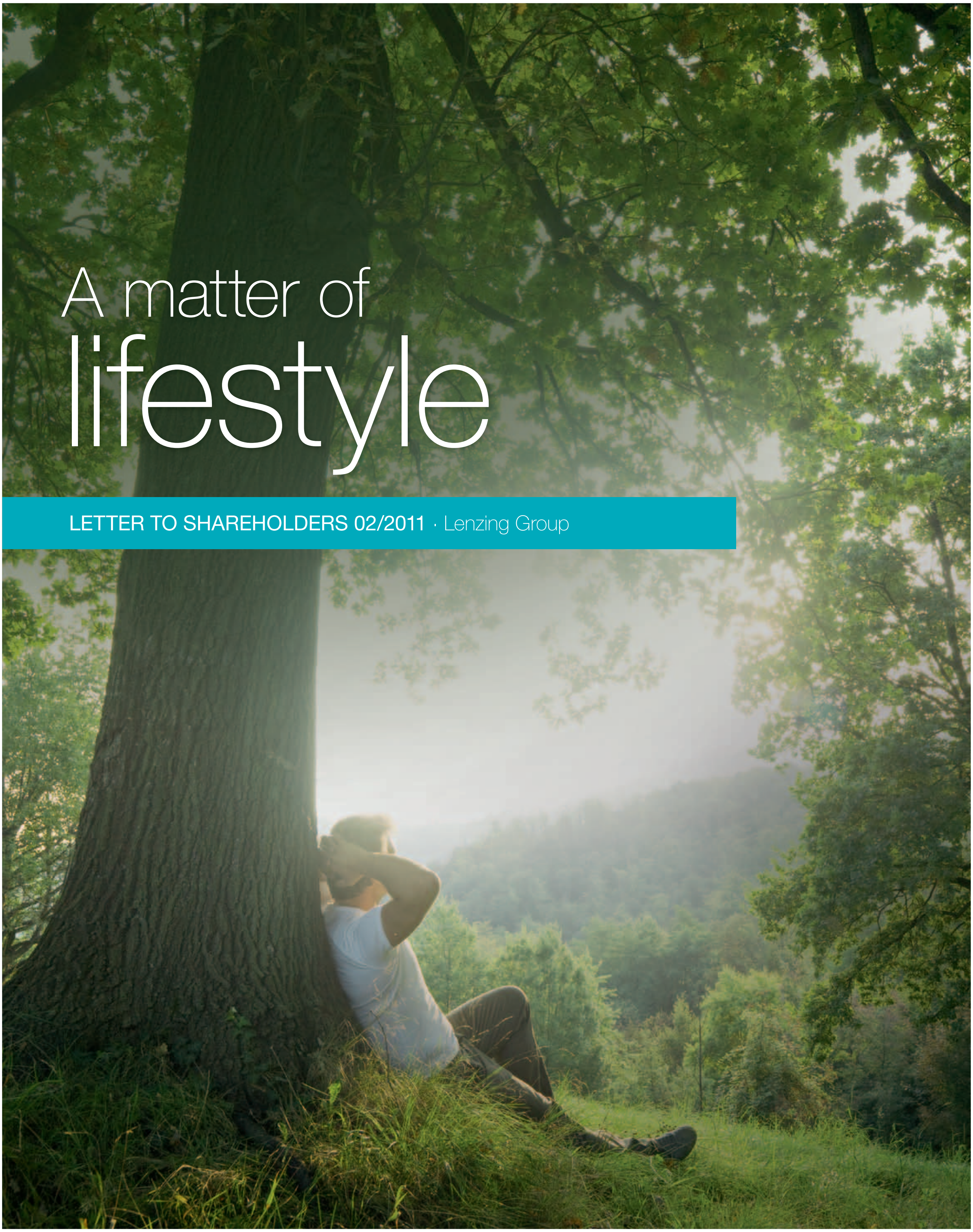
A matter of lifestyle

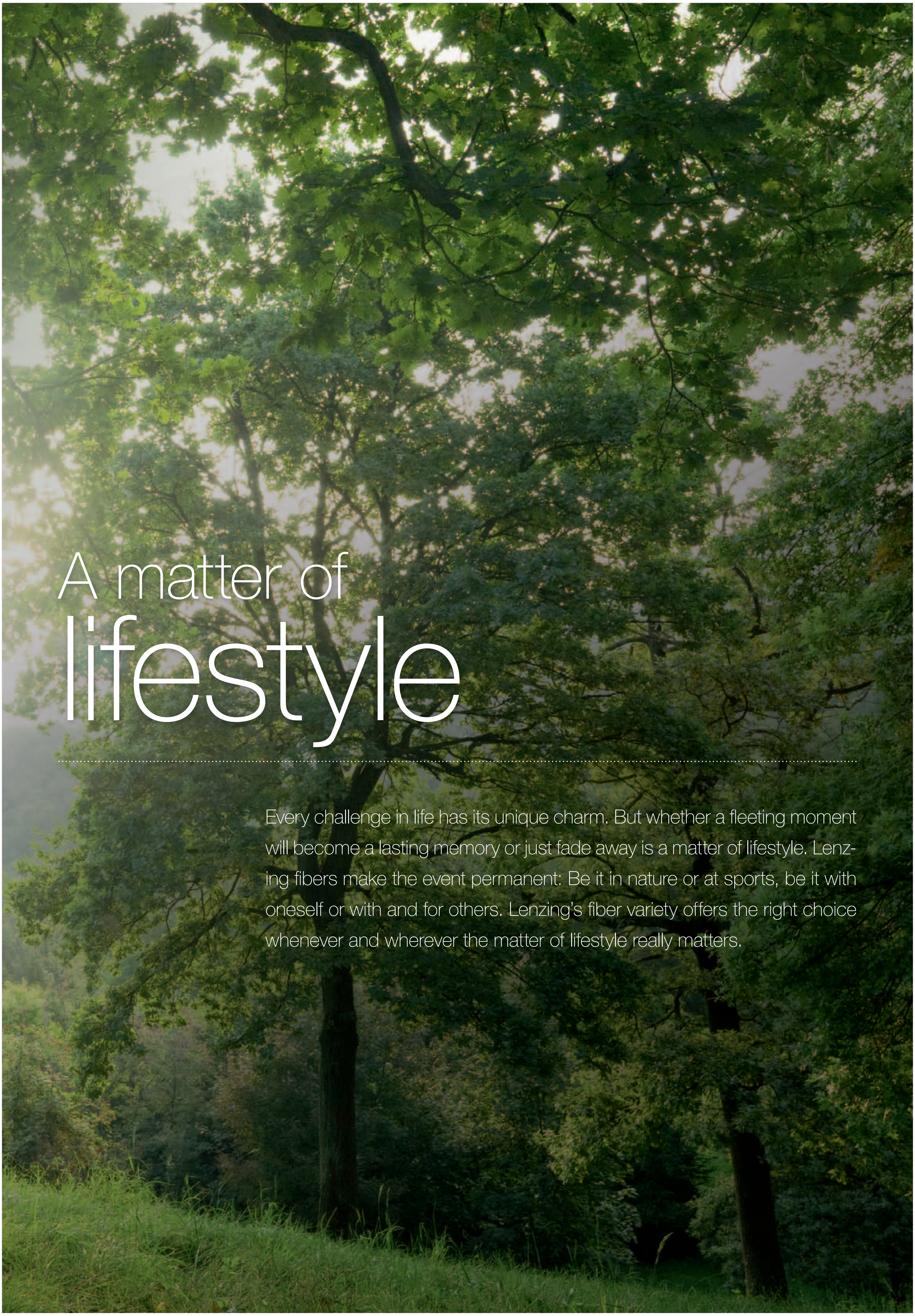
LETTER TO SHAREHOLDERS 02/2011 · Lenzing Group



www.lenzing.com

LENZING

LEADING FIBER INNOVATION



A matter of lifestyle

Every challenge in life has its unique charm. But whether a fleeting moment will become a lasting memory or just fade away is a matter of lifestyle. Lenzing fibers make the event permanent: Be it in nature or at sports, be it with oneself or with and for others. Lenzing's fiber variety offers the right choice whenever and wherever the matter of lifestyle really matters.

Contents

We don't rest on our laurels

Beddings made of TENCEL® tempt us to drift off into a pleasant sleep. Nevertheless we stayed awake and active in the year 2011. The results speak for themselves. But the competition never sleeps. As the market leader we also want to expand our position in the future and exploit growth opportunities in the market.

MANAGEMENT REPORT

Management Report 02/2011

General market environment

Global economy

The development of the global economy proved to be robust for the most part in the first half of 2011 despite a variety of geopolitical uncertainties. The International Monetary Fund (IMF) predicts an average global growth rate of 4.3% for the year 2011[1].

Economic growth in the Western industrialized countries continues to be restrained, and is expected to amount to an average of 2.2% in 2011 according to IMF forecasts[2]. U.S. economic data remains below expectations due to the high unemployment rate, the burden on private households resulting from the high level of debt and the ongoing negative, unstable development on the real estate market[3]. The debt crisis of several EU member states in Southern Europe contributes to the uncertainty perceived by consumers and companies in Europe.

In contrast, the economies of the emerging markets continue to boom, with the IMF predicting average growth of 6.6% in 2011[4]. According to the IMF forecasts, China and India will report the highest GDP growth rates at 9.6% and 8.2% respectively. However, pronounced signs of overheating have become evident in many emerging markets as demonstrated by inflationary pressures[5]. Emerging markets such as China are counteracting this development by pursuing a restrictive credit policy and raising interest rates. Nevertheless, the dynamic growth in Asia, Latin America and Central and Eastern Europe is expected to remain high and thus provide substantial impetus for the global economy[6].

World fiber market

Demand on the world fiber market developed extremely dynamically in the first half of 2011. It was driven by strong first-quarter private consumption in the textile segment, particularly in the emerging markets. However, record high fiber price levels, above all the extremely high cotton price, led to declining demand on the part of the textile chain in the course of the year. Many companies were no longer able to pass on the sharp raw material price hikes to their customers via selling price increases. Demand weakened especially in China, the world's largest buyer and consumer of cotton. Moreover, the textile pipeline was overfilled in several key areas. Another reason for lower Chinese fiber sales was the perceptible cooling off of private consumption as a consequence of the restrictive credit policy, which the Chinese government implemented as a means of counteracting the imminent economic overheating.

The cotton price, an important benchmark for the entire fiber market, declined considerably following a strong wave of speculation at the beginning of the year. Price levels peaked at up to almost USD 2.5/lb in the course of the second quarter of 2011 and fell to USD 1.60/lb at the beginning of June 2011[7]. However, the cotton price still remained double the comparable level of the previous year. By the end of July 2011 the cotton price had further dropped to about USD 1.1/lb due to the expected high global cotton harvest. Despite this strong decline, cotton prices are still significantly higher than the average prices quoted during the past decade, a development which can be seen as an indication of the long-term structural change in the fiber market as a consequence of excess demand for cellulose fibers ("cellulose gap").

In the first half-year 2011, synthetic fibers such as polyester and man-made cellulose fibers such as standard viscose were able to take advantage of the high cotton price. However, neither viscose nor polyester prices were subject to the same extreme price fluctuations as cotton and did not ultimately decline to the same extent as cotton. Prices for Lenzing Modal® and TENCEL® remained largely unaffected, and could for the most part continue their autonomous demand and price trend.

1) See IMF, World Economic Outlook Update, June 2011 2) See IMF, World Economic Outlook Update, June 2011 3) See WIFO, Press Information, "Prognose für 2011 und 2012: Hohes Tempo des Aufschwungs verringert sich", June 30, 2011 4) See IMF, World Economic Outlook Update, June 2011

Development of the Lenzing Group

Once again, the Lenzing Group can report record results, and look back at the most successful first half-year period in the company's history. Following a very good first quarter 2011, sales and earnings in the second quarter both climbed significantly to new record heights.

Accordingly, consolidated sales in the first half of 2011 rose by 31.0%, from EUR 821.4 mill. to EUR 1,076.2 mill. Slightly more than half of this increase can be attributed to the higher fiber prices. Furthermore, the 6-month consolidation of Biocel Paskov (compared to only two months in H1 2010) as well as the higher fiber shipment volumes contributed in particular to the sales growth.

Earnings before interest, tax, depreciation and amortization (EBITDA) in the first half of 2011 was at a new record level of EUR 247.8 mill., an increase of 65.1% from the prior-year period. In turn, this led to a new all-time high EBITDA margin of 23.0%, up from 18.3% in the first half of 2010. The half-year operating profit (EBIT) was almost doubled, rising 84.5% to EUR 199.2 mill., compared to the excellent level of EUR 108.0 mill. achieved in the previous year. This corresponds to an EBIT margin of 18.5% (H1 2010: 13.1%).

This new earnings level in a half-year comparison was made possible by the following factors: substantially higher average selling prices for fibers, higher fiber shipment volumes as well as cost advantages in the company's fiber production based on exploiting economies of scale. Furthermore, there was an earnings improvement in the smaller, non fiber-related business segments thanks to a significantly improved order situation. EBITDA rose by close to 80% in the Segment Plastics Products. The EBITDA rise in the Segment Engineering amounted to over 50% compared to the prior-year period.

The cost of material and purchased services rose slightly more than the corresponding sales growth due to higher specific raw material and energy costs, increasing by 32.4% to EUR 628.8 mill. Personnel expenditures rose by 8.7% from the first half of 2010 to EUR 137.3 mill., which can be attributed to the hiring of additional employees in connection with the capacity expansion drive as well as higher salaries in Austria mandated by the latest collective wage agreement. Depreciation was up 15.3% to EUR 50.5 mill. as a result of the increased investment activity.

Income before tax (EBT) totaled EUR 187.7 mill, a rise of 84.8% from an EBT of EUR 101.6 mill. generated in the first half of 2010. The income tax amounted to EUR 42.5 mill. in the first half-year 2011 (H1 2010: EUR 24.4 mill.), corresponding to a tax rate of 22.6%, below the comparable level of 24.0% in the prior-year. The profit for the period totaled EUR 145.3 mill. (H1 2010: EUR 77.1 mill.), a rise of 88.3%.

Earnings per share from continuing operations and discontinued operations amounted to EUR 5.39 in the first half-year 2011 (H1 2010: EUR 2.83), a rise of 90.5%. These figures are calculated on the basis of the weighted average number of shares in the particular reporting period.

Investments in intangible assets and property, plant and equipment totaled EUR 82.1 mill. in the first half of 2011, up from EUR 66.2 mill. in H1 2010. These investments almost exclusively related to the ongoing fiber and pulp production capacity expansion programs.

On the balance sheet side, equity of the Lenzing Group at the end of June 2011 amounted to EUR 884.8 mill. compared to EUR 732.0 mill. at the end of 2010. The net total of about EUR 71 mill. is related to the capital increase carried out in June 2011. Adjusted equity[8] rose to EUR 912.5 mill., up from the prior-year level of EUR 758.8 mill. Non-current liabilities declined to EUR 670.9 mill. from the comparable figure of EUR 730.1 mill. at the end of 2010. As a consequence of the good cash flow development and the capital increase, net financial debt at the end of June 2011 could also be reduced to EUR 170.1 mill. compared to EUR 307.2 mill. at the end of 2010. This corresponds to a net gearing of only 18.6% (end of 2010: 40.5%). The adjusted equity ratio as of June 30, 2011

[5] See IMF, World Economic Outlook Update, June 2011 [6] See WIFO, Press Information, "Prognose für 2011 und 2012: Hohes Tempo des Aufschwungs verringert sich", June 30, 2011 [7] Cotton A Index [8] Incl. investment grants, less proportionate deferred taxes

Management Report 02/2011

climbed to 42.3% of the balance sheet total as compared to 38.6% at the end of 2010.

Cash and cash equivalents at the end of June 2011 rose to EUR 394.6 mill. (December 31, 2010: EUR 254.5 mill.), and are required to finance the increased business volume as well as investments. Thus the entire Lenzing Group is very well positioned, also in terms of liquidity.

The number of employees working for the Lenzing Group at the end of the first half of 2011 rose slightly to 6,323 (March 31, 2011: 6,244; December 31, 2010: 6,143[9]) due to the expanded business volume.

Outstanding second quarter 2011

Lenzing achieved its best quarterly results in the company's history in the second quarter of 2011. All relevant performance indicators showed an improvement, not only in comparison to the prior-year period but also in relation to the very good first quarter of 2011.

Second-quarter EBIT at EUR 108.5 mill. almost doubled from the already good prior-year figure of EUR 58.6 mill., and EBITDA climbed by 64.5% from EUR 80.8 mill. in the second quarter 2010 to EUR 132.9 mill. in the second quarter of 2011. The income before tax (EBT) at EUR 103.0 mill. was close to twice the level of EUR 55.1 mill. in the prior-year quarter.

Segment reporting

Segment Fibers

The business development of the Segment Fibers in the Lenzing Group during the first half of 2011 was characterized by an extremely strong volume demand. On the one hand, this can be attributed to the good development of the textile and nonwovens industry in all regions of the world. On the other hand, this is due to the initial structural effects of the "cellulose gap" and the related cotton price spiral, which also involved overly extreme speculative activity.

Segment sales climbed by 30.6%, from EUR 741.1 mill. in the first half of 2010 to EUR 967.9 mill. in the first half-year 2011. EBITDA of the Segment Fibers rose 64.6%, from EUR 143.2 mill. to EUR 235.8 mill. in the same period. Segment EBIT improved by 84.4% up to EUR 189.9 mill. from the prior-year level of EUR 103.0 mill.

In the first half-year Lenzing carried out several selling price increases in both the Business Units Textile Fibers and Nonwoven Fibers. In the course of the second quarter, there was a weakening of the previously overheated demand situation for textile fibers, especially the demand and processing of cotton, primarily as a result of the monetary policy implemented by the Chinese government to slow down the pace of economic expansion. The consequence was a consolidation of prices for standard textile viscose fibers in Asia which did not come unexpectedly. Nevertheless, volume demand remained consistently strong throughout the entire first six-month period of 2011. In the Business Unit Nonwoven Fibers, Lenzing reported a stable price and volume development at high level.

The development of the specialty fibers Lenzing Modal® and TENCEL® was characterized by very strong demand throughout the entire first half of the year. Lenzing's specialty

9) Only continuing operations

fiber prices were raised once again in the second quarter. As a consequence of the outstanding market position on the part of Lenzing's specialty fibers, the decline in cotton prices during the second quarter and the cooling off of demand in China did not have any negative effects on the price development of Lenzing Modal® and TENCEL® in the first half of 2011. This enabled Lenzing Modal® and TENCEL® to even overcompensate for the second-quarter price decreases for textile standard fibers. Subsequently, average selling prices for Lenzing fibers in the second quarter were higher than those in the very good first quarter of the year.

Fiber production of the Lenzing Group was operating at full capacity throughout the entire first half-year 2011, and inventories continued to be at a low level in mid-year 2011. Compared to the first half of 2010, additional fiber quantities were available for sale from the new fourth production line at the Indonesian subsidiary P.T. South Pacific Viscose (SPV) and as a consequence from the SPV debottlenecking program. Further volume increases for standard fibers from the prior-year period related to the debottlenecking program implemented at Lenzing's Chinese subsidiary Lenzing Nanjing Fibers. The strong demand for Lenzing Modal® could be effectively fulfilled as a result of the expansion of Modal production capacities at the plant in Lenzing, thus making a contribution to the segment's margin improvement.

Outlook Business Units Textile Fibers and Nonwoven Fibers

The decrease in cotton prices at mid-year 2011 to a realistic level once again is now being followed by a necessary consolidation phase for almost all fiber qualities, especially for cotton. Estimates indicating a potential record harvest for cotton also contributed to the price consolidation, and put an end to the market hype about insufficient availability. Nevertheless, the structural transformation of the market based on the "cellulose gap" (long-term structural change in the fiber market as a consequence of excess demand for cellulose fibers) still fully applies, even after the end of the speculative bubble concerning cotton.

Thus the outlook for the development of the Lenzing Group's fiber business in the second half of 2011 remains positive. The weeks following the summer break should see a continuation of the price consolidation for standard viscose fibers, especially on the Asian market. Orders in the current well-filled textile pipeline should be increasingly processed towards the end of 2011 due to ongoing inventory reductions for yarns and finished products. In turn, this will lead to a renewed strong demand for Lenzing viscose. A largely stable development for Lenzing's nonwoven fibers compared to the first half of 2011 can be expected in the upcoming months.

Ongoing strong demand is also anticipated for the specialty fibers Lenzing Modal® and TENCEL® in the second half year of 2011 against the backdrop of an unchanged price level. Recently Lenzing succeeded in developing new areas of application for TENCEL® with the luxury brands Prada and Gucci as well as with Max Mara. Demand for TENCEL® on the part of home textiles producers continues to outstrip the available supplies. The Lenzing fibers TENCEL® and Lenzing Modal® are increasingly gaining in importance thanks to their "green footprint".

Accordingly, the business development of the Segment Fibers in the second half of 2011 is expected to be similar to the very successful first quarter of 2011.

The second production line in Nanjing (China) is currently in the start-up phase. The first marketable fiber qualities will be available in the third quarter of 2011. Construction work on the fifth line at SPV (Indonesia) is proceeding on schedule. As a result of the ongoing expansion and modernization activities, the Lenzing Group will be able to exploit an annual nominal capacity of about 770,000 tons of fibers at the turn of the year 2011/12 as planned, up from 710,000 tons p.a. at the turn of the year 2010/11. The Lenzing Group is determinedly pursuing its medium-term objective of raising annual capacity to over 1.1 million tons annually by the year 2015, based on the further expansion of capacities for standard as well as specialty fibers.

Management Report 02/2011

Business Units Pulp and Energy

The market for dissolving pulp in the first half-year 2011 was characterized by ongoing high prices as a consequence of the strong demand on the part of the viscose fiber industry. The spot market prices in Asia were hovering close to an all-time high, and led to an erosion of the profit margins for cellulose fiber producers which exclusively rely on short-time supply contracts.

The Business Unit Pulp succeeded in securing a sufficient raw material supply for the Lenzing Group in the first half of 2011, based on its own production at the Lenzing site and longterm supply contracts with external providers. There was a general trend towards rising wood prices in Europe.

The conversion of the pulp plant Biocel Paskov is progressing on schedule. In the first half of 2011 initial quantities of chemical pulp could already be shipped. The energy-related investment projects at Biocel Paskov are also proceeding as planned. The manufacturing plant for pulp at the Lenzing site ran at full capacity.

In the past few months there has been a considerable increase in primary energy prices due to the nuclear accident in Japan and the unstable political situation in North Africa. Electricity prices were also subject to significant price hikes. This development is related to the announced plans on the part of Germany to phase out nuclear energy production. However, Lenzing succeeded in cushioning the price increases for primary energy on the basis of fixed price energy contracts.

Outlook Business Units Pulp and Energy

Demand for dissolving pulp in Asia recently cooled off, and led to initial price corrections for deliveries on the free market in the second half of the year. A sufficient supply of pulp has also been secured for the Lenzing Group in the second half of 2011.

The Lenzing Group expects a sideways movement of energy prices at the current level during the second half of 2011.

Segments Plastics Products and Engineering

The Segment Plastics Products profited from the ongoing economic upswing, and developed very positively. However, the high raw material costs had a negative impact. Good volume demand prevailed on the part of the construction and cable industries, whereas the polytetrafluoroethylene (PTFE) business still remained below expectations. The Business Unit Filaments achieved good sales volumes with car tops and fibers for awnings. Precursor production (starting materials for carbon fibers) was operating at full capacity. On balance, the Segment Plastics Products generated satisfactory results in the first half of 2011.

Accordingly, segment sales in the first half of 2011 rose by close to one-third, to EUR 92.2 mill. (H1 2010: EUR 69.8 mill.). EBITDA of the Segment Plastics Products amounted to EUR 8.7 mill. in the first half-year, up from the prior-year level of EUR 4.8 mill. EBIT totaled EUR 5.3 mill. compared to EUR 2.5 mill. in the first half of 2010.

In the Segment Engineering, the lively investment activity in the fiber and pulp industry, in particular on the part of the Lenzing Group, resulted in a very gratifying development of incoming orders. Accordingly, at mid-year 2011 the Segment Engineering featured a very high volume of orders and well-filled order books until the end of 2011. In this way segment sales and earnings surpassed expectations.

In the first half of 2011 total segment sales amounted to EUR 53.7 mill. compared to EUR 43.6 mill.[10] in the first half of 2010. Segment EBITDA improved to EUR 4.9 mill. from the prior-year level of EUR 3.2 mill., and EBIT of the segment rose from EUR 2.5 mill. to EUR 4.2 mill.

Outlook Segments Plastics Products and Engineering

The Lenzing Group anticipates a continuation of the good development in the Segment Plastics Products as demonstrated by the first half-year performance. However, earnings will be negatively affected by the high costs of raw materials or their partly insufficient availability. The Segment Engineering should continue to profit from the ongoing investment activity in the fiber and pulp industry. Thanks to the good order situation, a gratifying sales and earnings development can be expected in Segment Engineering in the second half of 2011.

Investor Relations

Lenzing share

The Lenzing share closed the first half-year of trading in 2011 (June 30, 2011) at a price of EUR 90.00 per share. This corresponds to a rise of about 3% compared to the share price of EUR 87.22 on the final day of trading on December 30, 2010. The high for the second quarter was EUR 103.50 on June 1, 2011.

Ordinary Shareholders' Meeting 2011

On March 29, 2011, the Ordinary Shareholders' Meeting of Lenzing AG resolved to pay a dividend of EUR 1.55 per share for the 2010 fiscal year (after EUR 2.00[11] per share in the previous year). The members of the Management Board and Supervisory Board were granted discharge for the 2010 fiscal year.

Furthermore, the Ordinary Shareholders' Meeting elected Patrick Prügger (Managing Director of B & C Industrieholding GmbH) to the Supervisory Board for the first time. The Supervisory Board mandate of Hermann Bell, which expired on March 29, 2011, was not extended upon his own request. Mr. Bell had been a member of the Supervisory Board since the year 1972, and supported the company's expansion efforts for close to four decades. The Management Board, the other Supervisory Board members and shareholder representatives expressed their thanks to Mr. Bell at the Ordinary Shareholders' Meeting for his decade-long work on behalf of the company.

At present, the Supervisory Board consists of Michael Junghans (Chairman), Veit Sorger (Deputy Chairman), Helmut Bernkopf, Josef Krenner, Walter Lederer, Martin Payer, Patrick Prügger and Andreas Schmidradner as well as employee representatives.

10) Adjustment of intra-segment sales 11) Adjusted value following the seven-for-one share split on December 28, 2010

Management Report 02/2011

Capital increase and Re-IPO 2011

Following extensive preparatory work, Lenzing launched its Re-IPO on the Vienna Stock Exchange on May 31, 2011. The combined offer consisted of a total of 6,725,000 shares, of which 825,000 were new Lenzing shares from a capital increase with subscription rights for Lenzing shares. The remaining allotment involved shares from the portfolio of the core and majority shareholder B & C Group. The Re-IPO was successfully carried out in spite of a difficult capital market environment and a series of delayed capital market transactions. 6,176,379 shares were allotted at a price of EUR 92, of which 5,351,379 shares were from the large shareholder B & C Group, which did not exercise its greenshoe option. The capital increase generated proceeds for Lenzing of about EUR 76 mill. less transaction costs.

Within the framework of Lenzing's rights offering, existing shareholders exercised about 67.6% of their subscription rights, with the exception of the B & C Group. The other new shares, for which existing shareholders did not exercise their subscription rights, were placed alongside the shares of the B & C Group with Austrian and international investors. Thus Lenzing gained close to 90 new international institutional investors, primarily from Great Britain, Germany, Norway, Austria and the USA.

This successful Re-IPO was the last step in a series of measures designed to give Lenzing optimal access to the international capital market. The Lenzing share became sufficiently liquid and thus attractive for large international institutional investors due to the fact that Lenzing's free float increased to about one third. In 2010, a seven-for-one share split had already been carried out, and the Lenzing share switched to the Prime Market of the Vienna Stock Exchange effective April 18, 2011.

In June 2011, Lenzing was given the Sustainability Prize of the Vienna Stock Exchange, and also took third place in the Corporate Bond Prize 2011 for the successful placement of the Lenzing bond in 2010. In addition, Lenzing won the Golden Pegasus Award 2011 in June granted to the best Upper Austrian company.

Outlook Lenzing Group

The Lenzing Group confirms its last published outlook for the entire year 2011, in which the company is expected to achieve total sales between EUR 2.1 billion and EUR 2.2 billion. The expected EBITDA will be in the range of EUR 470 mill. to EUR 500 mill., corresponding to the upper half of the initial outlook. A decisive underlying factor is the very good business development of the Lenzing Group in the second quarter of 2011, which exceeded expectations, generating sales of EUR 544.1 mill. and an EBITDA margin of 24.4%. On average business development in the third and fourth quarter is expected to be similar to the first quarter's performance. The additional production volumes resulting from the capacity expansion of Lenzing Nanjing in China should have a positive effect. An ongoing high price level along with good demand is anticipated for the specialty fibers Lenzing Modal® and TENCEL® in the second half of the year. In contrast, the continuation of the short-term price consolidation trend for standard viscose fibers in Asia which is still taking place along with the resulting "pipeline effect" should have a dampening effect.

The long-term upward trend in demand for man-made cellulose fibers related to the "cellulose gap" and the very strong volume demand for Lenzing fibers will continue uninterruptedly. Even against the backdrop of a very good cotton harvest 2011/12, the structural influencing factors underlying the "cellulose gap" – population growth, increasing prosperity and sustainability – will continue to apply fully.

On November 15, 2011, we will inform you about the further development of the Lenzing Group on the occasion of reporting about the results of the first three quarters of 2011.

Risk report

Despite several unexpected events in the first half-year, the overall risk outlook has not significantly changed. Global economic growth of 4.3%[12] in the first quarter of 2011 and unchanged forecasts for 2011 and 2012 confirm the ongoing economic recovery following the financial crisis. Nevertheless, the debt crisis affecting several nations in the eurozone can be seen as an increased risk, as well as the debt ceiling and budget conflict in the USA and its effects on the real economy.

These developments as well as the shortage of money in China and the renewed massive uncertainties on financial and capital markets also affect Lenzing's sales markets. The expected consolidation of standard viscose fiber prices is taking place in Asia at the present time, whereas prices for specialty fibers continue to remain at a high level.

On the procurement side, the supply situation on the market is easing both for pulp as well as for other chemicals. However, energy costs continue to be subject to strong fluctuations, as described in the previous letter to shareholders.

The evaluation of all other risks such as natural catastrophes, environmental or fire hazards as well as product liability risks remains unchanged. However, they continue to comprise an inherently high loss potential for the Lenzing Group.

The expansion of production capacity for both fibers and pulp is proceeding on schedule.

On balance, the risk outlook with respect to the strategic objectives of the Lenzing Group remains unchanged.

[12] IWF, World Economic Outlook Update, June 2011

We've done our homework

Whoever wants to be the best in class must always be alert and diligently do his or her homework. This means Lenzing focuses on ensuring ongoing innovation, maintaining a dialog with customers and employees and developing appropriate responses to market challenges. Lenzing finished the first half-year 2011 with the best possible marks.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Financial Statements

Contents

Income Statement

		4-6/2011	4-6/2010[1]	1-6/2011	1-6/2010[1]
Continuing operations	Note	EUR mill.	EUR mill.	EUR mill.	EUR mill.
Sales	(6)	544.1	456.4	1,076.2	821.4
Changes in inventories of finished goods and work in progress		9.1	2.2	11.6	(1.0)
Work performed by the Group and capitalized		9.1	7.6	16.6	14.7
Other operating income	(7)	16.1	9.6	27.0	16.7
Cost of material and purchased services	(8)	(324.3)	(276.4)	(628.8)	(475.1)
Personnel expenses	(9)	(68.5)	(62.9)	(137.3)	(126.3)
Amortization of intangible assets and depreciation of property, plant and equipment	(10)	(25.4)	(23.1)	(50.5)	(43.8)
Other operating expenses	(11)	(51.8)	(54.8)	(115.6)	(98.6)
Income from operations (EBIT)		**108.5**	**58.6**	**199.2**	**108.0**
Income from investments in associates		1.5	0.8	2.5	1.3
Other investment income		1.0	1.4	1.6	3.1
Finance costs	(12)	(5.4)	(3.8)	(10.6)	(7.8)
Financial result		**(3.0)**	**(1.6)**	**(6.6)**	**(3.4)**
Allocation of profit or loss to puttable non-controlling interests	(13)	(2.5)	(1.8)	(4.9)	(3.1)
Income before tax (EBT)		**103.0**	**55.1**	**187.7**	**101.6**
Income tax	(14)	(24.6)	(13.5)	(42.5)	(24.4)
Profit for the period after taxes from continuing operations		**78.4**	**41.7**	**145.3**	**77.1**
Discontinued operations					
Result from discontinued operations		0.0	0.2	0.0	0.2
Profit for the period		**78.4**	**41.9**	**145.3**	**77.4**
Attributable to shareholders of Lenzing AG		76.4	39.0	139.0	72.8
Attributable to non-controlling interests		2.0	2.9	6.3	4.5
Earnings per share		EUR	EUR	EUR	EUR
Average number of shares [2)]		25,807,500	25,725,000	25,766,250	25,725,000
From continuing operations and discontinued operations		2.96	1.51	5.39	2.83
From continuing operations		2.96	1.51	5.39	2.83

[1)] Values adjusted according to IFRS 5 [2)] The average number of shares was calculated on a daily basis. The year-on-year/reference period change in the average number of shares resulted mainly from a capital increase carried out effective 17 June 2011 (first trading day of the new shares) by Lenzing AG

Interim Consolidated Financial Statements

Statement of Comprehensive Income

	Common stock	Capital reserves	Foreign currency translation reserve
1-6/2010	EUR mill.	EUR mill.	EUR mill.
Profit for the period			
Exchange differences arising during the period			39.5
Gains/losses from the valuation of cash flow hedges arising during the period			
Reclassification adjustments for amounts from cash flow hedges recognized in profit or loss			
Income tax relating to components of other comprehensive income			
Other comprehensive income for the period - net of tax			**39.5**
Total comprehensive income for the period			**39.5**
1-6/2011			
Profit for the period			
Exchange differences arising during the period			(22.3)
Net result on revaluation of available-for-sale financial assets during the period			
Gains/losses from the valuation of cash flow hedges arising during the period			
Reclassification adjustments for amounts from cash flow hedges recognized in profit or loss			
Income tax relating to components of other comprehensive income			
Other comprehensive income for the period - net of tax			**(22.3)**
Total comprehensive income for the period			**(22.3)**

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 mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.
			72.8	**72.8**	**4.5**	**77.4**
				39.5	2.1	41.6
	(13.2)			(13.2)	(0.2)	(13.3)
	3.1			3.1		3.1
	2.8			2.8	0.0	2.8
	(7.4)			**32.1**	**2.0**	**34.1**
	(7.4)		**72.8**	**104.9**	**6.6**	**111.5**
			139.0	**139.0**	**6.3**	**145.3**
				(22.3)	(0.6)	(22.9)
(0.7)				(0.7)	0.0	(0.7)
	(4.3)			(4.3)	0.4	(3.9)
	6.8			6.8	(0.1)	6.6
0.2	(0.6)			(0.4)	(0.1)	(0.5)
(0.5)	**1.9**			**(20.9)**	**(0.4)**	**(21.3)**
(0.5)	**1.9**		**139.0**	**118.0**	**5.9**	**124.0**

Interim Consolidated Financial Statements

Statement of Comprehensive Income

	Common stock	Capital reserves	Foreign currency translation reserve
4-6/2010	EUR mill.	EUR mill.	EUR mill.
Profit for the period			
Exchange differences arising during the period			26.4
Gains/losses from the valuation of cash flow hedges arising during the period			
Reclassification adjustments for amounts from cash flow hedges recognized in profit or loss			
Income tax relating to components of other comprehensive income			
Other comprehensive income for the period - net of tax			**26.4**
Total comprehensive income for the period			**26.4**
4-6/2011			
Profit for the period			
Exchange differences arising during the period			(4.5)
Gains/losses from the valuation of cash flow hedges arising during the period			
Reclassification adjustments for amounts from cash flow hedges recognized in profit or loss			
Income tax relating to components of other comprehensive income			
Other comprehensive income for the period - net of tax			**(4.5)**
Total comprehensive income for the period			**(4.5)**

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 mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.
			39.0	**39.0**	**2.9**	**41.9**
				26.4	1.5	27.9
	(9.1)			(9.1)	(0.2)	(9.2)
	4.1			4.1		4.1
	1.5			1.5	0.0	1.6
	(3.5)			**22.9**	**1.4**	**24.3**
	(3.5)		**39.0**	**61.9**	**4.3**	**66.2**
			76.4	**76.4**	**2.0**	**78.4**
				(4.5)	(0.1)	(4.5)
	(6.2)			(6.2)	0.0	(6.2)
	3.3			3.3	0.1	3.4
0.0	0.6			0.6	0.0	0.6
0.0	**(2.3)**			**(6.8)**	**0.0**	**(6.8)**
0.0	**(2.3)**		**76.4**	**69.6**	**2.0**	**71.6**

Interim Consolidated Financial Statements

Statement of Changes in Equity

	Common stock	Capital reserves	Foreign currency translation reserve
	EUR mill.	EUR mill.	EUR mill.
Balance at 1 Januray 2010 before	**26.7**	**63.6**	**(18.7)**
Adjustments according to IAS 8			
Balance at 1 Januray 2010 adjusted	**26.7**	**63.6**	**(18.7)**
Total comprehensive income for the period			39.5
Change in scope of consolidation			
Dividends			
Balance at 30 June 2010	**26.7**	**63.6**	**20.8**
Balance at 1 Januray 2011	**26.7**	**63.6**	**(0.6)**
Total comprehensive income for the period			(22.3)
Increase in capital	0.9	70.2	
Transfer of non controlling interests			
Change valuation dividend guarantee			
Dividends			
Balance at 30 June 2011	**27.6**	**133.8**	**(22.9)**

Income Statement 17 Statement of Comprehensive Income 18 Statement of Changes in Equity 22
Statement of Financial Position 24 Cash Flow Statement 26 Key Figures 27 Selected Explanatory Notes 28

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 mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.
0.1	**(2.4)**	**(10.0)**	**516.6**	**575.9**	**30.2**	**606.1**
					(20.7)	(20.7)
0.1	(2.4)	(10.0)	516.6	575.9	9.5	585.4
	(7.4)		72.8	104.9	6.6	111.5
					7.1	7.1
			(51.5)	(51.5)	0.0	(51.5)
0.1	**(9.7)**	**(10.0)**	**538.0**	**629.4**	**23.1**	**652.5**
(0.1)	**1.5**	**(11.6)**	**624.3**	**703.9**	**28.1**	**732.0**
(0.5)	1.9		139.0	118.0	5.9	124.0
				71.0		71.0
			0.0	0.0	(0.3)	(0.3)
					(0.5)	(0.5)
			(41.1)	(41.1)	(0.3)	(41.4)
(0.6)	**3.4**	**(11.6)**	**722.2**	**851.9**	**32.9**	**884.8**

Interim Consolidated Financial Statements

Statement of Financial Position

Assets		30/06/2011	31/12/2010
	Note	EUR mill.	EUR mill.
Intangible assets	(15)	82.6	87.7
Property, plant and equipment	(15)	1,015.7	1,002.8
Investments in associates		27.1	24.7
Other financial assets		70.7	67.3
Deferred tax assets		10.5	10.1
Other non-current assets		2.4	2.5
Non-current assets		**1,209.0**	**1,195.1**
Inventories	(16)	241.9	222.8
Trade receivables	(17)	215.9	181.5
Current taxes		15.5	14.8
Other receivables and assets	(18)	79.8	58.6
Investments		8.1	5.1
Cash and cash equivalents		386.5	249.4
		947.6	**732.2**
Assets of discontinued operations		0.0	36.1
Current assets		**947.6**	**768.3**
		2,156.6	1,963.4

Equity and Liabilities		30/06/2011	31/12/2010
		EUR mill.	EUR mill.
Common stock		27.6	26.7
Capital reserves		133.8	63.6
Currency translation reserves		(22.9)	(0.6)
Retained earnings and other reserves		713.4	614.2
Share of shareholders of Lenzing AG		**851.9**	**703.9**
Non-controlling interests		32.9	28.1
Equity	**(19)**	**884.8**	**732.0**
Government grants		**35.4**	**34.3**
Bonds, bank loans and other loans	(20)	494.1	552.3
Trade payables		1.0	1.5
Deferred taxes liabilities		30.8	36.9
Provisions	(21)	97.5	96.2
Puttable non-controlling interests		28.2	24.3
Other liabilities		19.4	18.9
Non-current liabilities		**670.9**	**730.1**
Bank loans and other loans	(20)	121.1	60.5
Trade payables		135.0	134.1
Provisions for current income tax		58.9	31.8
Provisions	(21)	200.9	162.1
Puttable non-controlling interests		6.3	5.4
Other liabilities		43.3	38.6
		565.4	**432.5**
Liabilities of discontinued operations		0.0	34.5
Current liabilities		**565.4**	**467.0**
		2,156.6	**1,963.4**

Interim Consolidated Financial Statements

Cash flow Statement

	Note	1-6/2011 EUR mill.	1-6/2010 EUR mill.
Gross cash flow			
from continuing operations		191.5	121.4
from discontinued operations		0.0	0.9
	(23)	**191.5**	**122.3**
Change in working capital		(4.7)	7.5
Net cash generated by discontinued operations		0.0	(4.1)
Operating cash flow	**(23)**	**186.8**	**125.7**
- Acquisition of non-current assets		(85.6)	(116.7)
+ Proceeds from the disposal/repayment of non-current assets		0.6	0.5
Net cash generated by discontinued operations		0.0	(0.5)
Net cash used in investing activities	**(23)**	**(85.0)**	**(116.7)**
+ Capital increase		71.0	0.0
+ Payments of puttable non-controlling interests		1.5	1.7
- Dividends paid to shareholders		(41.4)	(51.5)
+ Government grants		2.0	0.3
+ Receipts from financing activities / - repayment of loans		10.8	8.1
Net cash generated by discontinued operations		0.0	2.9
Net cash used in (-)/ generated by (+) financing activities		**43.9**	**(38.5)**
Change in cash and cash equivalents total		**145.8**	**(29.5)**
+/- Change in cash and cash equivalents of discontinued operations		0.0	0.8
Change in cash and cash equivalents of continuing operations		**145.8**	**(28.7)**
Cash and cash equivalents at beginning of the year		254.5	123.8
Currency translation adjustment relating to cash and cash equivalents		(5.7)	8.6
Cash and cash equivalents at the end of the reporting period		**394.6**	**103.7**

*) Values adjusted according to IFRS 5

Key figures

		30/06/2011	31/12/2010
Adjusted equity [1]	EUR mill.	912.5	758.8
Adjusted equity in %	%	42.3	38.6
Net financial debt	EUR mill.	170.1	307.2
Net debt [2]	EUR mill.	252.7	388.5
Net gearing	%	18.6	40.5
Open credit lines	EUR mill.	242.9	252.2
Cash and cash equivalents at the end of the reporting period[4]	EUR mill.	445.0	305.6
Number of employees at period end		6,323	6,530[3]
		1-6/2011	**1-6/2010**
EBITDA	EUR mill.	247.8	150.1
EBITDA margin	%	23.0	18.3
EBIT margin	%	18.5	13.1
Capital expenditure (intangible assets. property. plant and equipment)	EUR mill.	82.1	66.2

1) Equity incl. grants less proportionally deferred taxes 2) Including employees of discontinued operations 3) Including obligations for pension and severance payments
4) Closing balance of cash and cash equivalents including current and non-current securities

Interim Consolidated Financial Statements

Selected Explanatory Notes

Note 1. Presentation of the interim financial report

These condensed interim consolidated financial statements of the Lenzing Group for the period from 1 January to 30 June 2011 have been prepared in accordance with IAS 34 ("Interim Financial Reporting"). The accounting policies and valuation methods applied 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 2010.

The figures provided in the interim financial statements and in these notes are presented in million euros (EUR mill.) unless stated otherwise. Where rounded amounts and percentages are aggregated, rounding differences may occur due to the use of automated calculation aids.

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 for the business year 2011, and may be applied for the business year 2011 for the first time respectively:

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:

- Amendments to IFRS 1 **First-time Adoption of International Financial Reporting Standards**
- IFRIC 19 **Extinguishing Financial Liabilities with Equity Instruments**
- Amendments to various IFRSs (IFRS 3, 7, IAS 21, 27, 31, 32, 38, 39) as a result of the annual improvement project 2010

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**

- Amendments to various IFRSs (IFRS 1, 7, IAS 1, 34) and IFRIC 13 as a result of the annual improvement project 2010

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

- Amendments to IFRS 1 **First-time Adoption of International Financial Reporting Standards** (not yet endorsed by the EU)
- Amendments to IFRS 7 Financial Instruments: Disclosures (not yet endorsed by the EU)

Effective for business years beginning on or after 1 January 2012:

- Amendments to IAS 12 **Income Taxes** (not yet endorsed by the EU)

Effective for business years beginning on or after 1 July 2012:

- Amendments to IAS 1 **Presentation of Financial Statements** (not yet endorsed by the EU))

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

- IFRS 9 **Financial Instruments** (not yet endorsed by the EU)
- IFRS 10 **Consolidated Financial Statements** (not yet endorsed by the EU)
- IFRS 11 **Joint Arrangements** (not yet endorsed by the EU)
- IFRS 12 **Disclosure of Interests in Other Entities** (not yet endorsed by the EU)
- IFRS 13 **Fair Value Measurement** (not yet endorsed by the EU)
- Amendments to IAS 19 **Employee Benefits** (not yet endorsed by the EU)
- Amendments to IAS 27 **Separate financial Statements** (not yet endorsed by the EU)
- Amendments to IAS 28 **Investments in Associates and Joint Ventures** (not yet endorsed by the EU)

Future implications – especially of IFRS 9 – are currently being analyzed. Management assumes that the expected changes will mainly affect the measurement of financial assets and the presentation of changes in value of financial assets in the income statement and other comprehensive income respectively.

The amendments to the various standards concerning the presentation and measurement of financial instruments will be applied at the effective dates stated.

The other new or amended standards to be adopted from 1 January 2011 on will not lead to any changes to the interim financial report of the Lenzing Group. There have been no changes since 31 December 2010 to either the other accounting and valuation policies applied or to the methods of calculation and presentation.

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

Interim Consolidated Financial Statements

Selected Explanatory Notes

Unit	Currency		Closing rate 30/06/2011	Closing rate 31/12/2010
1	EUR/USD	US Dollar	1.4460	1.3376
1	EUR/GBP	GB Pound	0.9028	0.8616
1	EUR/CZK	CZ Koruna	24.3220	25.0850
1	EUR/CNY	Renminbi Yuan	9.3476	8.8150
1	EUR/HKD	Hong Kong Dollar	11.2532	10.3965

Note 3. Changes in estimates

There were no changes in estimates of amounts 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

On 19 January 2011 Beta LAG Holding GmbH was founded with the purpose of exercising holding functions, and transferred to B & C Industrieholding GmbH on 27 May 2011.

As of 18 February 2011 the Group sold the major part of the plastics filaments business to a consortium of private investors under the leadership of the Global Equity Partners Group (GEP) in order to further streamline the portfolio. GEP acquired 100% of the shares of the two German companies Hahl Filaments GmbH/Munderkingen and Pedex GmbH/Affolterbach, of the US company Hahl Inc./Lexington and the Czech company Hahl Filaments s.r.o./Plana as well as the related real estate and holding companies. These entities were part of the segment Plastics Products.

Net result from the disposal of subsidiaries

	EUR mill.
Assets of discontinued operations	36.1
Liabilities of discontinued operations	(34.6)
Net assets of discontinued operations	**1.5**
Sales price	(1.5)
Net result	**0.0**

Due to the valuation of carrying amounts using the agreed sales price on 31 December 2010, there was neither a gain or loss nor an effect on earnings per share in the reporting period.

The payment of the sales price has been deferred until 2018 and the amount outstanding is included in other financial assets.

Based on a purchase agreement dated 15 June 2011, the remaining 45% of the shares of Leno Electronics GmbH were taken over by Lenzing Technik GmbH. The number of consolidated entities has changed as follows:

	Full consolidation	Equity consolidation
As at 1/1	**43**	**7**
Consolidated for the first time in reporting period	1	0
Sold in reporting period	(9)	0
As at 30/6	**35**	**7**

Note 5. Segment reporting

Segment reporting in the Lenzing Group is based on business segments. For internal reporting to management the following business segments are used in the Lenzing Group:

Segment Fibers

The Segment Fibers comprises the Business Units Textile Fibers, Nonwoven Fibers, Pulp and Energy, as well as by-products and timber trade. This segment constitutes the core business of the Group.

Segment Plastics Products

The Segment Plastics Products produces special plastic products for processing companies. This segment comprises the 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

Segment Other

The residual segment Other mainly comprises the disclosures of BZL-Bildungszentrum Lenzing GmbH, an educational activity of the Lenzing Group.

Interim Consolidated Financial Statements

Selected Explanatory Notes

Segment sales	1-6/2011			1-6/2010		
	Sales to external customers	Interseg-ment sales	Total sales	Sales to external customers	Interseg-ment sales	Total sales
	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.	EUR mill.
Fibers	962.1	5.8	967.9	735.0	6.0	741.1
Plastics Products	91.2	0.9	92.2	69.2	0.7	69.8
Engineering	22.2	31.4	53.7	16.5	27.1	43.6[1]
Other	0.7	0.7	1.4	0.7	0.7	1.4[1]
Consolidation	0.0	(38.9)	(38.9)	0.0	(34.6)	(34.6)[1]
Total sales						
Continuing operations	**1,076.2**	**0.0**	**1,076.2**	**821.4**	**0.0**	**821.4**
Discontinued operations[2]	9.4	0.0	9.4	26.1	0.1	26.2

Segment result	EBIT		EBITDA	
	1-6/2011	1-6/2010	1-6/2011	1-6/2010
	EUR mill,	EUR mill,	EUR mill,	EUR mill,
Fibers	189.9	103.0	235.8	143.2
Plastics Products	5.3	2.5	8.7	4.8
Engineering	4.2	2.5	4.9	3.2
Other	0.1	0.3	0.2	0.3
Consolidation	(0.4)	(0.3)	(1.8)	(1.5)
Segment result				
Continuing operations	**199.2**	**108.0**	**247.8**	**150.1**
Discontinued operations[2]	0.3	0.6	0.8	1.6

[1] Adjustment of internal cross-segment sales [2] Deconsolidation as of 28/02/2011

	Segment assets		Segment liabilities	
	30/06/2011	31/12/2010	30/06/2011	31/12/2010
	EUR mill.	EUR mill.	EUR mill.	EUR mill.
Fibers	1,505.7	1,424.1	482.1	429.5
Plastics Products	126.3	119.4	42.9	39.5
Engineering	47.6	43.5	28.9	25.6
Other	0.3	0.4	0.6	0.8
Consolidation	(42.8)	(32.8)	(22.9)	(14.2)
Segment assets / liabilities				
Continuing operations	**1,637.0**	**1,554.7**	**531.5**	**481.1**
Discontinued operations	0.0	36.1	0.0	34.6
Reconciliation	519.6	372.7	704.8	681.4
Total assets / liabilities	**2,156.6**	**1,963.4**	**1,236.4**	**1,197.1**

Note 6. Sales

Due to increases in fiber shipments and selling prices for fiber as well as the full inclusion of sales from pulp producer Biocel Paskov acquired in May of last year, total sales increased by 31.0% compared to the previous year to EUR 1,076.2 mill. Sales by segment are presented in Note 5.

Note 7. Other operating income

The increase in other operating income is primarily due to higher services rendered and compensation for green energy.

Interim Consolidated Financial Statements

Selected Explanatory Notes

Note 8. Cost of material and purchased services

Cost of material and purchased services amounted to EUR 628.8 mill. which is an increase of 32.4% compared to the reference period 2010. The increase over the same period last year is due to higher production volumes and price increases for raw materials as well as due to the full inclusion of Biocel Paskov in the first half of 2011.

Note 9. Personnel expenses

Personnel expenses of EUR 137.3 mill. (reference period 2010: EUR 126.3 mill.) include EUR 6.3 mill. (reference period 2010: EUR: 4.8 mill.) in expenses for severance payments and pensions.

Note 10. Amortization of intangible assets and depreciation of property, plant and equipment

Amortization of intangible assets and depreciation of property, plant and equipment of EUR 50.0 mill. (reference period 2010: EUR 43.8 mill.) exclusively comprises amortization and depreciation. The increase in comparison to the first quarter 2010 is mainly due to the start-up of production line four in Indonesia and the full inclusion of Biocel Paskov.

Note 11. Other operating expenses

In addition to the increase in outward freight and commissions caused by a higher shipping volume, the overall increase in other operating expenses can be attributed to higher maintenance costs.

Note 12. Finance costs

Finance costs include interest and interest-like expenses of EUR 10.7 mill. (reference period 2010: EUR 8.4 mill.) and foreign exchange gains resulting from the revaluation of financial liabilities of EUR 0.1 mill. (reference period 2010: foreign exchange gains of EUR 0.6 mill.).

Income Statement 17 Statement of Comprehensive Income 18 Statement of Changes in Equity 22
Statement of Financial Position 24 Cash Flow Statement 26 Key Figures 27 Selected Explanatory Notes 28

Note 13. Allocation of profit or loss to puttable non-controlling interests

The share of income attributable to other shareholders of Lenzing (Nanjing) Fibers Co., Ltd. and European Precursor GmbH respectively is recognized as an expense due to time limitations under corporate law.

Note 14. Income tax

Income tax is accrued per taxable entity on the basis of estimated average tax rates. Deferred tax assets arising from unused tax loss carry forwards are recognized only to the extent that the amount carried forward is likely to be used in the foreseeable future. The tax rate of the first half of 2011 amounts to 22.6% (first half of 2010: 24.0%)

Note 15. Intangible assets and property, plant and equipment

During the reporting period the Lenzing Group invested EUR 82.1 mill. (reference period in 2010: EUR 66.2 mill.) in intangible assets and property, plant and equipment. The investments mainly pertained to the construction of the new production line in Nanjing, the construction of the production line 5 in Purwakarta, the modification/extension of production of modal fiber and pulp at the site in Lenzing and the investments for refitting and converting the plant in Paskov.

Commitments from open purchase orders for property, plant and equipment as at 30 June 2011 amounted to EUR 81.3 mill. (31 December 2010: EUR 53.4 mill.).

Note 16. Inventories

The rise in inventories by EUR 19.1 mill. relates to raw material stock of EUR 8.1 mill. and stock in semi-finished and finished products of EUR 11.0 mill. In the first half of 2011, no significant losses were recognized on inventories.

Note 17. Trade receivables

The increase in trade receivables by EUR 34.4 million compared to 31 December 2010 is due to the increase in sales.

Interim Consolidated Financial Statements

Selected Explanatory Notes

Note 18. Other receivables and assets

The main items for the increase in other receivables are VAT amounts due to the increased investment activity.

Note 19. Equity

Effective 17 June 2011 (the first day of trading of new shares), Lenzing AG carried out the capital increase, as approved by the Extraordinary Shareholders' Meeting of 10 December 2010. A total of 825,000 new shares were issued. The share capital was fully paid. The change in the share capital and capital reserves is attributable to this capital increase. The transaction costs were reduced by attributable income taxes and charged directly to the increase in capital reserves.

Note 20. Bonds, bank loans and other loans

These financial liabilities (current and non-current) marginally increased to the amount of EUR 615.2 mill. compared to EUR 612.8 mill. as at 31 December 2010. Due to the agreed dates of repayment the maturity changed, which resulted in higher current liabilities.

Net financial debt was reduced from EUR 307.2 mill. to EUR 170.1 mill.

Note 21. Provisions

Other current provisions mainly comprise provisions for services rendered but not invoiced, for restoration measures, increases of commodity prices, additional expenses from existing contractual relationships and deferrals.

Note 22. Contingent liabilities and commitments

Contingent liabilities and commitments of the Lenzing Group developed as follows compared to the previous reporting date.

	30/06/2011	31/12/2011
	EUR mill	EUR mill
Assumption of liability for associated companies	1.5	3.3

Additionally, there are bank guarantees for liability escrow paid in the amount of EUR 4,8 mill. (31 December 2010: EUR 4.1 mill.). It is considered unlikely that the Group will be held liable as a result of these commitments.

Litigations

Various legal proceedings resulting from the ordinary course of business are pending. The Management Board assumes that these proceedings will not have material adverse effects on the present and future earnings of the Group.

Note 23. Notes on the cash flow statement

Gross cash flow compared to the reference periods of 2010 increased to EUR 191,5 mill. mainly due to the good profit situation. Operating cash flow in the first half year of 2011 amounts to EUR 186.8 mill.

Cash flow from investing activities in non-current assets mainly results from the investments to the construction of the new production line in Nanjing, the construction of the production line 5 in Purwakarta, the modification/extension of production of modal fiber and pulp at the site in Lenzing and the refitting and converting investments in Paskov.

Cash and cash equivalents include cash on hand, demand deposits and short-term deposits at banks. As at 31 December 2010, the Group held securities qualifying as cash equivalents i.e. with a maturity of less than three months from the time of acquisition. These securities were sold during the reporting period.

Note 24. Dividend paid

In the reporting period the following dividend was paid to the shareholders of the parent company:

	Total	Number of shares	Dividend per share
	EUR mill.		EUR
Dividend 2010 paid in 2011	39.9	25,725,000	1.55
Dividend 2009 paid in 2010	51.4	3,675,000	14.00

Interim Consolidated Financial Statements

Selected Explanatory Notes

In the first half year of 2011, subsidiaries paid EUR 0.3 mill. (first half year 2010: EUR 0.1 mill.) of dividends to non-controlling interests.

Note 25. Related party transactions

The group of related parties (companies and persons) did not change compared to the financial statements as at 31 December 2010.

The scope and amount of significant business transactions as well as outstanding balances with associated companies are as follows:

	1-6/2011	1-6/2010
	EUR mill.	EUR mill.
Sales	35.4	33.6
Other operating income	0.7	0.5
Cost of material and purchased services	27.6	23.8
	30/06/2011	31/12/2010
Trade receivables incl. amounts due resulting from construction contracts	9.0	10.2
Liabilities	8.7	9.0

Note 26. Derivative financial instruments

In order to hedge currency exchange rate risk, the Lenzing Group makes use of foreign currency forward contracts which are measured at market value.

The market values of the instruments employed as at the reporting dates are as follows:

Fair Value Hedges

Type of derivative financial instrument	gain (+)/loss (-)	
	30/06/2011	31/12/2010
	EUR mill.	EUR mill.
Foreign currency forward contracts	**4.8**	**(0.7)**

Cashflow Hedges

Type of derivative financial instrument	gain (+)/loss (-)	
	30/06/2011	31/12/2010
	EUR mill.	EUR mill.
Foreign currency forward contracts	**6.0**	**3.1**

The hedges as at 30 June 2011 have maturities of up to 13 months.

The Group employs futures to hedge and manage raw material price risk (natural gas). As at 30 June 2011, these hedges have maturities of up to 18 months. Unrealized gains as at 30 June 2011 from the valuation of open futures or, respectively, the gain from the closing of contracts with delivery in the subsequent period amounted to EUR 0.2 mill. (31 December 2010: EUR 0.6 mill.) and are recognized directly in other comprehensive income.

Note 27. Events after the end of the interim reporting period

There were no material events requiring disclosure after the end of the interim reporting period.

Interim Consolidated Financial Statements

Selected Explanatory Notes

Note 28. Corporate bodies

Changes:

Members of the Supervisory Board

The Ordinary Shareholders' Meeting of 29 March 2011 newly elected Patrick Prügger to the Supervisory Board. Hermann Bell's seat on the Supervisory Board was not renewed at his own request.

The constitutive meeting of the new Supervisory Board held after the Ordinary Shareholders' Meeting elected Michael Junghans as Chairman and Veit Sorger as Deputy Chairman of the Supervisory Board.

The changes in the Supervisory Board of Lenzing AG can be summarized as follows:

Hermann Bell, Linz
Chairman (until 29 March 2011)

Michael Junghans, Vienna
Deputy Chairman (until 29 March 2011)
Chairman (from 29 March 2011)

Veit Sorger, Vienna
Deputy Chairman (from 29 March 2011)

Patrick Prügger, Vienna
Member of the Supervisory Board (from 29 March 2011)

These condensed consolidated interim financial statements of Lenzing group were neither audited nor subjected to an audit review.

Lenzing, 22 August 2011

The Management Board:

Peter Untersperger

Friedrich Weninger

Thomas G. Winkler

Declaration of the Management Board

Declaration of the Management Board pursuant to Section 87 para 1 sub-para 3 of the Stock Exchange Act

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the interim 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, 22 August 2011

The Management Board:

Peter Untersperger **Friedrich Weninger** **Thomas G. Winkler**

Notes

Financial Calendar 2011

	2011
Preliminary results	Monday, 21 February
Final results	Tuesday, 8 March
67th Shareholders' Meeting, "Reitersaal" hall of OeKB, Strauchgasse 3, A-1010 Vienna	Tuesday, 29 March
Quotation ex dividend	Thursday, 31 March
Dividend distribution	Friday, 1 April
Results 1st quarter	Wednesday, 11 May
Half year results	Tuesday, 23 August
Results 3rd quarter	Tuesday, 15 November

LENZING
LEADING FIBER INNOVATION

Copyright and published by

Lenzing Aktiengesellschaft
4860 Lenzing, Austria
www.lenzing.com

Edited by

Lenzing Aktiengesellschaft
Corporate Communications
Angelika Guldt
Phone: +43 (0) 76 72 701-21 27
Fax: +43 (0) 76 72 918-21 27
E-mail: a.guldt@lenzing.com

Metrum Communications GmbH, Vienna

Idea and Design

ElectricArts GmbH

Printed by

kb-offset Kroiss & Bichler GmbH & CoKG

Photography

Getty Images

LENZING
LEADING FIBER INNOVATION

Lenzing Aktiengesellschaft · 4860 Lenzing, Austria · Tel.: +43 (0) 76 72 701-0
Fax: +43 (0) 76 72 701-38 80 · E-Mail: office@lenzing.com · www.lenzing.com