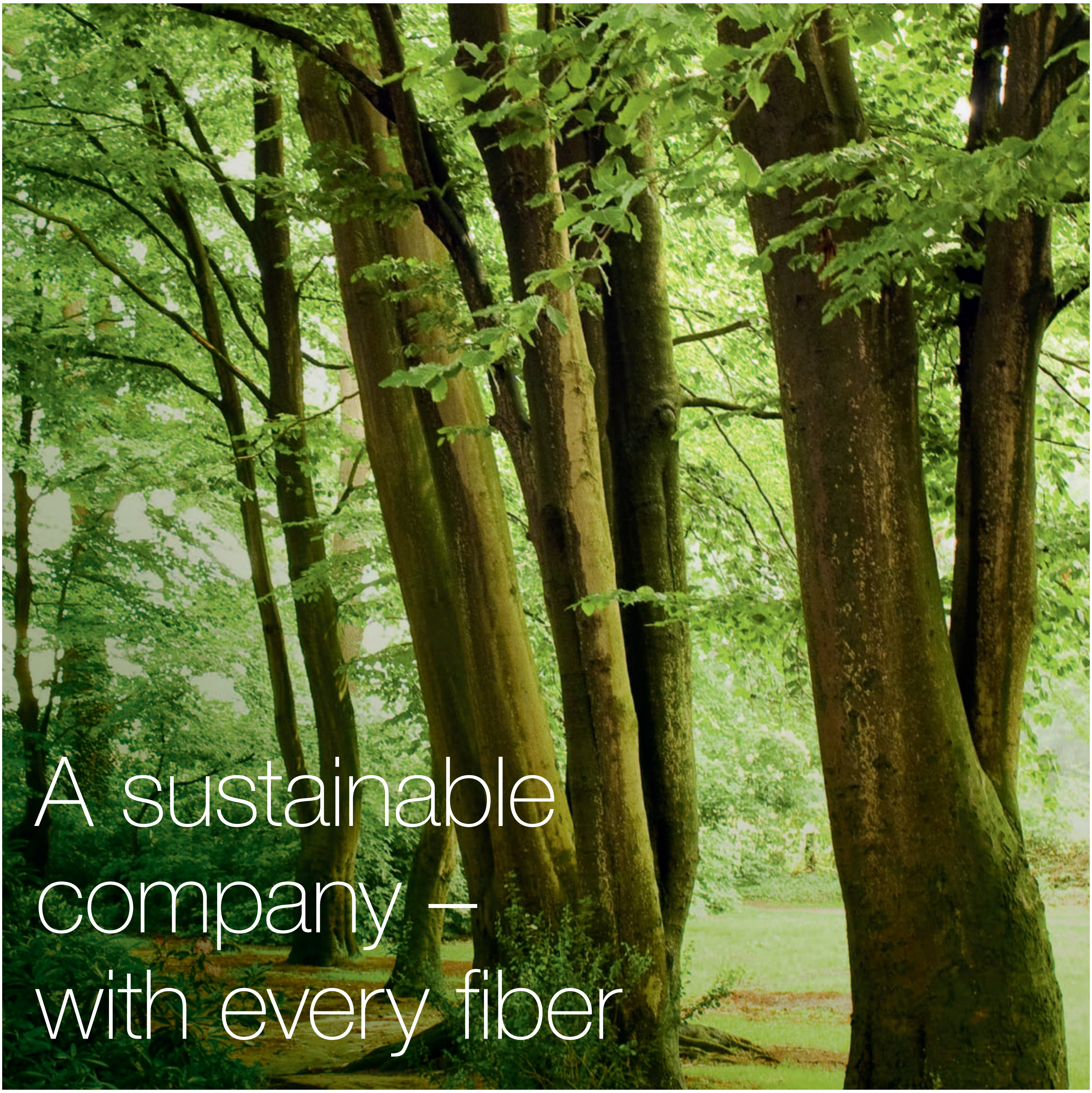

LETTER TO SHAREHOLDERS FIRST HALF YEAR 2009 Lenzing Group

LENZING
LEADING FIBER INNOVATION

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Contents

Management Report

In the first six months of 2009 the Lenzing Group could not escape the impact of the global recession. Even with the revival of quantity demand in the second quarter the market situation in the fiber business remained extremely difficult and volatile, as opposed to the record first half year 2008.

Management Report

General Market Environment

The first half year of 2009 was still very much influenced by the global recession. Affected above all were the western industrialized nations, whereas the major economies of Asia, China, India and Indonesia, exhibited slower growth rates but no actual decline of their gross domestic product. In South America, too, the impact of the recession was less pronounced than initially feared.

The price development of raw materials for the fiber industry showed no uniform trend. The strong decline of crude oil prices led to correspondingly lower energy prices. The prices of fibers based on mineral oil, such as polyester and polypropylene, pointed downward, too. Cotton prices in the first half of 2009 dropped by about a third compared to the first half year of 2008, with prices slightly firming up in the second quarter. Prices for dissolving pulp declined significantly as a consequence of production cut-backs at non-integrated cellulose fiber production sites. The spot market prices of the first half of 2009 dropped to almost half of those of the premium price period of the previous first half year, however, showing a marked increase in June again. The prices of particular chemicals such as caustic soda remained at their high levels despite the recession.

The development of the fiber industry in the first half of 2009 was highly volatile. The strong decline in demand and prices of 2008 continued unabated into 2009, especially in the important fiber markets of Europe and Asia and resulted in marked production decline, highly volatile demand and customers as well as suppliers affected by uncertainty. Stabilization at a low level and a slight upward trend set in only in the middle of the second quarter and quantity demand revived moderately with prices still at low levels but showing a clear upward trend. This development was caused above all by stock level adjustment effects in the textile pipeline and a certain calming down of the economy, especially in the emerging markets.

Development of the Lenzing Group

The Lenzing Group was not able to evade the impact of the global economic crisis of the first half year 2009. Even with the revival of quantity demand in the second quarter, the current first half year was characterized by an extremely difficult and volatile market situation in the fiber business, as opposed to the record first half year 2008. The Group's other major field of activity, plastics, severely suffered from the impact of the recession in Europe and North America. Cost optimization at all sites and in all fields of activity, including overhead costs, was not able to fully compensate the negative impact of the general market development.

Consolidated sales dropped by 14.4% from EUR 689.5 mill. to EUR 589.9 mill. compared to the first half year of 2008. Responsible for this result were lower fiber production at the non-integrated sites, especially in the first quarter, markedly lower fiber prices and significantly lower sales in segment Plastics. Cost of material and purchased services declined by 19.0% from EUR 412.9 mill. to EUR 334.3 mill. which was in part due to lower energy and raw material prices.

Income from operations (EBIT) for the first half year declined from EUR 72.1 mill. to EUR 15.4 mill. Lower production cost and other, in part drastic, cost cuts could not compensate the sales loss incurred with fibers. Income before tax (EBT) consequently came to EUR 8.0 mill. (2008: EUR 64.8 mill.) with a reduction of cost of finance from EUR 8.8 mill. to EUR 6.0 mill.

Profit for the period came to EUR 5.9 mill. (2008: EUR 46.8 mill.) at a tax burden of EUR 2.1 mill. (2008: EUR 18.3 mill.).

The EBIT margin declined from 10.5% to 2.6% and the EBITDA margin from 15.6% to 9.0%.

Operating cash flow improved from EUR 32.3 mill. to EUR 97.1 mill. due to the massive reduction of stock in raw materials and finished products in the second quarter. The measures taken to reduce working capital had therefore been immediately efficient and successful. Moreover replacement investment was cut back. Cash and cash equivalents came to EUR 76.7 mill. (half year balance sheet date 2008: EUR 68.7 mill.). Ensuring liquidity was and will continue to be of highest priority in view of the uncertain situation with regard to markets and suppliers.

The reduction of the balance sheet total from EUR 1,415.8 mill. at the balance sheet date 2008 to EUR 1,392.4 mill. was caused above all by the reduction of stock. Anti-cyclical investment continued to be high and resulted in a rise in property, plant and equipment to EUR 815.8 mill. (year end 2008: EUR 780.8 mill.), with the emphasis on the substantial expansion of the Indonesian subsidiary PT. South Pacific Viscose (SPV) where a new production line with a capacity of 60,000 tons will be started in the first quarter of 2010.

The interim balance sheet of the Lenzing Group shows adjusted equity at EUR 568.2 mill. (31 December 2008: EUR 604.7 mill.). This corresponds to an adjusted equity ratio* of 40.8 % (year end 2008: 42.7 %). Long-term liabilities increased from EUR 465.8 mill. to EUR 558.5 mill. with short-term liabilities significantly declining from EUR 338.6 mill. to EUR 259.3 mill. due to regrouped debt from short-term to long-term liability. Net debt grew from EUR 365.4 mill. at the end of 2008 to EUR 391.1 mill. at mid-year.

Investment in property, plant and equipment of EUR 78.4 mill. was mainly allocated to the expansion of the fiber production site SPV (Indonesia). A total investment of more than EUR 100 mill. is being used to install a fourth production line. Concurrently, the site's infrastructure will be geared to self-sufficiency. Other projects concerned capacity optimization at the Heiligenkreuz site and a further energy production plant at the Lenzing site.

As at 30 June 2009 the Lenzing Group employed a staff of 5,775 (31 December 2008: 5,945).

Segment Reporting

Segment Fibers

The development of Lenzing's core business fibers in the first half of 2009 was, in line with the market trend, highly volatile. The first weeks of 2009 brought a strong decline in demand. Production at the non-integrated sites had to be temporarily cut back in a marked way and adjusted to volatile demand and high stock levels. At the same time Lenzing successfully set itself apart from its competitors: Key customers were being supplied with fibers even in difficult times and at insufficient prices. Especially in China, Korea, Japan, India and Indonesia Lenzing gained customer trust which will result in increased market share in the long run.

The fully integrated site at Lenzing was operated at unchanged high capacity utilization due to intensified marketing by Textile Fibers and by pushing special fibers with less susceptibility to economic developments as well as new innovative nonwovens products. Despite these measures the result situation in business field fibers was decidedly unsatisfactory, with price levels in some regions at only 40 to 50 percent of previous year's record peaks. The adaptation to the changed market situation was bought at great cost, yet it was successful.

At the beginning of the second quarter quantity demand had reached its low point and, starting from Asia, began to slightly recover for standard and special fibers, enabling urgently needed price increases for all cellulose fibers, by a minimum of 7%. Subsequently production in the second quarter was run up to almost full capacity at the non-integrated sites as well. The low fiber price level, however, still left margins below the long-term average.

Sales in segment Fibers fell from EUR 561.9 mill. in the first half year of 2008 to EUR 494.8 mill. The segment's EBIT declined from EUR 77.0 mill. to EUR 22.1 mill.

*) Equity including government grants less proportionate taxes

Management Report

Business Unit Textile Fibers

The focus of Textile Fibers was on pushing high-quality special fibers in order to counter the price pressure exerted on standard fibers.

After two and a half years of joint development with the leading producer of foam plastics, Eurofoam (Greiner Group), the novel material “cellpur“ was introduced to the market. For the first time Lenzing’s cellulose fiber TENCEL® was successfully integrated into foam plastic, resulting in a material with particularly high moisture absorption capacity which again significantly increases sleep comfort and markedly reduces the danger of fungal and bacterial growth.

For Lenzing FR® previous year’s intensified cooperation with Royal TenCate (fabrics for uniforms) was continued and further emphasis was placed on product segment “work wear”. Excellent results were achieved in technical fibers.

Business Unit Nonwoven Fibers

The development of Business Unit Nonwoven Fibers especially in the first quarter was affected by the generally weak economy followed by continually rising demand for cellulose nonwovens in the second quarter. All available production facilities were operating at almost full capacity by mid-year.

New areas of application for TENCEL® fibers were developed for the filtration of liquids and gases, as well as precursor material for carbon and graphite fibers for insulation purposes.

Outlook Textile Fibers and Nonwoven Fibers

Textile fibers and nonwovens can expect a tentative and continuous stabilization of their markets at least as far as the third quarter is concerned. The economies of Asia, Brazil and Turkey will provide positive impulse.

In view of an expected economic upturn, investment in cellulose fibers will be consistently continued. Fiber production capacity at the Purwakarta (Indonesia) site was raised to about 160,000 tons annually in the course of the business year. A new production line is scheduled to start production in the first quarter of 2010 and will increase Indonesian nominal capacity to about 200,000 tons, making SPV the second-biggest production site after Lenzing. In Nanjing (China), too, optimization measures will expand production capacity from currently 60,000 to 75,000 tons per year. Lenzing will therefore be well prepared for the expected growth in attractive emerging markets.

The Lenzing Group expects almost full utilization of production capacity in both fiber business units in the third quarter and a good operative result based on slightly rising demand. Prices, however, are still far below their record levels of 2007 and 2008. The development of the fiber market in the fourth quarter is hard to predict, due to the still uncertain global economic situation.

Business Unit Pulp

After the strong decline of pulp prices in 2008 prices recovered slightly over the first six months of 2009. This was a consequence of low pulp stock in the industry and a certain calming of the economy. The market for dissolving pulp was revived in the second quarter by increased demand from China.

Pulp production at the Lenzing site in the first six months of 2009 was as scheduled, with wood prices at fairly stable but still high levels. The non-integrated Lenzing sites were sufficiently supplied due to long-term delivery agreements.

Chemical sales, a part of Business Unit Pulp, followed the general economic trend in Europe and were correspondingly slow.

Outlook Pulp

Pulp supply to the non-integrated fiber production sites will become less easy, despite long-term delivery agreements, due to a general shortage and labor disputes in South Africa, one of the world's biggest supplier of dissolviong pulp.

Business Unit Energy

The prices for natural gas, important to the non-integrated sites, started out from a low level at the beginning of the year but firmed up markedly over the following six months.

The energy saving measures launched in 2008 were implemented successfully.

Outlook Energy

The cost of gas is expected to rise over the next months up to the end of the year, despite partial hedging. The Lenzing site will enhance the integration pulp – energy – fiber by the construction of a new soda boiler at a total investment of about EUR 16 mill.

Segment Plastics

The business development of segment Plastics was determined by the global recession as was that of segment Fibers. Lenzing was confronted with a marked decline in demand in almost all business fields. Prices and produced quantity slipped by double digit percentage points in the first quarter. Production capacity had to be adjusted at the turn of the year and short hours were introduced at some production sites in Germany. The trend was slowed down in the second quarter but prices and produced quantity are still at unsatisfactory levels due to weak demand and high order volatility, with the exception of individual high-quality niche products. The decidedly favorable prices for precursor materials such as polyethylene and polypropylene we not able to offset price pressure and weak quantity demand.

Half year sales in Segment Plastics came to EUR 72.4 mill. (2008: EUR 98.3 mill.). The decline reflects lower sales prices and unsatisfactory capacity utilization. The segment's EBIT declined from EUR 6.1 mill. to EUR 0.1 mill.

Business Unit Performance Products

European sales of films, laminates and fabrics for the construction and cable industries were not satisfactory due to the very weak economy. The market was characterized by orders placed at short notice and by price dumping. The business field high-quality textile architecture developed very well.

Management Report

Business Unit Filaments

The business unit suffered from weak demand in the sales areas of western industrialized economies throughout the first half year. Demand had stabilized at a low level by mid-year but under-utilization of production capacity depressed the result, despite corresponding measures such as short hours and cost reduction.

Outlook Segment Plastics

Business Unit Performance Products can expect rising demand for products for the construction industry. The development of products for textile architecture is expected to be positive and industrial applications for PTFE-based products will continue to suffer from weak industrial demand. Business Unit Filaments will have to adjust production capacity due to weak demand. The result situation for the second half of the year is perceived as difficult for the Segment Plastics as a whole. A positive annual result is being aimed for, despite the weak demand caused by the economy.

Segment Engineering

Segment Engineering in the first six months still benefited from the good order bookings of 2008. Ongoing intra-group investment was a major contributing factor. Segment sales came to EUR 45.3 mill. (2008: EUR 58.9 mill.) and EBIT at EUR 3.5 mill. was almost on par with that of 2008 (EUR 3.9 mill.).

There were, however, indications that investment will be postponed and that orders will be called with delay. This concerned mainly business fields filtration and separation technology, fiber and environmental technology, as well as mechatronics. The development of business fields sheet metal technology and industrial services was satisfactory.

Outlook Engineering

Order bookings should enable a positive development of Segment Engineering's business in the second half of the year. Order bookings, however, may be expected to slow down and price pressure may increase.

Risk Report

The first six months of 2009 resulted in no essential changes to the risk management strategy as detailed in the annual report for 2008. The current supply risk with regard to dissolving pulp has been outlined in section Outlook Pulp. The global spread of the financial crisis has led to the collapse of the businesses of several clients, resulting in the risk of default of payment which should not be neglected. The reduced coverage by credit insurers deserves mention in this context. The view that the US dollar is going to weaken as a consequence of global economic stimulus packages is gaining ground.

Events after the Balance Sheet Date

The Lenzing Group acquired a 40 % share in the Indonesian holding company PGL (Pura Golden Lion). PGL holds a 12 % share in Lenzing's Indonesian subsidiary PT. South Pacific Viscose. By this acquisition Lenzing strengthens its position on the Indonesian and Asian Fiber market and indirectly raises its share from 86 % to about 91 %.

Outlook Lenzing Group

After the strong decline during the first months of 2009 the Lenzing Group expects a tentative stabilization of sales and results. This expectation is based on the recent recovery of quantity demand in business units Textile Fibers and Nonwoven Fibers, as well as on the effect of ongoing cost reduction measures. Unsatisfactory prices in segments Fibers and Plastics will, however, result in a significant decline of consolidated annual sales compared to previous year's. The annual result will be markedly below that of 2008.

Our Letter to Shareholders for the third quarter will inform you on further developments in November.

Lenzing, 17 August 2009

The Management Board

Interim Consolidated Financial Statements

Interim Consolidated Financial Statements

Income Statement

	Note	4-6/2009 EUR mill.	4-6/2008 EUR mill.	1-6/2009 EUR mill.	1-6/2008 EUR mill.
Sales	(5)	305.9	342.7	589.9	689.5
Change in inventories of finished goods and work in progress	(6)	(12.5)	6.6	(25.0)	13.0
Work performed by the Group and capitalized	(7)	8.2	8.5	16.9	18.3
Other operating income		5.1	4.2	13.5	12.0
Cost of material and purchased services		(166.7)	(215.6)	(334.3)	(412.9)
Personnel expenses	(8)	(61.2)	(62.4)	(124.8)	(123.8)
Amortization of intangible assets and depreciation of property, plant and equipment	(9)	(19.8)	(18.4)	(39.5)	(36.7)
Other operating expenses		(41.7)	(35.6)	(81.3)	(87.3)
Income from operations (EBIT)	**(5)**	**17.3**	**30.0**	**15.4**	**72.1**
Income from investments in associates		0.1	(0.2)	(1.5)	0.4
Other investment income		(0.9)	0.7	0.1	1.1
Finance costs	(10)	(2.0)	(4.2)	(6.0)	(8.8)
Income before tax (EBT)		**14.5**	**26.3**	**8.0**	**64.8**
Income tax	(11)	(3.2)	(8.1)	(2.1)	(18.3)
Profit after taxes from continuing operations		**11.3**	**18.2**	**5.9**	**46.5**
Result from discontinued operations		0.0	0.0	0.0	0.3
Profit for the period		**11.3**	**18.2**	**5.9**	**46.8**
Attributable to shareholders of Lenzing AG		10.5	17.7	6.9	44.2
Attributable to non-controlling interests		0.8	0.5	(1.0)	2.6
		EUR	EUR	EUR	EUR
Earnings per share		**2.85**	**4.80**	**1.87**	**12.02**

Statement of Comprehensive Income

	4-6/2009	4-6/2008	1-6/2009	1-6/2008
	EUR mill.	EUR mill.	EUR mill.	EUR mill.
Profit for the period	**11.3**	**18.2**	**5.9**	**46.8**
Other comprehensive income:				
Exchange differences on translating foreign operations	(9.0)	0.9	0.7	(13.6)
Available-for-sale financial assets	0.1	0.1	0.1	(0.1)
Cash flow hedges	9.3	(2.9)	7.2	(2.1)
Actuarial gains (losses) on defined benefit pension plans	0.0	0.0	0.0	0.0
Share of other comprehensive income of associates	0.1	0.0	0.1	0.0
Income tax relating to components of other comprehensive income	(1.5)	0.8	(0.9)	0.7
Other comprehensive income for the reporting period, net of tax	**(1.0)**	**(1.1)**	**7.2**	**(15.1)**
Total comprehensive income for the reporting period	**10.3**	**17.1**	**13.1**	**31.7**
Total comprehensive income attributable to:				
Shareholders of Lenzing AG	10.4	16.3	14.2	29.7
Non-controlling interests	(0.1)	0.8	(1.1)	2.0
	10.3	**17.1**	**13.1**	**31.7**

Interim Consolidated Financial Statements

Balance Sheet

Assets	Note	30/06/2009 EUR mill.	31/12/2008 EUR mill.
Goodwill	(12)	75.0	75.6
Other intangible assets	(12)	19.7	17.5
Property, plant and equipment	(12)	815.8	780.8
Investments in associates		15.7	17.1
Other financial assets		15.7	13.1
Deferred taxes		1.8	1.9
Other non-current assets		2.4	2.5
Non-current assets		**946.1**	**908.5**
Inventories	(13)	164.7	209.9
Trade receivables		138.7	134.9
Current taxes		13.2	9.9
Other receivables and assets		45.0	46.8
Investments		8.0	0.0
Cash and cash equivalents		76.7	105.8
Current assets		**446.3**	**507.3**
		1,392.4	**1,415.8**

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Equity and Liabilities	Note	30/06/2009 EUR mill.	31/12/2008 EUR mill.
Equity attributable to shareholders of Lenzing AG		519.9	557.1
Non-controlling interests		23.9	22.6
Equity	**(15)**	**543.8**	**579.7**
Government grants		**30.8**	**31.7**
Financial liabilities	(15)	426.7	335.9
Trade payables		6.0	6.0
Deferred taxes		28.4	28.2
Provisions		95.9	94.7
Other liabilities		1.5	1.0
Non-current liabilities		**558.5**	**465.8**
Financial liabilities	(15)	49.1	135.3
Trade payables		55.4	60.2
Provisions for current income tax and other provisions	(16)	113.4	94.3
Other liabilities		41.4	48.8
Current liabilities		**259.3**	**338.6**
		1,392.4	**1,415.8**

Interim Consolidated Financial Statements

Statement of Changes in Equity

	Share of Lenzing AG shareholders			
	Common stock	Capital reserves	Currency translation reserves	
	EUR mill.	EUR mill.	EUR mill.	
Balance as at 1/1/2008	**26.7**	**63.6**	**(20.6)**	
Exchange differences on translation of financial statements presented in foreign currencies			(13.0)	
Other income and expenses recognized directly in equity				
Net income/(loss) recognized directly in equity	**0.0**	**0.0**	**(13.0)**	
Profit for the period				
Total recognized income and expense for the period	**0.0**	**0.0**	**(13.0)**	
Contribution to capital				
Dividends				
Balance as at 30/06/2008	**26.7**	**63.6**	**(33.6)**	
Balance as at 1/1/2009	**26.7**	**63.6**	**(15.6)**	
Exchange differences on translation of financial statements presented in foreign currencies			0.8	
Other income and expenses recognized directly in equity				
Net income/(loss) recognized directly in equity	**0.0**	**0.0**	**0.8**	
Profit for the period				
Total recognized income and expense for the period	**0.0**	**0.0**	**0.8**	
Contribution to capital				
Dividends				
Balance as at 30/06/2009	26.7	63.6	(14.8)	444.4

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		Non-controlling interests	Equity Total
Retained earnings and other reserves	Total		
EUR mill.	EUR mill.	EUR mill.	EUR mill.
474.6	**544.3**	**17.9**	**562.2**
	(13.0)	(0.6)	(13.6)
(1.5)	(1.5)	0.0	(1.5)
(1.5)	**(14.5)**	**(0.6)**	**(15.1)**
44.2	44.2	2.6	46.8
42.7	**29.7**	**2.0**	**31.7**
	0.0	2.7	2.7
(51.4)	(51.4)	(1.9)	(53.3)
465.9	**522.6**	**20.7**	**543.3**
482.4	**557.1**	**22.6**	**579.7**
	0.8	(0.1)	0.7
6.5	6.5	0.0	6.5
6.5	**7.3**	**(0.1)**	**7.2**
6.9	6.9	(1.0)	5.9
13.4	**14.2**	**(1.1)**	**13.1**
	0.0	2.5	2.5
(51.4)	(51.4)	(0.1)	(51.5)
	519.9	**23.9**	**543.8**

Interim Consolidated Financial Statements

Cash Flow Statement

	Note	1-6/2009 EUR mill.	1-6/2008 EUR mill.
Gross cash flow		41.6	82.3
Change in working capital		55.5	(50.9)
Net cash used in discontinued operations		0.0	0.9
Operating cash flow	**(18)**	**97.1**	**32.3**
- Acquisition of non-current assets	(18)	(83.5)	(66.6)
- Acquisition of securities held as current assets		(8.0)	0.0
+ Proceeds from the disposal/repayment of non-current assets		5.7	0.9
+ Proceeds from the sale of securities held as current assets		0.0	8.0
Proceeds from the disposal of/Net cash used in discontinued operations		0.0	2.3
Net cash used in investing activities		**(85.8)**	**(55.4)**
+ Payments of other shareholders		2.5	2.7
- Dividends paid to shareholders	(19)	(51.5)	(53.0)
+ Receipts from finacing activities		23.6	40.7
- Redemption of loans		(15.2)	(6.1)
Net cash from discontinued operations		0.0	(1.4)
Net cash used in (-)/provided by (+) financing activities		**(40.6)**	**(17.1)**
Change in cash and cash equivalents		**(29.3)**	**(40.2)**
Cash and cash equivalents at the beginning of the year		105.8	111.4
Currency translation adjustment relating to cash and cash equivalents		0.2	(2.5)
Cash and cash equivalents at the end of the reporting period	**(18)**	**76.7**	**68.7**

Key Data

		30/06/2009	31/12/2008
Adjusted equity[1]	EUR mill.	568.2	604.7
Equity ratio	%	40.8	42.7
Net debt	EUR mill.	391.1	365.4
Net Gearing	%	68.8	60.4
Number of employees at period end		5,775	5,945
		1-6/2009	1-6/2008
EBIT margin	%	2.6	10.5
EBITDA margin	%	9.0	15.6
Capital expenditure for intangibles, property, plant and equipment	EUR mill.	78.4	66.3

[1] Equity including government grants less proportionate deferred taxes

Selected Explanatory Notes

Note 1. Presentation of the interim financial report

These condensed interim consolidated financial statements of the Lenzing Group for the period 1 January to 30 June 2009 have been prepared in accordance with IAS 34 ("Interim Financial Reporting"). The accounting policies and valuation methods employed are in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In accordance with IAS 34 the condensed interim consolidated financial statements do not provide all of the information mandatory for the annual financial statements and therefore should be read along with the annual financial statements of the Lenzing Group for the year ended 31 December 2008.

The figures provided in the interim financial statements and in these notes are presented in million euros (EUR mill.) unless specified otherwise.

Note 2. Accounting policies

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:

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

- IFRS 8 (new) **Operating Segments**
- IAS 23 (revision) **Borrowing Costs**
- IAS 1 (revision) **Presentation of Financial Statements**
- Amendments to IAS 32 **Financial Instruments: Presentation** and IAS 1 **Presentation of Financial Statements**, concerning puttable instruments and obligations arising on liquidation
- Amendment to IFRS 2 **Share-based Payment**, concerning vesting conditions and cancellations
- Amendments to several IFRSs as a result of the first annual improvement project
- IFRIC 13 (new) **Customer Loyalty Programs**
- IFRIC 14 (new) **IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

Effective for entities adopting IFRS standards for the first time as from 1 January 2009:

- Amendments to IFRS 1 **First-time Adoption of International Financial Reporting Standards** and IAS 27 **Consolidated and Separate Financial Statements**, concerning 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.

The Lenzing Group applies IFRS 8 from the reporting year on. IFRS 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. However, sales and costs of central business acitivities which have been presented as part of segment Fibers up to now, but are not assigned to segments internally, are now presented together with the other non-reportable segments (see Note 5).

Interim Consolidated Financial Statements

Selected Explanatory Notes

Segment performance is measured internally by income from operations (EBIT). The internally monitored assets allocated to segments are: intangible assets, property, plant and equipment, investments in associates, inventories and trade receivables.

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

The following exchange rates and reporting dates were used to translate the assets and liabilities of subsidiaries from their functional currency to the reporting currency:

Unit	Currency		Closing Rate	
			30/06/2009	31/12/2008
1	EUR/USD	US Dollar	1.4136	1.3955
1	EUR/GBP	GB Pound	0.8515	0.9567
1	EUR/CNY	Renminbi Yuan	9.6563	9.5225
1	EUR/HKD	Hong Kong Dollar	10.9570	10.8164
1	EUR/CZK	CZ Koruna	25.9130	26.6075

Note 3. Use of estimates

There were no changes to estimates of amounts which had been presented in previous (interim) reporting periods during the current reporting period which had any material effect on the current interim reporting period.

Note 4. Scope of consolidation

Hahl Extrusions Ltd. was liquidated with effect of 13 June 2009. Receivables with group companies existing at the liquidation date were taken over by the owner, Hahl Group GmbH. The liquidation loss of EUR 0.3 mill. was recognized as other operating expense.

On 29 April 2009 Hahl RecyTec GmbH was merged with Hahl Filaments GmbH, the effective date being 1 January 2009.

The number of companies within the scope of consolidation has therefore changed as follows:

	Full Consolidation	Equity Consolidation
As at 1/1	**41**	**5**
Merged in the reporting period	(1)	0
Liquidated in the reporting period	(1)	0
As at 30/6	**39**	**5**

Note 5. Segment reporting

Segment reporting in the Lenzing Group is based on business segments. The internal reports to management present the following segments:

Fibers:
Segment Fibers covers the business units Textile Fibers, Nonwoven Fibers, Pulp, and Energy as well as wood trading. This segment constitutes the core business of the Lenzing Group.

Engineering:
Segment Engineering (= business unit Engineering) is the Group's technical competence center and consists of three sectors:

- Engineering and contracting
- Mechanical construction an industrial services
- Automation and mechatronics

Plastics:
Segment Plastics manufactures special plastics products for downstream manufacturers. It covers the business units Performance Products and Filaments.

Other and non allocated activities:
"Other segments" essentially covers training services and "non-allocated acitivities" covers the central divisions of the Lenzing Group.

Segment sales

	1-6/2009			1-6/2008		
	Sales to external customers	Inter-segment sales	Total Sales	Sales to external customers	Inter-segment sales	Total Sales
	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.
Fibers	494.7	0.1	494.8	561.7	0.2	561.9
Plastics	71.8	0.6	72.4	97.6	0.7	98.3
Engineering	17.3	28.0	45.3	25.7	33.2	58.9
Other and non-allocated activities	6.1	8.2	14.3	4.5	8.0	12.5
Consolidation	0.0	(36.9)	(36.9)	0.0	(42.1)	(42.1)
Group Total	**589.9**	**0.0**	**589.9**	**689.5**	**0.0**	**689.5**

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Segment results

	1-6/2009	1-6/2008
	EUR mill.	EUR mill.
Fibers	22.1	77.0
Plastics	0.1	6.1
Engineering	3.5	3.9
Other and non-allocated overheads	(9.0)	(12.1)
Consolidation	(1.3)	(2.8)
Group EBIT	**15.4**	**72.1**
Income from investment in associates	(1.5)	0.4
Other investment income	0.1	1.1
Finance costs	(6.0)	(8.8)
Income before tax (EBT)	**8.0**	**64.8**

Segment Assets

	30/06/2009	31/12/2008
	EUR mill.	EUR mill.
Fibers	1,050.9	1,059.8
Plastics	163.4	161.7
Engineering	43.8	44.8
Other	3.0	3.2
Consolidation	(31.5)	(33.7)
Segment assets	**1,229.6**	**1,235.8**
Non-allocated assets:		
long-term	19.9	17.5
short-term	142.9	162.5
Total assets	**1,392.4**	**1,415.8**

Note 6. Change in inventories of finished goods and work in progress

The change in inventories of finished goods and work in progress in the first six months of 2009 reflects the reduction of inventory. No significant write-offs of inventories to their net realizable value was recognized.

Note 7. Work performed by the Group and capitalized

This item covers expenses capitalized as part of the cost of production of property, plant and equipment.

Note 8. Personnel expenses

Personnel expenses of EUR 124.8 mill (reference period 2008: EUR 123.8 mill) include EUR 5.5 mill (reference period 2008: EUR 5.0 mill) of expenses for severance payments and pensions.

Note 9. Amortization of intangible assets and depreciation of property, plant and equipment

Amortization of intangible assets and depreciation of property, plant and equipment of EUR 39.5 mill. (reference period 2008: EUR 36.7 mill.) exclusively comprises systematic amortization/depreciation.

Note 10. Cost of finance

Cost of finance includes interest and interest-like expenses of EUR 8.6 mill (reference period 2008: EUR 8.7 mill.) and foreign exchange gains from the revaluation of financial liabilities of EUR 2.6 mill. (reference period 2008: foreign exchange loss of EUR 0.1 mill).

Note 11. Income tax

Income tax is accrued per taxable entity on the basis of estimated average tax rates. Deferred tax assets arising from unused tax losses carried forward are recognized only to the extent that the amount carried forward is likely to be used up within a conceivable time frame.

Note 12. Intangible assets and property, plant and equipment

During the reporting period the Lenzing Group invested EUR 78.4 mill (reference period 2008: EUR 66.3 mill.) in intangible assets and property, plant and equipment. The investments mainly pertained to major projects started in the previous year (capacity expansion at the viscose fiber production site in Purwakarta, Indonesia, as well as investments at the Lenzing site).

Property, plant and equipment with a net book value of EUR 0.3 mill were sold or decommissioned, yielding revenue of EUR 3.1 mill.

Commitments from open purchase orders for property, plant and equipment as at 30 June 2009 came to EUR 49.7 mill. (31 December 2008: EUR 57.8 mill.)

Note 13. Inventories

The decline in inventories was essentially a result of the reduction of raw material stock (EUR minus 21.1 mill.) and stock in semi-finished and finished products (EUR minus 23.9 mill.).

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Note 14. Equity

The general shareholders' meeting on 23 April 2009 authorized the management board to buy company shares of up to a total of 5% of the share capital in accordance with section 65, paragraph 1 Z 8 of the Austrian Joint Stock Companies Act (AktG). The minimum and maximum share price for redemption were defined as EUR 90.00 and EUR 300.00, respectively. The authorization was not exercised during the reporting period.

Note 15. Financial liabilities

The financial liabilities (short-term and long-term) of EUR 475.8 mill. remained constant (31 December 2008: EUR 471.2 mill.). Renegotiation of some essential credit lines regrouped liabilities in favor of long-term due dates.

Note 16. Provisions for current income tax and other short-term provisions

The increase in short-term provisions is essentially due to services not yet invoiced and accruals in segment Fibers.

Note 17. Contingent liabilities and financial guarantee contracts

Contingent liabilities and commitments of the Lenzing Group developed as follows:

	30/06/09	31/12/08
	EUR mill.	EUR mill.
Assumption of liability for associated companies	7.7	7.6
Bank guarantees in favor of third parties	0.0	0.5

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 18. Cash flow statement

Whereas gross cash flow compared to the first six months of 2008 essentially declined due to the results situation, operating cash flow, mainly as a result of stock reduction, increased from EUR 32.3 mill. to EUR 97.1 mill.

In cash flow from investing activities, the rise in acquisition of non-current assets is due to an increase in purchase of intangible assets, property plant and equipment by EUR 12.1 mill. and an increase in acquisition of securities by EUR 4.8 mill.

Cash and cash equivalents include cash in hand and cash at banks, call money and short-term time deposits with banks. Securities qualifying as a cash equivalent, that is securities with a maturity of less than three months from the time of acquisition, were neither held as at 30 June 2009 nor as at 31 December 2008.

Note 19. Dividends paid

The shareholders of the parent company received the following dividend payments during the reporting period:

	Total EUR mill.	Number of shares	Dividend per share EUR
Dividend for business year 2008 paid in 2009	51.4	3,675,000	14.00
Dividend for business year 2007 paid in 2008	51.4	3,675,000	14.00

In the first half year subsidiaries paid EUR 0.1 mill. (first half year 2008: EUR 1.6 mill) to non-controlling interests.

Note 20. Related party transactions

The group of related parties (companies and persons) has remained unchanged over the reporting period.

Scope and amount of essential business transactions as well as outstanding balances with associated companies are as follows:

	1-6/2009	1-6/2008
	EUR mill.	EUR mill.
Sales	19.7	28.2
Other operating income	0.4	1.5
Cost of material and purchased services	7.1	7.8

	30/06/2009	31/12/2008
	EUR mill.	EUR mill.
Trade receivables incl. amounts due under construction contracts	11.7	15.1
Liabilities	3.5	4.2

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Note 21. Derivative financial instruments

Instruments for hedging exchange rate risk

In order to hedge currency exchange rate risk, the Lenzing Group employs foreign currency forward contracts and options which are measured at market value.

The market value of the instruments employed as at the balance sheet dates is as follows:

Fair Value Hedges

Type of derivative financial instrument	Gain (+) / Loss (-)	
	30/06/2009	31/12/2008
	EUR mill.	EUR mill.
Foreign currency forward contracts	1.7	(1.2)
Foreign currency options	0.0	0.0

Cash flow Hedges

Type of derivative financial instrument	Gain (+) / Loss (-)	
	30/06/2009	31/12/2008
	EUR mill.	EUR mill.
Foreign currency forward contracts	0.7	(2.3)
Foreign currency options	(0.6)	(3.3)
Other hedges	(4.2)	(11.4)

The hedges as at 30 June 2009 have maturities of up to 16 months.

Price risk

The Group employs futures traded on the respective commodity exchange to hedge and manage raw material price risk (aluminum, natural gas). These hedges as at 30 June 2009 have maturities of up to 13 months. Unrealized losses as at 30 June 2009 from the valuation of open futures or, respectively, the loss from the closing of contracts with delivery in the subsequent period came to EUR 1.6 mill. (31. December 2008: EUR 3,1 mill.) and are directly recognized in equity.

Note 22. Events after the balance sheet date

The Lenzing Group acquired a 40% share in the Indonesian holding company PGL (Pura Golden Lion) in July. The company has held a share of 12 % in PT. South Pacific Viscose since the foundation of the latter. Lenzing thereby indirectly increases its share it its subsidiary PT. South Pacific Viscose from 86 % to about 91 %

Note 23. Corporate bodies

The general shareholders' meeting on 23. April 2009 newly elected Helmut Bernkopf, management board member of UniCredit Bank Austria AG, and Josef Krenner, head of division finance at the government of Upper Austria, to the supervisory board. The constitutive meeting of the new supervisory board held after the general shareholders' meeting elected Hermann Bell as chairman and Winfried Braumann as deputy chairman.

The members of the supervisory board therefore now are:

Hermann Bell, Linz
Chairman

Winfried Braumann, Vienna
Deputy chairman

Horst Bednar, Vienna (up to 23 April 2009)

Helmut Bernkopf, Vienna (from 23 April 2009)

Josef Krenner, Linz (from 23 April 2009)

Walter Lederer, Wien

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

The condensed interim financial statements of the Lenzing Group at hand have neither been audited nor reviewed by an auditor.

Lenzing, 17 August 2009

The Management Board:

Peter Untersperger **Christian Reisinger** **Friedrich Weninger**

Interim Consolidated Financial Statements

Declaration of the Management Board

We confirm to the best of our knowledge that the condensed interim financial statements of the Lenzing Group, which were compiled in accordance with IAS 34 "Interim Financial Reporting", give a true and fair view of the assets, liabilities, financial position and financial performance of the Group and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Lenzing, 17 August 2009

The Management Board:

Peter Untersperger **Christian Reisinger** **Friedrich Weninger**

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