

Corporate Governance Report 2010

The Austrian Code of Corporate Governance (ACCG) provides Austrian stock corporations with a framework for company management and monitoring. This framework includes international standards of good corporate governance, as well as relevant regulations of Austrian stock corporation law.

The code aims for responsible management and control of companies and groups orientated towards sustainable and long-term value creation. It is intended to create a high measure of transparency for all company stakeholders.

Lenzing AG respects the ACCG. For the first time, the company committed itself in 2010 to observing the stipulations documented in the code, which is downloadable at <http://www.corporate-governance.at>.

The company's corporate governance report is publicly accessible on www.lenzing.com.

1) Explanation for divergences from the C rules of the ACCG

C rule 31/51

Lenzing AG is of the opinion that the individual presentation of management board or supervisory board remuneration will not provide shareholders or stakeholders with any additional information relevant to capital markets and will therefore provide no gain in knowledge or insight relevant to commercial or economic issues.

2) Management board information

Peter Untersperger (b. 1960)

Chairman

First appointment to the board: 1 January 1999

End of current mandate: 31 March 2013

Responsibilities: Business Unit Engineering, Corporate Communications, Global Human Resources, Internal Audit, Mergers & Acquisitions, Wood Purchasing

No supervisory board mandate at any other company

Friedrich Weninger (b. 1957)

Member

First appointment to the board: 1 January 2009

End of current mandate: 31 December 2011

Responsibilities: Business Unit Textile Fibers, Business Unit Nonwoven Fibers, Business Unit Pulp, Business Unit Plastics, Business Unit Filaments, Business Unit Energy, Safety, Health & Environment, Environmental Protection in Lenzing, Infrastructure in Lenzing, Business Planning

No supervisory board mandate at any other company

Thomas G. Winkler (b. 1963)

Member

First appointment to the board: 1 April 2010

End of current mandate: 31 March 2013

Responsibilities: Global Finance, Global Information Technology, Global Purchasing, Legal Management, Risk Management

No supervisory board mandate at any other company

3) Information on the supervisory board

3.1. Members

Hermann Bell (b. 1932)

Chairman

First appointment to the board: 5 July 1972

End of current mandate: 2011

Supervisory board mandate at other quoted companies:

Oberbank AG (Chairman), BKS Bank AG

Michael Junghans (b. 1967)

Deputy Chairman

First appointment to the board: 30 April 2010

End of current mandate: 2013

Supervisory board mandate at other quoted companies:

Semperit AG Holding, Allg. Baugesellschaft – A. Porr AG

Walter Lederer (b. 1961)

First appointment to the board: 27 June 2002

End of current mandate: 2012

Supervisory board mandate at other quoted companies:

Semperit AG Holding, Allg. Baugesellschaft – A. Porr AG, Imperial Hotels Austria AG, UBM Realitätenentwicklung AG

Josef Krenner (b. 1952)

First appointment to the board: 23 April 2009

End of current mandate: 2012

Supervisory board mandate at other quoted companies:

Voestalpine AG

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Helmut Bernkopf (b. 1967)

First appointment to the board: 23 April 2009

End of current mandate: 2012

Supervisory board mandate at other quoted companies:

CA Immobilien Anlagen AG

Martin Payer (b. 1978)

First appointment to the board: 15 June 2007

End of current mandate: 2012

Supervisory board mandate at other quoted companies:

Semperit AG Holding

Andreas Schmidradner (b. 1961)

First appointment to the board: 12 June 2008

End of current mandate: 2012

Supervisory board mandate at other quoted companies:

Semperit AG Holding

Veit Sorger (b. 1942)

First appointment to the board: 4 June 2004

End of current mandate: 2012

Supervisory board mandate at other quoted companies:

Mondi AG (Chairman), Semperit AG Holding (Chairman)

Supervisory board members delegated by the workers' council: Rudolf Baldinger, Georg Liftingner, Gerhard Ratzesberger, Johann Schemberger

3.2. Supervisory board Independence (C rule 53 ACCG)

The supervisory board has adopted the guidelines on independence laid down in Appendix 1 of ACCG.

All members of the supervisory board have declared their not being dependent upon the company and upon its managing board.

3.3. Method of operation

To fulfill its responsibility of monitoring the work of the managing board, the supervisory board of Lenzing AG convenes itself at least once every quarter during the financial year. In the year under review, the supervisory board met 6 times (C rule 36).

The supervisory board of Lenzing AG constituted two committees from its members (C rules 34 and 39 ACCG):

Audit committee

The audit committee fulfills the responsibilities assigned to it by section 92 paragraph 4a of Austria's Joint Stock Company Act. This stipulates that these responsibilities are primarily the auditing and preparing of the adoption of the annual financial statements and the examination of the proposal made by the managing board on the distribution of profits and the management report. The audit committee also verifies the Group's consolidated financial statements and furnishes a proposal as to the annual auditor to be named. The committee is required to provide a report on its activities to the supervisory board. In financial year 2010, the audit committee met three times.

Members: Hermann Bell (Chairman), Michael Junghans, Rudolf Baldinger

Presidential committee

The chairman of the supervisory board and his deputy constitute the board's presidential committee, to which the rights have been reserved for the handling of all matters involving the relationships between the company and the members of the managing board, with the exception of decisions on the appointment or dismissal of members of the management board. In the period under review, the presidential committee met 6 times.

Members: Hermann Bell (Chairman), Michael Junghans

4) Principles of management board and supervisory board remuneration (C rule 30 ACCG)

- The participation of the management board is essentially determined by the criteria of dividend payouts, cash flow and attaining of profits on a long-term basis.
- The variable share of remuneration may constitute up to 50% of total remuneration.
- Company pension benefits, settlements on dismissal and entitlements of management board members are defined by legal regulations.
- The company has provided members of the management board with directors and officers liability insurance and legal protection insurance.

The principles of remuneration of members of the supervisory board are laid down in the articles of association of Lenzing AG (§ 13), which are published on the website of the company.

5) Fostering the advancement of women to the managing and supervisory boards and to senior positions (L rule 60)

Lenzing facilitates the advancement of women to and in management positions. These are in all areas of corporate operation. This fostering especially takes the forms of stepping up the participation of women in in-company management training programs.

Lenzing Aktiengesellschaft

Lenzing, January 2011

The Management Board

Peter Untersperger

Friedrich Weninger

Thomas G. Winkler