

LETTER TO SHAREHOLDERS

Lenzing Group
Third Quarter 2007

Dear Shareholder,

The economic conditions for the fiber industry remained positive throughout the third quarter of 2007 and were supported by strong global fiber demand. The boom in the emerging markets continues and demand in western industrialized nations remains good. Our other business sectors continue to benefit from the good global economic conditions as well. Uncertainty in the international financial markets caused by the US subprime loan crisis has had no impact on the economic framework conditions of the Lenzing Group.

Lenzing Group

New records in sales, EBIT and margins

The development of the Lenzing Group in the first nine months has been very gratifying, resulting in new nine-month records, as well as quarterly records. Net margins for the third quarter reached new record highs.

Consolidated sales climbed by 18.7% from EUR 814.1 mill to EUR 966.2 mill. Strong growth in core business fibers and the inclusion of the new companies acquired by Business Unit Plastics are the reason for this significant increase in sales. The nine-month EBIT of 2007 grew by 41.6% to EUR 113.4 mill. and is already significantly higher than the all-year EBIT of 2006 of EUR 107.1 mill. The financial result remained unchanged, EBT came to EUR 105.5 mill (2006: EUR 72.2 mill.) and period net income improved to EUR 80.6 mill (2006: EUR 52.3 mill., a plus of 54.1%). Earnings per share for the first nine months rose to EUR 20.21 EUR (2006: EUR 13.22).

The EBIT margin for the first nine months of 2007 was 11.7% (2006: 9.8%), the EBITDA margin 16.7% (2006: 15.6%). The third quarter EBIT and EBITDA margins reached new record record highs of 13.5% and 18.0%.

The Lenzing balance sheet as of 30 September 2007 shows equity of EUR 532.6 mill. (31 December 2006: EUR 516.0 mill.). This corresponds to an adjusted* equity ratio of 44.6% of the balance sheet total (year-end 2006: 51.1%) with the balance sheet total having grown to EUR 1.25 bill. in the first nine months (year-end 2006: EUR 1.06 bill.).

Along with the expenditures for property, plant and equipment, the acquisition of new subsidiaries by Business Unit Plastics (Hahl Group, Pedex, Glassmaster) and the increase of Lenzing's share in its subsidiary PT. South Pacific Viscose resulted in EUR 228.5 mill. of non-current assets acquired in the first nine months (2006: EUR 60.7 mill.). The strong self-financing power of the Lenzing Group kept the increase of financial liabilities at a comparatively low level. Financial liabilities per September were at EUR 351.0 mill. (31 December 2006: 242.9 mill.).

* equity incl. government grants less proportionate deferred taxes

Capital expenditure for property plant and equipment came to EUR 105.6 mill. and concerned mainly the completion of the new viscose fiber production plant in Nanjing (China), a new boiler for the energy supply at the Lenzing site and renovation and expansion at the Lenzing site and in Indonesia (PT. South Pacific Viscose).

As at 30 September 2007, the Lenzing Group employed a staff of 5,919 (31 December 2006: 5,044). The increase is a result of the start of operations at the new viscose fiber production plant in Nanjing and the acquisitions by Business Unit Plastics.

Segment Fibers

Strong Asian demand continues

The global fiber market continues to be characterized by strong demand from China, India, Pakistan and Korea. European demand recently showed signs of slight weakening.

Lenzing derived optimum benefit from the boom in cellulose textile fibers as well as in fibers for nonwovens. The very high prices for chemicals and the historic pulp price high were passed on to the market through price increases. Fiber production is running at full capacity at all sites with stock at lowest levels.

Successful start of production at the viscose fiber plant in Nanjing

The new fiber plant in Nanjing was inaugurated in September, after the successful completion of six months of trial runs. Excellent fiber quality was achieved very soon, both for textile as well as nonwovens applications. The additional capacity of the new plant is urgently required to meet market demands.

Capacity expansion at the Heiligenkreuz TENCEL® site

The strong demand for TENCEL® fibers was the reason for the decision to expand capacity at the TENCEL® production site at Heiligenkreuz Burgenland/Austria. Total investment of about EUR 25 mill. will increase annual nominal production capacity to almost 50,000 tons per year (currently 40,000 tons). The project will be completed within the next business year. It essentially expands the second production line by two spinning lines, utilizing existing buildings and infrastructure.

**Business Units
Textile Fibers and
Nonwoven Fibers**

New applications for sportswear, lingerie and home textiles, as well as cooperations with producers of international brands led to a significantly broadened range of applications in the textile fiber sector. Heat protection fibers (Lenzing FR®) generated record shipments and order bookings due to the high demand for breathable protective wear. The product mix share of high-quality speciality fibers with high profit margins was further increased in comparison to 2006.

Continuing and very strong demand on a global basis characterized the third quarter of Business Unit Nonwoven Fibers. Here as well, the unfavorable development of raw material prices was passed on to the market by price increases. These and increased sales volumes resulted in a very good development of earnings.

Segment Plastics

**Gratifying
development**

The development of Segment Plastics in the first three quarters of 2007 was satisfactory. Prices for raw materials for the production of thermoplastics reached record levels. PTFE-based shading systems in growth sector textile architecture were very successful and the development of all other business fields was gratifying as well. Optimization of production was started at the newly acquired production sites of business field mono-filaments by relocating equipment. The process of integrating the individual acquisitions is on schedule.

Segment Engineering

**Positive
development
continues**

Segment Engineering had good order bookings in the first nine months of 2007 and the good development of all business fields continued. The new sheet metal processing center at the Lenzing site was inaugurated in October. Complex applications, such as laser cutting, precision punching, folding, and robot-driven welding are offered to customers from manufacturing systems engineering and the automotive and medical industries, creating 60 new jobs in the final stage.

Segment Paper

Segment Paper managed to achieve good sales as well as price increases in individual sectors at high production levels.

Outlook

The positive development of the market environment for cellulose fibers is expected to continue throughout the fourth quarter. From today's perspective a weakening of demand, especially in Asia, is not to be expected and a continuation of the fiber boom into the first quarter of 2008 seems likely. Lenzing counters the distinct weakening of the US dollar versus the euro by continuous expansion of capacity close to the dollar zone and by the use of hedging instruments. High energy and raw material prices will continue to exert their pressure. The impact of the enormous increase in pulp prices is weakened by the high degree of Lenzing's self supply and long-term contracts with external suppliers.

The current development is expected to continue in the other segments as well until the end of 2007, with Plastics being expected to achieve a significant increase in sales and earnings due to the successful acquisitions of 2007.

We are therefore very optimistic that sales and earnings of business year 2007 will be significantly higher than those of the previous year, provided the general economic situation will remain good.

Lenzing, November 2007

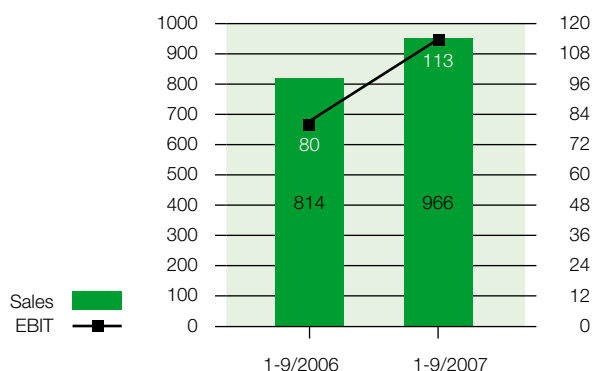
The Management Board

Income Statement

According to IFRS	7-9/2007	7-9/2006	1-9/2007	1-9/2006
	EUR mill.	EUR mill.	EUR mill.	EUR mill.
Sales	348.0	280.6	966.2	814.1
Changes in inventories and work performed by the Group and capitalized	12.1	(2.5)	22.0	3.6
Other operating income	7.5	4.3	12.9	10.4
Cost of material and purchased services	(202.0)	(156.1)	(558.9)	(453.0)
Personnel expenses	(60.1)	(62.5)	(174.9)	(159.3)
Amortization of intangible assets and depreciation of property, plant and equipment	(16.4)	(16.6)	(51.0)	(50.0)
Other operating expenses	(42.0)	(27.5)	(102.9)	(85.7)
Income from operations (EBIT)	47.1	29.7	113.4	80.1
Financial income and expenses	(3.3)	(1.5)	(7.9)	(7.9)
Income before tax (EBT)	43.8	28.2	105.5	72.2
Income tax	(9.3)	(7.6)	(24.9)	(19.9)
Net income	34.5	20.6	80.6	52.3
Attributable to:				
Shareholders of Lenzing AG	32.0	19.2	74.3	48.6
Minority shareholders	2.5	1.4	6.3	3.7
	EUR	EUR	EUR	EUR
Earnings per share	8.68	5.21	20.21	13.22

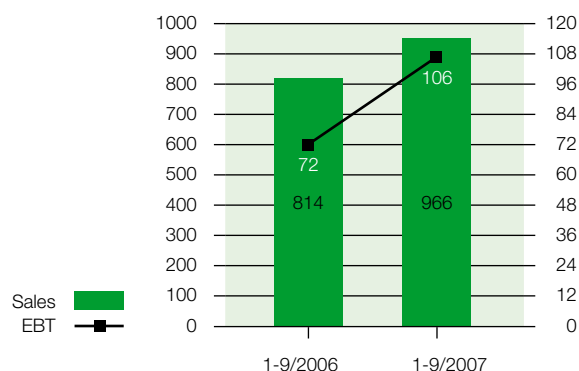
Sales compared to EBIT

EUR mill.



Sales compared to EBT

EUR mill.



Balance Sheet

According to IFRS

Assets	30/09/2007		31/12/2006	
	EUR mill.	in %	EUR mill.	in %
Intangible assets incl. goodwill	85.7	6.8	10.9	1.0
Property, plant and equipment	699.7	56.0	626.0	59.0
Financial assets	22.8	1.8	27.6	2.6
Other non-current assets	4.5	0.4	4.4	0.4
Non-current assets	812.7	65.0	668.9	63.0
Inventories	157.9	12.6	123.9	11.7
Receivables	196.1	15.7	171.9	16.2
Investments, cash and cash equivalents	83.8	6.7	97.0	9.1
Current assets	437.8	35.0	392.8	37.0
Total assets	1,250.5	100.0	1,061.7	100.0

Equity and Liabilities	30/09/2007		31/12/2006	
	EUR mill.	in %	EUR mill.	in %
Equity	532.6	42.6	516.0	48.6
Government grants	31.5	2.5	34.0	3.2
Bank loans and other loans	303.7	24.3	214.5	20.2
Provisions	102.3	8.2	90.5	8.5
Liabilities	3.9	0.3	3.9	0.4
Non-current liabilities	409.9	32.8	308.9	29.1
Bank loans and overdrafts, other loans	47.3	3.8	28.4	2.7
Provisions	107.2	8.6	75.6	7.1
Liabilities	122.0	9.7	98.8	9.3
Current liabilities	276.5	22.1	202.8	19.1
Total equity and liabilities	1,250.5	100.0	1,061.7	100.0

Cash Flow Statement

According to IFRS	1-9/2007	1-9/2006
	EUR mill.	EUR mill.
Gross cash flow	132.9	119.0
Change in working capital	6.8	(8.5)
Operating cash flow	139.7	110.5
- Acquisition of non-current assets	(228.5)	(60.7)
+ Proceeds from the disposal / redemption of non-current assets	5.8	0.4
Net cash used in investing activities	(222.7)	(60.3)
+ Payments of other shareholders	0.0	5.9
- Dividends paid to shareholders	(38.8)	(31.4)
+/- Receipts from financing activities and payback of loans and overdrafts	110.2	(5.0)
Net cash used in (-) / provided by (+) financing activities	71.4	(30.5)
Change in cash and cash equivalents	(11.6)	19.7
Cash and cash equivalents at the beginning of the year	88.8	77.1
Currency translation adjustment relating to cash and cash equivalents	(1.6)	(0.9)
Cash and cash equivalents at the end of the reporting period	75.6	95.9

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