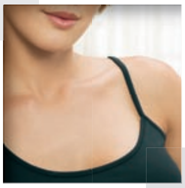

Letter to Shareholders

THIRD QUARTER 2008 Lenzing Group

LENZING
LEADING FIBER INNOVATION

Letter to Shareholders

Third Quarter 2008

Dear Shareholder,

The Lenzing Group further enhanced its position as the world market leader in cellulose fibers in the first nine months of 2008 in spite of economic conditions that were significantly more difficult and the financial market crisis which unfolded dramatically.

Lenzing Group

Consolidated sales for the first nine months of 2008 rose by 10%, from EUR 920.5 mill. to EUR 1,012.1 mill. due to improved fiber prices in the first half of the year, the expansion of production capacity, which resulted in higher shipments, and the first-time full consolidation of the acquisitions made by segment Plastics in 2007. As expected, fiber prices started to decline in the third quarter.

Energy and raw material prices, in particular for natural gas and sulfurous compounds, rose significantly above those of last year's reference period. This led to a disproportionate rise of cost of material and purchased services by 16% to EUR 607.3 mill. This disparity between cost and sales had been considerable already in the first half of the year and continued to grow significantly in the third quarter. For this reason EBIT declined by 6% from EUR 114.0 mill. to EUR 107.1 mill. The financial result fell to minus EUR 18.4 mill. (2007: minus EUR 7.9 mill.) as a consequence of higher financing costs caused by the changed interest rate situation and the rising irritation resulting in the unprecedented volatility of the essential currency markets. EBT correspondingly declined to EUR 88.7 mill. (2007: EUR 106.1 mill.). At an almost unchanged tax charge, period net income declined by 22% from EUR 80.6 mill. to EUR 62.8 mill.

The EBIT margin came to 10.6% (2007: 12.4%) and the EBITDA margin to 15.8% (2007: 17.5%).

The Lenzing Group balance sheet as at 30 September 2008 shows significantly higher intangible assets and property, plant and equipment of EUR 847.4 mill. (31 December 2007: EUR 784.7 mill.) reflecting the unabated investing activity of the Group. Equity increased only slightly (due to dividend payments of EUR 53,0 mill.) from EUR 562.2 mill. at the end of 2007 to EUR 573.7 mill. This corresponds to an adjusted equity ratio[1)] of 44,3% of the balance sheet total (year end 2007: 44,8%).

Investment in property, plant and equipment and intangible assets came to EUR 108.9 mill. (2007: EUR 105.1 mill.), focusing on the continuing capacity expansion program and modernization at the Lenzing site, capacity expansion at Heiligenkreuz (Austria) and new investment into expanding production at Purwakarta (Indonesia) by 60.000 tons per year to 220.000 tons p.a. by 2010, as well as modernization.

As at 30 September 2008, the Lenzing Group employed a staff of 5,992 (31 December 2007: 5,918) in its continuing business operations.

[1)] Equity including governemt grants less proportionate deferred taxes

Segment Fibers

After an excellent first quarter, the global fiber business markedly cooled down in the second. Cotton prices, an important indicator of global fiber price development, significantly weakened from a year-high of over 80 US cents per pound to about 70 US cents by the end of September. Polyester fiber prices followed the trend.

Business Units Textile Fibers and Nonwoven Fibers

Fiber production operated at full capacity at all sites. Current stock levels are average. The result situation was characterized by the rising cost of energy and chemicals which could not be fully passed on to the market. Declining pulp prices brought a slight relief to primary material cost.

Business Unit Textile Fibers had excellent sales results with specialty fibers TENCEL® and Lenzing Modal® with international brand producers in sportswear and womens' wear. Lenzing was well positioned in the new collections of leading Asian lingerie manufacturers. The home textile business was gratifying.

The sales volume generated by Business Unit Nonwoven Fibers increased. However, price decline for some product groups had to be accepted from the middle of the year on. Overheated European demand in 2007 and the first quarter of 2008 was followed by more balanced supply and demand. The development of Lenzing's US business was stable, despite the current financial crisis. There is no decline yet in Asian demand, either.

Segment Plastics

The business development of segment Plastics was satisfactory but characterized by rising raw material prices for thermoplastics. Product diversity helped to compensate declining demand in some sectors by growing demand in others.

Business Unit Performance Polymers

The development of some segments in the business field of specialty films of Business Unit Performance Polymers was gratifying. The very weak development of the European construction industry was reflected in the sales volumes of construction materials.

Business Unit Filaments and Fibers

There have been clear indications recently of the general slowdown of the US and European economies in business unit Filaments and Fibers. The strong euro until the end of July was a hindrance to business development facing strong competition from the dollar zone. Production is currently being optimized at all sites. The integration of the newly acquired sites is taking longer than expected.

Segment Engineering

The business development of segment Engineering was stable. The current level of order bookings for the remainder of 2008 is satisfactory.

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Outlook

The international financial market crisis decidedly accelerated the slow-down of the economy that had already been on the horizon by the middle of the year. The drastic impact on the real economies of Europe and the USA is clearly visible.

The extent and intensity of the crisis had neither been foreseeable, nor can its consequences and duration be accurately assessed from today's perspective.

The fiber boom of the past two years has come to an end for good. It will be followed by a period of weak growth at lower margins. Significantly lower cotton prices and falling polyester prices due to declining crude oil prices will impact on the price level of cellulose fibers.

The Lenzing Group is better prepared for difficult times than comparable companies due to its global market leadership and, above all, due to its orientation over the past years towards products with less exposure to economic cycles.

In face of the prevailing economic conditions the Lenzing Group expects business development for the remaining weeks of the year to be satisfactory. The textile fiber business will continue to weaken, but Lenzing's very good development in the field of high-quality specialty fibers will counter that trend. The steady development of nonwoven fibers will help to stabilize the development of segment Fibers. The effects of restructuring measures in segment Plastics will become more visible over the coming months. Segment Engineering will continue its positive development at its good current level, even if order bookings can be expected to decline.

As seen from today, Lenzing is likely to achieve its second-best EBIT result in history. This would be a remarkable success in view of the current difficult economic situation and the financial market crisis.

Events after the reporting date

Thomas Fahnemann, chairman of the management board of Lenzing AG since May 2003, has asked the chairman of the company's supervisory board for his pre-term release from his position, in order to be able to assume the chairmanship of the management board of RHI AG. Thomas Fahnemann's change will take place at the beginning of 2009 at the earliest. It requires the approval of the supervisory boards of both companies.

Lenzing, November 2008

The Management Board

Income Statement

According to IFRS	7-9/2008	7-9/2007	1-9/2008	1-9/2007
	EUR mill.	EUR mill.	EUR mill.	EUR mill.
Sales	322.6	333.0	1,012.1	920.5
Changes in inventories and work performed by the Group and capitalized	12.8	12.3	44.1	22.0
Other operating income	5.4	7.5	17.4	12.9
Cost of material and purchased services	(194.4)	(190.5)	(607.3)	(524.1)
Personnel expenses	(62.9)	(58.0)	(186.7)	(168.8)
Amortization of intangible assets and depreciation of property, plant and equipment	(18.6)	(16.0)	(55.3)	(49.8)
Other operating expenses	(29.9)	(41.0)	(117.2)	(98.7)
Income from operations (EBIT)	**35.0**	**47.3**	**107.1**	**114.0**
Financial income and expenses	(11.1)	(3.3)	(18.4)	(7.9)
Income before tax (EBT)	**23.9**	**44.0**	**88.7**	**106.1**
Income tax	(8.0)	(9.3)	(26.3)	(25.0)
Profit after taxes from continuing operations	**15.9**	**34.7**	**62.4**	**81.1**
Result from discontinued operations	0.1	(0.2)	0.4	(0.5)
Net income	**16.0**	**34.5**	**62.8**	**80.6**
Attributable to:				
Shareholders of Lenzing AG	17.8	32.0	62.0	74.3
Minority shareholders	(1.8)	2.5	0.8	6.3
	EUR	EUR	EUR	EUR
Earnings per share	**4.84**	**8.68**	**16.86**	**20.21**

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Balance Sheet

According to IFRS	30/09/2008		31/12/2007	
Assets	EUR mill.	in %	EUR mill.	in %
Intangible assets and property, plant and equipment	847.4	62.9	784.7	60.0
Financial assets	25.1	1.8	24.9	1.9
Other non-current assets	6.6	0.5	3.6	0.2
Non-current assets	**879.1**	**65.2**	**813.2**	**62.1**
Inventories	204.4	15.2	164.0	12.5
Receivables	187.0	13.9	185.3	14.2
Investments, cash and cash equivalents	77.1	5.7	119.1	9.1
Assets classified as held for sale	-	-	27.0	2.1
Current assets	**468.5**	**34.8**	**495.4**	**37.9**
	1,347.6	**100.0**	**1,308.6**	**100.0**
Equity And Liabilities				
Equity	**573.7**	**42.6**	**562.2**	**43.0**
Government grants	**30.1**	**2.2**	**30.5**	**2.3**
Bank loans and other loans	325.1	24.1	297.5	22.7
Provisions	117.4	8.7	116.1	8.9
Liabilities	2.9	0.2	3.0	0.2
Non-current liabilities	**445.4**	**33.0**	**416.6**	**31.8**
Bank loans and other loans	57.8	4.3	30.0	2.3
Provisions	123.8	9.2	100.7	7.7
Liabilities	116.8	8.7	148.3	11.3
Liabilities associated with the assets classified as held for sale	-	-	20.3	1.6
Current liabilities	**298.4**	**22.2**	**299.3**	**22.9**
	1,347.6	**100.0**	**1,308.6**	**100.0**

Cash Flow Statement

According to IFRS	1-9/2008	1-9/2007
	EUR mill.	EUR mill.
Gross cash flow	120.4	132.0
Change in working capital	(57.9)	10.1
Net cash used in discontinued operations	(0.5)	(2.4)
Operating cash flow	**62.0**	**139.7**
- Acquisition of non-current assets	(109.2)	(228.0)
+ Proceeds from the disposal/repayment of non-current assets	0.9	5.8
+ Proceeds from the disposal of securities held as current assets	8.0	0.0
Proceeds from the disposal of/net cash used in discontinued operations	2.3	(0.5)
Net cash used in investing activities	**(98.0)**	**(222.7)**
+ Payments of other shareholders	2.7	0.0
- Dividends paid to shareholders	(53.0)	(38.8)
+/- Receipts from financing activities/repayment of loans	52.1	107.3
Net cash from discontinued operations	0.0	2.9
Net cash provided by financing activities	**1.8**	**71.4**
Change in cash and cash equivalents	**(34.2)**	**(11.6)**
Cash and cash equivalents at the beginning of the year	111.4	88.8
Currency translation adjustment relating to cash and cash equivalents	(0.1)	(1.6)
Cash and cash equivalents at the end of the reporting period	**77.1**	**75.6**

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