter Untersperger (b. 1960)
Chairman
First appointment to the board: 1 January 1999
End of current mandate: 31 March 2010
(already extended to 31 March 2013)

Responsibilities: Global Finance, Global Information Technology, Wood Purchasing, Global Human Resources, Corporate Communications, Legal Management, Risk Management, Strategy

No supervisory board mandate at any other company

Christian Reisinger (b. 1960)
Member
First appointment to the board on 1 January 1999
End of current mandate on 31 March 2010

Responsibilities: Business Unit Engineering, Business Unit Energy, Bildungszentrum Lenzing, Global Purchasing, Infrastructure Lenzing, Internal Audit, Global Environment, Health & Safety

Supervisory board mandate at Rosenbauer International AG

Friedrich Weninger (b. 1957)
Member
First appointment to the board on 1 January 2009
End of current mandate on 31 December 2011

Responsibilities: Business Unit Textile Fibers, Business Unit Nonwoven Fibers, Business Unit Pulp, Business Unit Plastics, Business Unit Filaments

No supervisory board mandate at any other company

3) Supervisory board information

Hermann Bell (b. 1932)
Chairman
First appointment to the board: 5 July 1972
End of current mandate: 2010

Supervisory board mandate at other quoted companies:
Oberbank AG, BKS Bank AG

Winfried Braumann (b. 1956)
Deputy chairman
First appointment to the board: 12 June 2008
End of current mandate: 2013

Supervisory board mandate at other quoted companies:
Semperit AG Holding

Walter Lederer (b. 1961)
First appointment to the board: 27 June 2002
End of current mandate: 2012

Supervisory board mandates at other quoted companies: Semperit AG Holding, Allg. Baugesellschaft – A. Porr AG, Terrag-Asdag AG, Imperial Hotels Austria AG, UBM Realitätenentwicklung AG

Josef Krenner (b. 1952)
First appointment to the board: 23 April 2009
End of current mandate: 2012

Supervisory board mandate at other quoted companies:
Voestalpine AG

Corporate Governance Report 2009

Helmut Bernkopf (b. 1967)
First appointment to the board: 23 April 2009
End of current mandate: 2012

Supervisory board mandate at other quoted companies: CA Immo International AG, CA Immobilien Anlagen AG

Martin Payer (b. 1978)
First appointment to the board: 15 June 2007
End of current mandate: 2012

Supervisory board mandate at other quoted companies: Semperit AG Holding

Andreas Schmidradner (b. 1961)
First appointment to the board: 12 June 2008
End of current mandate: 2012

Supervisory board mandate at other quoted companies: Semperit AG Holding

Veit Sorger (b. 1942)
First appointment to the board: 4 June 2004
End of current mandate: 2012

Supervisory board mandates at other quoted companies: Mondi AG (chairman), Semperit AG Holding (chairman)

Supervisory board members delegated by the workers' council: Rudolf Baldinger, Georg Liftinger, Gerhard Ratzesberger, Johann Schernberger

Supervisory board independence (C regulation 53 ACGC):

All members of the supervisory board have stated their independence of the company and its management board.

During the reporting period the supervisory board met on five occasions (C regulation 36).

Committees of the company and scope of competence (C regulation 34 ACGC)

Excerpt from the rules and regulations
(section 7 Audit Committee):

An **audit committee** is to be appointed for auditing and preparing the adoption of the annual report, the dividend proposal and the management report. The audit committee is moreover tasked with auditing the consolidated annual report and with submitting a proposal for the selection of an annual auditor to be reported to the supervisory board.

Excerpt from the rules and regulations
(section 8 Presidential Committee):

The chairman of the supervisory board and his deputy constitute the supervisory board's **presidential committee**. The reserve of the presidential committee are all matters pertaining to the relationship between the company and the members of the management board, with the exception of decisions on the appointment or dismissal of members of the management board.

Committees – members and meetings (C regulation 39 ACGC)

Audit committee: Hermann Bell (chairman), Winfried Braumann, Rudolf Baldinger

Auditing of consolidated annual report, proposal of auditor, nomination of management board members

Two meetings during the reporting period

Presidential committee: Hermann Bell (chairman), Winfried Braumann

All matters pertaining to the relationship between the company and the members of the management board

Two meetings during the reporting period

4) Principles of management board and supervisory board remuneration (C regulation 30 ACGC)

- Management board profit sharing is essentially geared to the criteria for dividend proposal, cash flow and long-term profit achievement.
- The variable share of remuneration may constitute up to 50 % of total remuneration.
- Company pension benefits, settlements on dismissal and entitlements of management board members are defined by legal regulations.
- The company has provided members of the management board with directors and officers liability insurance (D&O) and legal protection insurance.

Supervisory board remuneration is detailed in section 13 of the company's articles of association.

Lenzing Aktiengesellschaft

Lenzing, January 2010

The Management Board

Peter Untersperger	Christian Reisinger	Friedrich Weninger

Smart products for great customers

Patagonia, the outdoor wear specialist stands for sustainable sportswear. The Ventura, California-based firm grew out of a small company that made tools for climbers. Alpinism remains at the heart of a worldwide business that still makes clothes for climbing – as well as for skiing, snowboarding, surfing, fly fishing, paddling and trail running. Today Patagonia employs 1,300 people at 48 locations globally.

Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis – Patagonia's Mission Statement

Lenzing and Patagonia are bonded by a longstanding partnership. We have been relying on Lenzing fibers since 1998. For Patagonia, protecting the environment is given at least the same priority as the company's business success. Lenzing's products, in particular its TENCEL® fibers, make a reliable contribution to Patagonia's efforts.

Another special aspect defining the cooperation with Lenzing is not only the issue of reliability, but also the fact that both companies continually communicate about the development of new products. I am always pleased at the reaction I receive from Lenzing when we approach their R&D team with new ideas. They are always willing to listen and think about new ways of doing things.

"We are pleased every time to see that Lenzing is always receptive to environmental protection issues. We highly value the fact that Lenzing makes sustainability a top priority for its fibers."

Jill Dumain · Director of Environmental Strategy, Patagonia

patagonia®

www.patagonia.com

JILL DUMAIN · Patagonia

Consolidated Financial Statements

Contents

Income Statement

		2009	2008
Continuing operations	Note	EUR '000	EUR '000
Sales	(6)	1,254,734	1,329,080
Changes in inventories of finished goods and work in progress	(7)	(33,273)	30,135
Work performed by the Group and capitalized	(8)	31,494	37,175
Other operating income	(9)	34,697	23,458
Cost of material and purchased services		(704,322)	(822,996)
Personnel expenses	(10)	(251,516)	(244,130)
Amortization of intangible assets and depreciation of property, plant and equipment	(11)	(85,360)	(74,208)
Other operating expenses	(12)	(145,783)	(148,200)
Income from operations (EBIT)	**(13)**	**100,671**	**130,314**
Income from investments in associates	(14)	2,399	2,574
Other investment income	(15)	584	6,373
Finance costs		(14,641)	(24,536)
Income before tax (EBT)		**89,013**	**114,725**
Income tax	(16)	(21,648)	(36,573)
Profit for the year after taxes from continuing operations		**67,365**	**78,152**
Discontinued operations			
Result from discontinued operations	(4)	0	538
Profit for the year		**67,365**	**78,690**
Attributable to shareholders of Lenzing AG		64,369	77,726
Attributable to non-controlling interests	(28)	2,996	964
		EUR	EUR
Earnings per share	(17)		
From continuing operations and discontinued operations		17.52	21.15
From continuing operations		17.52	21.00

Consolidated Financial Statements

Statement of Comprehensive Income

	Common stock	Capital Reserves	Foreign currency translation reserve
2008	EUR '000	EUR '000	EUR '000
Profit for the year			
Exchange differences arising during the year			5,042
Reclassification adjustments relating to foreign operations disposed of in the year			0
Net result on revaluation of available-for-sale financial assets during the year			
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year			
Gains/losses from the valuation of cash flow hedges arising during the year			
Reclassification adjustments for amounts from cash flow hedges recognized in profit or loss			
Actuarial gains/(losses) on defined benefit plans			
Share of other comprehensive income of associates			
Income tax relating to components of other comprehensive income			
Other comprehensive income for the year – net of tax	**0**	**0**	**5,042**
Total comprehensive income for the year	**0**	**0**	**5,042**
2009			
Profit for the year			
Exchange differences arising during the year			(3,369)
Reclassification adjustments relating to foreign operations disposed of in the year			264
Net result on revaluation of available-for-sale financial assets during the year			
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year			
Gains/losses from the valuation of cash flow hedges arising during the year			
Reclassification adjustments for amounts from cash flow hedges recognized in profit or loss			
Actuarial gains/(losses) on defined benefit plans			
Share of other comprehensive income of associates			
Income tax relating to components of other comprehensive income			
Other comprehensive income for the year – net of tax	**0**	**0**	**(3,105)**
Total comprehensive income for the year	**0**	**0**	**(3,105)**

Share of Lenzing AG shareholders					Non-controlling interests	Equity Total
Available for-sale financial assets	Cash flow hedging reserve	Actuarial gains/ (losses) on defined benefit plans	Retained earnings	Total		
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
			77,726	**77,726**	**964**	**78,690**
				5,042	1,564	6,606
				0	0	0
(614)				(614)	0	(614)
(161)				(161)	0	(161)
	(9,591)			(9,591)	0	(9,591)
	(5,080)			(5,080)	0	(5,080)
		(6,994)		(6,994)	(69)	(7,063)
0	0	(735)		(735)	0	(735)
194	2,608	1,709		4,511	18	4,529
(581)	**(12,063)**	**(6,020)**	**0**	**(13,622)**	**1,513**	**(12,109)**
(581)	**(12,063)**	**(6,020)**	**77,726**	**64,104**	**2,477**	**66,581**
			64,369	**64,369**	**2,996**	**67,365**
				(3,369)	(383)	(3,752)
				264	0	264
353				353	0	353
34				34	1	35
	(2,614)			(2,614)	0	(2,614)
	8,949			8,949	0	8,949
		3,882		3,882	25	3,907
0	70	100		170	0	170
(97)	(779)	(915)		(1,791)	(7)	(1,798)
290	**5,626**	**3,067**	**0**	**5,878**	**(364)**	**5,514**
290	**5,626**	**3,067**	**64,369**	**70,247**	**2,632**	**72,879**

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Statement of Changes in Equity

	Common stock	Capital Reserves	Foreign currency translation reserve
	EUR '000	EUR '000	EUR '000
Balance at 1 January 2008	**26,717**	**63,600**	**(20,644)**
Total comprehensive income for the year	**0**	**0**	**5,042**
Contribution to capital			
Change in scope of consolidation			
Dividends			
Balance at 31 December 2008 = Balance at 1 January 2009	**26,717**	**63,600**	**(15,602)**
Total comprehensive income for the year	**0**	**0**	**(3,105)**
Contribution to capital			
Change in scope of consolidation			
Dividends			
Balance at 31 December 2009	**26,717**	**63,600**	**(18,707)**

*) The dividend per share was EUR 14 for business year 2007/EUR 14 for busines year 2008.

Share of Lenzing AG shareholders					Non-controlling interests	Equity Total
Available for-sale financial assets	Cash flow hedging reserve	Actuarial gains/ (losses) on defined benefit plans	Retained earnings	Total		
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
355	3,970	(7,088)	477,438	544,348	17,882	562,230
(581)	(12,063)	(6,020)	77,726	64,104	2,477	66,581
				0	4,165	4,165
	110			110	0	110
			(51,450)*	(51,450)	(1,909)	(53,359)
(226)	(7,983)	(13,108)	503,714	557,112	22,615	579,727
290	5,626	3,067	64,369	70,247	2,632	72,879
				0	4,998	4,998
				0	(1)	(1)
			(51,450)*	(51,450)	(49)	(51,499)
64	(2,357)	(10,041)	516,633	575,909	30,195	606,104

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Balance Sheet

Assets		31/12/2009	31/12/2008
	Note	EUR '000	EUR '000
Intangible assets	(18)	88,017	93,107
Property, plant and equipment	(19)	841,698	780,812
Investments in associates	(20)	23,226	17,094
Other financial assets	(21)	19,014	13,072
Deferred taxes	(32)	2,999	1,924
Other non-current assets	(22)	2,179	2,498
Non-current assets		**977,133**	**908,507**
Inventories	(23)	175,616	209,936
Trade receivables	(24)	118,509	134,896
Current taxes		11,550	9,938
Other receivables and assets	(26)	39,050	46,776
Investments	(27)	19,924	0
Cash and cash equivalents	(36)	105,429	105,795
Current assets		**470,078**	**507,341**
		1,447,211	**1,415,848**

Equity and Liabilities

	Note	31/12/2009 EUR '000	31/12/2008 EUR '000
Common stock		26,717	26,717
Capital reserves		63,600	63,600
Currency translation reserves		(18,707)	(15,602)
Retained earnings and other reserves		504,299	482,397
Share of shareholders of Lenzing AG		**575,909**	**557,112**
Non-controlling interests		30,195	22,615
Equity	**(28)**	**606,104**	**579,727**
Government grants	**(29)**	**29,265**	**31,709**
Bank loans	(30)	365,030	303,399
Other loans	(30)	35,272	32,473
Trade payables		5,231	5,988
Deferred taxes	(32)	26,626	28,216
Provisions	(33)	96,536	94,731
Other liabilities	(34)	1,519	982
Non-current liabilities		**530,214**	**465,789**
Bank loans and overdrafts	(30)	31,696	126,728
Other loans	(30)	9,027	8,627
Trade payables		90,360	60,202
Provisions for current income tax		23,770	11,238
Other provisions	(33)	95,629	83,054
Other liabilities	(34)	31,146	48,774
Current liabilities		**281,628**	**338,623**
		1,447,211	1,415,848

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Cash Flow Statement

		2009	2008
	Note	EUR '000	EUR '000
Gross cash flow	(36)	140,917	157,813
Change in working capital	(36)	110,028	(108,574)
Net cash generated by discontinued operations	(4)	0	1,116
Operating cash flow		**250,945**	**50,355**
- Acquisition of non-current assets		(167,439)	(160,871)
+ Proceeds from the disposal/repayment of non-current assets		9,434	3,902
+ Proceeds from the sale of securities held as current assets		7	8,072
Net cash generated by discontinued operations	(4)	0	2,290
Net cash used in investing activities		**(157,998)**	**(146,607)**
+ Payments of other shareholders	(36)	4,998	4,165
- Dividends paid to shareholders	(28)	(51,498)	(53,020)
+ Receipts from financing activities	(36)	65,287	166,577
- Repayment of loans		(90,636)	(24,675)
Net cash generated by discontinued operations	(4)	0	(1,436)
Net cash used in (-)/generated by (+) financing activities		**(71,849)**	**91,611**
Change in cash and cash equivalents		**21,098**	**(4,641)**
Cash and cash equivalents at beginning of the year		105,795	111,436
Currency translation adjustment relating to cash and cash equivalents		(1,540)	(1,000)
Cash and cash equivalents at the end of the year	**(36)**	**125,353**	**105,795**

Notes

Summary of accounting policies and other explanatory notes to the consolidated financial statements as at 31 December 2009

Note 1. Introduction

Description of business operations

The Lenzing Group ("the Group") consists of the Lenzing Aktiengesellschaft (Lenzing AG) and its subsidiaries. Lenzing AG is a public corporation under Austrian law and has its registered office at Lenzing, Austria. The majority shareholder of Lenzing AG is B & C Industrieholding GmbH of Vienna which holds, together with its full subsidiary B & C Lenzing Holding GmbH, 90.15 % of Lenzing AG's share capital. B & C Industrieholding GmbH in turn is a full subsidiary of B & C Privatstiftung.

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

Presentation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and mandatory at the time of preparation.

The financial statements are presented in euro (EUR) which is the functional currency of Lenzing AG and most of its subsidiaries. The figures provided in the financial statements and in these notes are rounded to the nearest thousand (EUR '000), unless specified otherwise.

Use of estimates

The preparation of financial statements in accordance with IFRS requires that the management board make estimates and assumptions that affect the recognition and valuation of assets and liabilities at the reporting date and of revenues and expenses of the period, as well as the assessment of contingent assets and liabilities. The amounts ultimately realized may differ from these estimates.

Estimates and assumptions need to be made particularly with respect to the measurement of construction contracts and other provisions. Estimates are performed by the Group's own engineers. The results of the impairment tests performed depend significantly on the assumptions on discount rates, rates of economic growth, development of prices and sales volumes and market risks used in the computation.

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

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The management board believes that deviations from these estimates will not have any material influence on future consolidated financial statements and the Group will not be exposed to significant adverse concentrations of risk in the near future.

Scope of consolidation

The consolidated financial statements of the Group comprise the parent company, Lenzing AG, and its subsidiaries. They incorporate the financial statements of the individual companies as at 31 December 2009. Note 41 provides a list of the fully consolidated entities.

Subsidiaries are defined as entities whose financial and operating policies can be governed by Lenzing AG in a way that allows it to obtain economic benefit from their activities. This is assumed to be the case if the parent holds more than 50 % of the voting rights of all shareholders entitled to vote.

The number of consolidated entities was as follows:

	2009		2008	
	Full consolidation	Equity	Full consolidation	Equity
As at 1/1	**41**	**5**	**41**	**4**
Consolidated for the first time in reporting period	0	1	0	1
Merged in reporting period	(1)	0	0	0
Deconsolidated in reporting period	(1)	0	0	0
As at 31/12	**39**	**6**	**41**	**5**

Hahl RecyTec GmbH was merged into Hahl Filaments GmbH in April 2009.

Hahl Extrusions Ltd. was dissolved in June 2009. The loss from disposal came to EUR 267 thousand and was recognized under other operating expenses.

In October 2009 the Lenzing Group acquired 40 % of PT. Pura Golden Lion, which in turn holds 11.92 % of PT. South Pacific Viscose. With this transaction the Lenzing Group indirectly increased its share in PT. South Pacific Viscose to 90.56 %. In addition, the Lenzing Group acquired the residual 5 % share in European Carbon Fiber GmbH. Both transactions did not materially affect the Group result.

Consolidation principles

The acquisition of subsidiaries is accounted for in accordance with IFRS 3 by applying the purchase method. According to this method, on acquisition all assets acquired and liabilities assumed are measured at their fair values as at the date of acquisition. The difference between the cost of acquisition and the fair values of the identifiable net assets acquired is recognized as goodwill.

Major intra-group balances, both in the balance sheet and in the income statement, which result from transactions between consolidated companies, are eliminated upon consolidation.

Differences between intra-group balances resulting from the application of different exchange rates to amounts denominated in foreign currencies are eliminated through profit and loss within either the heading “Other operating income” or the heading “Other operating expenses”.

Unrealized gains arising from intra-group deliveries are eliminated if the assets concerned are still in possession of the Group at the balance sheet date.

Interests in the net assets of consolidated companies that are not attributable to Lenzing AG are shown separately as part of shareholders’ equity under the heading “Non-controlling interests”.

Note 2. Adoption of new and revised accounting standards

Standards and interpretations applicable to business year 2009

The Group adopts the new or revised standards and interpretations that are relevant to the Group and which are to be applied to business years starting on 1 January 2009.

The following new or revised IFRSs and interpretations of IFRIC were adopted by the European Union and are to be applied for the first time to business year 2009:

- IAS 1 (revision) **Presentation of Financial Statements**
- IAS 23 (revision) **Borrowing Costs**
- Amendments to IAS 32 **Financial Instruments: Presentation** and IAS 1 **Presentation of Financial Statements**, concerning puttable instruments and obligations arising on liquidation
- Embedded derivatives (Amendments to IFRIC 9 **Reassessment of Embedded Derivatives** and IAS 39 **Financial Instruments: Recognition and Measurement**

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- Amendments to IFRS 1 **First-time Adoption of International Financial Reporting Standards** and IAS 27 **Consolidated and Separate Financial Statements**, concerning the cost of investment in a subsidiary, jointly controlled entity or associate. The revised version of IFRS 1 has been restructured and supersedes the current IFRS 1.

- Amendment to IFRS 2 **Share-based Payment**, concerning vesting conditions and cancellations

- Improving disclosures about financial instruments (Revision of IFRS 7 **Financial Instruments: Disclosures**)

- IFRS 8 (new) **Operating Segments**

- Amendments to various IFRSs as a result of the annual improvement project 2008 (except some amendments related to IFRS 5 and IFRS 1 which are effective for business years beginning after 30 June 2009)

- IFRIC 13 (new) **Customer Loyalty Programs**

- IFRIC 14 (new) **IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

- IFRIC 15 (new) **Agreements for the Construction of Real Estate**

- IFRIC 18 **Transfers of Assets from Customers** (effective for transfers of assets taking place on or after 1 July 2009)

Effect of the application of new or revised standards on the consolidated financial statements of the Lenzing Group

Due to the revision of IAS 1 the components of the financial statements were complemented and, in part, renamed. The Lenzing Group presents all items of income and expense in two statements: a statement displaying components of profit or loss (income statement) and a statement leading from profit or loss to total comprehensive income (statement of comprehensive income) displaying items of income and expense recognized directly in equity (now presented as „other comprehensive income").

The revision of IAS 23 mandatorily requires the capitalization of cost of finance directly attributable to the acquisition, construction or production of a qualifying asset. According to the transitional provisions the Lenzing Group applies the revised standard to borrowing costs attributable to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009.

The Lenzing Group applies IFRS 8 from the reporting year on. IFRS 8 requires the identification of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance (management approach). The segments identified according to IAS 14 form the structure of the internal reporting of the Lenzing Group to the management board, as the Group's chief decision maker. In this respect the adoption of IFRS 8 has not changed the identification of the Group's reportable operating segments. Segment performance is measured internally by income from operations (EBIT). The internally monitored assets allocated to segments comprise intangible assets, property, plant and equipment, investments in associates, inventories, trade receivables and other receivables. The internally monitored liabilities allocated to segments comprise provisions (except current and deferred tax provisions), trade payables and other liabilities.

The other accounting standards, new or revised, to be adopted as of 1 January 2009 have no effect on the financial statements of the Lenzing Group. The other accounting policies and valuation methods applied in the consolidated financial statements remain unchanged as compared to the previous consolidated financial statements of the Lenzing Group for the year ended 31 December 2008.

Standards and interpretations already issued but applicable for subsequent business years

The following revised standards, new interpretations and amended standards had already been issued during 2009 and up to the time of preparation of these consolidated financial statements. Their application to business years beginning on or before 1 January 2009 is not mandatory, and the Group has not applied them early on a voluntary basis:

Effective for business years beginning on or after 29 March 2009:

- IFRIC 12 (new) **Service Concession Arrangements** (last possible effective date according to the IAS directive of the European Union)

Effective for business years beginning on or after 30 June 2009:

- Amendments to various IFRS 5 and IFRS 1 as a result of the annual improvement project 2008
- IFRIC 16 (new) **Hedges of a Net Investment in a Foreign Operation** (last possible effective date according to the IAS directive of the European Union)

Effective for business years beginning on or after 1 July 2009:

- Revision of IFRS 1 **First-time Adoption of International Financial Reporting Standards** (revision 2008)
- Revision of IAS 27 **Consolidated and Separate Financial Statements** (revision 2008)
- Revision of IAS 39 **Financial Instruments: Recognition and Measurement** concerning eligible hedged items
- Amendments to various IFRSs as a result of the annual improvement project 2009 (parts)
- IFRIC 17 **Distributions of Non-cash Assets to Owners**
- Revision of IFRS 3 **Business Combinations** (applicable for business combinations with a date of acquisition in reporting periods beginning on or after 1 July 2009) and IAS 27 **Consolidated and Separate Financial Statements**, concerning the accounting of various types of acquisitions and the measurement of non-controlling interests

Effective for business years beginning on or after 1 January 2010:

- Amendments to various IFRSs as a result of the annual improvement project 2009 (parts)
- Amendments to IFRS 1 **First-time Adoption of International Financial Reporting Standards** – additional exemptions for first-time adopters

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- Amendments to IFRS 2 **Share-based Payment** concerning group cash-settled share-based payment transactions

Effective for business years beginning on or after 1 February 2010:

- Amendments to IAS 32 **Financial Instruments: Presentation** concerning the classification of rights issues

Effective for business years beginning on or after 1 July 2010:

- IFRIC 19 **Extinguishing Financial Liabilities with Equity Instruments**

Effective for business years beginning on or after 1 January 2011:

- Amendments to IAS 24 **Related Party Disclosures**
- Amendments to IFRIC 14 **IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

Effective for business years beginning on or after 1 January 2013:

- IFRS 9 **Financial Instruments**

IFRS 3 and some of the amendments to IAS 27 have to be applied prospectively and will therefore not affect prior periods in the 2010 financial statements. The amendments to the various standards concerning the presentation and measurement of financial instruments will be applied at the effective dates stated. The adoption of the other standards and interpretations in future reporting periods is not expected to have any material financial impact on accounting and the consolidated financial statements of the Group.

Note 3. Accounting policies

Valuation principles

Intangible assets, property, plant and equipment, loans receivable by the Group, inventories, receivables and liabilities are valued at historical cost.

Available-for-sale investments and derivative financial instruments are valued at their fair value at the reporting date.

Foreign currency translation

Subsidiaries prepare their financial statements in their respective functional currency. The functional currency is the currency governing the business activities of the respective company.

The functional currency is the currency of the country where the respective subsidiary is located, the only exception being PT. South Pacific Viscose. The functional currency of PT. South Pacific Viscose is the US dollar.

Exchange rate gains or losses which result from transactions carried out by Group companies in a currency other than the functional currency are recognized in profit or loss of the reporting period. Monetary assets and liabilities of subsidiaries that are denominated in currencies other than the functional currency are translated at the foreign exchange rate of the balance sheet date (closing rate).

Assets and liabilities of subsidiaries are translated from functional currency to the reporting currency using the exchange rate prevailing on the balance sheet date. Sales and other income as well as expenses are translated at the average exchange rates of the month during which the transactions occurred. These exchange rates approximate the actual rates at the date of transaction. Translation differences resulting from the use of different exchange rates are recognized in equity under a separate heading.

Fair value adjustments of acquired assets and liabilities and goodwill arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the acquired subsidiary and are therefore subject to currency translation.

The main rates applied in translating currencies to euro were the following:

Unit	Currency	Closing rate	
		31/12/2009	31/12/2008
1	EUR/USD US Dollar	1.4410	1.3955
1	EUR/GBP GB Pound	0.8880	0.9567
1	EUR/CZK CZ Koruna	26.4680	26.6075
1	EUR/CNY Renminbi Yuan	9.8367	9.5225
1	EUR/HKD Hong Kong Dollar	11.1749	10.8164

Intangible assets

Intangible assets are stated at cost less any accumulated amortization at the balance sheet date. Amortization is determined on the basis of the estimated useful life of the asset, using the straight-line method. The estimated useful lives of these assets are as follows:

	Years
Licenses and other rights	
purchased	4 to 20
internally generated	5 to 15
Trademarks	indefinite
Software	3 to 10

The amortization charge for the year is shown in the income statement under the heading “Amortization of intangible assets and depreciation of property, plant and equipment”.

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Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation at the balance sheet date. Depreciation is determined on the basis of the estimated useful life of the asset, using the straight-line method. The estimated useful lives of these assets are as follows:

	Years
Land-use rights	30 to 50
Residential buildings	30 to 50
Office and factory buildings	10 to 50
Other buildings	7 to 33
Fiber production lines	10 to 15
Boiler stations, transformer stations, turbines	10 to 25
Other machinery and equipment	5 to 20
Vehicles	4 to 20
Office equipment and fixtures	2 to 15
IT hardware	3 to 10

Major rebuilding is capitalized, whereas maintenance or repair work, as well as minor rebuilding, is recognized in profit or loss as incurred.

The depreciation charge for the year is shown in the income statement under the heading "Amortization of intangible assets and depreciation of property, plant and equipment".

Impairment

Cash-generating units with goodwill attributable to them and intangible assets with an indefinite useful life have to be tested for impairment at least annually. All other intangible assets and property, plant and equipment have to be tested for impairment if there is any indication of impairment.

An asset is deemed to be impaired if the recoverable of the asset or the cash-generating unit is lower than the carrying amount. The recoverable amount is the higher of the fair value and the value in use. The value in use equals the present value of the estimated future cash flows discounted at a pre-tax discount rate customary in the market and taking into account risks specific to the asset. If the recoverable amount of an asset cannot be determined the asset will be included in a cash-generating unit. A cash-generating unit is the smallest group of assets that generates cash flows independent of the cash flows from other assets or group of assets. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the respective business combination and represent the lowest level within the group at which cash flows are monitored for management purposes.

The value in use is determined by the use of cash flow projections based on financial budgets for the next four years approved by management. For periods exceeding the four year planning horizon cash flows are projected at a perpetuity based on the assumptions of the fourth year. The discount rate is an average of borrowing costs and the expected return on equity (WACC) that reflects current market assessments and the risks specific to the assets concerned.

If the recoverable amount of an asset is less than its carrying amount an impairment loss reflecting the amount of the difference has to be recognized in profit or loss. Impairment losses are recognized in the income statement under the heading "Amortization of intangible assets and depreciation of property, plant and equipment". Impairment losses of cash-generating units reduce the carrying amount of any goodwill allocated to the cash-generating unit in the first place. If the impairment loss exceeds the carrying amount of goodwill the exceeding amount reduces the carrying amount of the assets attributed to the cash-generating unit.

Where an impairment loss subsequently reverses, the assets are written up to their fair value, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined by applying the systematic amortization to original cost. Goodwill is stated at cost and is written off only if an impairment test identifies a reduction in value. An impairment loss recognized for goodwill must not be reversed in a subsequent period according to IAS 36.

Financial assets

Investments in subsidiaries which are not consolidated and other investments for which no quoted price on an active market exists are measured at cost. In the case of a non-temporary impairment those assets are carried at an applicable lower realizable value.

Loans receivable are carried at cost or in the case of impairment at their lower fair value.

Securities held as fixed assets are classified as available-for-sale financial assets. There is no intention to sell them within a year. The securities are stated at market value. Realized gains and losses are recognized in profit or loss under the heading "Other investment income", unrealized gains and losses are recognized directly in equity.

The securities held as fixed assets serve as partial funding for pension provision as regulated by section 14 of the Austrian Income Tax Act (öEStG). Securities consist primarily of shares in the large-scale investor fund GF 82. This fund was set up as a special fund, as regulated by section 20 of the Austrian Investment Fund Act (InvFG), and has been designated as a fund for severance and pension provisions as detailed in section 14 of the Austrian Income Tax Act. The fund's investments consist mainly of euro bonds (individual bonds and funds) and, up to a limit of 20 %, of stocks (benchmark MSCI EMU-NR).

In the development of fixed assets, securities and other investments are presented together under the heading "Securities".

Investments in associates

Investments in associates are accounted for by applying the equity method. On the basis of its voting rights the Group applies the equity method to investments in six companies. These are EQUI-Fibres Beteiligungsgesellschaft mbH (EQUI) (45 %) and its subsidiaries, WWE Wohn- und Wirtschaftspark Entwicklungsgesellschaft m.b.H. (WWE) (25 %), LKF Tekstil Boya Sanayi Ve Ticaret A.S. (LKF) (33.34 %), RVL Reststoffverwertung Lenzing GmbH (RVL) (50 %), PT. Pura Golden Lion (PGL) (40 %) and Lenzing Papier GmbH (LPP) (40 %). Under this method of accounting, investments in associates are initially recognized at cost. Thereafter the carrying amount of the investment is either increased by the Group's share of the associate's profit or reduced by its share of the associate's loss. Losses are only recognized to the extent that the carrying amount of the investment is written down to zero. In table "Development of fixed assets" these gains or losses are presented either as write-ups or as depreciation respectively. According to IFRS 3, acquired goodwill is written down by default but only in the event of a reduction in value identified by an impairment test. If the acquisition cost of the investment is less than the investor's share in the fair value of the associate's net assets, the difference is credited to income on acquisition.

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Deferred tax

Deferred tax assets or liabilities are recognized for all differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding amount recognized for tax purposes. Deferred tax is calculated at the tax rates that are expected to apply under current legislation in the period when the liability is settled or the asset is realized. A deferred tax asset is fully recognized if it is probable that the asset can be realized. This applies to assets set up for tax loss carry-forwards in particular, but also to assets set up for other temporary differences. Otherwise a valuation allowance is accounted for.

Deferred taxes are recognized on the elimination of intra-group profits from inventories and fixed assets and on the results from the elimination of intercompany balances.

Deferred tax assets and deferred tax liabilities are offset in the group if there is a right to set off current tax assets against current tax liabilities and if the current tax relates to taxable entities within the same tax group.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized according to the degree of completion of the contract activity at the balance sheet date (percentage of completion method). This is measured input-oriented, based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs (cost to cost method). Project progress is continuously monitored and deviations of any kind from the initial scope and outcome of the project are included in the assessment.

If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred which are likely to be recoverable. Contract costs are recognized as expenses in the period in which they occur.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The amounts due from customers under construction contracts are presented under the heading “Trade receivables”. The contract revenues recognized as revenue in the period are presented within “Sales”.

Inventories

Raw materials and supplies are stated at the lower of cost or net realizable value. The cost of inventories is determined by applying the weighted average method.

Work in progress and finished goods as well as services rendered but not yet chargeable are also stated under the principle "lower of cost and net realizable value". Cost of production includes direct costs as well as fixed and variable overhead expenses.

Receivables and other current assets

Receivables and other current assets are measured at amortized cost with the following exceptions: Derivative financial assets are measured at fair value; foreign currency items are translated at closing rates. Amortized cost of receivables and other current assets can be taken as a reasonable estimate of their fair values as the maturity of those assets is less than one year in most of the cases. Long-term receivables at low or no interest are discounted applying the effective interest method. Bad debt provisions are made for those items that are considered uncollectible or only partially collectible.

Emission allowances

Emission allowances are capitalized at their fair value at the time of assignment. The difference between fair value and the amount paid by the Group is recognized under the heading "Government grants". Provisions are recognized at each reporting date for the obligation to deliver allowances representing the Group's actual emissions up to that date. The provision is measured at the fair value of the allowances capitalized, provided the allowances needed to settle the obligation are covered by the allowances held at the respective reporting date. To the extent that the allowances needed to settle the obligation exceed the allowances held, the provision for that part of allowances is valued at the additional fair value of allowances needed to settle the obligation. The government grant for emission allowances used up to that date is recognized as income.

Investments held as current assets

Investments held as current assets are classified as available-for-sale financial assets and are valued at their market value. The difference between market value and acquisition cost is recognized directly in equity and transferred to profit or loss on sale. Purchased or sold investments are recognized/derecognized on the settlement date.

Government grants

Investment grants are initially recognized as deferred income and credited to "Other operating income" systematically on a straight-line basis over the expected useful life of the subsidized asset. Recognition and valuation of emission allowances are detailed in section "emission allowances".

Pension commitments and similar obligations

Almost all staff members of the Group are covered by defined benefit or defined contribution pension plans.

The pension payments under defined benefit pension plans are determined by the salary on retirement and by the duration of service. The pension commitments under the defined benefit plans of Lenzing Fibers Inc. and Lenzing Fibers (Hong Kong) Ltd. are financed by contributions to a retirement fund. The pension commitments of Lenzing AG and Hahl Group are in part covered by qualifying insurance policies which are recognized as pension assets.

Under its defined contribution plans the Group makes payments to external pension funds.

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In addition, staff members with employment contracts under Austrian law with a starting date up to 31 December 2002 are entitled to severance payments. Payment is due for any type of termination of contract when the employee has reached retirement age and the employment contract at that time has had a minimum duration of ten years. The amount of severance payment depends on the remuneration level at termination time and the number of years of service. These claims of staff members must therefore be treated as if they were claims under defined benefit pension plans.

For those staff members with employment contracts under Austrian law with a starting date from 1 January 2003 the Group is required by law to contribute 1.53 % of gross salary to an external pension fund.

Under defined contribution plans the Lenzing Group has no obligations beyond payment of the agreed contributions to the plan. A provision is not recognized in the balance sheet.

The obligations arising from defined benefit pension plans and severance payment obligations have to be treated as post-employment benefits according to IAS 19 and are measured using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The benefits expected to be paid are spread over the whole period of service. Future salary and pension increases are taken into account. In accordance with IAS 19.93A actuarial gains and losses are recognized in full in the period in which they occur. They are recognized directly in equity in accordance with IAS 19 paragraphs 93B to 93D. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of plan assets.

Interest cost accruing on pension and similar plans and return on plan assets are included in the income statement under heading “Personnel expenses”.

Obligations to pay anniversary bonuses

Collective bargaining agreements stipulate that Lenzing AG and some subsidiaries are obliged to pay anniversary bonuses to staff members who are in the service of the company for a specified number of years. The payments are based on the remuneration at the time of the respective anniversary. No company assets were segregated and no contributions were paid to any separate pension funds to finance these commitments.

Anniversary bonuses are regarded as other long-term employee benefits according to IAS 19. They are also measured according to the projected unit credit method using actuarial valuations. The benefits expected to be paid are spread over the whole period of service and future salary and pension increases are taken into account. Actuarial gains and losses and past service costs are recognized immediately in profit or loss.

Interest costs accruing on obligations to pay anniversary bonuses are included in the income statement under heading “Personnel expenses”.

Payables and other liabilities

Payables and other liabilities are measured at amortized cost with the following exceptions: Derivative financial assets are measured at fair value; foreign currency items are translated at closing rates.

Long-term liabilities at interest rates that deviate from market rates are discounted applying the effective interest method. The discount rate used is the rate for financing at comparable terms that could have been negotiated at the time when the liability arose.

Amortized cost of the other liabilities can be taken as a reasonable estimate of their fair values as the maturity of those liabilities is less than one year in most of the cases.

Borrowing costs

Borrowing costs that are directly attributable to financing an asset and arise during the construction period are capitalized. All other borrowing costs are recognized in profit or loss in the period in which they arise.

Revenue recognition

Sales are recognized at the time when the risks and rewards of product ownership pass to the customer, taking into account agreed delivery terms.

Earnings per share

In accordance with IAS 33 earnings per share are computed by dividing net income for the year attributable to ordinary shareholders of the parent company by the average number of ordinary shares outstanding during the period. There are no effects of dilution. Please refer to note 17 for details of the computation.

Derivative financial instruments

The Group uses derivative financial instruments to hedge currency risks arising in the course of business operations and to manage risk arising from gas and aluminum price volatility. Such derivative financial instruments serve to balance the variability of cash flows from future transactions. Hedging transactions are determined annually in advance on the basis of anticipated sales and consumption of commodities in the respective foreign currency.

The Group applies the rules of hedge accounting as set out in IAS 39. Hedge accounting can only be applied if the hedging relationship is continuously documented and if the effectiveness of the hedge which has to lie within in the range of 80 % to 125 % is reliably measured.

If the conditions for the application of hedge accounting are met the result from changes in the market value of derivative

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financial instruments is either recognized in profit or loss or directly in equity. This depends on whether the hedging transaction is a fair value hedge or a cash flow hedge. In the case of a fair value hedge the gain or loss from re-measuring the fair value of the hedging transaction and the result of the corresponding underlying transaction are both recognized in profit or loss as part of the income from operations. In the case of changes in the fair value of cash flow hedges unrealized gains and losses are initially recognized directly in equity and affect profit or loss of the period at the time when the hedged transactions are realized. The ineffective portion of the changes in fair value of the cash-flow hedge and the measurement of derivatives for which a hedging relationship cannot be established is immediately recognized in profit or loss.

Derivatives embedded in financial instruments or host contracts are treated as standalone derivatives if the economic characteristics and risks of the embedded derivative are not closely related to the host contract and the combined instrument is not measured at fair value through profit or loss.

Note 4. Sale of operations

In 2008 Lenzing AG divested segment Paper to an independent company (Lenzing Papier GmbH) and sold 60 % of the shares in the new company and with it effective management control of Lenzing's paper business.

The main combined results of 2008 of discontinued operations are set out in the following table:

Income statement	2009	1-2/2008
	EUR '000	EUR '000
Sales	0	12,564
Income from operations (EBIT)	**0**	**(46)**
Income before taxes	**0**	**(144)**
Result of discontinued operations	**0**	**(163)**
Gain on disposal of operation	0	1,021
Attributable income tax expense	0	(320)
Profit for the year from discontinued operations	**0**	**538**

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Note 5. Segment reporting

Business segments

For internal reporting to management the following business segments are used in the Lenzing Group:

Segment Fibers:

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

Segment Plastics Products:

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

Segment Engineering:

Segment Engineering (= Business Unit Engineering) is the technical competence center of the Group and consists of three business divisions:

- Engineering and Contracting
- Mechanical construction and industrial services
- Automation and mechatronics

Other:

The residual segment Other mainly comprises the business activities of BZL-Bildungszentrum Lenzing GmbH, an educational activity of the Lenzing Group. “Share in the result of associated companies” and “Investments in associated companies” comprise the investments in WWE Wohn- und Wirtschaftspark Entwicklungsgesellschaft m.b.H and Lenzing Papier GmbH.

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2009	Fibers	Plastics Products
	EUR '000	EUR '000
Sales to external customers	1,077,726	146,563
Inter-segment sales	12,496	1,204
Total sales	1,090,222	147,767
Segment result (EBIT)	109,790	(9,821)
Amortization/depreciation	74,063	11,800
Share in the result of associated companies	2,072	0
Expenditure for property, plant and equipment and intangible assets	134,946	16,999

31/12/2009	Fibers	Plastics Products
	EUR '000	EUR '000
Segment assets	1,107,883	159,502
Segment liabilities	269,767	36,899
Investments in associated companies	19,945	0

2008	Fibers	Plastics Products
	EUR '000	EUR '000
Sales to external customers	1,096,146	180,756
Inter-segment sales	11,795	1,461
Total sales	1,107,941	182,217
Segment result (EBIT)	118,125	7,345
Amortization/depreciation	69,455	5,494
Share in the result of associated companies	2,984	0
Expenditure for property, plant and equipment and intangible assets	131,405	31,748

31/12/2008	Fibers	Plastics Products
	EUR '000	EUR '000
Segment assets	1,094,282	163,797
Segment liabilities	245,778	31,179
Investments in associated companies	14,310	0

[1] 1-2/2008 [2] including attributable result of Lenzing Papier GmbH from March 2008 onwards

	Engineering	Other	Consolidation	Continuing operations	Discontinued operation
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	29,540	905	0	1,254,734	0
	51,974	1,213	(66,887)	0	0
	81,514	2,118	(66,887)	1,254,734	0
	2,183	87	(1,568)	100,671	0
	1,879	49	(2,431)	85,360	0
	0	327	0	2,399	0
	1,858	56	(2,128)	151,731	0

	Engineering	Other	Consolidation	Reconciliation	Group
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	31,108	439	(35,013)	183,292	1,447,211
	22,199	712	(9,155)	491,420	811,842
	0	3,281	0	0	23,226

	Engineering	Other	Consolidation	Continuing operations	Discontinued operation [1]
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	51,262	916	0	1,329,080	12,564
	59,600	1,276	(74,132)	0	0
	110,862	2,192	(74,132)	1,329,080	12,564
	10,014	243	(5,413)	130,314	(46)
	1,326	40	(2,107)	74,208	195
	0	(410)[2]	0	2,574	0
	3,726	136	(8,437)	158,578	2

	Engineering	Other	Consolidation	Reconciliation	Group
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
	45,820	416	(37,440)	148,973	1,415,848
	31,190	609	(15,025)	510,681	804,412
	0	2,784	0	0	17,094

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Segment performance is measured internally by income from operations (EBIT) as per the income statement. For the reconciliation to the income before tax please refer to the income statement.

Segment assets essentially comprise intangible assets and property, plant and equipment, inventories, trade receivables and other receivables and assets, except income tax receivables. The reconciliation column contains the assets which are not allocated to business segments and comprises financial assets, investments in securities held as current assets, deferred tax assets, current income tax receivables and cash and cash equivalents.

Segment liabilities comprise trade payables, provisions and other liabilities, except income tax provisions. The reconciliation column contains the liabilities which are not allocated to business segments and comprises bank loans and other loans, deferred tax liabilities and provisions for current income tax.

The prices for inter-segment deliveries are essentially determined on the same basis as for external customers.

Information about products and services

The sales to external customers allocated by products and services are as follows:

	2009	2008
	EUR '000	EUR '000
Business Unit Textile Fibers	765,185	756,341
Business Unit Nonwoven Fibers	312,541	339,805
Business Unit Plastics	83,541	95,801
Business Unit Filaments	63,022	84,955
Segment Engineering	29,540	51,262
Other	905	916
Group	**1,254,734**	**1,329,080**

Information about geographical areas

Sales to external customers presented by geographical markets, and assets and expenditure for property, plant and equipment and intangible assets analyzed by the geographical area in which the assets are located were as follows:

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	Sales		Assets		Capital expenditure	
	2009	2008	31/12/2009	31/12/2008	2009	2008
Continuing operations	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Austria	145,078	162,120	734,263	776,394	65,896	98,785
EU w/o Austria	334,069	419,423	131,896	141,566	9,528	27,855
Other Europe	125,658	95,966	0	0	0	0
Asia	536,692	522,557	368,515	313,586	74,537	29,664
The Americas	97,283	112,149	29,245	35,329	1,770	2,274
Other	15,954	16,865	0	0	0	0
Reconciliation	0	0	183,292	148,973	0	0
Subtotal	**1,254,734**	**1,329,080**	**1,447,211**	**1,415,848**	**151,731**	**158,578**
Discontinued operations						
Austria	0	2,096	0	0	0	2
EU w/o Austria	0	8,872	0	0	0	0
Other Europe	0	1,464	0	0	0	0
Asia	0	0	0	0	0	0
The Americas	0	0	0	0	0	0
Other	0	132	0	0	0	0
Subtotal	**0**	**12,564**	**0**	**0**	**0**	**2**
Total	**1,254,734**	**1,341,644**	**1,447,211**	**1,415,848**	**151,731**	**158,580**

The products of the Group are marketed globally. The production lines of segment Fibers are located in Austria, in the UK, the USA, China and Indonesia. The main site, Lenzing, has an annual capacity of 255,000 tons and produces standard viscose-fibers as well as specialties. Lyocell production sites include Heiligenkreuz, Austria, with an annual capacity of 50,000 tons and Grimsby, UK, and Mobile, USA, with annual capacities of 40,000 tons each. The group has two viscose fiber production plants in Asia. The plant located in Purwarkarta, Indonesia, has an annual capacity of 160,000 tons, the plant in Nanjing, China, has an annual production capacity of 60,000 tons. The production facilities of the other segments are located in the Lenzing area, in Munderkingen and Affolterbach, both Germany, in Plana, Czech Republic, and in Lexington, USA.

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Note 6. Sales

Compared to 2008, sales decreased by 5.6 % to EUR 1,254,734 thousand due to the significant drop in cellulose fiber prices. Increased fiber shipments and price increases accepted by the market from the 2nd quarter on only partially offset the decline in sales.

Sales by business segment and geographical markets are presented in note 5.

Note 7. Changes in inventories of finished goods and work in progress

This heading represents the credit/charge required to reflect the manufacturing costs for goods produced by the Group that were still on stock at the reporting date.

Note 8. Work performed by the group and capitalized

This heading represents expenses of the Group that were capitalized as part of the production costs of fixed assets.

Note 9. Other operating income

This heading comprises:

	2009	2008
	EUR '000	EUR '000
Foreign currency gains	12,951	0
Revenues from investment grants	4,013	3,752
Income from the disposal of fixed assets	3,018	464
Revenues from government grants for emission allowances	3,148	3,181
Refund for services rendered and maintenance costs	3,250	3,582
Funding of research and development and other subsidies	2,329	2,899
Revenues from staff canteen	1,248	1,248
Insurance compensation	723	2,444
Rental income	1,935	1,228
Sundry operating income	2,082	4,660
	34,697	**23,458**

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Note 10. Personnel expenses

This heading comprises:

	2009	2008
	EUR '000	EUR '000
Wages and salaries	190,066	186,730
Expenses for severance payments	10,030	6,093
Pension expense	4,338	4,125
Statutory social security contributions	42,996	42,846
Voluntary social spending	4,086	4,336
	251,516	**244,130**

Collective bargaining agreements for the Austrian sites resulted in an increase of 2.6 % as of 1 May 2009. Similar agreements at the subsidiaries resulted in increases of 5.0 % in the UK, 3.3 % in Germany and 11.3 % in Indonesia. There were no corresponding, generally binding agreements in the other countries. Expenses for severance payments comprise expenses for statutory commitments of Lenzing AG and its Austrian subsidiaries towards their staff members (please refer to note 33) and voluntary severance payments.

The Lenzing Group employed:

Number of employees	2009	2008
Average	5,830	6,002
As at 31 December	6,021	5,945

Note 11. Amortization of intangible assets and depreciation of property, plant and equipment

Amortization of intangible assets and depreciation of property, plant and equipment amounting to EUR 85,360 thousand (2008: EUR 74,208 thousand) includes impairment losses of EUR 7,726 thousand. (2008: EUR 0 thousand) (please refer to notes 18 and 19)

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Note 12. Other operating expenses

This heading comprises expenses related to operating activities that do not fall under another heading.

	2009	2008
	EUR '000	EUR '000
Freight outward	44,503	47,044
Commissions and advertising costs	18,480	18,764
Service and maintenance and other purchased services	16,629	31,694
Insurance	7,324	7,859
Travel expenses	5,544	7,811
Legal, audit and consultancy fees	6,086	6,906
Rentals and leases	4,386	4,394
Waste disposal	3,369	3,725
Loss from the disposal of fixed assets	3,395	1,819
Emission allowances	2,634	3,181
Foreign currency losses	0	4,786
Other	33,433	10,217
	145,783	**148,200**

The expenses for the audit of the individual financial statements of Lenzing AG and for the audit of the Lenzing Group consolidated financial statements recognized in the period amount to EUR 230 thousand (2008: EUR 233 thousand).

Note 13. Income from operations (EBIT)

With EUR 100,671 thousand, the group achieved a good result, even if it is 22.7 % lower than the extraordinary EBIT of 2008. The fiber market considerably improved in the 2nd quarter. However, this could not compensate the decline of the first three months.

In 2009 research and development costs of EUR 19,909 thousand (2008: EUR 18,801 thousand) were recognized in the operating result

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Note 14. Income from investments in associates

The income from investments in associates of EUR 2,399 thousand (2008: EUR 2,574 thousand) comprises the Group's share in the period result of the associated companies. In 2008, the income from associates included the positive effect resulting from the acquisition of 10 % of the shares in EQUI-Fibres Beteiligungsgesellschaft mbH.

Note 15. Other investment income

	2009	2008
	EUR '000	EUR '000
Interest income from	1,495	3,921
bank deposits, long-term loans and other receivables		
available-for-sale investments	535	939
Transfers to profit or loss on sale of available-for-sale investments	(35)	169
Write-off of long-term loans	(565)	(27)
Result from the sale of available-for-sale investments	(1)	(392)
Net exchange gains/losses from financial assets	(845)	1,763
	584	**6,373**

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Note 16. Income taxes

Income taxes comprise current and deferred tax expense of the companies included in the consolidated financial statements.

	2009	2008
	EUR '000	EUR '000
Current tax expense		
relating to current year	25,192	27,523
over-/underprovided in previous years	638	3,990
	25,830	**31,513**
Deferred tax		
relating to current year	(4,288)	2,882
relating to prior periods	(1,427)	630
Losses incurred during the business year for which no deferred tax asset was recognized	1,533	1,887
	(4,182)	**5,399**
	21,648	**36,912**
Attributable to:		
Continuing operations	21,648	36,573
Discontinued operations	0	339

The reconciliation of taxes at the statutory corporate income tax rate compared with effective tax expense is as follows:

	2009	2008
	EUR '000	EUR '000
Continuing operations	89,013	114,725
Discontinued operations	0	878
Income before tax	**89,013**	**115,603**
Tax at Austrian tax rate (25 %)	22,253	28,901
Tax free income and tax allowances (in particular allowances for research and development)	(1,125)	(410)
Non-deductible expenses and withholding taxes	365	1,462
Income from investments in associates	(609)	(640)
Impairment of goodwill	1,447	0
Effect of different tax rates of subsidiaries	556	702
Changes of tax rates	(145)	(162)
Tax expense/income relating to prior periods	(2,789)	4,619
Exchange rate differences between functional and local currency	(430)	1,996
Effect of changes in tax losses and other temporary differences not recognized as deferred tax asset	2,125	444
Income tax expense recognized in profit or loss	**21,648**	**36,912**

As at 31 December 2009 tax loss carry-forwards amount to EUR 43,621 thousand (2008: EUR 28,274 thousand). In accordance with IAS 12.35 no deferred tax asset was recognized for some part of the unused losses (EUR 25,682 thousand; 2008: EUR 17,955 thousand). The losses may be carried forward indefinitely to offset future profits.

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Note 17. Earnings per share

Earnings per share from continuing operations and from discontinued operations are computed as follows:

	2009	2008
	EUR '000	EUR '000
Profit attributable to shareholders of Lenzing AG	64,369	77,726
Less: Profit from discontinued operations attributable to shareholders of Lenzing AG	0	(538)
Profit used in the computation of earnings per share from continuing operations	64,369	77,188
Number of shares	3,675,000	3,675,000
Earnings per share (EUR)	EUR	EUR
from continuing operations	17.52	21.00
from discontinued operations	0.00	0.15
Earnings per share	**17.52**	**21.15**

Note 18. Intangible assets

Please refer to table "Development of fixed assets" on page 158 pp for a breakdown and the development of intangible assets.

The total carrying amount of "Concessions, industrial property rights, licenses and similar rights" of EUR 19,578 thousand as at 31 December 2009 (31 December 2008: EUR 17,532 thousand) includes EUR 13,195 thousand (31 December 2008: EUR 10,110 thousand) for items developed internally.

Goodwill is tested annually for impairment in the fourth quarter of the reporting period. The recoverable amount is determined by the use of cash flow projections based on financial budgets approved by management. The tests identified impairment losses on goodwill in the amount of EUR 5,219 thousand (2008: EUR 0 thousand) in business unit Filaments and on other intangible assets in the amount of EUR 771 thousand (2008: EUR 0 thousand). The impairment losses were recognized in the income statement under the heading "Amortization of intangible assets and depreciation of property, plant and equipment".

Note 19. Property, plant and equipment

Please refer to table “Development of fixed assets” on page 158 pp for a breakdown and the development of heading “Property, plant and equipment”.

Mortgages and other liens on property, plant and equipment and restrictions on disposal rights

Property, plant and equipment include assets acquired under a finance lease contract (please refer to note 31).

The plant in Mobile is leased and therefore not legally held by the Group. The Group may therefore sell, mortgage or dispose of the plant only with formal consent of the lessor.

There are mortgages and other liens on property, plant and equipment. Please refer to note 30 for details. The carrying amount of fixed assets pledged as collateral for financial liabilities is EUR 251,459 thousand (31 December 2008: EUR 150,648 thousand).

Purchase commitments

Open purchase orders for the delivery of property, plant and equipment as at 31 December 2009 came to EUR 36,676 thousand (31 December 2008: EUR 57,751 thousand).

Impairment of assets

Annual impairment tests were carried out on plant and equipment which gave reason to assume that they might be impaired. In these tests, assumptions, in particular on the future development of production and sales volumes, have to be made which may or may not prove to be accurate. In addition, the conditions to sell the assets in the market are estimated. Management made these assumptions by cautious extrapolation of previous developments. Testing identified impairment losses in the amount of EUR 1,736 thousand (2008: EUR 0 thousand) that were recognized in the income statement under the heading “Amortization of intangible assets and depreciation of property, plant and equipment”.

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Note 20. Investments in associates

Investments in the following companies are accounted for at equity in the consolidated financial statements:

	31/12/2009	31/12/2008
	EUR '000	EUR '000
EQUI-Fibres Beteiligungsgesellschaft mbH, Krefeld, Germany	16,374	14,206
LKF Tekstil Boya Sanayi ve Tikaret A.S., Istanbul, Turkey	0	70
WWE Wohn- und Wirtschaftspark Entwicklungsgesellschaft m.b.H., Vienna, Austria	736	740
RVL Reststoffverwertung Lenzing GmbH, Lenzing, Austria	36	34
Lenzing Papier GmbH, Lenzing, Austria	2,544	2,044
PT Pura Golden Lion, Jakarta, Indonesia	3,536	0
	23,226	**17,094**

The Group's share in the income of these companies is shown in table "Development of fixed assets" on page158 pp as either write-up or depreciation.

The financial position and the financial performance of these associates are as follows:

	EQUI	LKF[1]	WWE	RVL	LPP	PGL
2009	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Sales	129,112	0	0	9,668	65,728	0[2]
Net income/loss	4,757	(40)	(15)	3	548	(1)[2]
31/12/2009	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Non-current assets	51,928	1,917	0	0	9,541	2,253
Current assets	52,382	123	2,995	162	20,954	2,059
Non-current liabilities	25,761	1,809	0	0	12,121	0
Current liabilities	41,602	3	50	91	10,618	63
Government grants	822	0	0	0	47	0
Equity	36,125	228	2,945	71	7,709	4,249

	EQUI	LKF	WWE	RVL	LPP
2008	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Sales	133,176	0	0	9,346	67,506
Net income/loss	(366)	50	(10)	5	(1,056)
31/12/2008	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Non-current assets	51,817	1,917	0	0	8,740
Current assets	44,708	123	2,998	252	23,887
Non-current liabilities	32,392	1,769	0	0	3,188
Current liabilities	32,483	0	38	183	24,148
Government grants	342	0	0	0	55
Equity	31,308	271	2,960	69	5,236

1) preliminary 2) 10–12/2009

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Note 21. Other financial assets

Please refer to table “Development of fixed assets” on page 158 pp for a breakdown and the development of other financial assets.

Securities held as fixed assets

Securities are valued at market prices.

2009	Market value 31/12	Average effective interest rate	Income for business year
	EUR ‘000	in %	EUR ‘000
Austrian federal bonds	6,620		
Other securities	7,875		
	14,495	6.9 %	535

2008	Market value 31/12	Average effective interest rate	Income for business year
	EUR ‘000	in %	EUR ‘000
Austrian federal bonds	5,367		
Other securities	4,903		
	10,270	0.4 %	939

Securities were valued individually in order to determine exchange rate gains and losses.

Loans

The loans of EUR 4,519 thousand (31 December 2008: EUR 2,802 thousand) included under this heading are granted to third parties.

Note 22. Other non-current assets

	31/12/2009	31/12/2008
	EUR '000	EUR '000
Other non-current financial assets		
Long-term receivables	822	1,072
Other non-current assets		
Share held in a non-profit housing society	1,150	1,150
Pension assets	59	0
Prepaid expenses and deferred costs	148	276
	1,357	**1,426**
	2,179	**2,498**

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Note 23. Inventories

	31/12/2009	31/12/2008
	EUR '000	EUR '000
Raw materials and supplies	97,100	96,636
Work in progress	9,336	11,802
Finished goods produced and merchandise held for resale	67,781	99,056
Down payments	1,399	2,442
	175,616	**209,936**

Raw materials and supplies essentially comprise beech wood for pulp production, pulp and chemicals for cellulose production, synthetic pellets, small parts and replacement parts.

Headings “Work in progress” and “Finished goods produced and merchandise held for resale” comprise viscose and lyocell fibers, sodium sulfate, acetic acid, furfural and plastics products, as well as products of business unit Engineering.

Note 24. Trade receivables

	31/12/2009	31/12/2008
	EUR '000	EUR '000
Trade receivables	119,622	127,977
Provisions for doubtful accounts	(2,763)	(2,570)
	116,859	**125,407**
Amounts due from customers under construction contracts (please refer to Note 25)	1,650	9,489
	118,509	**134,896**

The carrying amount of trade receivables pledged as collateral for financial liabilities is EUR 62,027 thousand (31 December 2008: EUR 84,761 thousand).

Note 25. Construction contracts

Heading “Trade receivables“ includes amounts due from customers under construction contracts of EUR 1,650 thousand (31 December 2008: EUR 9,489 thousand).

At 31 December 2009 aggregate costs incurred under ongoing construction contracts and unrealized recognized profits, less recognized losses, amounted to EUR 8,446 thousand (31 December 2008: EUR 29,102 thousand). Progress billings and advances received from customers under ongoing construction contracts amounted to EUR 7,340 thousand (31 December 2008: EUR 20,636 thousand).

Advances for which related work has not started, and billings in excess of costs incurred are presented as “Other liabilities” and came to EUR 544 thousand as at 31 December 2009 (31 December 2008: EUR 1,023 thousand).

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Note 26. Other receivables and assets

Other receivables and assets comprise:

	31/12/2009		31/12/2008	
		EUR '000		EUR '000
Other short-term financial assets:				
Tax receivables		20,145		18,494
Down payments for derivatives and closed positions	1,672		4,844	
Derivative financial instruments (open positions)	1,172	2,844	(2,237)	2,607
Debit balances on creditors		948		2,400
Subsidies		1,875		3,723
Recharge of maintenance costs		3,108		4,626
Insurance compensation		672		1,676
Other		2,594		3,736
		32,186		**37,262**
Other current assets:				
Payments in advance		2,418		4,555
Emission allowances		2,846		3,415
Prepaid expenses and deferred costs		1,600		1,544
		6,864		**9,514**
		39,050		**46,776**

Payments in advance were reclassified from “Other short term financial assets” to “Other current assets” as they are no financial instruments.

Note 27. Investments held as current assets

There were no available-for-sale investments (money market investments) held as current assets as at 31 December 2008. As at 31 December 2009 they were stated at their market value:

	Market Value		Average yield	
	31/12/2009	31/12/2008	2009	2008
Bonds	19,924	0	1.33 %	0

Investments were valued individually in order to determine gains and losses.

Note 28. Equity

Common stock and capital reserve

The common stock of Lenzing AG comprises 3,675,000 no-par value shares (unchanged from 31 December 2008) with each share being of equal value and holding equal rights and duties. The share capital is fully paid.

The capital reserve is a restricted reserve of Lenzing AG which may only be used to offset accumulated losses of Lenzing AG. It is composed of shareholder's funds paid in to Lenzing AG in excess of common stock.

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Retained earnings

Retained earnings comprise:

	31/12/2009	31/12/2008
	EUR '000	EUR '000
Revenue reserve of Lenzing AG	255,847	254,347
Accumulated profit of Lenzing AG	51,502	51,471
Retained earnings of the subsidiaries and effects of adjusting the financial statements of Lenzing AG and its subsidiaries to IFRS	196,950	176,579
Total	**504,299**	**482,397**

The revenue reserve of Lenzing AG may be released at any time and distributed to shareholders as part of accumulated profits.

Under Austrian law only the accumulated profit of the parent company as stated in the parent's approved individual financial statements is available for distribution to the shareholders. As at 31 December 2009 the parent's accumulated profit was EUR 51,502 thousand.

	EUR '000
Business year 2009 of Lenzing AG ends with a profit of	55,785
Add: profit carried forward from 2008 of	21
Add: Change in untaxed reserves of	(2,804)
Deduct: Allocation of profit reserves of	(1,500)
Total accumulated profit	**51,502**

The management board proposes that:

	EUR '000
A dividend of EUR 14.00 per share be paid for the 3,675,000 shares which in total would amount to	51,450,000.00
The balance to carry forward to next year be	**51,720.32**

Dividends are subject to the deduction of capital gains tax of 25 %. This covers income tax for individuals with unlimited tax liability (Austrian final taxation). Corporations with unlimited tax liability holding at least 25 % of common stock are exempt from capital gains tax. Double taxation agreements must be observed in the event of limited tax liability.

Non-controlling Interests

Non-controlling interests represent the share of other shareholders in the equity and the profit of the consolidated subsidiaries. Third parties hold significant interests in PT. South Pacific Viscose, European Precursor GmbH and Lenzing (Nanjing) Fibers Co., Ltd.

Note 29. Government grants

The amount reported under this heading essentially represents grants received from the public sector to promote investment in economically underdeveloped regions, grants for investment in environmental protection projects and other grants aimed at stimulating capital expenditure, such as investment tax grants. To a lesser degree, research projects are also supported by direct public-sector grants and loans at favorable interest rates.

As the conditions attached to these grants are being adhered to, it is considered unlikely that all or part of the grants received will become repayable.

Moreover, this heading comprises the remaining government grants attributable to the emission allowances that were not used for emissions at the balance sheet date in the amount of EUR 407 thousand (31 December 2008: EUR 675 thousand).

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Note 30. Liabilities with banks and other loans

Liabilities with banks and other loans comprise the following as at 31 December:

2009	Currency	Nominal amount	Carrying amount	Average effective interest rate
		'000	EUR '000	in %
Liabilities with banks				
Loans:				
Fixed interest	EUR	118.753	118.753	3.54
Variable interest	EUR	124,026	124,026	3.16
	USD	133,931	92,948	3.03
	CNY	180,500	18,350	6.35
Working capital loans*				
variable interest	EUR	34,562	34,562	2.10
	CNY	79,550	8,087	5.35
			396,726	
Other loans				
Fixed interest	EUR	3,955	3,955	2.08
Fixed and variable interest	EUR	35,668	35,668	1.56
Variable interest	EUR	1,801	1,801	2.92
	USD	2,760	1,915	4.25
			43,339	
Lease payables				
Fixed interest	EUR	938	938	4.00
	USD	31	22	4.06
			960	
Total financial liabilities			**441,025**	
Short-term			40,723	
Long-term			400,302	

*) Revolving credits and current accounts

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2008	Currency	Nominal amount	Carrying amount	Average effective interest rate
		'000	EUR '000	in %
Liabilities with banks				
Loans:				
Fixed interest	EUR	169.813	169.813	3.67
Variable interest	EUR	85,218	85,218	6.07
	USD	76,433	54,789	4.79
	CNY	299,050	31,404	7.79
Working capital loans*				
variable interest	EUR	65,162	65,162	3.92
	USD	33,128	23,741	4.82
			430,127	
Other Loans				
Fixed interest	EUR	4,586	4,586	2.10
Fixed and variable interest	EUR	30,995	30,995	1.49
Variable interest	EUR	2,663	2,663	3.40
	USD	2,662	1,908	6.08
			40,152	
Lease payables				
Fixed interest	EUR	915	915	4.00
	USD	46	33	4.06
			948	
Total financial liabilities			**471,227**	
Short-term			135,355	
Long-Term			335,872	

The next adjustment of interest rates for variable interest loans and loans combining fixed and variable interest will take place within the next six months, as detailed in the credit agreement.

The terms of loans under revolving lines of credit are fixed for a definite period of time and are subject to variable interest rates.

"Other loans" comprise mainly loans by the Austrian Research Promotion Fund and the ERP Fund as well as loans from other shareholders.

EUR 168,878 thousand (31 December 2008: EUR 105,254 thousand) of the total financial liabilities are secured by mortgages and other liens on property, plant and equipment.

*) Revolving credits and current accounts

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Note 31. Commitments from finance leases

Property, plant and equipment include assets acquired under a finance lease contract. Finance leases mainly comprise agreements on the reconditioning of small water power stations which require the lessor to build, operate and maintain power stations. Lenzing AG purchases all energy generated at the price stipulated. Part of this price covers investment costs and therefore qualifies as contingent rent. At the end of the lease term the lease transfers ownership of the power stations to Lenzing AG against payment of a transfer fee.

The carrying amount of leased assets is EUR 806 thousand as at 31 December 2009 (31 December 2008: EUR 814 thousand) and is shown under item "Plant and machinery" in table „Development of fixed assets".

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	EUR '000	EUR '000	EUR '000	EUR '000
Within one year	8	12	7	10
More than one to five years	17	26	15	23
More than five years	2,167	2,167	938	915
Less:				
Future finance charges	(1,232)	(1,257)	0	0
Present value of lease obligation	**960**	**948**	**960**	**948**

Commitments from finance leases are included in balance sheet item "Other loans".

Contingent rent to the amount of EUR 556 thousand was recognized as expense in 2009 (2008: EUR 400 thousand).

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Note 32. Deferred taxes

In accordance with IAS 12 deferred tax assets or liabilities generally have to be recognized for all differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding amounts recognized for tax purposes. Temporary differences arising from goodwill not deductible for tax purposes are not provided for. In addition, a deferred tax asset arising from unused tax losses carried forward is to be recognized only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax assets and liabilities are offset if they relate to the same taxable entity.

Deferred tax assets and liabilities relate to the following balance sheet items:

	31/12/2009	31/12/2008
Deferred tax assets	EUR '000	EUR '000
Intangible fixed assets	246	309
Property, plant and equipment	552	170
Financial assets	1,626	1,585
Current assets	3,370	3,143
Government grants	83	386
Provisions	10,718	8,582
Liabilities	485	421
Loss-carry-fowards	12,256	7,940
	29,336	**22,536**
Valuation allowance	(6,708)	(4,312)
Total deferred tax assets	**22,628**	**18,224**
Offset against deferred tax liablities	(19,629)	(16,300)
Net deferred tax assets	**2,999**	**1,924**

	31/12/2009	31/12/2008
Deferred tax liabilities:	EUR '000	EUR '000
Intangible fixed assets	4,312	1,926
Property, plant and equipment	30,058	31,498
Financial assets	213	221
Current assets	3,024	3,072
Accelerated depreciation for taxation purposes	2,303	1,197
Government grants	654	1,181
Liabilities	5,691	5,421
Total deferred tax liabilities	**46,255**	**44,516**
Offset against deferred tax assets	(19,629)	(16,300)
Net deferred tax liabilities	**26,626**	**28,216**

Deferred taxes developed as follows:

	31/12/2009	31/12/2008	Change
	EUR '000	EUR '000	EUR '000
Deferred tax assets	2,999	1,924	1,075
Deferred tax liabilities	(26,626)	(28,216)	1,590
Net	**(23,627)**	**(26,292)**	**2,665**

Thereof:	
directly debited to equity	(1,802)
currency translation adjustment	285
recognized as income in the income statement	4,182
	2,665

At both 31 December 2009 and 31 December 2008, deferred tax assets were only recognized to the extent to which it will be probable that sufficient future taxable profit will be available against which the assets can be utilized.

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Note 33. Provisions

The Group's provisions comprise

2009	Balance as at 1/1	Currency translation adjustment	Reclassification
	EUR '000	EUR '000	EUR '000
Severance payments	55,215	0	0
Pensions	30,853	358	0
Anniversary bonuses	13,009	0	(408)
Unconsumed vacation	8,017	(1)	0
Restructuring	2,886	0	0
Other personnel costs	23,615	58	400
Guarantees and warranties	502	12	0
Anticipated losses and other risks	8,626	165	0
Emission allowances	2,740	0	0
Other	32,322	(378)	8
Provisions	**177,785**	**214**	**0**

2008	Balance as at 1/1	Currency translation adjustment	Reclassification
	EUR '000	EUR '000	EUR '000
Severance payments	51,817	0	0
Pensions	27,812	(368)	0
Anniversary bonuses	13,698	0	0
Unconsumed vacation	8,981	(28)	0
Restructuring	393	0	0
Other personnel costs	23,795	(34)	(65)
Guarantees and warranties	688	26	0
Anticipated losses and other risks	11,960	(207)	0
Emission allowances	4	0	0
Other	33,260	495	65
Provisions	**172,408**	**(116)**	**0**

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Utilization	Reversal	Period Charge	Balance as at 31/12	Short-term	Long-term
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
(5,946)	(148)	2,428	51,549	1,502	50,047
(2,296)	(680)	1,743	29,978	1,934	28,044
(1,012)	(149)	323	11,763	1,015	10,748
(8,006)	0	6,640	6,650	6,650	0
0	(2,886)	4,438	4,438	4,438	0
(22,226)	(399)	24,243	25,691	25,629	62
(163)	(103)	1,794	2,042	1,972	70
0	0	11,834	20,625	13,060	7,565
(2,740)	0	2,492	2,492	2,492	0
(15,109)	(5,975)	26,069	36,937	36,937	0
(57,498)	**(10,340)**	**82,004**	**192,165**	**95,629**	**96,536**

Utilization	Reversal	Period Charge	Balance as at 31/12	Short-term	Long-term
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
(4,380)	0	7,778	55,215	1,523	53,692
(2,210)	(197)	5,816	30,853	1,973	28,880
(1,031)	(39)	381	13,009	969	12,040
(8,776)	0	7,840	8,017	8,017	0
(7)	0	2,500	2,886	2,886	0
(21,889)	(850)	22,658	23,615	23,546	69
(645)	(13)	446	502	452	50
(1,314)	(3,599)	1,786	8,626	8,626	0
(4)	0	2,740	2,740	2,740	0
(19,579)	(4,333)	22,414	32,322	32,322	0
(59,835)	**(9,031)**	**74,359**	**177,785**	**83,054**	**94,731**

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Provisions for other personnel costs essentially include accruals for vacation and Christmas allowances, performance bonuses, accrued flex time and overtime.

The amount provided for anticipated losses and other risks in the reporting period mainly relates to obligations to render infrastructure services to third parties.

Other provisions essentially include those for services rendered but not invoiced, discounts and rebates yet to be granted, obligatory maintenance costs, legal, auditing and consultancy.

Pensions

Defined benefit plans

Lenzing AG and some of its subsidiaries have defined benefit pension plans providing retirement benefits based on the number of years of service and on remuneration received by eligible employees. These pension plans are partly covered by pension plan assets.

The Lenzing AG pension plan comprises mainly retired staff members. The assumed retirement age of eligible staff members ranges from 58 to 63 years, depending on gender and position in the company. Life expectancy calculations are based on Austrian actuarial mortality tables "AVÖ 2008 P – salaried employees". The pension commitments are partly covered by reinsurance contracts which were recognized as pension assets according to IAS 19.

The pension plans of Lenzing Fibers Inc. and of Hahl Group GmbH and its subsidiaries have been frozen, therefore no new pension entitlements will arise from these.

The projected unit credit method is the actuarial valuation method that was used to measure the present value of defined benefit obligations accruing under defined benefit plans.

The principal actuarial assumptions are:

Actuarial assumptions

Discount rate p. a. in %	2009	2008
Austria	4.5	4.5
Germany	4.5	4.5
USA	6.1	6.3
Indonesia	10.8	11.0
Hong Kong	2.6	1.1
Estimated future salary and pension increases p. a. in %		
Austria	3.0	2.5 – 3.0
Germany	2.0 – 4.0	2.0 – 4.0
USA	0.0	0.0
Indonesia	8.0	9.0
Hong Kong	3.5	4.0
Expected rate of return on plan assets p. a. in %		
Austria	4.7	4.8
Germany	4.0	4.0
USA	7.5	7.5
Indonesia	N/A	N/A
Hong Kong	7.0	7.0

The Group recognized the following amounts relating to these plans as pension expense in the income statement:

	2009	2008
	EUR '000	EUR '000
Interest cost	1,903	1,637
Current service cost	470	375
Past service cost	42	43
Administrative and other costs	1	1
Expected return on plan assets	(404)	(468)
Total expense	**2,012**	**1,588**

Expenses are presented in the income statement under the heading "personnel expenses", namely under "pension expenses".

The actual gain on plan assets was EUR 713 thousand (loss 2008: EUR 637 thousand).

Actuarial gains recognized directly in equity in 2009 came to EUR 1,020 thousand (losses 2008: EUR 4,274 thousand). Accumulated actuarial losses as at 31 December 2009 came to EUR 8,498 thousand (31 December 2008: EUR 9,518 thousand).

The amount presented in the balance sheet as obligation from defined benefit pension plans (DBO) is derived as follows:

	31/12/2009	31/12/2008
	EUR '000	EUR '000
Present value of obligation (DBO)	37,480	37,997
Fair value of plan assets	(7,391)	(6,951)
Deficit in plan	**30,089**	**31,046**
Unrecognized past service cost	(170)	(193)
Net amount recognized in the balance sheet	**29,919**	**30,853**
Presented as:		
Nun-current assets	(59)	0
Long-term provision	28,044	28,880
Short-term provision	1,934	1,973
	29,919	**30,853**

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The present value of obligations from defined benefit pension plans and the fair value of plan assets developed as follows:

	2009	2008
	EUR '000	EUR '000
Present value of obligation (DBO) as at 1/1	**37,997**	**35,505**
Interest Cost	1,903	1,636
Current Service Cost	470	375
Actuarial (gain)/loss	(767)	3,125
Currency translation adjustment	318	(204)
Benefits paid	(2,441)	(2,522)
Transfer	0	82
Present value of obligation (DBO) as at 31/12	**37,480**	**37,997**
Fair value of plan assets as at 1/1	**6,951**	**7,705**
Contributions	193	48
Administrative and other costs	(1)	(1)
Expected return on plan assets	404	468
Actuarial (loss)/gain	253	(1,149)
Benefits paid	(338)	(332)
Currency translation adjustment	(71)	212
Fair value of plan assets as at 31/12	**7,391**	**6,951**

The compostion of plan assets by asset categories is as follows:

	2009	2008
	EUR '000	EUR '000
Equity instruments	1,766	1,267
Debt instruments	1,002	1,112
Insurance policies qualifying as plan assets	4,496	4,547
Other assets	127	25
Balance as at 31/12	**7,391**	**6,951**

The history of pension obligations and assets and experience adjustments is as follows:

	2009	2008	2007	2006	2005
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Present value of defined benefit obligation (DBO)	37,480	37,997	35,505	31,100	32,249
Fair value of plan assets	(7,391)	(6,951)	(7,705)	(7,265)	(7,315)
Deficit	**30,089**	**31,046**	**27,800**	**23,835**	**24,934**
Experience adjustments gain/(loss):					
on present value of obligation (DBO)	362	(1,527)	(343)	(18)	(917)
on plan assets	339	(1,038)	58	44	(69)

The Group expects to make contributions of EUR 113 thousand to the defined benefit plans during the next business year.

Defined contribution plans

The Group operates defined contribution pension plans for nearly all staff members not covered by defined benefit pension plans. The expense recognized in the income statement for these plans in 2009 came to EUR 2,277 thousand (2008: EUR 2,474 thousand).

Provisions for severance payments

The provisions for severance payments for staff members of Lenzing AG and its Austrian subsidiaries which will become due with the beginning of statutory retirement age are considered as post-retirement benefits similar to pensions and are therefore calculated in accordance with the regulations of IAS 19.

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The following table shows the development of provisions for severance payments:

	2009	2008
	EUR '000	EUR '000
Present value of obligation (DBO) as at 1/1	**55,215**	**51,817**
Interest cost	2,431	1,985
Current service cost	2,709	3,004
Total expense	**5,140**	**4,989**
Transfer to discontinued operations	0	0
Benefits paid	(5,946)	(4,380)
Actuarial (gain)/loss	(2,860)	2,789
Present value of obligation (DBO) as at 31/12	**51,549**	**55,215**
Number of eligible persons	2,126	2,288
Actuarial assumptions		
Discount rate in % p.a.	4,5	4,5
Estimated future salary increases in % p.a.	3,0	3,5

Employee turnover is determined company by company based on the composition of staff and duration of job tenure.

Expenses are presented in the income statement under the heading “personnel expenses”, namely under “expenses for severance payments”. Actuarial gains recognized directly in equity in the statement of other comprehensive income came to EUR 2,860 thousand (losses 2008: EUR 2,789 thousand). Accumulated actuarial losses as at 31 December 2009 came to EUR 4,822 thousand (31 December 2008: EUR 7,682 thousand).

The history of obligations for severance payments and experience adjustments is as follows:

	2009	2008	2007	2006	2005
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Present value of defined benefit obligation (DBO)	51,549	55,215	51,817	50,720	48,364
Experience adjustments (gain/(loss)) on present value of obligation (DBO)	(138)	(3,505)	(1,642)	(169)	(582)

Staff members with employment contracts under Austrian law with a commencement date later than 31 December 2002 obtain no entitlement for severance payment. Contributions in the form of 1.53 % of the respective wage or salary are paid in to a separate precautionary fund for employees ("Mitarbeitervorsorgekasse"). In 2008 contributions of EUR 553 thousand (2008: EUR 448 thousand) were paid.

Provisions for anniversary bonuses

In accordance with collective bargaining agreements, Lenzing AG and some of its subsidiaries are required to pay anniversary bonuses to employees on the occasion of specific service anniversaries. The provisions for anniversary bonuses were measured in accordance with the regulations of IAS 19. The amounts due on the respective anniversaries are accrued evenly over the service period up to the anniversary date and the amounts attributable to the service period at the valuation date are discounted.

The following table shows the development of the provision for anniversary bonuses:

	2009	2008
	EUR '000	EUR '000
Present value of obligation (DBO) as at 1/1	**13.009**	**13.698**
Interest cost	564	530
Current service cost	626	653
Actuarial (gain)/loss	(1.016)	(841)
Total expense	**174**	**342**
Reclassification to provision for other personnel costs	(408)	0
Benefits paid	(1.012)	(1.031)
Present value of obligation (DBO) as at 31/12	**11.763**	**13.009**
Number of eligible persons	2.660	2.691
Actuarial assumptions		
Discount rate in % p.a.	4.5	4.5
Estimated future salary increases in % p,a,	2.5 – 3.0	2.5 – 3.5

Employee turnover is determined company by company based on the composition of staff and duration of job tenure.

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Note 34. Other liabilities

Other liabilities comprise:

	31/12/2009	31/12/2008
Other long-term financial liabilities	EUR '000	EUR '000
Early retirement	831	911
Interest accruals	22	24
Others	568	0
	1,421	**935**
Other non-current liabilities		
Deferred income	98	47
	98	**47**
Other non-current liabilities	**1,519**	**982**
Other short-term financial liabilities		
Tax liabilities	4,284	4,643
Social security and other statutory welfare contributions	3,708	3,778
Payroll	4,200	4,217
Early retirement	1,307	1,698
Derivative financial instruments	3,441	19,062
Credit balances on debtors	1,711	4,092
Sundry	5,523	5,404
	24,174	**42,894**
Other current liabilities		
Advances from customers	6,516	5,648
Deferred income	456	232
	6,972	**5,880**
Other current liabilities	**31,146**	**48,774**

Advances from customers were reclassified from “Other short-term financial liabilities” to “Other current liabilities” as they are no financial instruments.

Note 35. Financial instruments

35.1. Capital risk management

The Lenzing Group manages its equity and debt with the clear goal of optimizing revenues, costs and assets of its individual operations, its business units and the Group as such for the purpose of a desired sustainable and high profitability and a solid balance sheet structure. Financial leveraging, sufficient liquidity at any time, and a clear focus on cash-based management ratios and control parameters in line with the strategy and the long term goals of the Group are essential.

This ensures that all group companies can operate on a going concern basis.

The Group's capital structure consists of interest bearing financial liabilities, including borrowings detailed in note 35.3., cash and cash equivalents and equity attributable to shareholders of the parent. Equity comprises common stock, capital reserves and retained earnings.

Net debt

The management board and the supervisory board of the Lenzing Group jointly and regularly survey the development of capital structure and the underlying control parameters, key data and influencing factors. In the course of these surveys, various risk profiles and sensitivity analyses are prepared and considered for any investments in property, plant and equipment and intangible assets and for specific projects and acquisitions. Projects and investments are planned on the basis of projected future cash flows, applying individual weighted discount rates (WACC) dependent on the risks attached to specific countries and other micro risks. These processes are regularly surveyed and revised and agreed with the management board. Development of competitors and market factors and market elasticity play an essential role.

Special attention is paid to the development of net debt as the two key parameters, net debt and EBITDA, over the past years have become essential key control parameters for the management of the Group as well as for lending banks. The continued optimum development of the Lenzing Group is therefore only ensured by very good equity financing power (EBITDA) being the basis for enhanced debt capacity.

Net debt and EBITDA are as follows:

Net debt	2009	2008
	EUR '000	EUR '000
Interest bearing financial debt [1]	441,025	471,227
Cash and cash equivalents (-)	(125,353)	(105,795)
Net Debt	**315,672**	**365,432**

EBITDA	2009	2008 [2]
	EUR '000	EUR '000
EBIT	100,671	130,314
Depreciation (+)	85,360	74,208
Reversal of government grants (-)	(4,013)	(3,752)
EBITDA	**182,018**	**200,770**
Net debt/EBITDA	1.7	1.8

[1] Interest-bearing financial debt is defined as long-term and short-term financial liabilities as set out in Note 30. [2] From continuing operations

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35.2. Significant accounting policies

Details of the significant accounting policies and valuation methods by type of financial asset and financial liability are presented in note 3.

35.3. Categories of financial instruments

The categories, carrying amounts and fair values of financial assets by valuation category were as follows as at 31 December 2009 and 31 December 2008 respectively:

	31/12/2009		Valuation category according to IAS 39			
	Carrying amount EUR '000	Fair Value EUR '000	At amortized cost	At cost	At fair value through profit or loss	At fair value through equity
Loans and receivables at amortized cost:						
Cash	105,429	105,429	✔			
Trade receivables	118,509	118,509	✔			
Other financial assets – long-term loans to third parties	4,519	4,519	✔			
Other non-current financial assets – other long-term receivables	822	822	✔			
Other short-term financial assets – other short-term receivables	31,014	31,014	✔			
Available-for-sale financial assets:						
Securities held as fixed assets	14,495	14,495				✔
Investments held as current assets	19,924	19,924				✔
Other:						
Other short-term financial assets – derivative financial instruments at positive fair value (cash flow hedges)	25	25				✔
Other short-term financial assets – derivative financial instruments at positive fair value (fair value hedges)	1,147	1,147			✔	
Other short-term financial assets – derivative financial instruments at positive fair value (other)	0	0			✔	
	295,884	**295,884**				

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	31/12/2008		Valuation category according to IAS 39			
	Carrying amount EUR '000	Fair Value EUR '000	At amortized cost	At cost	At fair value through profit or loss	At fair value through equity
Loans and receivables at amortized cost:						
Cash and cash equivalents	105,795	105,795	✔			
Trade receivables	134,896	134,896	✔			
Other financial assets – long-term loans to third parties	2,802	2,802	✔			
Other non-current financial assets – other long-term receivables	1,072	1,072	✔			
Other short-term financial assets – other short-term receivables	39,499	39,499	✔			
Available-for-sale financial assets:						
Securities held as fixed assets	10,270	10,270				✔
Investments held as current assets	0	0				✔
Other:						
Other short-term financial assets – derivative financial instruments at positive fair value (cash flow hedges)	(2,400)	(2,400)				✔
Other short-term financial assets – derivative financial instruments at positive fair value (fair value hedges)	60	60			✔	
Other short-term financial assets – derivative financial instruments at positive fair value (other)	103	103			✔	
	292,097	**292,097**				

The market values of cash and cash equivalents and investments held as fixed and current assets are equivalent to their carrying amounts. The carrying amount of loans receivable approximately corresponds to the market value.

The market value of receivables approximately corresponds to their carrying amount, as these are of a short-term nature and credit risk is covered by adequate allowances.

Comparative 2008 figures were adjusted for payments in advance as they are no financial instruments.

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The categories, carrying amounts and fair values of financial liabilities by valuation category were as follows as at 31 December 2009 and 31 December 2008 respectively:

	31/12/2009		Valuation category according to IAS 39				
	Carrying amount EUR '000	Fair Value EUR '000	At amortized cost	At cost	At fair value through profit or loss	At fair value through equity	Measurement according to IAS 17
Financial liabilities at amortized cost							
Bank loans and overdrafts	396,726	402,070	✓				
Other loans	43,339	42,051	✓				
Trade payables	95,591	95,591	✓				
Other long-term financial liabilities	1,421	1,421	✓				
Other short-term financial liabilities	20,733	20,733	✓				
Other							
Other loans – lease payables	960	960					✓
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	2,822	2,822				✓	
Other financial liabilities – derivative financial instruments at negative fair value (fair value hedges)	(41)	(41)			✓		
Other financial liabilities – derivative financial instruments at negative fair value (other)	660	660			✓		
	562,211	**566,267**					

	31/12/2008		Valuation category according to IAS 39				
	Carrying amount EUR '000	Fair Value EUR '000	At amortized cost	At cost	At fair value through profit or loss	At fair value through equity	Measure-ment according to IAS 17
Financial liabilities at amortized cost							
Bank loans and overdrafts	430,127	434,839	✔				
Other loans	40,152	38,820	✔				
Trade payables	66,190	66,190	✔				
Other long-term financial liabilities	935	935	✔				
Other short-term financial liabilities	23,832	23,832	✔				
Other							
Other loans – lease payables	948	948					✔
Other financial liabilities – derivative financial instruments at negative fair value (cash flow hedges)	6,363	6,363				✔	
Other financial liabilities – derivative financial instruments at negative fair value (fair value hedges)	1,284	1,284			✔		
Other financial liabilities – derivative financial instruments at negative fair value (other)	11,415	11,415			✔		
	581,246	**584,626**					

The market value of bank loans and overdrafts and other loans was established by discounting the future cash flows related to these liabilities with the market interest rate at the reporting date. The market value of other financial liabilities corresponds to their carrying amount, due to their short-term nature.

Comparative 2008 figures were adjusted for advances from customers as they are no financial instruments.

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The net result of financial instruments by valuation categories according to IAS 39 comprises net gains/losses from measurement and disposal, interest gains/losses and impairment losses and was as follows:

2009	Interest result	Result from subsequent measurement at fair value	Result from subsequent measurement (impairment)	Result on disposal	Net result (Total)
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	1,495	0	(1,189)	0	306
Available-for-sale financial assets	535	353	0	(1)	887
Financial assets at fair value through profit or loss	0	10,755	0	0	10,755
Financial liabilities at amortized cost	(16,247)	0	0	0	(16,247)
	(14,217)	**11,108**	**(1,189)**	**(1)**	**(4,299)**

2008	Interest result	Result from subsequent measurement at fair value	Result from subsequent measurement (impairment)	Result on disposal	Net result (Total)
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Loans and receivables	3.921	0	(388)	0	3.533
Available-for-sale financial assets	938	(613)	0	(392)	(67)
Financial assets at fair value through profit or loss	0	(11.247)	0	0	(11.247)
Financial liabilities at amortized cost	(19.096)	0	0	0	(19.096)
	(14.237)	**(11.860)**	**(388)**	**(392)**	**(26.877)**

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The change in bad debt provisions provided for impairment losses of loans and receivables are recognized as "other operating expenses". The other components of the net result of financial instruments are recognized as "other investment income" or "finance costs".

35.4. Financial risk management

As an enterprise operating internationally, the Group is exposed to various financial risks and other market risks. A group-wide risk management system comprehensively governed by guidelines ensures that potential risks are identified at an early stage and valuated. Maximum risk transparency and quality of information shall be accomplished by quantifying all risk categories. The efficiency of the group-wide risk management system is regularly assessed and monitored by the internal control system and the internal audit department.

Financial risks (credit risk, liquidity risk, foreign currency risk – particularly USD, interest rate risk) and price risk (pulp, natural gas, aluminum) were identified as the areas of risk most significant to the Lenzing group. Appropriate hedging arrangements are used to control and minimize those risks.

Credit risk

Credit risk describes the risk of incurring a loss due to individual business partners not meeting their contractual obligations. The risk of non payment inherent in the Group's operating activities is largely covered by credit insurance and bank collateral (guarantees, letters of credit).

	Loans (long-term and short-term)	Trade receivables	Other receivables (long-term and short-term)
	EUR '000	EUR '000	EUR '000
Bad debt provisions as at 01/01/2008	**227**	**3,526**	**0**
Utilization	0	(522)	0
Reversal	(13)	(1,063)	0
Addition	20	606	0
Currency translation adjustment	0	23	0
Bad debt provisions as at 31/12/2008	**234**	**2,570**	**0**
Utilization	0	(235)	0
Reversal	(36)	(145)	0
Addition	12	585	553
Currency translation adjustment	0	(12)	0
Bad debt provisions as at 31/12/2009	**210**	**2,763**	**553**

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The development of bad debt provisions was as follows:

	Loans (long-term and short-term)	Trade receivables	Other receivables (long-term and short-term)
	EUR '000	EUR '000	EUR '000
Carrying amount as at 31/12/2009	4,519	118,509	31,836
Not impaired at the balance sheet date and:			
not overdue	4,382	103,749	31,835
overdue up to 30 days	0	11,782	0
overdue for 31 to 90 days	0	1,222	0
overdue for 91 to 365 days	0	807	0
overdue for more than one year	0	97	1
Impaired	137	852	0

	Loans (long-term and short-term)	Trade receivables	Other receivables (long-term and short-term)
	EUR '000	EUR '000	EUR '000
Carrying amount as at 31/12/2008	2,803	134,896	40,571
Not impaired at the balance sheet date and:			
not overdue	2,643	105,430	39,855
overdue up to 30 days	0	19,555	681
overdue for 31 to 90 days	0	7,398	1
overdue for 91 to 365 days	0	1,528	34
overdue for more than one year	0	357	0
Impaired	159	628	0

The maximum credit risk is equivalent to the carrying amount of monetary assets. These are loans receivable of EUR 4,519 thousand (31 December 2008: EUR 2,802 thousand), securities held as fixed and current assets of EUR 34,419 thousand (31 December 2008: EUR 10,270 thousand), receivables of EUR 150,345 thousand (31 December 2008: EUR 175,467 thousand) and liquid funds of 105,429 thousand (31 December 2008: EUR 105,795 thousand). In addition, the Group has assumed liability for other companies amounting to EUR 5,965 thousand (31 December 2008: EUR 8,044 thousand) of which EUR 5,563 thousand (31 December 2008: EUR 7,642 thousand) relate to associated companies. The Group will be charged if these companies do not meet their commitments.

There is no noteworthy concentration of risk arising from the placement of financial assets with just one single business partner.

Liquidity risk

Liquidity risk is defined as the risk of not being able to obtain funds at any time, in order to meet liabilities incurred. Corporate guidelines require uniform and anticipatory liquidity planning throughout the Group. As part of the budgeting process, all Group data is consolidated in a short-term (one-year) and a medium-term (four-year) liquidity plan. As at 31 December 2009 the Group had at its disposal open credit lines confirmed in writing of EUR 282,036 thousand (31 December 2008: 248,003 thousand) for financing required operating resources, as well as for covering potential shortfall caused by economic cycles.

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The contractual undiscounted cash flows (interest and repayment) of financial liabilities are as follows:

	Valuation category according to IAS 39	31/12/2009	Cash flows 2010		
		Carrying amount	Fixed interest	Fixed and variable interest	Variable interest
		EUR '000	EUR '000	EUR '000	EUR '000
Financial Liablities at Amortized Cost	Financial Liabilities at Amortized Cost (FLAC)				
Bank loans and overdrafts		396,726	4,726	0	7,308
Other loans		43,339	68	553	82
Trade payables		95,591	0	0	0
Other liabilities – other financial liabilities		22,154	0	0	18
Lease payables	n/a (IAS 17)	960	39	0	0
Derivative financial instruments	n/a or At Fair Value through Profit or Loss (Trading)	3,441	0	0	0
Total		**562,211**	**4,833**	**553**	**7,408**

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	Cash flows 2011 to 2014				Cash flows from 2015			
Repayment	Fixed interest	Fixed and variable interest	Variable interest	Repayment	Fixed interest	Fixed and variable interest	Variable interest	Repayment
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
31,696	9,041	0	12,626	329,001	298	0	463	36,029
9,020	55	1,306	69	31,725	0	24	0	2,594
90,360	0	0	0	5,231	0	0	0	0
20,733	0	0	18	1,414	0	0	0	7
7	170	0	0	15	1,023	0	0	938
3,240	0	0	0	201	0	0	0	0
155,056	**9,266**	**1,306**	**12,713**	**367,587**	**1,321**	**24**	**463**	**39,568**

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	Valuation category according to IAS 39	31/12/2008	Cash flows 2009		
		Carrying amount	Fixed interest	Fixed and variable interest	Variable interest
		EUR '000	EUR '000	EUR '000	EUR '000
Financial Liablities at Amortized Cost	Financial Liabilities at Amortized Cost (FLAC)				
Bank loans and overdrafts		430,127	6,045	0	7,054
Other loans		40,152	90	376	120
Trade payables		66,190	0	0	0
Other liabilities – other financial liabilities		24,767	0	0	0
Lease payables	n/a (IAS 17)	948	38	0	0
Derivative financial instruments	n/a or At Fair Value through Profit or Loss (Trading)	19,062	0	0	0
Total		**581,246**	**6,173**	**376**	**7,174**

Exchange rate risk

The exchange rate risk of the Lenzing Group results from investing and operative business activities. This risk is hedged if it affects the Group's cash flows. Risk not affecting Group cash flows (such as exchange rate risk resulting from the consolidation of investments in a foreign operation) is not hedged as a matter of policy.

Operative business exposes the Group's individual companies to exchange rate risk arising from scheduled incoming and outgoing payments not denominated in their functional currency. The exchange rate risk arising from foreign currency positions and expected future transactions outside an entity´s functional currency is hedged with foreign currency forward contracts and options which are recognized at market value.

Despite its hedging activities the Lenzing Group was exposed to operative exchange rate risk at the reporting date.

The Lenzing Group has compiled foreign currency sensitivity analyses on the basis of the following assumptions:

Exchange rate related changes in the values of fair value hedges designated to hedge exchange rate risk almost fully offset exchange rate related changes in the values of the underlying transaction in the same period in the income statement. These financial instruments therefore do not affect the development of results and equity in terms of currency risk.

The Lenzing Group is therefore only exposed to exchange rate risk arising from accounting for cash flow hedges. For companies with the same functional currency, the respective net exposures

	Cash flows 2010 to 2013				Cash flows from 2014			
Repayment	Fixed interest	Fixed and variable interest	Variable interest	Repayment	Fixed interest	Fixed and variable interest	Variable interest	Repayment
EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
126,728	15,236	0	17,278	254,874	936	0	1,653	48,525
8,617	106	733	155	26,815	0	12	0	4,720
60,202	0	0	0	5,988	0	0	0	0
23,832	0	0	0	926	0	0	0	9
10	165	0	0	23	1,055	0	0	915
7,387	0	0	0	11,675	0	0	0	0
226,776	**15,507**	**733**	**17,433**	**300,301**	**1,991**	**12**	**1,653**	**54,169**

in foreign currencies for the next business year are determined in the course of the budgeting process. Purchases in a specific foreign currency and sales in the same foreign currency are pooled and hedged as a group. The budgeted net exposure for business year 2010 was almost completely hedged as at 31 December 2009. If the exchange rates of the functional currencies of the group entities had increased or decreased 10 % against the relevant foreign currencies as at 31 December 2009, the result from cash flow hedges would have been higher by EUR 17,324 thousand or lower by EUR 11,223 thousand, respectively.

Instruments for hedging exchange rate risk

Cash flow hedges are designated for sales denominated in the hedged currency and relating to the operating business of the following business year. The resulting cash flows are planned monthly and the total of cash inflows and cash outflows of a month are cleared at the close of each month. Fair value hedges are used to hedge receivables and payables that are already recognized in the balance sheet but where cash flows will result after the balance sheet date (31 December 2009).

Cash flow hedges (effective)

Gains or losses from measuring effective cash flow hedges are recognized directly in equity and reclassified into operating profit or loss when the hedged transactions affect profit or loss.

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At the balance sheet dates the nominal values and market values of these hedging instruments were as follows:

Type of derivative financial instrument	31/12/2009				31/12/2008			
		Nominal	Gain/(loss)	Maturity		Nominal	Gain/(loss)	Maturity
Foreign currency/ functional currency		in '000 foreign currency	EUR '000	up to months		in '000 foreign currency	EUR '000	up to months
Forward contracts								
CZK purchase/EUR sale	CZK	103,250	(149.2)	12	CZK	93,800	(108.0)	12
EUR purchase/CNY sale	EUR	32,467	(1,128.6)	15	EUR	0	0.0	
GBP purchase/CNY sale	GBP	6,989	(231.0)	15	GBP	0	0.0	
USD purchase/CNY sale	USD	742	(2.7)	3	USD	0	0.0	
USD purchase/EUR sale	USD	427	1.3	10	USD	0	0.0	
EUR sale/GBP purchase	EUR	0	0.0		EUR	3,314	(226.5)	1
GBP sale/EUR purchase	GBP	1,500	(33.0)	13	GBP	0	0.0	
JPY sale/EUR purchase	JPY	0	0.0		JPY	40,600	(40.7)	12
USD sale/EUR purchase	USD	142,327	(892.7)	13	USD	101,000	(218.7)	13
USD sale/GBP purchase	USD	10,750	(67.4)	13	USD	13,600	(1,676.9)	13
Subtotal			**(2,503.3)**				**(2,270.8)**	
Options								
USD sale/EUR purchase	USD	0	0.0		USD	85,200	(1,672.6)	12
USD sale/GBP purchase	USD	0	0.0		USD	13,200	(1,675.4)	3
Subtotal			**0.0**				**(3,348.0)**	
Total			**(2,503.3)**				**(5,618.8)**	

Negative fair values of cash flow hedges for foreign currency hedging to the amount of EUR 5,856 thousand were removed from the hedging reserve in equity and recognized in profit or loss, negative fair values of EUR 2,483 thousand were added to the hedging reserve in the reporting period.

Other cash flow hedges

Gains or losses from measuring other cash flow hedges are recognized as income or expense in the operating result. At the balance sheet dates the nominal values and market values of these hedging instruments were as follows:

Type of derivative financial instrument	31/12/2009				31/12/2008			
	Nominal		Gain/(loss)	Maturity	Nominal		Gain/(loss)	Maturity
Foreign currency / functional currency	in '000 foreign currency		EUR '000	up to months	in '000 foreign currency		EUR '000	up to months
Options								
USD sale/EUR purchase	USD	44,799	(659.8)	8	USD	221,900	(11,415.2)	20
Total			**(659.8)**				**(11,415.2)**	

Fair value hedges

From the point in time when the underlying transactions (receivables or payables) are recognized in the balance sheet, the hedging transactions are regarded as fair value hedges. Gains and losses from fair value hedges as well as gains and losses from hedged items are recognized as income or expense in the operating result.

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At the balance sheet dates the nominal values and market values of these hedging instruments were as follows:

Type of derivative financial instrument	31/12/2009			31/12/2008		
Foreign currency / functional currency		Nominal	Gain/(loss)		Nominal	Gain/(loss)
Forward contracts		in '000 foreign currency	EUR '000		in '000 foreign currency	EUR '000
CHF purchase/USD sale	CHF	0	0.0	CHF	700	44.8
CZK purchase/EUR sale	CZK	20,000	1.4	CZK	0	0.0
EUR purchase/CNY sale	EUR	8,542	70.5	EUR	0	0.0
EUR purchase/GBP sale	EUR	0	0.0	EUR	1,714	(182.6)
EUR purchase/USD sale	EUR	0	0.0	EUR	4,040	(191.4)
GBP purchase/CNY sale	GBP	1,876	(15.8)	GBP	0	0.0
USD purchase/CNY sale	USD	5,226	(13.2)	USD	0	0.0
USD purchase/EUR sale	USD	300	(3.2)	USD	0	0.0
USD purchase/GBP sale	USD	2,000	29.0	USD	100	1.1
EUR sale/GBP purchase	EUR	0	0.0	EUR	5,000	532.7
USD sale/IDR purchase	USD	7,650	151.2	USD	15,000	(386.3)
EUR sale/GBP purchase	EUR	0	0.0	EUR	0	0.0
USD sale/EUR purchase	USD	29,175	720.2	USD	3,276	(45.5)
USD sale/GBP purchase	USD	7,200	247.2	USD	7,500	(996.7)
Total			**1,187.3**			**(1,223.9)**

Price risk

Purchasing of natural gas by the Group had been centralized to the greatest possible extent in the middle of 2006 as part of optimizing energy cost. The Group uses futures traded at the respective commodity exchange to control the risk arising from gas as well as aluminum price volatility. The hedging strategies are defined on the basis of planed consumption in the respective currency and analyzed by market to market comparison on a monthly basis.

Instruments for hedging price risk

The involved risks are hedged by purchasing future contracts covering natural gas/aluminum purchases. Before the end of the month preceding the month when the hedged deliveries take place the future contracts are sold and at the same time the prices for the purchases of the next month are determined.

At the balance sheet dates the nominal values and market values of these hedging instruments were as follows:

Type of derivative financial instrument	31/12/2009				31/12/2008			
		Nominal	Gain/(loss)	Maturity		Nominal	Gain/(loss)	Maturity
		contract value in '000	EUR '000	up to months		contract value in '000	EUR '000	up to months
Natural gas futures								
	USD	1,276	(28.2)	9	USD	2,400	(519.2)	12
	GBP	3,110	(310.2)	11	GBP	2,541	(157.7)	11
	EUR	1,960	15.2	12	EUR	4,566	(2,242.4)	12
Aluminum futures								
	EUR	124	30.4	12	EUR	567	(225.2)	12
Total			**(292.8)**				**(3,144.5)**	

Negative fair values of cash flow hedges for hedging of commodity prices in the amount of EUR 3,093 thousand were removed from the hedging reserve in equity and recognized in profit or loss, negative fair values of EUR 131 thousand were added to the hedging reserve in the reporting period.

Apart from that, the Group's business activities expose it to common price risks in the line of business which are not hedged.

Interest rate risk

Interest rate changes affect the Group's financing and investing activities. The Group has long-term securities and loans receivable with a carrying amount close to their market or fair value amounting to EUR 19,014 thousand (31 December 2008: EUR 13,072 thousand; please refer to note 21). The fair value of these assets is subject to fluctuations because of changes in market interest rates.

Interest rate risk arising from floating-rate liabilities with banks and other loans at variable rates was described by sensitivity analyses. They show the impact of changes in the market interest rate on interest payments and interest expense. Changes in market interest rates affect interest expense.

Had the market interest rate been 100 basis points higher (lower) in the reporting year 2009, interest expense for floating-rate liabilities would have been higher (lower) by EUR 2,680 thousand, respectively.

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Note 36. Notes on the cash flow statement

The cash flow statement shows the change in liquid funds over the year as a result of cash receipts and payments. Liquid funds comprise cash and cash equivalents. The principles used in translating income and expenses for the income statement as set out in note 3 also apply to the translation of cash flows.

Gross cash flow is computed as follows:

	2009	2008
	EUR '000	EUR '000
Net income	**67,365**	**78,690**
+ Loss/- Gain from discontinued operations	0	(538)
+ Depreciation of property, plant and equipment and amortization of		
intangible assets	85,360	74,208
financial assets	565	27
- Release of investment grants previously recognized as deferred income	(4,013)	(3,752)
- Write-ups of financial assets	(62)	(174)
+ Charge for/- Consumption or reversal of long-term provisions	(1,775)	(1,204)
- Gains/+ Losses on the disposal of		
intangible assets, property, plant and equipment	377	1,355
financial assets	(548)	92
- Deferred tax income/+ deferred tax expense	(4,182)	5,380
- Non-cash income from associated companies	(2,399)	(2,574)
- Other non-cash income/+ expense	229	6,303
Gross cash flow	**140,917**	**157,813**

The change in working capital of continuing operations comprises:

	2009	2008
	EUR '000	EUR '000
+ Decrease/- increase in inventories	34,253	(41,372)
+ Decrease/- increase in accounts receivable	31,004	(453)
- Decrease/+ increase in operating liabilities	44,771	(66,749)
Change in working capital	**110,028**	**(108,574)**

The cash flow from investing activities of continuing operations comprises:

	2009	2008
	EUR '000	EUR '000
- Acquisition of non-current assets		
Intangible assets, property, plant and equipment and financial assets	**(167,439)**	**(160,871)**
+ Proceeds from the sale/ repayment of non-current assets		
Intangible assets and property, plant and equipment	3,182	938
Financial assets	6,252	2,964
	9,434	**3,902**
+ Proceeds from the sale of securities held as current assets	**7**	**8,072**

Payments of other shareholders concern payments of the minority shareholders of European Precursor GmbH on their share in capital.

Receipts from financing activities comprise:

	2009	2008
	EUR '000	EUR '000
+ Investment grants	2,429	1,970
+ Net receipts from short-term loans	0	45,506
+ Receipts from long-term loans and borrowings	62,858	119,101
Receipts from financing activities	**65,287**	**166,577**

The Group's liquid funds comprise:

	31/12/2009	31/12/2008
	EUR '000	EUR '000
Cash	105,429	105,795
Cash equivalents	19,924	0
Total	**125,353**	**105,795**

Cash comprises cash in hand and cash at banks, sight deposits and short-term time deposits at banks. Cash equivalents, which are subject to only insignificant risks of changes in value, comprise securities with a maturity of less than three months at the time of purchase.

Cash flow from operating activities includes the following interest and dividend tax payments and receipts:

	2009	2008
	EUR '000	EUR '000
Interest received	1,919	1,818
Interest paid	15,598	15,053
Taxes paid	10,984	43,507

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Note 37. Operating leases

The Group has commitments under operating leases of property, plant and equipment that are not recognized in the balance sheet. Operating expenses for 2009 include leasing and rental expenses of EUR 4,148 thousand (2008: EUR 4,030 thousand).

Future minimum lease payments for the non-cancellable term of these leases that mainly relate to IT equipment, vehicles and office premises will be due as follows:

	2009	2008
	EUR '000	EUR '000
Within one year	3,342	3,679
In the following 2 to 5 years	6,288	7,693
Thereafter	959	1,524
Total	**10,589**	**12,896**

Note 38. Related party transactions

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

Business relationships with related parties

A tax group was formed between Lenzing AG and B & C Industrieholding and the supporting contract was concluded on 25 September 2009. The contract partners are Lenzing AG and those of its subsidiaries mentioned in the contract as group members ("Gruppenmitglied") and B & C Industrieholding GmbH as the head and taxable subject of the tax group ("Gruppenträger").

The contract obligates Lenzing AG to pay a tax allocation to the head of the tax group. The tax allocation equals the income tax payable by Lenzing AG and its subsidiaries included in the tax group based on their taxable profits. Potential tax loss of the tax group head is taken into account. A tax loss of Lenzing AG and its included subsidiaries is kept on record and will be used to offset future taxable profits. It is agreed that a compensation for tax losses that could not be used to offset profits shall be paid at contract end.

The Lenzing Group recognized a tax allocation payable to B & C Industrieholding GmbH of EUR 18,315 thousand as at 31 December 2009. The tax allocation payable is presented under the heading "Provisions for current income tax" in the balance sheet.

Business relationships with minority shareholders of subsidiaries

Lenzing AG provided loans to minority shareholders of subsidiaries, the outstanding balance being EUR 335 thousand as at 31 December 2009 (31 December 2008: EUR 344 thousand). The balance of the bad debt provision relating to these loans is EUR 198 thousand (31 December 2008: EUR 185 thousand).

Liabilities include loans of minority shareholders amounting to EUR 308 thousand (31 December 2008: EUR 1,907 thousand). These are subordinated loans at variable interest. The interest rate is based on LIBOR plus a surcharge and is adjusted every six months. Furthermore the Group has other payables with minority shareholders of subsidiaries of EUR 227 thousand (31 December 2008: EUR 587 thousand).

Business transactions with associated companies

These transactions were essentially with:

EQUI-Fibres Beteiligungsgesellschaft mbH and its subsidiaries:
- Supply of pulp, machinery and equipment
- Use of infrastructure and purchase of assembly and administrative services
- Purchase of spinning raw material

RVL Reststoffverwertung Lenzing GmbH
- Operation of a recycling facility and purchase of generated steam

Lenzing Papier GmbH
- Provision of infrastructure and supply of administrative services

PT. Pura Golden Lion
- Loans payable

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Significant transactions and outstanding balances with associated companies are:

2009	EQUI	RVL	LPP	PGL
	EUR '000	EUR '000	EUR '000	EUR '000
Sales	48,304	9,362	10,702	0
Other operating income	1,039	0	0	0
Cost of material	8,012	0	0	0
Cost of purchased services	8,856	9,362	0	0
Other operating expenses	707	77	7	0
Interest income	96	0	2	0
31/12/2009				
Trade receivables	4,746	0	3,653	0
Amounts due under construction contracts	0	0	0	0
Other receivables	0	0	0	0
Trade payables	3,450	0	0	0
Loans	0	0	0	1,607
Other liabilities	597	0	0	477

2008	EQUI	RVL	LPP
	EUR '000	EUR '000	EUR '000
Sales	41,521	9,177	8,530
Other operating income	570	82	0
Cost of material	5,026	0	35
Cost of purchased services	10,641	9,177	0
Other operating expenses	908	0	59
Interest expense	359	0	0
31/12/2008			
Trade receivables	3,779	0	3,564
Amounts due under construction contracts	6,920	0	0
Other receivables	0	0	839
Trade payables	1,946	0	0
Other liabilities	2,341	0	0

Lenzing AG assumed proportionate liability for loans to a subsidiary of EQUI-Fibres Beteiligungsgesellschaft mbH (refer to Note 39).

Remuneration of management and supervisory board members

The remuneration of the members of the management and supervisory boards was as follows:

	2009	2008
	EUR '000	EUR '000
Short-term employee benefits	2,023	2,484
Post-employment benefits	78	69
	2,101	**2,553**

Payments to former members of the management board or their dependents came to EUR 825 thousand in 2009 (2008: EUR 801 thousand).

Note 39. Contingent liabilities and financial guarantee contracts

The following table shows the commitments and contingent liabilities of the Group as at 31 December:

	2009	2008
	EUR '000	EUR '000
Assumption of liability for associated companies	5,563	7,642
Assumption of liability for third parties	402	402

Moreover, the Group gave bank guarantees in the amount of EUR 1,394 thousand in 2009 (2008: EUR 8,907 thousand) for liability escrow paid.

It is considered unlikely that the group will be held liable as a result of these commitments. At the reporting date the fair value of these is nil, thus no liability was recognized in the balance sheet.

The management board is not aware of any other commitments with any material effect on the financial position and performance of the Group.

Litigation

Various legal proceedings resulting from the ordinary course of business are pending. The management board believes that these proceedings will not have material adverse effect on the present and future earnings of the Group.

Note 40. Events after the balance sheet date

There were no material events after the balance sheet date subject to report.

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Note 41. Direct and indirect investments of Lenzing AG as at 31 December 2009

Investment	Currency	Common stock	Ownership interest
Fully consolidated companies:			in %
Avit Investments Limited, Turks and Caicos	USD	2,201,000	100.00
Beech Investment s.r.o., Zlaté Moravce, Slovakia	EUR	6,639	100.00
BZL-Bildungszentrum Lenzing GmbH, Lenzing, Austria	EUR	43,604	75.00
Dolan GmbH, Kelheim, Germany	EUR	1,000,000	100.00
Energie- und Medienzentrale Heiligenkreuz GmbH, Heiligenkreuz, Austria	EUR	72,673	100.00
European Precursor GmbH, Kelheim, Germany	EUR	25,000	51.00
European Carbon Fiber GmbH, Kelheim, Germany	EUR	25,000	100.00
Hahl Group GmbH, Munderkingen, Germany	EUR	30,000	100.00
Hahl Filaments GmbH, Munderkingen, Germany	EUR	25,600	100.00
Hahl Verwaltungsgesellschaft mbH, Munderkingen, Germany	EUR	25,600	100.00
Hahl Filaments s.r.o., Sezimovo Ústí, Czech Republic	CZK	5,000,000	100.00
Hahl Inc., Lexington, SC, USA	USD	100	100.00
LENO Electronics GmbH, Schörfling, Austria	EUR	40,000	55.00
Lenzing Beteiligungs GmbH, Lenzing, Austria	EUR	35,000	100.00
Lenzing Fibers (Shanghai) Co., Ltd., Shanghai, China	USD	200,000	100.00
Lenzing Fibers GmbH, Heiligenkreuz, Austria	EUR	363,364	100.00
Lenzing Fibers Holding GmbH, Lenzing, Austria	EUR	35,000	100.00
Lenzing Fibers (Hong Kong) Ltd., Hong Kong	HKD	16,000,000	100.00
Lenzing Fibers Inc., New York, USA	USD	10	100.00
Lenzing Fibers Ltd., Manchester, UK	GBP	1	100.00
Lenzing Holding GmbH, Lenzing, Austria	EUR	35,000	100.00
Lenzing (Nanjing) Fibers Co., Ltd., Nanjing, China	USD	37,000,000	70.00
Lenzing Plastics GmbH, Lenzing, Austria	EUR	35,000	100.00
LP Automotive GmbH, Lenzing, Austria	EUR	35,000	100.00

Investment	Currency	Common stock	Ownership interest
Fully consolidated companies:			in %
Lenzing Services Ltd., Grimsby, UK	GBP	1	100.00
Lenzing Technik GmbH, Lenzing, Austria	EUR	35,000	100.00
Lenzing USA Inc., Lexington, SC, USA	USD	100	100.00
Lyocell Holding Ltd., Manchester, UK	GBP	1,000	100.00
Pedex GmbH, Wald-Michelbach, Germany	EUR	25,000	100.00
Pedex Grundstücksgesellschaft mbH, Wald-Michelbach, Germany	EUR	25,000	100.00
Penique S.A., Panama	USD	5,000	100.00
PT. South Pacific Viscose, Purwakarta, Indonesia	IDR	72,500,000,000	90.56
Pulp Trading GmbH, Lenzing, Austria	EUR	40,000	100.00
Tencel Holding Ltd., Manchester, UK	GBP	1	100.00
Tencel Holding Overseas Ltd., Jersey, Channel Islands	GBP	1,001	100.00
Wasserreinhaltungsverband Lenzing – Lenzing AG, Lenzing, Austria	EUR	0	Membership
Companies accounted for at equity:			
RVL Reststoffverwertung Lenzing GmbH, Lenzing, Austria	EUR	36,336	50.00
WWE Wohn- und Wirtschaftspark Entwicklungsgesellschaft m.b.H., Vienna, Austria	EUR	36,336	25.00
EQUI-Fibres Beteiligungsgesellschaft mbH, Kelheim, Germany	EUR	2,000,000	45.00
LKF Tekstil Boya Sanayi ve Ticaret A.S., Istanbul, Turkey	TRL	200,000	33.34
Lenzing Papier GmbH, Lenzing, Austria	EUR	35,000	40.00
PT. Pura Golden Lion, Jakarta, Indonesia	IDR	2,500,000,000	40.00
Companies that are not consolidated:			
Erwin Hahl Unterstützungskasse Gesellschaft mit beschränkter Haftung, Munderkingen, Germany	EUR	25,565	100.00
Gemeinnützige Siedlungsgesellschaft m.b.H. für den Bezirk Vöcklabruck, Lenzing, Austria	EUR	1,155,336	99.90

*) Although the Lenzing Group holds the majority of shares in these companies they are not consolidated as the Group does not exercise any control in the management sense of the term.

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Note 42. Corporate Bodies

Members of the Supervisory Board

Hermann Bell, Linz
Chairman

Winfried Braumann, Vienna
Deputy Chairman (from 23 April 2009)

Walter Lederer, Vienna
Deputy Chairman (until 23 April 2009)

Horst Bednar, Vienna (until 23 April 2009)

Helmut Bernkopf, Vienna (from 23 April 2009)

Josef Krenner, Linz (from 23 April 2009)

Martin Payer, Leoben

Andreas Schmidradner, Vienna

Veit Sorger, Vienna

Works Council Representatives

Rudolf Baldinger
Chairman of the Company's Works Committee
Chairman of the Blue-Collar Workers' Council

Georg Liftinger
Deputy Chairman of the Company's Works Committee
Chairman of the White-Collar Workers' Council

Gerhard Ratzesberger
Deputy Chairman of the White-Collar Workers' Council

Johann Schernberger
Deputy Chairman of the Blue-Collar Workers' Council

Members of the Management Board

Peter Untersperger
Chairman

Christian Reisinger (until 31 March 2010)

Friedrich Weninger

The present consolidated financial statements were released on 12 March 2010 by the management board for examination by the supervisory board, for submission to the general shareholders' meeting and for subsequent publication. The supervisory board is entitled to initiate changes to the consolidated financial statements within the framework of its supervisory duty.

Lenzing, 12 March 2010

The Management Board:

Peter Untersperger

Christian Reisinger

Friedrich Weninger

Consolidated Financial Statements

Development of fixed assets 2009

	Costs					
	as at 01/01/2009 EUR '000	Additions 2009 EUR '000	Disposals 2009 EUR '000	Reclassifi-cations 2009 EUR '000	Currency translation adjustment EUR '000	as at 31/12/2009 EUR '000
Development of intangible assets						
1. Concessions, industrial property rights and similar rights	37,951	5,787	(1,964)	0	(30)	41,744
thereof: internally generated	19,374	5,289	(1,898)	0	0	22,765
2. Goodwill	75,575	0	0	0	(1,917)	73,658
Total for intangible assets	**113,526**	**5,787**	**(1,964)**	**0**	**(1,947)**	**115,402**
Development of property, plant and equipment						
1. Land and buildings	268,358	4,066	(854)	8,309	(888)	278,991
2. Plant and machinery, fixtures, fittings and other assets	1,420,507	51,763	(12,827)	17,469	(3,776)	1,473,136
3. Prepayments and work under construction	78,533	90,115	(69)	(25,778)	(2,636)	140,165
Total for property, plant and equipment	**1,767,398**	**145,944**	**(13,750)**	**0**	**(7,300)**	**1,892,292**
Development of financial assets						
1. Investments in associates	4,941	3,480	0	0	0	8,421
2. Loans	3,036	2,524	(344)	(487)	0	4,729
3. Securities	39,813	9,703	(5,920)	0	0	43,596
Total for financial assets	**47,790**	**15,707**	**(6,264)**	**(487)**	**0**	**56,746**

Accumulated depreciation and amortization							
as at 01/01/2009 EUR '000	Depreciation 2009 EUR '000	Write-ups 2009 EUR '000	Disposals 2009 EUR '000	Currency translation adjustment 2009 EUR '000	as at 31/12/2009 EUR '000	Carrying amount as at 31/12/2009 EUR '000	Carrying amount as at 31/12/2008 EUR '000
20,419	2,179	0	(417)	(15)	22,166	19,578	17,532
9,264	670	0	(364)	0	9,570	13,195	10,110
0	5,219	0	0	0	5,219	68,439	75,575
20,419	**7,398**	**0**	**(417)**	**(15)**	**27,385**	**88,017**	**93,107**
140,199	8,208	0	(327)	(83)	147,997	130,994	128,159
846,387	69,755	0	(11,410)	(2,135)	902,597	570,539	574,120
0	0	0	0	0	0	140,165	78,533
986,586	**77,963**	**0**	**(11,737)**	**(2,218)**	**1,050,594**	**841,698**	**780,812**
(12,153)	74	(2,670)	0	(56)	(14,805)	23,226	17,094
234	12	(36)	0	0	210	4,519	2,802
29,543	1	(408)	(35)	0	29,101	14,495	10,270
17,624	**87**	**(3,114)**	**(35)**	**(56)**	**14,506**	**42,240**	**30,166**

Consolidated Financial Statements

Development of fixed assets 2008

	Costs					
	as at 01/01/2008 EUR '000	Additions 2008 EUR '000	Disposals 2008 EUR '000	Reclassifi-cations 2008 EUR '000	Currency translation 2008 EUR '000	as at 31/12/2008 EUR '000
Development of intangible assets						
1. Concessions, industrial property rights and similar rights	31,994	5,979	(85)	0	63	37,951
thereof: internally generated	14,042	5,332	0	0	0	19,374
2. Goodwill	72,744	0	0	0	2,831	75,575
Total for intangible assets	**104,738**	**5,979**	**(85)**	**0**	**2,894**	**113,526**
Development of property, plant and equipment						
1. Land and buildings	258,555	6,403	(2,124)	4,344	1,180	268,358
2. Plant and machinery, fixtures, fittings and other assets	1,328,690	74,620	(18,310)	31,917	3,590	1,420,507
3. Prepayments and work under construction	41,229	71,577	0	(36,261)	1,988	78,533
Total for property, plant and equipment	**1,628,474**	**152,600**	**(20,434)**	**0**	**6,758**	**1,767,398**
Development of financial assets						
1. Investments in associates	2,267	2,674	0	0	0	4,941
2. Loans	823	2,803	(593)	3	0	3,036
3. Securities	40,719	1,809	(2,715)	0	0	39,813
Total for financial assets	**43,809**	**7,286**	**(3,308)**	**3**	**0**	**47,790**

Accumulated depreciation and amortization							
as at 01/01/2008 EUR '000	Depreciation 2008 EUR '000	Write-ups 2008 EUR '000	Disposals 2008 EUR '000	translation adjustment 2008 EUR '000	as at 31/12/2008 EUR '000	Carrying amount as at 31/12/2008 EUR '000	Carrying amount as at 31/12/2007 EUR '000
18,841	1,642	0	(85)	21	20,419	17,532	13,153
8,627	637	0	0	0	9,264	10,110	5,415
0	0	0	0	0	0	75,575	72,744
18,841	**1,642**	**0**	**(85)**	**21**	**20,419**	**93,107**	**85,897**
133,165	8,243	0	(757)	(452)	140,199	128,159	125,390
796,505	64,323	0	(15,154)	713	846,387	574,120	532,185
35	0	(35)	0	0	0	78,533	41,194
929,705	**72,566**	**(35)**	**(15,911)**	**261**	**986,586**	**780,812**	**698,769**
(10,285)	440	(2,308)	0	0	(12,153)	17,094	12,552
227	20	(13)	0	0	234	2,802	596
28,935	615	0	(7)	0	29,543	10,270	11,784
18,877	**1,075**	**(2,321)**	**(7)**	**0**	**17,624**	**30,166**	**24,932**

Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Lenzing Aktiengesellschaft, Lenzing**, for the fiscal year from 1 January 2009 to 31 December 2009. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2009, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2009 and of its financial performance and its cash flows for the fiscal year from 1 January 2009 to 31 December 2009, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report for the Group is consistent with the consolidated financial statements. The disclosures according to section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 12 March 2010

Deloitte.

Deloitte Audit Wirtschaftsprüfungs GmbH

Harald Breit
Chartered Accountant

Nikolaus Schaffer
Chartered Accountant

Statement of the Management Board

Statement of the Management Board in compliance with section 82 (4) of the Austrian Stock Exchange Act

The Management Board declares that the consolidated financial statements of the Lenzing Group for the financial year from 1 January 2009 to 31 December 2009, which were compiled in accordance with International Financial Reporting Standards (IFRS), present fairly, in all material respects, the financial position and the financial performance of all consolidated companies.

The management report, too, presents fairly, in all material respects, the financial position and the financial performance of the Lenzing Group and provides information on the course of business and the impact of existing and future risks on the business activities of the Lenzing Group.

Lenzing, 12 March 2010

The Management Board:

Peter Untersperger
Chairman of the Board responsible for:

Global Finance
Global Information Technology
Wood Purchasing
Global Human Resources
Corporate Communications
Legal Management
Risk Management
Strategy

Christian Reisinger
Member of the Board responsible for:

Business Unit Engineering
Business Unit Energy
Global Purchasing
Infrastructure Lenzing
Internal Audit
Global Environment, Health & Safety
Environmental Protection Lenzing

Friedrich Weninger
Member of the Board responsible for:

Business Unit Textile Fibers
Business Unit Nonwoven Fibers
Business Unit Plastics
Business Unit Filaments
Business Unit Pulp

Report of the Supervisory Board

To the 66th general shareholders' meeting

Dear Shareholders

In the course of business year 2009, the supervisory board of Lenzing AG was informed by the management board on the company's activities on the occasion of five meetings. The further strategic development of the company, as well as major business transactions and measures were discussed with the management board and the required decisions were made. In the course of these meetings, the management board informed the supervisory board on the financial position of Lenzing AG and the Lenzing Group by means of detailed written reports. Moreover, the chairman of the supervisory board and his deputy had the management board provide them with information on a regular basis.

The audit committee met twice and in addition concerned itself with the new requirements brought about the amendment of Austrian corporate legislation (URÄG) 2008, in particular with control, internal audit and risk management systems.

More on information on the composition and work of the supervisory board and its remuneration is available in the report on corporate governance.

The supervisory board at its meeting on 11 December 2009 has decided to extend the contract with Peter Untersperger (CEO) by three years to 31 March 2013. The decision ensures continuity in management.

The financial statements and the management report of Lenzing AG for 31 December 2009 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, under the inclusion of bookkeeping. The auditor confirmed that the financial statements are in accordance with legal regulations and present fairly, in all material respects, the financial position of Lenzing AG as of 31 December 2009. The auditor further confirmed that the financial statements present fairly, in all material respects, the financial performance of the business year from 1 January 2009 to 31 December 2009 in accordance with the generally accepted accounting principles of Austria, and that the management report is consistent with the financial statements.

Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, audited the consolidated financial statements for business year 2009 which were compiled in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. It came to the opinion that the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and its financial performance and its cash flows for the financial year from 1 January 2009 to 31 December 2009 and that the management report is consistent with the consolidated financial statements.

The financial audit committee at its meeting of 18 March 2010 gave its detailed attention to the audit reports and exhaustively discussed the audit results with the auditor. The financial audit committee advised the supervisory board to recommend to the 66th regular shareholders' meeting the reappointment of Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, as auditors for the 2010 accounts.

In keeping with section 127 of the Austrian Stock Corporations Act, the supervisory board accepts the management report and approves the consolidated financial statements for 2009 which have thereby been established in keeping with section 125 (2) of the Austrian Stock Corporations Act. Moreover, the supervisory board accepts the consolidated financial statements and the management report of the Group prepared in accordance with sections 244 and 245a of the Austrian Business Code (UGB).

The supervisory board also agrees to the distribution of profit as proposed by the management board. Accordingly, a dividend of EUR 51,450,000.00 will be distributed from the recognized net profit of EUR 51,501,720.32. This corresponds to EUR 14.00 per no-par share. The remaining profit of EUR 51,720,32 will be carried forward.

The supervisory board follows the advice of the financial audit committee and will recommend to the 66th regular shareholders' meeting to appoint Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, as auditors of the 2010 accounts.

The supervisory board thanks the management board and all staff members for their commitment and for the very good results achieved for the business year under review..

Vienna, 25 March 2010

Dr. Hermann Bell
Chairman of the Supervisory Board

Long-Term Comparison

Under IFRS

		2009	2008	2007	2006	2005	2004	2003
Sales and result								
Sales*	EUR mill.	1,254.7	1,329.1	1,260.5	1,042.6	942.6	871.1	747.2
Sales outside of Austria*	%	88.4	87.8	85.9	85.6	85.0	83.7	83.6
Income from operations (EBIT)/Operating result*	EUR mill.	100.7	130.3	162.3	107.8	81.8	104.3	89.7
Financial result*	EUR mill.	-11.7	-15.6	-11.3	-8.5	-2.5	-0.8	-5.1
Income before taxes and minority interest*	EUR mill.	89.0	114.7	151.0	99.2	79.3	103.5	84.6
Income taxes*	EUR mill.	-21.6	-36.6	-32.8	-10.4	-18.6	-26.0	-20.8
Profit for the year*	EUR mill.	67.4	78.7	117.6	88.4	60.7	77.5	63.7
Profit for the year attributable to shareholders of Lenzing AG	EUR mill.	64.4	77.7	109.6	83.9	56.9	67.7	58.8
Cash flow								
Gross cash flow*	EUR mill.	140.9	157.8	203.6	146.9	120.4	128.5	115.9
Gross cash flow as percentage of sales*	%	11.2	11.9	16.2	14.1	12.8	14.7	15.5
Net cash from operating activities	EUR mill.	250.9	50.4	223.8	146.1	124.3	95.3	127.1
Free cash flow	EUR mill.	92.9	-96.3	-36.4	43.7	35.1	-36.2	-11.3
Capital expenditure* (Intangible assets, property, plant and equipment)	EUR mill.	151.7	158.6	136.7	104.1	82.4	60.9	139.2
Assets structure*								
Non-current assets	%	67.5	64.2	62.1	63.0	63.5	64.9	60.8
Current assets	%	32.5	35.8	37.9	37.0	36.5	35.1	39.2
Total assets	EUR mill.	1,447.2	1,415.8	1,308.6	1,061.7	1,010.1	946.1	897.1
Capital structure*								
Adjusted Equity[1]/Equity	%	43.5	42.7	44.8	51.1	48.0	48.7	45.1
Post employment benefits	%	5.8	6.2	6.3	7.0	7.2	6.3	7.4
Liabilities (excl. post employment benefits)	%	50.7	51.1	48.9	41.9	44.8	45.0	47.5
Key data								
Return on sales (ROS)[2]	%	5.7	7.1	10.6	7.8	6.5	8.8	10.3
Return on capital employed (ROCE)[3]	%	7.1	10.0	17.5	11.9	9.0	12.2	14.3
Return on equity (ROE)	%	10.9	13.2	20.8	17.2	12.8	17.9	17.0
EBIT[4] *	EUR mill.	100.7	130.3	162.3	107.8	81.8	104.3	89.7
EBIT margin*	%	8.0	9.8	12.9	10.3	8.7	12.0	12.0
EBITDA[5] *	EUR mill.	182.0	200.8	229.3	169.3	141.6	160.4	134.8
EBITDA margin*	%	14.5	15.1	18.2	16.2	15.0	18.4	18.0
Earnings per share	EUR	17.5	21.1	29.8	22.8	15.5	18.4	16.0
Number of employees at year-end		6,021	5,945	6,043	5,044	4,860	4,845	4,523

The computation of several ratios does not follow the recommendation for the computation of financial performance indicators as per Expert Opinion KFS/BW3 published by the Austrian Chamber of Chartered Accountants. Mangement runs the business using these indicators in their present form.

1) = Equity incl. grants less prop. deferred taxes

2) = $\text{NOPAT} = \dfrac{\text{Income from operations (EBIT) less proportional income taxes}}{\text{sales}}$

3) = NOPAT
((The average of stockholders' equity and minority interests
+ Interest bearing debt
- Cash
- Current and non-current securities and loans
- Investments in associates and other financial assets) 01/01+31/12)/2

4) = Income before taxes and financial result

5) = EBIT plus amortization of intangible fixed assets and depreciation of property, plant and equipment less revenues from investment grants

*) from continuing operations; comparative figures in 2006 were adjusted

Financial Calendar 2010

	2010
Preliminary results	Thursday, 4 March
Final results	Friday, 26 March
66th Shareholders' Meeting, Wirtschaftskammer Vöcklabruck, 4840 Vöcklabruck, Austria	Friday, 30 April
Quotation ex dividend	Wednesday, 5 May
Dividend distribution	Friday, 7 May
Results 1st quarter	Tuesday, 11 May
Half year results	Tuesday, 24 August
Results 3rd quarter	Tuesday, 16 November

Key Data

of the Lenzing Group according to IFRS

Business Results

EUR mill.	2007	2008	2009
Sales	1,260.5	1,329.1	1,254.7
EBITDA *	229.3	200.8	182.0
EBITDA margin in % *	18.2	15.1	14.5
EBIT *	162.3	130.3	100.7
EBIT margin in % *	12.9	9.8	8.0
EBT *	151.0	114.7	89.0
Profit for the year attributable to shareholders of Lenzing AG	109.6	77.7	64.4

Financing Structure

EUR mill.	2007	2008	2009
Cash and cash equivalents	119.6	105.8	125.4
Inventories	174.3	209.9	175.6
Receivables	191.8	191.6	169.1
Liabilities	383.0	339.8	369.4
Net debt	219.6	365.4	315.7
Retained earnings	474.7	482.4	504.3
Net Gearing in %	37.4	60.4	50.2

Capital Expenditure (Property, plant and equipment)

EUR mill.	2007	2008	2009
Capital expenditure *			
Lenzing AG	76.3	75.2	53.0
Group total	136.7	158.6	151.7
Group depreciation and amortization *	70.5	74.2	85.4

Cash Flow

EUR mill.	2007	2008	2009
Gross cash flow *	203.6	157.8	140.9
Operating cash flow	223.8	50.4	250.9
Net increase (+)/decrease (-) in cash	25.5	(4.6)	21.1
Cash and cash equivalents	119.6	105.8	125.4

Capital Structure

EUR mill.	2007	2008	2009
Liabilities (w/o post employment benefits)	640.3	722.7	726.6
Post employment benefits	81.9	88.3	83.8
Adjusted equity	586.4	604.9	629.2
ROCE in %	17.5	10.0	7.1
ROE in %	20.8	13.2	10.9

Stock Exchange

EUR	2007	2008	2009
Common stock in mill.	26.7	26.7	26.7
Market capitalization in mill.	1,323.0	614.0	915.1
Share price as at 31 December	360.0	167.0	249.0
Earnings per share	29.83	21.15	17.52

Production

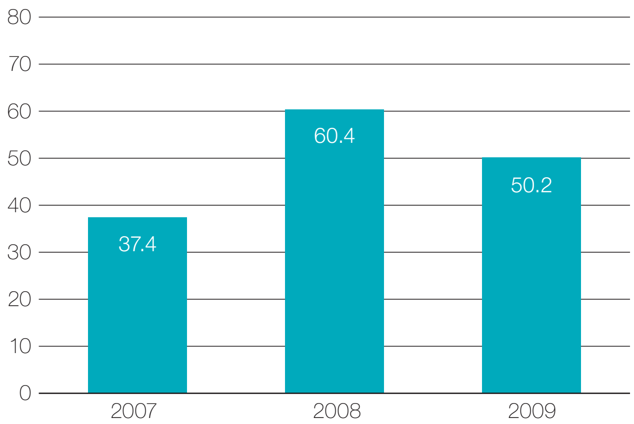
in 1,000 tons	2007	2008	2009
Fibers (total)	523.1	540.3	568.6
Paper	82.9	13.7	0.0
Plastics	27.2	39.1	32.4

*) from continuing operations

Key Data

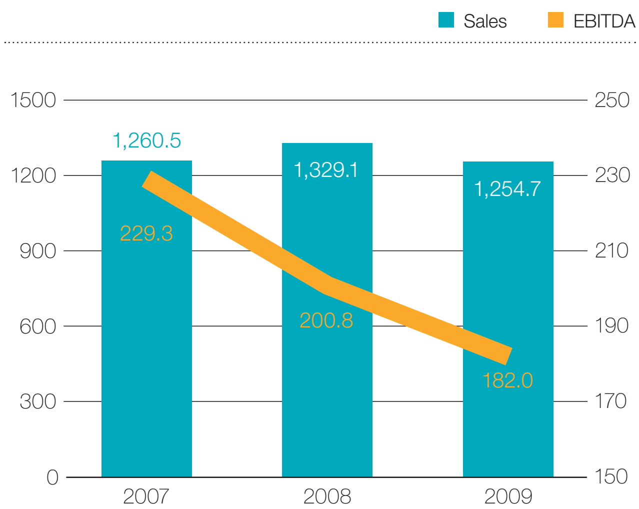
of the Lenzing Group according to IFRS

Net Gearing in %

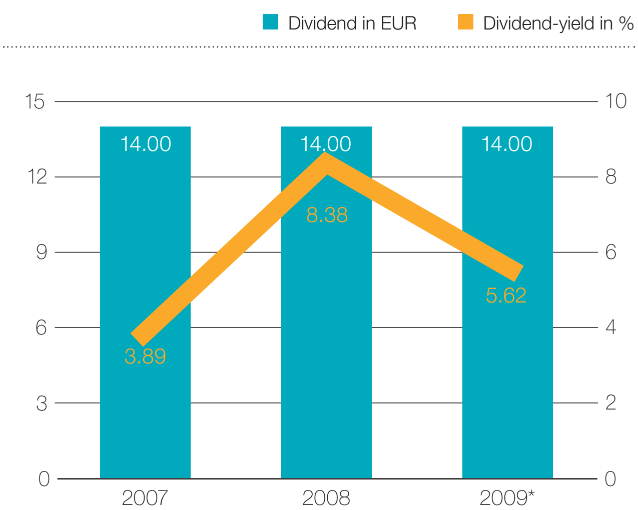


Sales compared to EBITDA

EUR mill.

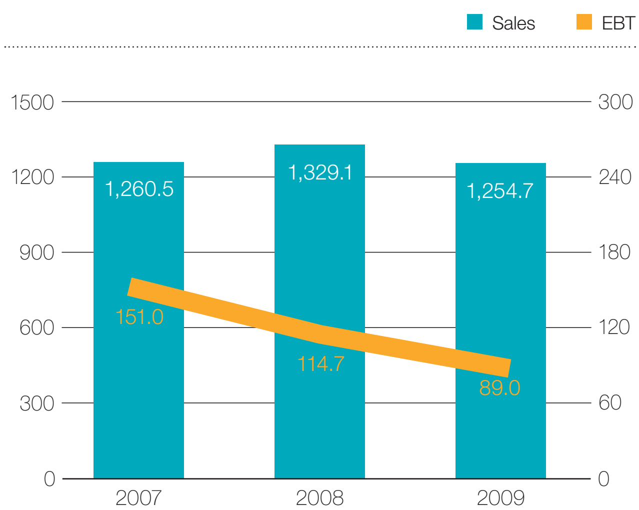


Dividend



Sales compared to EBT

EUR mill.



*) Proposal