Sustainable management

Report on the
first half of 2019|20

First half of 2019|20 at a glance

- Revenue: € 1,250.0 million (-0.9%; H1 prior year: € 1,261.0 million)
- EBIT: € 51.7 million (-17.9%; H1 prior year: € 63.0 million)
- EBIT margin: 4.1% (H1 prior year: 5.0%)
- Profit for the period: € 28.9 million (-27.6%; H1 prior year: € 39.9 million)
- Equity ratio: 56.5% (28 February 2019: 59.0%)
- Gearing ratio[1]: 31.2% (28 February 2019: 22.9%)
- Number of employees (FTE)[2]: 9,668 (H1 prior year: 9,461)

[1] Debt-equity ratio (ratio of net debt to total equity).
[2] Average number of full-time equivalents in the reporting period.

Contents

Letter from the CEO

DEAR INVESTOR,

Although our Group operating profit (EBIT) of € 51.7 million for the first half of the year is still below that of one year ago, we maintain our forecast of significantly surpassing the prior year's EBIT in the full 2019|20 financial year.

The weaker earnings in the first half of the year were due primarily to the negative EBIT (€ 18.7 million deficit) in the Sugar segment, which last year did not post high losses until the second half of the year. But for the year as a whole, we will see a positive change in this business, as we expect a significant year-on-year improvement in the second half of this year. Sugar EBIT will nonetheless still remain negative in this full year 2019|20.

The long-term performance of our Sugar segment is driven not just by world market prices and the EU surplus situation, but also to a large extent by conditions in agriculture, particularly in Austria. Important needs for sustainable beet cultivation are appropriate beet prices and the ability to use specific crop protection products to cope with pest pressure. In order to regain recently lost beet production area, AGRANA is currently offering its contract growers three-year contracts with minimum beet prices of € 32 per tonne of beet for 2020 and € 34 per tonne for 2021 and 2022. We are thus providing terms that make beet production more secure and attractive for the farmers. As well, to further improve the efficiency of our organisational structure, we are now centralising all sales and administration activities of the Sugar segment in a dedicated company, AGRANA Sales & Marketing GmbH.

The Group's earnings decrease in the first half of 2019|20 also reflected a year-on-year drop in EBIT in the Fruit segment. Although we are winning market share in fruit preparations in the flat markets of the western industrialised countries and are gradually raising the capacity utilisation of our successfully commissioned second Chinese plant in the growing Southeast Asian markets, the sales volume trend overall is below expectations. In the fruit juice concentrate business, last year's record apple harvest is being followed by a weaker European crop in 2019, with significantly higher raw material prices. As a result of the subdued earnings trajectory in the first six months in the fruit preparations activities, the Fruit segment's EBIT is now projected to recede significantly for the full year 2019|20.

Six months into the financial year, the Starch segment is showing the best performance in the Group. EBIT was boosted very significantly from the year-earlier level. This business segment benefited from higher ethanol prices as well as the expansion of capacity in Aschach, Austria. In the second half of the year, the enlargement of the potato starch factory in Gmünd, Austria, and the completion of our major, € 100 million project to double the wheat starch activities in Pischelsdorf, Austria, will not only greatly strengthen our market position but also contribute substantially to future profitable growth in the Starch business.

In conclusion, I am pleased to inform you that since 1 September 2019, Dr. Norbert Harringer, as a new member of the Management Board, is responsible for the areas of Production Coordination and Investment. I wish him every success in this role.

Sincerely

Johann Marihart

Chief Executive Officer

Group management report

AGRANA Group results for the first half of 2019|20

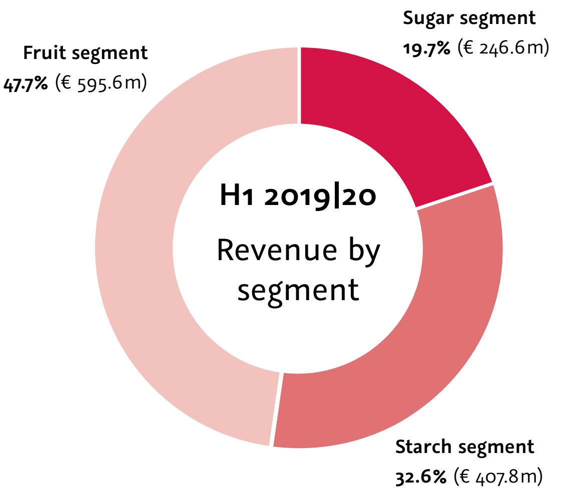
Revenue and earnings

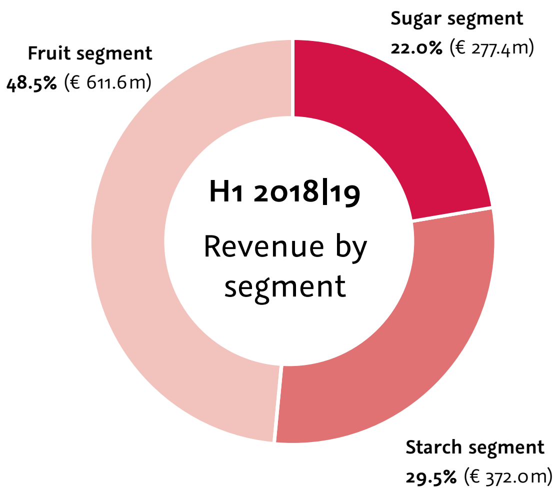
Consolidated income statement (condensed) €m, except as otherwise indicated	H1 2019|20	H1 2018|19
Revenue	1,250.0	1,261.0
EBITDA[1]	90.8	97.0
Operating profit before exceptional items and results of equity-accounted joint ventures	44.0	57.2
Share of results of equity-accounted joint ventures	7.7	6.6
Exceptional items	0.0	(0.8)
Operating profit [EBIT]	**51.7**	**63.0**
EBIT margin	**4.1%**	**5.0%**
Net financial items	(7.9)	(10.9)
Profit before tax	43.8	52.1
Income tax expense	(14.9)	(12.2)
Profit for the period	28.9	39.9
Earnings per share (€)[2]	0.43	0.59

Consolidated income statement (condensed) €m, except as otherwise indicated	Q2 2019|20	Q2 2018|19
Revenue	611.6	630.7
EBITDA[1]	39.3	43.5
Operating profit before exceptional items and results of equity-accounted joint ventures	16.5	23.4
Share of results of equity-accounted joint ventures	4.3	3.3
Exceptional items	0.0	(0.7)
Operating profit [EBIT]	**20.8**	**26.0**
EBIT margin	**3.4%**	**4.1%**
Net financial items	(4.1)	(6.6)
Profit before tax	16.7	19.4
Income tax expense	(6.1)	(4.8)
Profit for the period	10.6	14.6
Earnings per share (€)[2]	0.16	0.22

In the first half of 2019|20 (the six months ended 31 August 2019), **revenue** of the AGRANA Group was € 1,250.0 million, in line with the prior-year comparative period. While revenue decreased in the Sugar segment (by 11.1%) and Fruit segment (by 2.6%), the Starch segment achieved growth (9.6%).

Operating profit (EBIT) was € 51.7 million in the first half of 2019|20, a decrease of 17.9% from the year-ago period. In the Sugar segment, as a result of lower sugar sales quantities and margins relative to one year earlier, EBIT deteriorated very significantly to a deficit of € 18.7 million (H1 prior year: deficit of € 4.1 million). In the Fruit segment, EBIT decreased to € 36.1 million, a reduction of 22.9% driven primarily by a decrease in the fruit preparations business. The Starch segment was able to boost its EBIT by 69.0% to € 34.3 million. The Group's net financial items amounted to a net finance expense of € 7.9 million (versus a net expense of € 10.9 million in the year-earlier period) thanks to an improvement in currency translation differences. After an income tax expense of € 14.9 million, corresponding to a tax rate of 34.0% (H1 prior year: 23.4%), **profit for the period** was € 28.9 million (H1 prior year: € 39.9 million). **Earnings per share** attributable to AGRANA shareholders decreased to € 0.43 (H1 prior year: € 0.59).





[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.

Investment[1]

In the first half of 2019|20, AGRANA invested € 68.1 million, or € 14.6 million less than in the year-earlier comparative period. Capital expenditure by segment was as follows:

Investment €m, except %	H1 2019|20	H1 2018|19	Change
Fruit segment	22.3	20.7	+7.7%
Starch segment	37.5	48.7	-23.0%
Sugar segment	8.3	13.3	-37.6%
Group	**68.1**	**82.7**	**+17.7%**

Fruit segment

- Second production line at new plant in China is under construction
- New lab for new-product development in France
- Various projects across all 42 production sites

Starch segment

- Expansion of the wheat starch plant in Pischelsdorf, Austria
- Expansion of the corn derivatives plant in Aschach, Austria
- Measures to increase specialty corn processing in Aschach

Sugar segment

- Completion of the new warehouse for finished product in Buzău, Romania
- New sugar centrifuges for the optimisation of energy consumption in Hrušovany, Czech Republic

Additionally in the first half of 2019|20, € 14.9 million (H1 prior year: € 7.0 million) was invested in the equity-accounted joint ventures (the HUNGRANA and STUDEN groups and Beta Pura GmbH; values for these entities are stated at 100% of the total).

Cash flow

Consolidated cash flow statement (condensed)

€m, except %	H1 2019|20	H1 2018|19	Change
Operating cash flow before changes in working capital	81.8	108.7	-24.7%
Changes in working capital	(9.3)	34.1	-127.3%
Interest received and paid and income tax paid, net	(12.8)	(15.2)	15.8%
Net cash from operating activities	**59.7**	**127.6**	**-53.2%**
Net cash (used in) investing activities	(69.0)	(83.4)	17.3%
Net cash from/(used in) financing activities	36.4	(58.9)	161.8%
Net increase/(decrease) in cash and cash equivalents	**27.1**	**(14.7)**	**284.4%**
Effects of movements in foreign exchange rates on cash and cash equivalents	(0.5)	(2.6)	80.8%
Cash and cash equivalents at beginning of period	82.6	121.0	-31.7%
Cash and cash equivalents at end of period	**109.2**	**103.7**	**5.3%**

Operating cash flow before changes in working capital declined to € 81.8 million (H1 prior year: € 108.7 million) in the first half of 2019|20, as a result mainly of the lower profit for the period. With an increase of € 9.3 million in working capital (H1 prior year: reduction of € 34.1 million), net cash from operating activities in the first half of 2019|20 decreased to € 59.7 million (H1 prior year: € 127.6 million). Net cash used in investing activities was € 69.0 million, reflecting lower payments for purchases of property, plant and equipment and intangibles (H1 prior year: net cash use of € 83.4 million). In the first six months of 2019|20, an overall increase in borrowings (on a net basis across the current and non-current portions) and a lower dividend payment led to net cash from financing activities of € 36.4 million (H1 prior year: net cash use of € 58.9 million).

[1] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.

Financial position

Consolidated balance sheet (condensed)

€m, except % and pp	31 August 2019	28 February 2019	Change
Assets			
Non-current assets	**1,304.3**	**1,252.1**	**4.2%**
Of which intangible assets	274.1	276.7	-0.9%
Of which property, plant and equipment	906.5	864.2	4.9%
Current assets	**1,097.6**	**1,137.3**	**-3.5%**
Of which inventories	536.4	619.1	-13.4%
Of which trade receivables and other assets	445.8	429.5	3.8%
Of which cash and cash equivalents	109.2	82.6	32.2%
Total Assets	**2,401.9**	**2,389.4**	**0.5%**
Equity and liabilities			
Equity	**1,355.9**	**1,409.9**	**-3.8%**
Equity attributable to shareholders of the parent	1,293.8	1,348.7	-4.1%
Non-controlling interests	62.1	61.2	1.5%
Non-current liabilities	**528.1**	**393.1**	**34.3%**
Of which borrowings	413.9	279.0	48.4%
Current liabilities	**517.9**	**586.4**	**-11.7%**
Of which borrowings	138.3	144.6	-4.4%
Of which trade and other payables	345.8	403.6	-14.3%
Total equity and liabilities	**2,401.9**	**2,389.4**	**0.5%**

Net debt	**423.6**	**322.2**	**31.5%**
Gearing ratio[1]	**31.2%**	**22.9%**	**8.3pp**
Equity ratio	**56.5%**	**59.0%**	**-2.5pp**

[1] Debt-equity ratio (ratio of net debt to total equity).

Total assets were steady relative to the 2018|19 year-end balance sheet date, at € 2.40 billion as of 31 August 2019 (28 February 2019: € 2.39 billion), with an equity ratio of 56.5% (28 February 2019: 59.0%).

The value of non-current assets increased, due mainly to the initial application of IFRS 16, Leases (also see from page 20 in the consolidated financial statements), but also reflecting a level of investment that exceeded depreciation. Current assets eased marginally, with a significant reduction in inventories, but an increase in cash and cash equivalents. On the opposite side of the balance sheet, non-current liabilities rose significantly, due primarily to an increase in long-term borrowings. Current liabilities were down, which was attributable chiefly to a decrease in trade and other payables.

Net debt as of 31 August 2019 amounted to € 423.6 million, up € 101.4 million from the 2019|20 year-end level of 28 February 2019. The gearing ratio rose accordingly to 31.2% as of the quarterly balance sheet date (28 February 2019: 22.9%).

To strengthen the long-term funding base and take advantage of the historic low interest rate environment, AGRANA Beteiligungs-AG at 1 August 2019 placed a € 200 million Schuldscheindarlehen (bonded loan) in tranches of five, seven and ten years. The weighted average term to maturity is six years. Approximately 75% of the Schuldscheindarlehen carries a fixed interest rate.

AGRANA capital market developments & corporate governance

Share data	H1 2019|20
High (17 May 2019)	€ 20.20
Low (27 August 2019)	€ 15.90
Closing price (30 August 2019)	€ 16.00
Closing book value per share	€ 20.70
Closing market capitalisation	€ 999.8m

AGRANA started the 2019|20 financial year at a share price of € 17.40 and closed at € 16.00 on the last trading day of August 2019, a decrease of 8.1%. Austria's blue-chip ATX equity index declined by 4.3% over the same period.

The average daily trading volume[1] in the period from March to August 2019 measured close to 32,000 shares (H1 prior year: approximately 48,000 shares).

AGRANA's share price performance can be followed in the investor relations section of the Group's website at www.agrana.com. The market capitalisation at the end of August 2019 was € 999.8 million.

The 32nd Annual General Meeting of AGRANA Beteiligungs-AG on 5 July 2019 approved the payment of a dividend of € 1.00 per share for the 2018|19 financial year (2017|18: € 1.125[2] per share); the dividend was paid in July 2019.

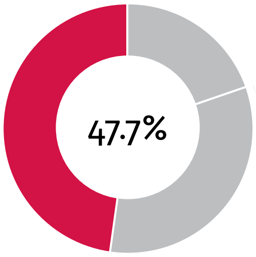
As decided by the Supervisory Board of AGRANA Beteiligungs-AG at its meeting on 10 May 2019, Norbert Harringer, a chemical engineer, joined the Group's Management Board on 1 September 2019. As a Management Board member he has assumed portions of the areas of responsibility of Johann Marihart. Specifically, Dr. Harringer will be in charge of Production Coordination and Investment.

[1] Trading volume based on double counting, as published by the Vienna Stock Exchange.

[2] Reflecting the four-for-one stock split performed in July 2018, the dividend is calculated based on the new number of shares outstanding of 62,488,976.

Fruit segment

Share of Group revenue



Financial results

Fruit segment €m, except %	H1 2019|20	H1 2018|19
Revenue	595.6	611.6
EBITDA[1]	55.3	63.4
Operating profit before exceptional items and results of equity-accounted joint ventures	36.1	46.8
Operating profit [EBIT]	**36.1**	**46.8**
EBIT margin	**6.1%**	**7.7%**

Fruit segment €m, except %	Q2 2019|20	Q2 2018|19
Revenue	284.1	299.8
EBITDA[1]	23.8	29.7
Operating profit before exceptional items and results of equity-accounted joint ventures	14.3	21.3
Operating profit [EBIT]	**14.3**	**21.3**
EBIT margin	**5.0%**	**7.1%**

The Fruit segment's revenue in the first half of 2019|20 was € 595.6 million, or slightly below the year-earlier level. Revenue in fruit preparations was flat, with stable sales volumes and prices. In the fruit juice concentrate activities, revenue was down from a year ago for price reasons, while volume was up.

Fruit segment EBIT was € 36.1 million in the first six months, off 22.9% from one year earlier. The causes of the deterioration lay mainly in the fruit preparations business. Here, one-time impacts relating to raw materials in Mexico (strawberry and mango), combined with low sales prices for apples in Ukraine as well as exceptional staff cost effects, were primary drivers of the reduction in operating profit. At the same time, the sales volume trend in the first six months was below expectations, and general cost increases thus could not be fully offset by higher volumes of sales. EBIT in the fruit juice concentrate business was held at a high level thanks to a stable operating performance, although easing from the year-earlier result as idle-capacity costs were already recognised in the reporting period in expectation of a lower 2019 apple crop volume. This was attributable mainly to high delivery volumes in the first months of the financial year, coupled with strong contribution margins of fruit juice concentrates made from the 2018 crop.

Market environment

The most important consumer trends shaping developments in the markets of the fruit preparations business (dairy products, ice-cream, bakery and food services) continue to be naturalness, sustainability, health, pleasure and convenience. Concerning the pleasure theme, product innovations often employ novel, surprising flavours or textures to offer today's variety-seeking consumer new sensory experiences. Examples are the use of inclusions (such as chocolate pieces) or liquid fillings.

The market for fruit preparations for dairy products is forecast to see volume growth of 3.2% in 2020 (compared to 2019) on average across categories, driven by the drinkable yoghurt category with a growth rate of 6.5%. In the same year, the spoonable yoghurt market is to grow by 0.2% in the regions relevant to AGRANA Fruit. The planned growth in regions such as South America, Middle East, Europe and North America is currently not materialising, held back by business cycle-driven reversals and political developments.

Besides continually pushing up sales volumes in the dairy sector through innovative products, AGRANA Fruit remains focused on alternative market segments such as ice-cream, particularly through closer collaboration with the global market leaders. The ice-cream sector overall is projected to grow by just under 2.0% in 2020, with significantly higher revenue growth than this predicted in some regions.

The demand for apple juice concentrate is moderate in anticipation of the new crop. Available product from the 2019 spring production was successfully marketed.

The contractual placement of berry juice concentrates from the 2018 crop with customers is almost complete.

[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.

Raw materials and production

The harvest of strawberry, the segment's principal fruit, was completed at the end of August in all relevant procurement markets. In the Mediterranean strawberry crop regions, average yields were achieved and prices were moderately above the prior year; all planned supply quantities were successfully contracted. The harvest volume of the continental varieties in Poland, due to May frost and prolonged dry conditions in early summer, was about 25% less than in the year before. As in the past years, in Poland only small volumes were contracted (for specific recipes), owing to a lack of competitiveness.

The raspberry harvest in Serbia, Poland and Ukraine produced heat-related lower yields than last year, with resulting price increases of up to 60% from a historic low in the prior year.

A similar, weather-induced scenario was seen with sour cherry in Poland and Serbia. As a result of the significantly reduced raw material supply in the wake of frost damage, sharp price hikes were experienced, especially in Poland, of up to 80% compared to last year.

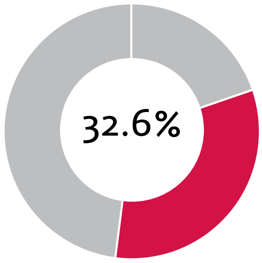
In the first half of 2019|20, about 212,000 tonnes of raw materials were purchased for the fruit preparations activities.

Berry juice production in 2019 was marked by reduced availability of the principal fruits, and thus by significantly higher berry juice concentrate prices than in the prior year.

For apples, the most important fruit in the juice concentrate business, availability is expected to be significantly lower than last year in Poland, the main growing region. Due to spring frost in Hungary, harvest expectations here are also for a significant decrease from last year. In China and Ukraine, supply is predicted to be satisfactory.

Starch segment

Share of Group revenue



Financial results

STARCH SEGMENT €m, except %	H1 2019|20	H1 2018|19
Revenue	407.8	372.0
EBITDA[1]	44.3	26.6
Operating profit before exceptional items and results of equity-accounted joint ventures	27.1	11.2
Share of results of equity-accounted joint ventures	7.2	9.1
Operating profit [EBIT]	**34.3**	**20.3**
EBIT margin	**8.4%**	**5.5%**

STARCH SEGMENT €m, except %	Q2 2019|20	Q2 2018|19
Revenue	200.1	190.6
EBITDA[1]	20.7	13.8
Operating profit before exceptional items and results of equity-accounted joint ventures	11.9	6.0
Share of results of equity-accounted joint ventures	4.0	4.4
Operating profit [EBIT]	**15.9**	**10.4**
EBIT margin	**7.9%**	**5.5%**

Starch segment revenue in the first half of 2019|20 was € 407.8 million, representing growth of almost 10% from one year earlier. The key reason was a considerable increase in ethanol revenue due to stronger Platts quotations. In saccharification products, with declining prices, revenue was raised slightly by selling greater volumes. Native and modified starches saw revenue growth, thanks in part to volume increases. Revenue from baby food also rose, while feedstuff revenue was stable.

[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.

With EBIT of € 34.3 million, the Starch segment surpassed the comparative year-earlier result by 69.0%. The substantial earnings growth stemmed primarily from the significant rise in the market price of ethanol and from volume gains in all other product segments. On the expense side, the high raw material costs for the 2018 crops remained a downside factor for earnings. The earnings contribution of the equity-accounted HUNGRANA group declined from € 9.1 million to € 7.2 million, since the Hungarian site, as the largest European manufacturer of isoglucose, is particularly strongly affected by the price declines for saccharification products relative to the prior-year period. On balance, the EBIT profit margin of the Starch segment in the first half of the year increased to 8.4%, from 5.5% in the comparative prior-year period.

Market environment

The market environment for the Starch segment in the first half of the 2019|20 financial year was characterised by a pattern of stable sales volume.

The market situation in liquid saccharification products, particularly isoglucose, remains determined by volume pressure; a positive trend can be seen in sales of organic maltodextrins.

Demand for native and modified starches was stable. An easing of the previously tight supply situation for starches for the paper industry was evident.

The bioethanol business made a very positive contribution to overall EBIT of the Starch segment in the first half of 2019|20, buoyed by the high Platts quotations. The quotes were supported by seasonally higher demand and by a supply shortage existing particularly in Northern and Western Europe.

In the feedstuff area, the selling prices of high-protein products (corn gluten meal and wheat gluten) are stable. For medium-protein feeds like ActiProt® and corn gluten feed, prices are up from the prior year. The steadily growing demand for GMO-free feedstuffs continues to help support the market environment of stable prices.

Raw materials and production

World grain production in the 2019|20 grain marketing year (July to June) is estimated by the International Grains Council in its forecast at the end of August 2019 at 2.16 billion tonnes, which is about 17 million tonnes more than in the prior year and falls short of expected consumption by around 27 million tonnes. Wheat production is forecast at 764 million tonnes (prior year: 733 million tonnes; estimated 2019|20 consumption: 758 million tonnes) and the predicted output of corn is 1,100 million tonnes (prior year: 1,129 million tonnes; estimated 2019|20 consumption: 1,139 million tonnes). Total ending grain stocks are to decline by approximately 27 million tonnes to a new balance of 598 million tonnes.

Grain production in the EU-28 is estimated by Stratégie Grains in its forecast of 15 August 2019 at about 306 million tonnes (prior year: 280 million tonnes). Of this total, the soft wheat harvest is to account for about 143 million tonnes, significantly more than the 2018 crop of 127 million tonnes. The 2019 corn harvest in the EU is expected to reach 63 million tonnes (prior year: 62 million tonnes).

The quotations on the NYSE Euronext Liffe commodity derivatives exchange in Paris declined since the beginning of March 2019 and, on 30 August, were around € 163 per tonne for corn and € 164 per tonne for wheat (year earlier: € 185 and € 205 per tonne, respectively).

Potatoes

On 23 August the potato starch factory in Gmünd, Austria, began the processing of starch potatoes from the 2019 harvest. As a result of unfavourable weather – drought in June and above-average temperatures in July and August – growers' fulfilment of the contracted amount of starch potatoes is expected to reach only 85%. The average starch content is estimated at about 18.5%, similar to last year.

Corn and wheat

Receiving of freshly harvested wet corn at the corn starch plant in Aschach, Austria, began at the end of August. Wet corn volume at this facility is expected to be higher than in the previous year and is to reach about 120,000 tonnes (prior year: 117,000 tonnes); its processing should be completed at the beginning of December. Production will then switch to the processing of dry corn. In the first half of 2019|20, some 239,000 tonnes of corn was processed here (H1 prior year: 235,000 tonnes).

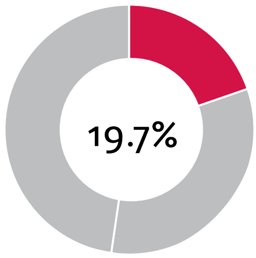
As raw materials for bioethanol and wheat starch production in Pischelsdorf, Austria, in the first half of 2019|20, AGRANA used non-corn grains (wheat, organic wheat and triticale) and corn in a ratio of approximately 75% to 25%. The total processing volume at this facility for the first six months of the financial year was approximately 412,000 tonnes, in line with the year-ago period. Processing of wet corn began at the end of August and, as in the prior year, is expected to reach about 106,000 tonnes.

The purchasing of feedstock for the Austrian starch plants in Aschach (corn) and Pischelsdorf (wheat) from the 2018 crop is complete. Including the amounts contracted from the 2019 harvest, approximately 80% of the raw material supply for the 2019|20 financial year is secured.

The start of the wet corn campaign at the equity-accounted plant in Hungary (HUNGRANA) also occurred at the end of August. Wet corn processing volume at this facility is forecast at approximately 220,000 tonnes, comparable to the prior year. In the first half of 2019|20, some 530,000 tonnes of corn was processed here (H1 prior year: 538,000 tonnes).

Sugar segment

Share of Group revenue



Financial results

Sugar segment €m, except %	**H1 2019|20**	**H1 2018|19**
Revenue	246.6	277.4
EBITDA[1]	(8.8)	7.0
Operating loss before exceptional items and results of equity-accounted joint ventures	(19.2)	(0.7)
Share of results of equity-accounted joint ventures	0.5	(2.6)
Exceptional items	0.0	(0.8)
Operating loss [EBIT]	**(18.7)**	**(4.1)**
EBIT margin	**(7.6%)**	**(1.5%)**

Sugar segment €m, except %	**Q2 2019|20**	**Q2 2018|19**
Revenue	127.4	140.3
EBITDA[1]	(5.2)	0.0
Operating loss before exceptional items and results of equity-accounted joint ventures	(9.7)	(3.9)
Share of results of equity-accounted joint ventures	0.3	(1.2)
Exceptional items	0.0	(0.7)
Operating loss [EBIT]	**(9.4)**	**(5.8)**
EBIT margin	**(7.4%)**	**(4.1%)**

The Sugar segment's revenue in the first six months of 2019|20, at € 246.6 million, was off 11.1% from the first half of the prior year. Lower sugar sales volumes (particularly to resellers) at selling prices comparable to last year were responsible for this decrease.

[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.

The EBIT result in the first half of 2019|20 fell very significantly from a deficit of € 4.1 million to one of € 18.7 million, driven mainly by the sales volume decline and lower margins.

Market environment

World sugar market

The world market price of sugar has stagnated at a low level since the beginning of the financial year. In fact, during the reporting period, in July 2019, white sugar marked a new ten-year low (US$ 294.0 per tonne). As a result of the reduced white sugar premium, raw sugar did not fall below its existing ten-year low of September 2018 (US$ 218.3 per tonne).

Contrary to the expectation of a small deficit in the 2018|19 sugar marketing year (SMY, October 2018 to September 2019), the presence of considerable inventories, notably in India, led to low prices. Against this backdrop, even the deficit expected in SMY 2019|20 is seen as providing only moderate support for prices. Especially the ability of mills in Brazil – whose ethanol production is currently high – to switch easily between ethanol and sugar production places the likely deficit in perspective. The present market situation is also influenced by the behaviour of institutional investors, which have accumulated large short positions and thus bet on continuing low prices.

Current political tensions are creating volatility in the oil price, which in turn affects sugar prices. Further uncertainty was caused by the dynamics in the foreign exchange market, especially a recently weak Brazilian real. In addition, the smouldering trade war between the USA and China creates a generally difficult global market environment.

In its estimate of 9 July 2019 of the world sugar balance for the end of SMY 2018|19, the analytics firm F.O. Licht is projecting a small production deficit for the year. The forecast calls for production of 184.4 million tonnes (SMY 2017|18: 194.2 million tonnes) and growth in consumption to 184.7 million tonnes (SMY 2017|18: 182.9 million tonnes), implying a decrease in global sugar stocks to 76.8 million tonnes (SMY 2017|18: 77.5 million tonnes) and a deficit of 1.1 million tonnes. For SMY 2019|20, F.O. Licht expects a more significant deficit of 4.2 million tonnes.

At the end of the financial reporting period, white sugar quoted at US$ 301.6 (€ 274.5) per tonne and raw sugar at US$ 245.6 (€ 223.5).

EU sugar market

In SMY 2018|19, sugar production in the EU was about 17.6 million tonnes, a decrease of around 17% from the year before (21.3 million tonnes). As a result of the once again very dry weather in the summer, the European Commission's August forecast for SMY 2019|20 also called for production of only 18.3 million tonnes of sugar. In May 2019 the Monitoring Agricultural Resources (MARS) section of the European Commission had still predicted a yield of 76.5 tonnes per hectare for SMY 2019|20, but its August forecast then cut this to 71.5 tonnes per hectare.

Since the abolition of the sugar quotas at the end of September 2017, the average sugar prices in the EU price reporting system have declined significantly and continually. By January 2019 the sugar price was only € 312 per tonne. In the first half of 2019 the average price rose again slightly; for July 2019 an average price of € 320 per tonne was reported, and a further increase is predicted for the coming months, in part because the 2019 European beet harvest is expected merely to match that of the drought year 2018.

In SMY 2018|19, as a result of the reduced production, export volumes fell and imports rose; this will probably also be the case for SMY 2019|20.

AGRANA Sales & Marketing GmbH

Effective 1 October 2019, all sales and marketing activities of the Sugar segment are combined in a new distribution company, AGRANA Sales & Marketing GmbH. This centralisation of all sales and administrative activities is designed to help better meet the challenges in the sugar market.

Raw materials (and production)

In the 2019 crop year, the sugar beet production acreage contracted by AGRANA with beet growers was approximately 82,100 hectares, or about 1,000 hectares less than in the prior year. Organic sugar beet cultivation for the Group accounted for around 2,100 hectares contracted in Austria and some 800 hectares under contract in Hungary and Romania.

The mild winter, and especially the very warm March, allowed planting to begin early in most beet regions in Austria, the Czech Republic and Slovakia. In Hungary and Romania, precipitation delayed an early start. Juvenile development was somewhat slowed, particularly in the second week of April, by a lack of rain. From the first week of April, severe damage in the Austrian core beet production areas was once again caused by the beet weevil. However, the scale of the infestation was far smaller than in the prior year, thanks mainly to a package of countermeasures initiated by AGRANA. This year's use of obstacle furrow ploughs (creating a deep, narrow furrow around the outside of the fields to prevent the beetles from migrating into the crop) and deployment of more than 90,000 pheromone traps should also help to further reduce the potential threat from beet weevil in 2020. A total of approximately 5,300 hectares of beet fields had to be turned under and only about 23% of this was subsequently replanted to beet. In the other beet-growing regions, outside Austria, further beet production area (about 1,000 hectares) was lost due to drought, wind erosion, weed infestation and other animal pests.

From the end of April and through all of May, enough precipitation was recorded in the entire production area in all regions. This improved the growth situation, and rapid juvenile development led to an early or average timing of row closure in most beet fields.

The months of June to August showed very different faces in the different beet production regions. Austria recorded one of the hottest summers since measurements began about 250 years ago; rain associated with unevenly occurring thunderstorms brought some rain in many parts of the country, providing at least partial relief from the drought. Only in the western part of the Austrian production area does a substantial water deficit remain. In the Czech Republic as well, conditions were very dry for some time, notably in the beet production area of the northern factory in Opava. Precipitation in Slovakia, Hungary and Romania was sufficient until into September.

The weather and growing conditions to date point to average to slightly above-average beet yields in all countries on the approximately 76,500 hectares of area under beet that are on the books at the balance sheet date, with an expected total beet crop of about 5 million tonnes.

At the three raw sugar refineries in Kaposvár in Hungary, Buzău in Romania, and Brčko in Bosnia and Herzegovina, around 185,000 tonnes of raw cane sugar were converted into about 177,000 tonnes of white sugar in the first half of 2019|20.

Management of risks and opportunities

AGRANA uses an integrated system for the early identification and monitoring of risks that are relevant to the Group.

There are currently no known risks to the AGRANA Group's ability to continue in operational existence and no future risks of this nature are discernible at present.

A detailed description of the Group's business risks is provided on pages 88 to 93 of the annual report 2018|19.

Number of employees

Full-time equivalents	H1 2019|20	H1 2018|19	Change
Fruit segment	6,679	6,526	2.3%
Starch segment	1,065	1,014	5.0%
Sugar segment	1,924	1,921	0.2%
Group	**9,668**	**9,461**	**2.2%**

In the first half of 2019|20 the AGRANA Group employed an average of 9,668 full-time equivalents (H1 prior year: 9,461). The increase in personnel resulted mainly from the addition of the new subsidiary in Algeria, the new second fruit preparations plant in China and the expansion of the starch production site in Aschach, Austria.

Related party disclosures

For disclosures on related party relationships, refer to page 24 in the interim consolidated financial statements.

Significant events after the interim reporting date

No significant events occurred after the quarterly balance sheet date of 31 August 2019 that had a material effect on AGRANA's financial position, results of operations or cash flows.

Outlook

AGRANA Group €m	2018|19 Actual	2019|20 Forecast
Revenue	2,443.0	↑
EBIT	66.6	↑↑
Investment[1]	183.8	140

↑ *Moderate increase*[2]

↑↑ *Significant increase*[2]

Despite the challenges in the Sugar and Fruit segments, the Group's **operating profit (EBIT)** is expected to increase significantly in the 2019|20 financial year. Group **revenue** is projected to show moderate growth.

EBIT in the third quarter of the current 2019|20 financial year is expected to very significantly surpass the third quarter of the prior year (€ 1.2 million).

Starch segment €m	2018|19 Actual	2019|20 Forecast
Revenue	762.7	↑
EBIT	51.2	↑↑
Investment[1]	97.0	70

↑ *Moderate increase*[2]

↑↑ *Significant increase*[2]

For the **Starch segment**, a moderate increase in revenue is forecast for the 2019|20 financial year. The markets for starches are expected to be stable; starch-based saccharification products will remain affected by the trend in European sugar prices. The positive impetus for specialty products such as infant formula, organic and GMO-free products is predicted to continue. On the assumption of an average grain harvest in 2019, a slight reduction in raw material prices is expected compared to the drought year 2018. On balance, EBIT of the Starch segment is projected to rise significantly from the prior year, due in part to higher ethanol prices than last year.

Fruit segment €m	2018|19 Actual	2019|20 Forecast
Revenue	1,179.1	→
EBIT	77.3	↓↓
Investment[1]	56.2	50

→ *Steady*[2]

↓↓ *Significant reduction*[2]

In the **Fruit segment**, AGRANA expects the full 2019|20 financial year to bring stable revenue, but a decrease in EBIT. The fruit preparations division, due to flat sales volumes in all its business areas, expects revenue to move sideways, and its EBIT is projected to decrease significantly from the prior year as a result of the subdued earnings trend in the first half of 2019|20. In the fruit juice concentrate division, revenue for the full 2019|20 financial year is forecast to be stable; EBIT will be significantly less than last year due to lower raw material availability.

Sugar segment €m	2018|19 Actual	2019|20 Forecast
Revenue	501.2	↗
EBIT	(61.9)	↑↑
Investment[1]	30.6	30

↗ *Slight increase*[2]

↑↑ *Significant improvement*[2]

For the **Sugar segment**, AGRANA is projecting consistently low revenue in expectation of a continued challenging sugar market environment. The ongoing cost reduction programmes will only be able to soften the margin erosion to some extent and EBIT is thus predicted to be negative in the 2019|20 financial year. However, within this negative territory, EBIT is expected to improve significantly in the financial year as a result of higher sales prices and lower idle-capacity costs in the 2019|20 sugar marketing year

Investment

Total **investment** across the three business segments in the financial year, at approximately € 140 million, is to significantly exceed the budgeted depreciation of about € 110 million.

[1] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.

[2] For definitions of these quantitative terms as used here in the "Outlook" section, see page 26.

Interim consolidated financial statements

For the first six months ended 31 August 2019 (unaudited)

Consolidated income statement

€000, except per-share data	First six months (1 March – 31 August)		Second Quarter (1 June – 31 August)	
	H1 2019|20	H1 2018|19	Q2 2019|20	Q2 2018|19
Revenue	1,249,951	1,261,042	611,530	630,764
Changes in inventories of finished and unfinished goods	(107,579)	(189,370)	(48,042)	(83,309)
Own work capitalised	539	886	317	444
Other operating income	13,739	12,554	5,660	5,952
Cost of materials	(764,175)	(691,522)	(381,871)	(357,630)
Staff costs	(165,045)	(155,298)	(82,956)	(78,989)
Depreciation, amortisation and impairment losses	(46,826)	(39,740)	(22,758)	(20,102)
Other operating expenses	(136,598)	(142,124)	(65,350)	(74,368)
Share of results of equity-accounted joint ventures	7,646	6,551	4,211	3,221
Operating profit [EBIT]	**51,652**	**62,979**	**20,741**	**25,983**
Finance income	14,020	14,671	6,791	2,946
Finance expense	(21,898)	(25,566)	(10,878)	(9,511)
Net financial items	**(7,878)**	**(10,895)**	**(4,087)**	**(6,565)**
Profit before tax	**43,774**	**52,084**	**16,654**	**19,418**
Income tax expense	(14,844)	(12,212)	(6,015)	(4,856)
Profit for the period	**28,930**	**39,872**	**10,639**	**14,562**
▪ Attributable to shareholders of the parent	26,989	36,850	10,328	13,433
▪ Attributable to non-controlling interests	1,941	3,022	311	1,129
Earnings per share under IFRS (basic and diluted)	€ 0.43	€ 0.59	€ 0.16	€ 0.21

Consolidated statement of comprehensive income

€000	H1 2019|20	H1 2018|19	Q2 2019|20	Q2 2018|19
	First six months (1 March – 31 August)		Second Quarter (1 June – 31 August)	
Profit for the period	**28,930**	**39,872**	**10,639**	**14,562**
Other comprehensive (expense)/income				
▪ Currency translation differences and hyperinflation adjustments	(9,131)	(20,395)	(6,973)	(16,714)
▪ Changes in fair value of hedging instruments (cash flow hedges), after deferred taxes	(657)	1,473	(722)	572
▪ Effects from equity-accounted joint ventures	(3,067)	(2,440)	(1,440)	(1,457)
(Expense) to be recognised in the income statement in the future	(12,855)	(21,362)	(9,135)	(17,599)
▪ Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities, after deferred taxes	(7,249)	(452)	(5,074)	(193)
(Expense) that will not be recognised in the income statement in the future	(7,249)	(452)	(5,074)	(193)
Other comprehensive (expense)	(20,104)	(21,814)	(14,209)	(17,792)
Total comprehensive income/(expense) for the period	**8,826**	**18,058**	**(3,570)**	**(3,230)**
▪ Attributable to shareholders of the parent	7,685	16,338	(3,199)	(3,538)
▪ Attributable to non-controlling interests	1,141	1,720	(371)	308

Condensed consolidated cash flow statement

For the first six months (1 March – 31 August) €000	H1 2019|20	H1 2018|19
Operating cash flow before changes in working capital	81,761	108,725
Changes in working capital	(9,264)	34,137
Interest received and paid and income tax paid, net	(12,770)	(15,271)
Net cash from operating activities	**59,727**	**127,591**
Net cash (used in) investing activities	(68,989)	(83,428)
Net cash from/(used in) financing activities	36,444	(58,886)
Net increase/(decrease) in cash and cash equivalents	**27,182**	**(14,723)**
Effect of movements in foreign exchange rates and hyperinflation adjustments on cash and cash equivalents	(531)	(2,492)
Cash and cash equivalents at beginning of period	82,582	120,961
Cash and cash equivalents at end of period	**109,233**	**103,746**

Consolidated balance sheet

€000	31 August 2019	28 February 2019	31 August 2018
Assets			
A. Non-current assets			
Intangible assets, including goodwill	274,105	276,740	273,038
Property, plant and equipment	906,464	864,221	806,314
Equity-accounted joint ventures	78,523	69,926	77,339
Securities	19,312	18,843	19,257
Investments in non-consolidated subsidiaries and outside companies	526	19	19
Receivables and other assets	9,914	10,090	9,085
Deferred tax assets	15,483	12,309	13,359
	1,304,327	**1,252,148**	**1,198,411**
B. Current assets			
Inventories	536,351	619,133	492,166
Trade receivables and other assets	445,788	429,484	465,535
Current tax assets	6,159	6,060	4,517
Securities	0	0	44
Cash and cash equivalents	109,233	82,582	103,746
	1,097,531	**1,137,259**	**1,066,008**
Total assets	**2,401,858**	**2,389,407**	**2,264,419**

Equity and liabilities			
A. Equity			
Share capital	113,531	113,531	113,531
Share premium and other capital reserves	540,760	540,760	540,760
Retained earnings	639,475	694,451	687,025
Equity attributable to shareholders of the parent	1,293,766	1,348,742	1,341,316
Non-controlling interests	62,095	61,186	57,378
	1,355,861	**1,409,928**	**1,398,694**
B. Non-current liabilities			
Retirement and termination benefit obligations	78,691	71,177	69,978
Other provisions	22,112	23,505	21,763
Borrowings	413,864	278,988	258,965
Other payables	6,760	12,820	17,045
Deferred tax liabilities	6,684	6,556	6,624
	528,111	**393,046**	**374,375**
C. Current liabilities			
Other provisions	22,576	31,221	25,118
Borrowings	138,304	144,639	125,392
Trade and other payables	345,765	403,627	328,215
Current tax liabilities	11,241	6,946	12,625
	517,886	**586,433**	**491,350**
Total equity and liabilities	**2,401,858**	**2,389,407**	**2,264,419**

Condensed consolidated statement of changes in equity

FOR THE FIRST SIX MONTHS (1 MARCH – 31 AUGUST) €000	Equity attributable to shareholders of the parent	Non-controlling interests	TOTAL
2019|20			
At 1 March 2019	**1,348,742**	**61,186**	**1,409,928**
Changes in fair value of hedging instruments (cash flow hedges), after deferred taxes	(779)	(40)	(819)
Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities	(7,246)	(3)	(7,249)
Currency translation and hyperinflation adjustments (loss)	(11,279)	(757)	(12,036)
Other comprehensive (expense) for the period	**(19,304)**	**(800)**	**(20,104)**
Profit for the period	26,989	1,941	28,930
Total comprehensive income for the period	**7,685**	**1,141**	**8,826**
Dividends paid	(62,489)	(547)	(63,036)
Changes in equity interests and in scope of consolidation	(106)	(8)	(114)
Other changes	(66)	(323)	257
AT 31 AUGUST 2019	**1,293,766**	**62,095**	**1,355,861**

2018|19			
At 1 March 2018 (as published)	**1,397,043**	**56,954**	**1,453,997**
Effects of initial application of IFRS 9	(148)	0	(148)
At 1 March 2018 (adjusted)	**1,396,895**	**56,954**	**1,453,849**
Changes in fair value of hedging instruments (cash flow hedges), after deferred taxes	1,473	0	1,473
Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities	(453)	1	(452)
Currency translation (loss)	(21,532)	(1,303)	(22,835)
Other comprehensive (expense) for the period	**(20,512)**	**(1,302)**	**(21,814)**
Profit for the period	36,850	3,022	39,872
Total comprehensive income for the period	**16,338**	**1,720**	**18,058**
Dividends paid	(70,300)	(921)	(71,221)
Changes in equity interests and in scope of consolidation	(1,613)	(373)	(1,986)
Other changes	(4)	(2)	(6)
AT 31 AUGUST 2018	**1,341,316**	**57,378**	**1,398,694**

Notes to the interim consolidated financial statements

For the first six months ended 31 August 2019 (unaudited)

Segment reporting

For the first six months (1 March – 31 August) €000	H1 2019|20	H1 2018|19
Total revenue		
Fruit	596,061	611,773
Starch	412,531	377,051
Sugar	273,186	308,103
Group	**1,281,778**	**1,296,927**
Inter-segment revenue		
Fruit	(465)	(195)
Starch	(4,707)	(5,052)
Sugar	(26,655)	(30,638)
Group	**(31,827)**	**(35,885)**
Revenue		
Fruit	595,596	611,578
Starch	407,824	371,999
Sugar	246,531	277,465
Group	**1,249,951**	**1,261,042**
Operating profit before exceptional items and results of equity-accounted joint ventures		
Fruit	36,056	46,763
Starch	27,150	11,202
Sugar	(19,200)	(730)
Group	**44,006**	**57,235**
Exceptional items		
Fruit	0	0
Starch	0	0
Sugar	0	(807)
Group	**0**	**(807)**

For the first six months (1 March – 31 August) €000	H1 2019|20	H1 2018|19
Share of results of equity-accounted joint ventures		
Fruit	0	0
Starch	7,196	9,129
Sugar	450	(2,578)
Group	**7,646**	**6,551**
Operating profit [EBIT][1]		
Fruit	36,056	46,763
Starch	34,346	20,331
Sugar	(18,750)	(4,115)
Group	**51,652**	**62,979**
Investment[2]		
Fruit	22,336	20,707
Starch	37,452	48,732
Sugar	8,350	13,281
Group	**68,138**	**82,720**
Number of employees (FTE)[3]		
Fruit	6,679	6,526
Starch	1,065	1,014
Sugar	1,924	1,921
Group	**9,668**	**9,461**

[1] Operating profit (EBIT) is after exceptional items and results of equity-accounted joint ventures.
[2] Investment represents purchases of property, plant and equipment and intangible assets (excluding goodwill).
[3] Average number of full-time equivalents in the reporting period.

Basis of preparation

The interim report of the AGRANA Group for the period ended 31 August 2019 was prepared in accordance with the rules for interim financial reporting under IAS 34, in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee. Consistent with IAS 34, the consolidated financial statements of AGRANA Beteiligungs-Aktiengesellschaft ("AGRANA Beteiligungs-AG") at and for the period ended 31 August 2019 are presented in condensed form. The interim consolidated financial statements at and for the period ended 31 August 2019 were not audited or reviewed. They were prepared by the Management Board of AGRANA Beteiligungs-AG on 30 September 2019.

The annual report 2018|19 of the AGRANA Group is available on the Internet at www.agrana.com/en/investor for online viewing or downloading.

Accounting policies

In the preparation of these interim financial statements, certain new or changed standards and interpretations became effective for the first time, as described on pages 107 to 113 of the annual report 2018|19 in the notes to the consolidated financial statements, section 2, "Basis of preparation".

In accordance with the transition rules of IFRS 16, the initial application of this standard used the modified retrospective approach and the prior-year data were thus not restated.

Under IFRS 16, for all leases, the lessee generally recognises a right-of-use asset and a lease liability in the balance sheet, based on the present value of the outstanding lease payments. The present value is determined based on the current incremental borrowing rate, unless the interest rate implicit in the lease is available. At the transition date of 1 March 2019 the weighted average incremental borrowing rate was 3.3%. The right-of-use asset is depreciated over the term of the lease. The unwinding of discount on the lease liability is performed using the effective interest method and the liability is amortised through lease payments; the resulting interest expenses are reported in finance expense. The right-of-use asset is subject to impairment testing in accordance with IAS 36 (Impairment of Assets).

AGRANA does not apply IFRS 16 to leases of intangible assets. For assets of low value and for short-term leases, AGRANA elects not to capitalise the lease.

AGRANA uses leases mainly for long-term rental agreements for land and buildings in administration and production.

On initial application of IFRS 16, right-of-use assets of € 28,187 thousand and lease liabilities of € 28,081 thousand were recognised. In the balance sheet the right-of-use assets are reported within property, plant and equipment.

The adjustment in current other assets was related mainly to the lease payments accrued in the prior year.

The effects of the initial application of IFRS 16 on the consolidated balance sheet are presented in the table on page 21.

The difference between the off-balance sheet lease obligations of € 21,533 thousand under IAS 17 at 28 February 2019 and the additional lease liabilities of € 28,081 thousand at 1 March 2019 arising from the initial application of IFRS 16 was € 6,548 thousand. It related primarily to the discounting of operating lease liabilities under IAS 17, the use of the exemption for short-term leases and for leases of low-value underlying assets, and the different treatment of extension options.

Except for these newly effective IFRS and interpretations, the same accounting methods were applied as in the preparation of the annual consolidated financial statements for the year ended 28 February 2019 (the latest full financial year).

The notes to those 2018|19 annual consolidated financial statements therefore apply mutatis mutandis to these interim accounts. Corporate income taxes were determined on the basis of country-specific income tax rates, taking into account the tax planning for the full financial year.

Impacts of IFRS 16 on the consolidated balance sheet at 1 March 2019

t€	As published 28 February 2019	Adjustments for IFRS 16	As adjusted 1 March 2019
Assets			
Intangible assets, including goodwill	276,740	0	276,740
Property, plant and equipment	864,221	28,187	892,408
Other assets	111,187	0	111,187
Non-current assets	**1,252,148**	**28,187**	**1,280,335**
Inventories	619,133	0	619,133
Trade receivables	321,694	0	321,694
Other assets	196,432	(106)	196,326
Current assets	**1,137,259**	**(106)**	**1,137,153**
Total assets	**2,389,407**	**28,081**	**2,417,488**
Equity and liabilities			
Equity	**1,409,928**	**0**	**1,409,928**
Provisions	94,682	0	94,682
Borrowings	278,988	22,916	301,904
Other liabilities	19,376	0	19,376
Non-current liabilities	**393,046**	**22,916**	**415,962**
Provisions	31,221	0	31,221
Borrowings	144,639	5,165	149,804
Other liabilities	410,573	0	410,573
Current liabilities	**586,433**	**5,165**	**591,598**
Total Equity and liabilities	**2,389,407**	**28,081**	**2,417,488**

Basis of consolidation

The newly founded Beta Pura GmbH, Vienna, in which AGRANA Zucker GmbH, Vienna, owns a 50% interest, was included in the consolidated financial statements for the first time in the financial first quarter of 2019|20, using the equity method of accounting. The company, whose purpose is the production of crystalline betaine, is operated together with the joint venture partner The Amalgamated Sugar Company, LLC of Boise, Idaho, USA.

Also in the first quarter of 2019|20, AGRANA sold 100% of the shares of AGRANA Fruit Fiji Pty Ltd., Sigatoka, Fiji. The disposal gain of € 0.6 million was recognised in other operating income.

At the second-quarter balance sheet date, in total in the consolidated financial statements, 61 companies besides the parent company were fully consolidated (28 February 2019 year-end: 62 companies) and 13 companies were accounted for using the equity method (28 February 2019: twelve companies).

Seasonality of business

Most of the Group's sugar production falls into the period from September to January. Depreciation and impairment of plant and equipment used in the campaign are therefore incurred largely in the financial third quarter. The material costs, staff costs and other operating expenses incurred before the sugar campaign in preparation for production are recognised intra-year under the respective type of expense and capitalised within inventories as unfinished goods (through the item "changes in inventories of finished and unfinished goods").

Notes to the consolidated income statement

Operating profit (EBIT) in the first half of 2019|20 was € 51.7 million (H1 prior year: € 63.0 million). The decrease resulted from a significantly lower earnings performance in the Sugar and Fruit segments.

The net financial items expense improved to € 7.9 million (H1 prior year: € 10.9 million), which was attributable largely to a stronger currency translation result.

The Group's profit for the period was € 28.9 million (H1 prior year: € 39.9 million).

Notes to the consolidated cash flow statement

From the beginning of March to the end of August 2019, cash and cash equivalents rose by € 26.6 million to € 109.2 million.

Net cash from operating activities, at € 59.7 million, was off significantly by € 67.9 million from the first half of the prior year. The net change resulted primarily from lower profit for the period as well as a significantly smaller reduction in inventories compared to one year earlier.

Net cash used in investing activities, at € 69.0 million (H1 prior year: € 83.4 million) was below the year-earlier level, but once again significantly exceeded depreciation.

The positive cash flow of € 36.4 million from financing activities (H1 prior year: net cash used in financing activities of € 58.9 million) was due mainly to the raising of a Schuldscheindarlehen (bonded loan) of € 200 million. The Schuldscheindarlehen more than offset the repayment of borrowings of € 85.0 million to affiliated companies of the Südzucker group and the dividend payment of € 62.5 million (prior year: € 70.3 million) to shareholders of AGRANA Beteiligungs-AG.

Notes to the consolidated balance sheet

Total assets remained broadly steady relative to 28 February 2019, at € 2,401.9 million. On the asset side, the small uptick reflected a combination of factors that outweighed a reduction in inventories: investment in property, plant and equipment; the initial application of IFRS 16 (Leases) and the resulting capitalisation of right-of-use assets at 1 March 2019; an increase in trade receivables and other assets; and higher cash and cash equivalents. On the opposite side of the balance sheet, a significant rise in borrowings was juxtaposed with a decrease in retained earnings due to lower profitability, and with a reduction in trade and other payables.

With shareholders' equity of € 1,355.9 million (28 February 2019: € 1,409.9 million), the equity ratio at the end of August was 56.5% (28 February 2019: 59.0%).

Financial instruments

To hedge risks from operating and financing activities (risks related to changes in interest rates, exchange rates and commodity prices), the AGRANA Group to a limited extent uses common derivative financial instruments. Derivatives are recognised at cost at the inception of the derivative contract and are subsequently measured at fair value at every balance sheet date. Changes in value are as a rule recognised in profit or loss. Where the hedging relationship meets the hedge accounting requirements under IFRS 9, the unrealised changes in value are recognised directly in equity.

In the table below, the financial assets and liabilities measured at fair value are analysed by their level of the fair value hierarchy. The levels are defined as follows under IFRS 7:

- Level 1 consists of those financial instruments for which the fair value represents exchange or market prices quoted for the exact instrument on an active market (i.e., these prices are used without adjustment or change in composition).
- In Level 2, the fair values are determined on the basis of exchange or market prices quoted on an active market for similar assets or liabilities, or using other valuation techniques for which the significant inputs are based on observable market data.
- Level 3 consists of those financial instruments for which the fair values are determined on the basis of valuation techniques using significant inputs that are not based on observable market data.

In the reporting period no reclassifications were made between levels of the hierarchy.

31 August 2019 €000	Level 1	Level 2	Level 3	Total
Securities (non-current)	12,650	0	6,662	19,312
Investments in non-consolidated subsidiaries and outside companies	0	0	526	526
Derivative financial assets at fair value through other comprehensive income (hedge accounting)	339	29	0	368
Derivative financial assets at fair value through profit or loss	85	3,365	0	3,450
Financial assets	**13,074**	**3,394**	**7,188**	**23,656**
Liabilities from derivatives at fair value through other comprehensive income (hedge accounting)	137	1,491	0	1,628
Liabilities from derivatives at fair value through profit or loss	0	5,746	0	5,746
Financial liabilities	**137**	**7,237**	**0**	**7,374**

31 August 2018 €000	Level 1	Level 2	Level 3	Total
Securities (non-current)	13,646	0	5,611	19,257
Investments in non-consolidated subsidiaries and outside companies	0	0	19	19
Derivative financial assets at fair value through other comprehensive income (hedge accounting)	2,870	18	0	2,888
Derivative financial assets at fair value through profit or loss	0	2,578	0	2,578
Securities (current)	44	0	0	44
Financial assets	**16,560**	**2,596**	**5,630**	**24,786**
Liabilities from derivatives at fair value through other comprehensive income (hedge accounting)	0	319	0	319
Liabilities from derivatives at fair value through profit or loss	84	6,375	0	6,459
Financial liabilities	**84**	**6,694**	**0**	**6,778**

For cash and cash equivalents, securities, trade receivables and other assets, and trade and other payables, the carrying amount can be assumed to be a realistic estimate of fair value.

The following table presents the carrying amounts and fair values of borrowings. The fair values of bank loans and overdrafts, other loans from non-Group entities, borrowings from affiliated companies in the Südzucker group and obligations under finance leases are measured at the present value of the payments related to the borrowings:

31 August 2019 €000	Carrying amount	Fair value
Bank loans and overdrafts, and other loans from non-Group entities	525,520	528,334
Borrowings from affiliated companies in the Südzucker group	0	0
Lease liabilities[1]	26,648	-
Borrowings	**552,168**	**528,334**

31 August 2018 €000	Carrying amount	Fair value
Bank loans and overdrafts, and other loans from non-Group entities	299,169	299,498
Borrowings from affiliated companies in the Südzucker group	85,000	84,519
Finance lease liabilities	188	194
Borrowings	**384,357**	**384,211**

Further details on the fair value measurement of the individual types of financial instruments and their assignment to levels of the fair value hierarchy are provided on pages 157 to 161 of the annual report 2018|19, in section 11.3, “Additional disclosures on financial instruments”.

Number of employees

In the first half of 2019|20 the AGRANA Group employed an average of 9,668 full-time equivalents (H1 prior year: 9,461). The increase in personnel was attributable mainly to the new subsidiary in Algeria and the second fruit preparations plant in China in the Fruit segment, as well as the expansion of the starch production site in Aschach, Austria.

Related party disclosures

Credit relationships with affiliated companies in the Südzucker group decreased to € 0.6 million (28 February 2019: € 85.7 million). This reduction resulted from the repayment of € 85 million of borrowings to the Südzucker group. There were no material changes in other related party relationships since the year-end balance sheet date of 28 February 2019 or since the year-ago comparative period. Transactions with related parties as defined in IAS 24 are conducted on arm’s length terms. Further information on individual related party relationships is found in the AGRANA annual report 2018|19.

Significant events after the interim reporting date

No significant events occurred after the quarterly balance sheet date of 31 August 2019 that had a material effect on AGRANA’s financial position, results of operations or cash flows.

[1] In accordance with IFRS 7.29 (d), as of the initial application of IFRS 16 at 1 March 2019, the fair value is no longer presented.

Management Board's responsibility statement

We confirm that, to the best of our knowledge:

- the condensed consolidated interim financial statements, which have been prepared in accordance with the applicable accounting standards, give a true and fair view of the Group's financial position, results of operations and cash flows within the meaning of the Austrian Stock Exchange Act; and

- the Group's management report for the first six months gives a true and fair view of the financial position, results of operations and cash flows of the Group, within the meaning of the Stock Exchange Act, in relation to (1) the important events in the first half of the financial year and their effects on the condensed consolidated interim financial statements, (2) the principal risks and uncertainties for the remaining six months of the financial year, and (3) the reportable significant transactions with related parties.

Vienna, 30 September 2019

The Management Board of AGRANA Beteiligungs-AG

Johann Marihart
Chief Executive Officer
Business Strategy, Quality Management, Human Resources, Communication (incl. Investor Relations), Research & Development

Stephan Büttner
Member of the Management Board
Finance, Controlling, Treasury, Information Technology & Organisation, Mergers & Acquisitions, Legal, Compliance

Fritz Gattermayer
Member of the Management Board
Sales, Raw Materials, Purchasing & Logistics

Norbert Harringer
Member of the Management Board
Production Coordination, Investment

Thomas Kölbl
Member of the Management Board
Internal Audit

Further information

Forward-looking statements

This interim report contains forward-looking statements, which are based on assumptions and estimates made by the Management Board of AGRANA Beteiligungs-AG. Although these assumptions, plans and projections represent the Management Board's current intentions and best knowledge, a large number of internal and external factors may cause actual future developments and results to differ materially from these assumptions and estimates. Some examples of such factors are, without limitation: negotiations concerning world trade agreements; changes in the overall economic environment, especially in macroeconomic variables such as exchange rates, inflation and interest rates; EU sugar policy; consumer behaviour; and public policy related to food and energy. AGRANA Beteiligungs-AG does not guarantee in any way that the actual future developments and actual future results achieved will match the assumptions and estimates expressed or made in this interim report, and does not accept any liability in the event that assumptions and estimates prove to be incorrect.

THE QUANTITATIVE STATEMENTS AND DIRECTION ARROWS IN THE "OUTLOOK" SECTION OF THIS REPORT ARE BASED ON THE FOLLOWING DEFINITIONS:

Modifier	Visualisation	Numerical rate of change
Steady	→	0% up to +1%, or 0% up to -1%
Slight(ly)	↗ or ↘	More than +1% and up to +5%, or more than -1% and up to -5%
Moderate(ly)	↑ or ↓	More than +5% and up to +10%, or more than -5% and up to -10%
Significant(ly)	↑↑ or ↓↓	More than +10% and up to +50%, or more than -10% and up to -50%
Very significant(ly)	↑↑↑ or ↓↓ ↓	More than +50% or more than -50%

This interim report has not been audited or reviewed.

For financial performance indicators not defined in a footnote, please see the definitions on page 196 of the annual report 2018|19.

In the interest of readability, this document may occasionally use language that is not gender-neutral. Any gender-specific references should be understood to include masculine, feminine and neuter as the context permits.

As a result of the standard round-half-up convention used in rounding individual amounts and percentages, this interim report may contain minor, immaterial rounding errors.

No liability is assumed for misprints, typographical and similar errors.

This English translation of the interim report is solely for readers' convenience and is not definitive. In the event of discrepancy or dispute, only the German version shall govern.

Financial calendar

14 January 2020	Results for first three quarters of 2019|20
5 May 2020	Results for full year 2019|20 (annual results press conference)
23 June 2020	Record date for Annual General Meeting participation
3 July 2020	Annual General Meeting in respect of 2019|20
8 July 2020	Ex-dividend date
9 July 2020	Results for first quarter of 2020|21
9 July 2020	Record date for dividend
10 July 2020	Dividend payment date
8 October 2020	Results for first half of 2020|21
14 January 2021	Results for first three quarters of 2020|21

Contacts

AGRANA Beteiligungs-AG
Friedrich-Wilhelm-Raiffeisen-Platz 1
1020 Vienna, Austria
www.agrana.com

Corporate Communications/Investor Relations
Hannes HAIDER
Phone: +43-1-211 37-12905
Fax: +43-1-211 37-12926
E-mail: investor.relations@agrana.com

Corporate Communications/Public Relations
Markus SIMAK
Phone: +43-1-211 37-12084
Fax: +43-1-211 37-12926
E-mail: info.ab@agrana.com

Report on the first half of 2019|20

Published 10 October 2019 by:
AGRANA Beteiligungs-AG
Friedrich-Wilhelm-Raiffeisen-Platz 1
1020 Vienna, Austria

AGRANA 2018|19 Online:

reports.agrana.com/en

AGRANA

WWW.AGRANA.COM