

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

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Helmut Bernkopf (b. 1967)

First appointment to the board: 23 April 2009

End of current mandate: 2012

Supervisory board mandate at other quoted compa-

nies: 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 compa-

nies: 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