ANNUAL REPORT

2006|07

AGRANA BETEILIGUNGS-AG

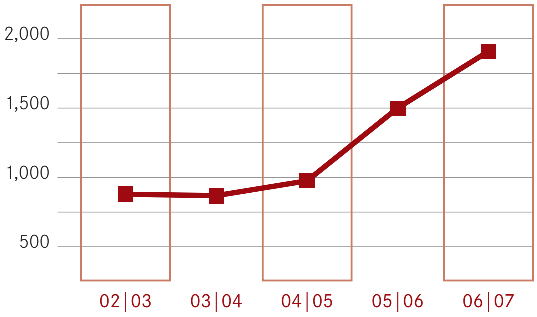
06

SUGAR STARCH FRUIT

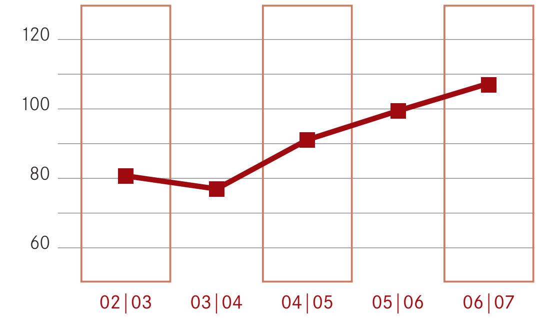
07

CONTENTS

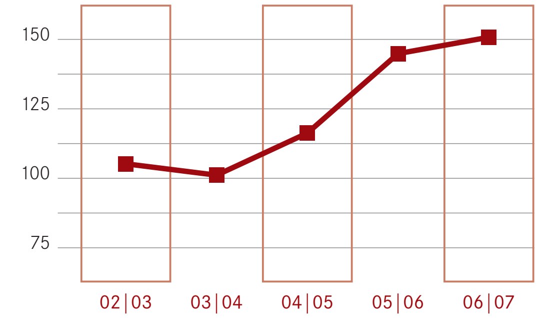
REVENUE
€m



OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS
€m



PROFIT BEFORE TAX, DEPRECIATION AND AMORTISATION
€m



FINANCIAL CALENDAR FOR 2007|08

May 21, 2007

Press conference presenting annual results for 2006|07

July 5, 2007

Annual General Meeting

July 10, 2007

Ex-dividend date and dividend payment date

July 12, 2007

Results for first quarter of 2007|08

October 11, 2007

Results for first half of 2007|08

January 15, 2008

Results for first three quarters of 2007|08

KEY FINANCIALS

Based on IFRS

		2006/07	2005/06	2004/05	2003/04	2002/03
BUSINESS PERFORMANCE						
Revenue	€m	1,915.8	1,499.6	981.0	866.4	875.7
EBITDA	€m	187.5	164.6	138.6	116.8	120.4
EBITDA margin	%	9.8	11.0	14.1	13.5	13.7
Operating profit	€m	107.0	99.5	90.8	76.8	80.5
Operating margin	%	5.6	6.6	9.3	8.9	9.2
Operating profit after exceptional items[1]	€m	105.8	75.0	90.8	76.8	75.1
Profit before tax	€m	93.5	71.7	93.2	70.7	87.2
Profit for the period	€m	71.1	64.7	84.3	57.5	67.3
Attributable to equity holders of parent	€m	68.9	62.7	79.9	56.5	65.4
Minority interests	€m	2.2	2.0	4.4	1.0	1.9
Profit before tax, depreciation and amortisation	€m	150.5	145.3	116.5	101.2	106.5
Purchases of property, plant and equipment and intangibles[2]	€m	157.4	91.2	52.1	28.5	34.0
Purchases of non-current financial assets	€m	5.6	7.5	100.9	61.3	13.0
Staff count		8,223	8,130	4,958	3,841	3,916
Return on sales	%	4.9	4.8	9.5	8.2	10.0
Return on capital employed	%	8.6	8.6	10.7	14.7	16.3
Debt/equity ratio	%	37.9	31.8	11.5	0.3	(10.0)
SHARE DATA AT FEBRUARY 28, 2007						
Closing price	€	76.00	78.00	79.85	61.50	39.60
Earnings per share	€	4.85	4.42	7.18/5.62[3]	5.08	5.93
Dividend per share	€	1.95[4]	1.95	1.95	1.80	1.80
Dividend yield	%	2.6	2.5	2.4	2.9	4.6
Dividend payout ratio	%	40.2	44.1	27.2/34.7	35.4	30.4
Price/earnings ratio		15.7	17.6	11.1	12.1	6.7
Market capitalisation	€m	1,079.4	1,107.8	1,134.0	678.2	436.7
FINANCIAL STRENGTH						
Total assets	€m	1,931.7	1,850.5	1,500.4	935.2	897.1
Share capital	€m	103.21	103.21	103.21	80.1	80.1
Non-current assets	€m	933.3	900.4	642.3	415.5	346.3
Equity	€m	895.5	885.8	835.9	515.8	475.0
Equity ratio	%	46.4	47.9	55.7	55.2	52.9
Net debt	€m	339.4	281.9	96.4	1.7	(47.7)

[1] Before exceptional items, such as restructuring
[2] Excluding goodwill
[3] Earnings per share in relation to the number of shares outstanding on February 28, 2005
[4] Propose to the Annual General Meeting

ANNUAL REPORT 2006|07

of AGRANA Beteiligungs-Aktiengesellschaft
for the year ended February 28, 2007

ADDING VALUE TO NATURE’S GIFTS.
SUGAR. STARCH. FRUIT.

MAR APR MAY JUN JUL AUG

MAY 19, 2006
Decision to expand the processing capacity of Hungrana, the corn starch and isoglucose plant in Hungary, from 1,500 to 3,000 tonnes of corn per day by 2008. In the expansion, bioethanol capacity will triple to about 160,000 cubic metres per year.

MAY 31, 2006
AGRANA launches a joint venture to establish a sugar refinery in Brcko, Bosnia-Herzegovina.

JUNE 12, 2006
AGRANA enters apple juice concentrate production in China by acquiring 50% of producer Xianyang Andre Juice Co., Ltd.

JULY 1, 2006
Completion of the Fruit segment restructuring by forming two holding companies, AGRANA Fruit S.A. for fruit preparations and AGRANA Juice GmbH for fruit juice concentrates.

SEP OCT NOV DEC JAN FEB

JULY 13, 2006
AGRANA's Annual General Meeting decides to pay a dividend of € 1.95 per share.

SEPTEMBER 1, 2006
Construction starts on a fruit preparations plant in Cabreúva, Brazil.

SEPTEMBER 7, 2006
Foundation stone is laid for the AGRANA bioethanol plant in Pischelsdorf, Austria, with an annual capacity of up to 240,000 cubic metres.

NOVEMBER 22, 2006
AGRANA expands the sugar and starch distribution activities to Bulgaria by starting a trading company in Sofia.

FEBRUARY 22, 2007
The European Commission announces an early temporary quota reduction of 13.5% for the 2007|08 sugar marketing year.

VISION AND MISSION

AGRANA is a multinational enterprise headquartered in Austria. AGRANA's Sugar segment and Starch segment operate in Europe. AGRANA's Fruit segment operates globally. In these markets, AGRANA's goal is to be a leader in the industrial refining of agricultural raw materials.

Strategy

Growth and efficiency ensure a sustainable increase in enterprise value. We aim to be the best and most dependable partner to our customers in our core businesses, which are sugar, starch and fruit processing.

Service to the market

We refine natural products into high-grade foods and technical products for industrial use. Our activities range from the manufacture of industrial intermediate products to providing advisory services. We supply both industry and trade.

Customer orientation

We offer products and services that fully meet the needs and expectations of our customers. We challenge our competitors by providing both high product quality and an exceptionally high standard of service. We are creative, flexible and dedicated. Our innovative power and research and development work will drive our leadership in the marketplace.

Organisation

We operate a decentralised organisation thereby assuring close proximity to our markets. The organization is based on operating companies in the Sugar, Starch and Fruit segment which are each responsible for their respective results, and on a powerful communication network that ensures a constant and consistent exchange of information and expertise.

Finance

Profit constitutes the basis for the economic sustainability of our enterprise's activities. We ensure AGRANA's sustainable increase in enterprise value and the ability to distribute dividends to our shareholders through continued growth and consistent improvement in productivity in all our operating companies. We seek to diversify risks to our business to achieve a well-balanced global business portfolio. Optimising our value added is a cornerstone in our efforts to provide continual increases in the enterprise value of AGRANA.

Management and staff

We are a multinational Group of companies. We are united by integrity, dedication and social awareness. We encourage our workforce to be willing and able to think and act with entrepreneurial spirit. Our style of work and leadership is founded on cooperation and trust. Management is remunerated on the basis of their performance. We promote the exchange of information, communication, training and continuous staff development. Flexibility and teamwork are the bedrock of our organisational structures and are the basis of our interpersonal relationships.

The environment

Our actions and decisions are taken with respect for nature and the environment. Our products are natural in origin and developed on the basis of the latest ecological research. They are bio-degradable and environment-friendly. The health and safety of the workforce are a key component of our operational policies and procedures.

Product safety

Our strict manufacturing standards guarantee the safety of our products for our customers. We focus on continuing improvements in the quality and hygiene standards of the foods we make. It is both an obligation and guarantee to our customers that we provide full traceability of our products back to their natural sources.

Public relations and transparency

We regularly and systematically keep our shareholders, our workforce, the media, our customers, our partners in the marketplace and the general public informed about our goals, activities and results. We strive to maintain our high level of transparency regarding all important innovations and developments.

THE MEMBERS OF AGRANA'S MANAGEMENT BOARD

THOMAS KÖLBL
Member of the Management Board
since 2005.

Born 1962.
Married, one daughter, one son.

Responsible for Internal Auditing.

JOHANN MARIHART
Chairman of the Management Board (CEO)
since 1992.

Born 1950.
Married, one daughter.

Responsible for Business Strategy, Raw Materials, Production, Human Resources, Communication, and Research & Development.

WALTER GRAUSAM
Member of the Management Board
since 1995.

Born 1954.
Married, one son.

Responsible for Finance & Controlling, Marketing & Sales, Information Technology & Organisation, and Subsidiaries.

PREFACE BY THE CEO

Dear Sir or Madam,
Dear Shareholder

In the 2006|07 financial year our company experienced a considerable growth surge in pursuit of our strategic goals in all three business segments – Sugar, Starch and Fruit. We made entrepreneurial decisions that will bring our Group substantial sales and earnings potential for the coming years. Prominent examples are the establishment of a joint venture for fruit juice concentrates in China and construction of a new raw sugar refinery in Brcko, Bosnia-Herzegovina, of the bioethanol plant in Pischelsdorf, Austria, and of the new fruit preparation manufacturing facility in Brazil.

The strategic transformation of AGRANA from a sugar and starch producer that was focused on Central and Eastern Europe to a globally operating, growth-oriented group with the three core businesses of Sugar, Starch and Fruit is a success story. For the first time in the history of our company, the Fruit segment is the biggest driver of revenue and profit. And AGRANA has continued to become more international in stature. Although most of the Group's sales are still generated in Europe, revenues and earnings in Asia and the Americas are clearly on the rise.

Given the trend in world economic growth and world trade in the past three years, AGRANA's diversification into the new business area of fruit and our associated transformation from a regional to a global player were launched at the right time. Our global growth trajectory is sustained by the visibly rising standards of living in the emerging markets. Consumer awareness of the value of healthy food and drink – the growth driver for the Fruit segment – is no longer increasing only in the highly industrialised countries of Western Europe and North America but has become a global trend. In the years ahead we will use this opportunity by further expanding our worldwide presence in the fruit market segment. In concert with our globally operating customers in the food and beverage industry, we are entering new, fast-growing regions and, around the world, consistently offer products of the highest quality backed by excellent service.

REVENUE AND EARNINGS GROWTH

The dynamic expansion of the AGRANA Group was reflected in strong sales growth of 28% from about € 1.50 billion to € 1.92 billion. Even if part of this growth represents the changeover of the Fruit subsidiaries' financial year end to AGRANA's, our average pace of expansion in the last three years makes us one of the most rapidly growing manufacturers in our industry. Operating profit before exceptional items, at € 107.0 million, rose by 8% from the prior-year's € 99.5 million. Considering the difficult trend in the European sugar market and the rise in energy and raw materials prices, this constitutes a very good performance.

SUGAR SEGMENT: SATISFACTORY DESPITE ADVERSE POLICY ENVIRONMENT

The 2006|07 financial year was year one of the European Union's sugar market reform. For the industry, the experience gained has revealed a need for stronger exit incentives and for a greater voice in the political debate. As a result of political compromises, the more efficient companies too are required to contribute to reducing the market's oversupply. Some countries where AGRANA operates will become deficit markets in the wake of the market exit of the Italian producers and of Eastern Sugar in the Czech Republic, Hungary and Slovakia. Likewise, the quota level in Romania will lead to an undersupply.

Our new raw sugar refinery in Brcko in Bosnia-Herzegovina, construction of which began in 2006, will significantly strengthen our market position in the Balkan region. As well, in 2006 we took the first important steps for entering the Bulgarian market.

Adapting to the new sugar regime, we took prompt measures that will ensure continued profitable sugar production in Central and Eastern Europe, our core markets. In the retail business we have attained a leading position through our successful regional brand concept.

STARCH SEGMENT: ON THE RIGHT TRACK WITH BIOETHANOL

In the past several years the Starch segment has developed into our highest-margin business thanks to specialisation in high-value-added products.

The intensive public debate on climate change and greenhouse gas emissions, combined with the efforts to meet the Kyoto targets, have validated our decision to become active, through bioethanol production, in the growth market for renewable energy. Bioethanol as a fuel additive boasts valuable advantages over fossil fuels when it comes to CO_2 emissions. In the completed 2006|07 financial year, the construction of our bioethanol plant in Pischelsdorf, Austria, progressed rapidly. From the fall of 2007, production will both fully meet Austria's bioethanol demand and supply export markets. In the medium term, the facility's capacity should also be high enough to satisfy the Austrian government's 10% substitution target. In Hungary as well, the considerable expansion in bioethanol capacity is progressing to plan. From the 2008|09 financial year, we expect bioethanol to generate approximately 8% of Group revenue.

“This was the most profitable year in AGRANA's history. The strong results were made possible by a sustainable growth strategy building on a consistent market positioning.”

FRUIT SEGMENT: GROWTH ON A GLOBAL SCALE

By gathering the Fruit segment activities into two operating units in 2006|07 – AGRANA Juice and AGRANA Fruit – we have created a market-based organisational structure that allows us to combine and optimise purchasing and sales operations and the respective marketing activities. The benefits of this reorganisation are evident in the volume growth and higher earnings contributions achieved. In the Fruit segment, too, AGRANA is positioned as a global supplier of top-quality products for the food and beverage industry.

The Fruit segment is poised for continued growth. In the years ahead we see a persistent and significant expansion in demand both for fruit preparations and fruit juice concentrates. We plan to exploit this market trend and further cement and enlarge our market shares.

OUTLOOK

With our clear strategic focus, we will remain on our growth path in the coming years while enhancing profitability in all segments through consolidation and optimisation measures. Our focus is squarely on growth that adds value. This includes the continuation of organic growth through the expansion of existing facilities and through greenfield investments, as well as the acquisition of additional companies. Strong cash flow growth coupled with our sound equity ratio forms the economic underpinning for the realisation of our plans.

Uncertainty attaches to the further trend in the European sugar market. The effects of the further adaptation of the EU sugar regime, announced by the European Commission for this sugar marketing year, should shorten the market restructuring phase, but can only be evaluated after the decision is final.

Overall, in light of the positive trend in the Starch and Fruit segments, we are confident for the Group's current 2007|08 financial year as well. Our organic growth should enable us to compensate for the high base of sales represented by the two additional months of 2006|07 Fruit results and to cross the two-billion-euro threshold in the coming, 2008|09 financial year.

In the current 2007|08 financial year, continuing high organic growth in the Starch and Fruit segments will nearly make up for the two additional months of Fruit segment results included in the 2006|07 data. In the Sugar segment, lower volumes will be available for marketing than in the prior year and we therefore expect Sugar revenue to decrease slightly. In the subsequent, 2008|09 financial year our Group revenue will pass the two-billion-euro mark.

On behalf of the Management Board and all staff, I would like to thank our customers and suppliers for their valued working relationships with us. And a special thank you goes to our more than eight thousand employees. It is their commitment which ultimately makes AGRANA's accomplishments possible.

Sincerely

Johann Marihart
Chief Executive Officer

AGRANA'S STRATEGY

Our core competence at AGRANA lies in refining raw materials into products for use by downstream manufacturers.

Our core competence at AGRANA lies in refining raw materials into products for use by downstream manufacturers. In the three core businesses of Sugar, Starch and Fruit, we are continually expanding our market position. This growth path is the basis for the sustained increase in earnings strength. Our business strategy is implemented through a focus on growth and efficiency, value-added investment and acquisitions, rigorous cost control and sustainable business management.

AGRANA is strategically positioned in three core businesses:

- AGRANA's Sugar segment is one of the largest suppliers of sugar and isoglucose in Central, Eastern and Southeastern Europe.
- AGRANA's Starch segment is one of Europe's leading vendors of specialty products and is expanding bioethanol capacity.
- AGRANA's Fruit segment is the world's leader in fruit preparations and Europe's foremost manufacturer of fruit juice concentrates.

SUGAR SEGMENT STRATEGY: CONTINUAL EXPANSION OF THE LEADING POSITION IN CENTRAL, EASTERN AND SOUTHEASTERN EUROPE

AGRANA is the leading producer of sugar in CEE.

Since 1990 AGRANA has evolved into the largest supplier of sugar and isoglucose in Central, Eastern and Southeastern Europe. Market leadership, cost leadership and technological leadership in the processing of sugar beet and of raw sugar are the requirements for our sustained success in this segment. With these prerequisites in mind, we are highly confident that, thanks to new additional markets, we will be able to hold business volume broadly steady even in the fundamentally changed environment of the new EU sugar regime. Protecting the EU quota position requires a secure supply of raw material. One of the factors assuring this supply is that AGRANA's sugar factories are located in climatically favoured regions.

Sugar is the only business segment in which AGRANA not only supplies individually tailored products to industrial customers but also operates in the consumer market. In this sector we have successfully intensified our marketing of regional sugar brands.

With starch, AGRANA successfully follows a well-proven, growth-oriented niche strategy.

STARCH SEGMENT STRATEGY: GROWTH IN SPECIALTIES AND BIOETHANOL

In the Starch segment, AGRANA successfully follows a well-proven, growth-oriented niche strategy. By expanding production of more highly refined specialty starches, we have set ourselves apart from our European competitors. The focus on innovative, customer-driven products supported by application advice and continuous product development, combined with cost optimisation, are the key to our sales and profit growth in the Starch segment.

In Europe, AGRANA is entrenched both as one of the leading suppliers of organic and GM-free[1] starches to the food industry and as a producer of specialty starches for the paper, textile, cosmetics and pharmaceutical industries. By developing specialised products, we have also become an important supplier to the construction industry.

AGRANA's core competence – adding value to agricultural raw materials by processing them into industrial products – forms the basis for the development of the bioethanol business. Where this environmentally friendly fuel is concerned, in the medium term we seek the same leading role for AGRANA in Central Europe that we have already attained in our other activities. With the bioethanol plant in Pischelsdorf, Austria, coming on stream in the fall of 2007 and the expansion of capacity in Hungary, bioethanol will begin to generate a relevant share of the AGRANA Group's sales and earnings from the 2008|09 financial year onwards.

FRUIT SEGMENT STRATEGY: DYNAMIC GROWTH AT THE GLOBAL LEVEL

In the Fruit segment, AGRANA focuses on the following two areas:

- "Fruit", producing fruit preparations for the dairy, ice-cream and baking industry. In this global market segment with production facilities close to customers, we are the world market leader. As a result of the rise in nutrition awareness, this business activity boasts attractive growth rates worldwide.
- "Juice", producing mainly juice concentrates from apples, red fruits and berries. In this growing market segment, we maintain local processing plants near the fruit growing areas and distribute juice concentrates globally.

[1] Not derived from genetically modified organisms

AGRANA is the world's leader in fruit preparations and Europe's foremost manufacturer of fruit juice concentrates.

In common to the Fruit and Juice activities is that the knowledge of our experts – on sourcing, grower contracting, and advising farmers on agricultural methods – is brought to bear in the fruit raw materials markets to assure quantitative and especially qualitative security of supply for our customers.

AGRANA is targeting an above average growth in the Fruit segment. We pursue this growth through acquisitions of whole companies and equity interests at the global level and by geographic expansion into regions with attractive potential for procurement and sales, as well as by raising our market share in countries where we are already established.

Our aim in fruit preparations is to provide global customers – particularly the multinational food and beverage groups – with outstanding product quality, optimum service and exceptional product development expertise, all under the AGRANA brand.

Our strategic goal in fruit juice concentrates is to expand our market position beyond Europe's borders by tapping new raw materials markets and undertaking further acquisitions, and to position the AGRANA brand in the industrial market as the leading quality supplier of fruit juices and concentrates.

CAPITAL MARKET STRATEGY: SHAREHOLDERS AS OUR PARTNERS

A sturdy equity base is important for AGRANA as a growth-oriented, capital-intensive production company. We see our shareholders as partners in realising the Group's goals and offer them an attractive long-term return on investment at a reasonable level of risk. With a policy of open and transparent communication, we aim to continue to strengthen investors' confidence in AGRANA and make our business performance and management decisions predictable and easy to understand.

AGRANA'S PRODUCTION SITES WORLDWIDE

Sugar
Austria, Czech Republic, Hungary, Romania, Slovakia

1 sugar factory under construction in Bosnia-Herzegovina

Starch
Austria, Hungary, Romania

1 bioethanol plant under construction in Austria

Fruit
Argentina, Australia, Austria, Belgium, Brazil, China, Czech Republic, Denmark, Fiji, France, Germany, Hungary, Mexico, Morocco, Poland, Romania, Russia, Serbia, South Africa, South Korea, Turkey, Ukraine, USA

AGRANA BETEILIGUNGS-AKTIENGESELLSCHAFT
REVENUE: € 1,915.8 million

SUGAR SEGMENT
REVENUE: € 784.7 million

AGRANA ZUCKER GMBH (A)

- MORAVSKOSLEZSKÉ CUKROVARY A.S. (CZ)
- MAGYAR CUKOR ZRT. (H)
- SLOVENSKÉ CUKROVARY S.R.O. (SK)
- S.C. AGRANA ROMANIA S.A. (RO)
- AGRANA MARKETING- UND VERTRIEBSSERVICE GMBH (A)

RESEARCH & DEVELOPMENT

- ZUCKERFORSCHUNG TULLN GMBH (A)

STARCH SEGMENT
REVENUE: € 216.5 million

AGRANA STÄRKE GMBH (A)

- S.C. A.G.F.D. TANDAREI S.R.L. (RO)
- HUNGRANA KFT. (H)
- AGRANA BIOETHANOL GMBH (A)

FRUIT SEGMENT
REVENUE: € 914.6 million

AGRANA JUICE & FRUIT HOLDING GMBH (A)

- AGRANA FRUIT S.A. (F)
- AGRANA JUICE GMBH (A)

AGRANA'S SHARE AND CORPORATE GOVERNANCE

Financial calendar

5/21/2007
Press conference presenting annual results

7/5/2007
Annual General Meeting

7/10/2007
Ex-dividend date and dividend payment date

7/12/2007
Results for first quarter

10/11/2007
Results for first half

1/15/2008
Results for first three quarters

At the beginning of the 2006|07 financial year AGRANA's share quoted at € 78.00. The high for the year, at € 87.00, was reached on April 6, 2006 and the low of € 72.00 was marked on January 10, 2007. At the end of the financial year, on February 28, 2007, the share price was € 76.00, with a market capitalisation of € 1,079.4 million. Since the beginning of the 2007 calendar year the share price rose by 4.3% from € 74.30 to € 77.51 as of April 30, 2007. AGRANA's average daily trading volume in the financial year 2006|07 was approximately 13,500 shares (based on single counting), placing the share's liquidity almost on a par with the previous year's level. The volatility of the AGRANA share in 2006 resulted mainly from the debate over the EU sugar regime.
AGRANA's share price has approximately doubled since 2003. This rise was fuelled in large part by the growth strategy and the diversification into the fruit activities. Moreover, the Group's expansion to a global scale and the move into the renewable energy market appealed to private and institutional investors.

In addition to the listing on the prime market segment of the Vienna stock exchange, the AGRANA share (ISIN AT0000603709) is traded on the floor of the Frankfurt stock exchange and on the Stuttgart and Berlin-Bremen exchanges.

COMPREHENSIVE COMMUNICATION

Communicating with institutional and private investors is highly important to AGRANA, and we continued to intensify our investor relations and public relations activities.

AGRANA SHARE PERFORMANCE (MARCH 1, 2003 TO APRIL 30, 2007)

In numerous individual conversations with investors, in conference calls and through Europe-wide road shows, the AGRANA Management Board presented the company, the current course of business and the strategies going forward. AGRANA also took part in several international investor conferences, where institutional investors had the opportunity for in-depth dialogue with the management. These activities were supplemented by an Investors Day for national and international investors, featuring a tour of our plant for fruit preparations and fruit juice concentrates in Gleisdorf, Austria, and of our Center of Innovation and Excellence in the same locale. The top subjects were the strategic focus of the Fruit segment and information on markets, products and upcoming developments.

Other key components of AGRANA's ongoing corporate communications and investor relations work are our regularly published financial reports, ad-hoc disclosures and press releases. Guaranteeing full transparency for the interested public, these are easily accessible on the AGRANA website (www.agrana.com). Similarly, the current calendar of financial events and the latest company presentations can be found online.

ISIN code:	AT0000603709
Market segment:	Prime market
Share class:	Ordinary shares
Number of shares:	14,202,040
Share capital:	€ 103.2 million
Market capitalisation (February 28, 2007):	€ 1,079.4 million
Reuters code:	AGRV.VI
Bloomberg code:	AGR AV
Ticker symbol:	AGR

For financial analysts we held regular teleconferences and had many one-on-one discussions on topical subjects. Regular research on the AGRANA share is presently published by three analyst houses – Raiffeisen Centrobank, UniCredit Markets & Investment Banking (CA IB) and Morgan Stanley.

In addition, we kept the public informed on AGRANA's business performance and current events (such as acquisitions and new plant construction) through press conferences and day-to-day contact with journalists. A background briefing for media representatives and analysts on bioethanol and the construction of AGRANA's bioethanol plant in Pischelsdorf, Austria in September 2006 rounded off our extensive information offering.

DIVIDEND

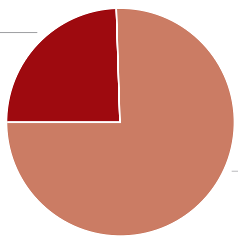
At the Annual General Meeting on July 5, 2007, the management and Supervisory Board will propose paying a dividend of € 1.95 per share, the same amount as for the prior year. For the 14.2 million shares outstanding this represents a payout of about € 27.7 million. Through this dividend, the shareholders will participate in the company's sustained profitable growth. AGRANA's dividend policy is based on continuity and sustainability. The proposed payout ratio for the 2006|07 financial year is 40% (2005|06: 44%); the previous year's ratio of 44% resulted from holding the dividend constant despite the restructuring expenses. Based on the closing price of € 76.00 on February 28, 2007, the recommended payout corresponds to a dividend yield of 2.6%.

SHAREHOLDER STRUCTURE

Z&S Zucker und Stärke Holding AG (Z&S), based in Vienna, holds 75.5% of the share capital of AGRANA Beteiligungs-AG. The other 24.5% of the shares represent free float. Z&S is a wholly owned subsidiary of Vienna-based AGRANA Zucker, Stärke und Frucht Holding AG, which in turn is 50% owned by Südzucker AG, Mannheim/Ochsenfurt, Germany (Südzucker) and 50% owned by Zucker-Beteiligungsgesellschaft m.b.H., Vienna (ZBG). The following five Vienna-based entities are shareholders of ZBG: Raiffeisen-Holding Niederösterreich Wien reg.Gen.m.b.H.; Marchfelder Zuckerfabriken Gesellschaft m.b.H.; Estezet Beteiligungsgesellschaft m.b.H.; Rübenproduzenten Beteiligungs GesmbH; and Leipnik-Lundenburger Invest Beteiligungs AG. Under a syndicate agreement between Südzucker and ZBG, the partners in the consortium have certain nomination rights with respect to AGRANA's governing boards.

In January 2007 Prudential plc, London, reported ownership (together with some of its subsidiaries) of more than 5% of AGRANA's share capital.

SHAREHOLDER STRUCTURE



CORPORATE GOVERNANCE

Rigorous principles of corporate governance and transparency ensure responsible management and oversight, thus promoting the confidence of customers, employees and shareholders in a company's sustained ability to create value. Adherence to these principles is a defining element of AGRANA's corporate culture and, far from being viewed only as an obligation, is seen internally as being second nature to us.

The Austrian Code of Corporate Governance, a voluntary self-regulatory initiative of private industry, was updated in January 2006 to reflect current EU recommendations and the Austrian Company Law Amendment Act of 2005. The Code of Corporate Governance can be viewed at www.corporate-governance.at. For the first time, this adaptation of the code introduced rules on supervisory board independence and brought the significance of committees to the tasks of supervisory boards more closely into line with international standards.

In its meeting on February 24, 2005 the Supervisory Board of AGRANA Beteiligungs-AG approved AGRANA's adherence to the Austrian Code of Corporate Governance and renewed this commitment at its meeting on February 20, 2006 for the updated code in its form of January 2006.

The business culture of the AGRANA Group has always been rooted in constructive teamwork between the Management Board and Supervisory Board, which together

[1] Südzucker AG and Zucker-Beteiligungsgesellschaft m.b.H. indirectly through AGRANA Zucker, Stärke und Frucht Holding AG each hold 50% of Z & S Zucker und Stärke Holding AG.

ensure that the code's requirements are fulfilled. Both at and especially between Supervisory Board meetings, the Management and Supervisory Boards, and especially their chairmen, are engaged in continual dialogue regarding the Group's development and strategic direction.

AGRANA complies as a matter of course with all rules designated by the code as legally required – so-called "L rules", which encapsulate Austrian law. Almost all recommendations in the code's "comply-or-explain" rules ("C rules") are also satisfied.

The Supervisory Board of AGRANA Beteiligungs-AG has decided to implement the guidelines for the definition of supervisory board independence set out as Annex 1 to the Austrian Code of Corporate Governance.

Openness and transparency in communications with shareholders and the interested public is of the utmost importance to AGRANA. Information given to investors during conference calls and road shows is therefore simultaneously made available to all other shareholders via our website at www.agrana.com.

In a very few points, AGRANA's practices depart from the rules of the Austrian Code of Corporate Governance. These aspects and the explanation for non-compliance are disclosed on the website and also presented below.

- **Rules 38 and 57**
  The upper age limit required by rules 38 and 57 for, respectively, the nomination of Management Board members and election of Supervisory Board members is currently not provided for in AGRANA's Articles of Association. AGRANA does not believe that it is necessary or would be productive or effective to include in the Articles a specific age limit for members of the Management Board or Supervisory Board.

- **Rule 49**
  Under section 95 (5)(12) of the Austrian Stock Corporation Act, the approval of the Supervisory Board is required for contracts with members of the Supervisory Board by which members undertake, outside their role on the Supervisory Board, to provide a service to the company or a subsidiary for a material consideration. This also applies to contracts with companies in which a Supervisory Board member has a significant economic interest. For reasons of business policy and competition considerations, the object and terms of such contracts are not published in the annual report as stipulated in rule 49.

- **Rule 54**
  AGRANA Beteiligungs-AG has a free float of more than 20%. From this threshold, rule 54 of the Austrian Code of Corporate Governance requires the election of an independent member of the Supervisory Board who neither is a holder of more than 10% of the company's share capital nor represents the interests of such a shareholder. The Supervisory Board of AGRANA does not have such a free-float representative.

All other C rules of the Corporate Governance Code are observed.

In the 2006|07 financial year AGRANA commissioned Univ. Prof. DDr. Waldemar Jud Unternehmensforschung GmbH to perform a voluntary evaluation of compliance with the rules of the Austrian Code of Corporate Governance. This analysis employed the evaluation questionnaire issued for this purpose by the Austrian Working Group for Corporate Governance.

GROUP MANAGEMENT REPORT 2006|07

FINANCIAL POSITION AND EARNINGS IN THE 2006|07 FINANCIAL YEAR

GROUP BUSINESS PERFORMANCE	2006|07 in €000	2005|06 in €000
Revenue	1,915,819	1,499,602
EBITDA	187,493	164,624
Operating profit	106,988	99,547
Exceptional items	(1,207)	(24,534)
Operating profit after exceptional items	105,781	75,013
Return on capital employed	8.6%	8.6%
Purchases of PP&E and intangibles[1]	157,357	91,195
Purchases of non-current financial assets	5,555	7,531
Staff count	8,223	8,130

AGRANA increases revenue and operating profit.

The consolidated financial statements for the 2006|07 financial year were prepared in accordance with International Financial Reporting Standards (IFRS).
With effect from the beginning of the 2006|07 financial year, AGRANA expanded its segment reporting, thus reflecting the growing importance of the fruit activities. AGRANA now reports in terms of three business segments: Sugar, Starch and Fruit. This new segmentation provides the following benefits:

- Presentation of information clearly attributable to the performance of each of the three core businesses, Sugar, Starch and Fruit
- Improved transparency
- Uniform presentation of financials and earnings contributions relevant to managing the business

CHANGES IN THE SCOPE OF CONSOLIDATION

From the beginning of the 2006|07 financial year, the income statement of the former DSF GmbH was included in the consolidated financial statements for the first time. In the 2005|06 accounts, only its balance sheet was included. In both years, consolidation was on a 100% basis. It should also be noted that for the comparative 2005|06 financial year, due to the date of initial consolidation, only nine months of the results of the former Atys Group companies were included in the consolidated financial statements.
From September 2006, AGRANA's 50% stake in a joint venture in China, Xianyang Andre Juice Co., Ltd. was included in the consolidated accounts.

Whereas the reporting year of the AGRANA Group runs from March 1 to February 28, in the year under review (and that year only) the reporting year of all companies in the Fruit segment covered 14 months, from January 1, 2006 to February 28, 2007. The consolidated 2006|07

[1] PP&E denotes property, plant and equipment; intangibles exclude goodwill

data therefore represents two additional months of Fruit segment results. The Fruit companies' change-over to the AGRANA financial year has thus now been made and will not be a factor in subsequent accounting periods.

REVENUE AND PROFIT

In the 2006|07 financial year, revenue grew by 28% from € 1,499.6 million to € 1,915.8 million. This increase was driven mainly by the organic growth in Starch and Fruit and by the two additional months of Fruit segment results contained in the 2006|07 data due to the change in the Fruit companies' financial year end. Added to this were the effects of the full-year consolidation of the former Atys Group, which was only included in the 2005|06 data for nine months, and the first-time inclusion of the income statement of the German fruit preparations business, the former DSF. All three of AGRANA's business segments – Sugar, Starch and Fruit – registered significant growth in sales. For the first time, the Fruit segment became the Group's revenue leader.

Operating profit (which in AGRANA's reporting, when not further qualified, is defined as before exceptional items) increased by 8% to € 107.0 million (prior year: € 99.5 million) despite the downside effects of the sugar regime reform and the higher energy and raw material costs. As a result of the erection of the AGRANA bioethanol plant in Pischelsdorf, Austria, exceptional items were a net negative € 1.2 million. Operating profit after exceptional items was thus € 105.8 million (prior year: € 75.0 million). The Fruit segment, the largest contributor to pre-exceptionals operating profit, more than offset the decrease in Sugar and Starch results.

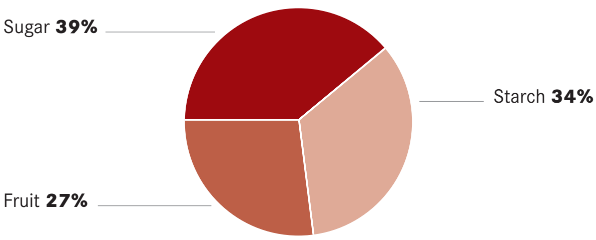
With a rise in interest expenses to € 7.0 million that reflected primarily the acquisitions in the Fruit segment, and in the absence of at-equity income from the now consolidated former Atys Group, net financial expenses increased by € 9.0 million to € 12.3 million (prior year: € 3.3 million). In the first quarter of 2005|06 the then Atys Group, as an associated company, was still reflected in the accounts at equity.

Profit before tax rose by 30% to € 93.5 million (prior year: € 71.7 million). After income taxes calculated at a rate of 23.9% (prior year: 9.8%), net profit for the period before minority interests reached € 71.1 million, an increase of 10% from the prior year's level of € 64.7 million. Net profit for the period attributable to AGRANA's shareholders was € 68.9 million, compared to € 62.7 million in the year before. Earnings per share grew by almost 10% to € 4.85 (prior year: € 4.42).

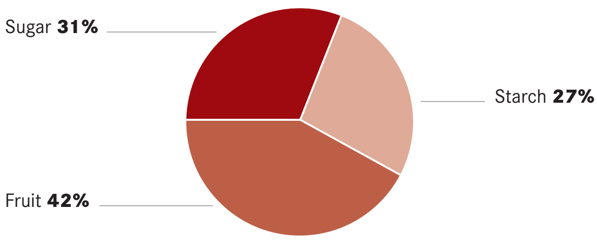
CAPITAL EXPENDITURE

The Group's total investment in purchases of property, plant and equipment and intangibles in the year under review was € 157.4 million (prior year: € 91.2 million). The increase of € 66.2 million or 72.6% served to underpin AGRANA's growth trajectory. In the Starch segment alone, purchases of prop-

OPERATING PROFIT BY SEGMENTS 2005|06
€ 99.5 million



OPERATING PROFIT BY SEGMENTS 2006|07
€ 107.0 million



erty, plant and equipment and intangibles more than doubled from € 34.9 million to € 79.2 million. The investment related primarily to the construction of the Austrian bioethanol plant in Pischelsdorf and the capacity expansion at Hungarian subsidiary Hungrana to 3,000 tonnes of corn (maize) per day.

The Sugar segment spent about € 30.3 million of this (prior year: € 13.4 million), about half of it for the purchase of additional sugar quota. Other important objects of capital expenditure were plant optimisation projects, asset replacement and energy conservation measures. All projects were successfully completed and commissioned in time before the 2006 campaign.

The investment of € 47.8 million (prior year: € 42.9 million) in property, plant and equipment and intangibles in the Fruit segment related to, among other items, the construction of the new fruit preparations plant in Brazil which came on stream at the beginning of May 2007, and the expansion of the production lines in Moscow.

Depreciation, amortisation and impairment of property, plant and equipment and intangibles was € 80.5 million. This was above the prior year's figure of € 65.1 million because of the full consolidation of the former Atys Group and DSF as well as the two additional months of Fruit segment results.

BALANCE SHEET

Property, plant and equipment increased from € 499.3 million in 2005|06 to € 545.0 million in the financial year completed. In total in 2006|07 the Group invested € 157.4 million (prior year: € 91.2 million) in property, plant and equipment and intangibles. This level of investment highlights AGRANA's growth ambitions.

Total equity grew from the prior year's € 885.8 million to € 895.5 million. The increase in non-current borrowings to € 331.7 million (prior year: € 253.7 million) and in current borrowings to € 194.4 million (prior year: € 166.9 million) is attributable to the intensive investment during the 2006|07 financial year.

CASH FLOW

Profit before tax, depreciation and amortisation was € 150.5 million (prior year: € 145.3 million), or 8% of revenue (prior year: 10%). After changes in working capital, net cash from operating activities amounted to € 136.9 million (prior year: € 179.2 million). Other non-cash expenses consisted mainly of restructuring provisions (for redundancy-transition benefit plans and facility closure costs).

The absolute amount of the negative cash flow from investing activities increased to € 167.0 million from the prior year's negative amount of € 148.2 million due to the high capital expenditure in 2006|07.

RESULTS IN THE SUGAR SEGMENT

	2006|07 in €000	2005|06 in €000
Revenue	804,574	770,418
Inter-segment revenue	(19,908)	(16,625)
External revenue	784,666	753,793
Operating profit		
– before exceptional items	32,915	38,707
– after exceptional items	32,915	14,173
Purchases of PP&E and intangibles[1]	30,337	13,356
Purchases of non-current financial assets	2,784	7,373
Staff count	2,723	2,881

Revenue in the Sugar segment grew by 4% from the prior year's level of € 770.4 million to € 804.6 million. This increase resulted chiefly from higher sales volumes on the Eastern European markets. The Sugar segment's contribution to Group revenue eased to about 42%. Operating profit

[1] PP&E denotes property, plant and equipment; intangibles exclude goodwill

reached € 32.9 million as compared to € 38.7 million in 2005|06 (before restructuring). Major factors in the year-on-year decrease were the temporary quota reduction, the significantly more restrictive export policy of the European Commission beginning in the autumn of 2006, higher energy costs for the campaign and the first-time payment into the market restructuring fund. Positive influences were lower beet procurement prices as well as cost savings arising from the previous year's restructuring measures that involved the closing of two sugar plants.

RESULTS IN THE STARCH SEGMENT

	2006|07 in €000	2005|06 in €000
Revenue	253,429	232,558
Inter-segment revenue	(36,891)	(27,907)
External revenue	216,538	204,651
Operating profit		
– before exceptional items	28,511	33,594
– after exceptional items	27,304	33,594
Purchases of PP&E and intangibles[1]	79,232	34,941
Purchases of non-current financial assets	142	–
Staff count	776	762

In 2006|07 the Starch segment achieved revenue growth of 9% to € 253.4 million (prior year: € 232.6 million). The result reflected, on the one hand, higher sales volumes for specialty starches thanks to the completed capacity expansion at the starch plant in Aschach, Austria, to 1,000 tonnes of corn per day, and due to lasting good organic growth. On the other hand, isoglucose prices were lower as a consequence of the change in the EU's sugar regime. The segment's operating profit of € 28.5 million was down from the prior year's result of € 33.6 million due to significantly higher prices for corn from the 2006 harvest and an increase in energy costs. Owing to the one-off expenses for bringing the bioethanol plant into production, Starch segment operating profit after exceptional items in the 2006|07 financial year was € 27.3 million.

RESULTS IN THE FRUIT SEGMENT

	2006|07 in €000	2005|06 in €000
Revenue	914,619	541,158
Inter-segment revenue	(4)	–
External revenue	914,615	541,158
Operating profit		
– before exceptional items	45,562	27,246
– after exceptional items	45,562	27,246
Purchases of PP&E and intangibles[1]	47,788	42,898
Purchases of non-current financial assets	2,629	158
Staff count	4,724	4,487

Generating about 48% of AGRANA's consolidated revenue, the Fruit segment for the first time became the Group's largest sales driver. The segment's revenue was boosted by 69% from € 541.2 million in the prior year to € 914.6 million in 2006|07. This was made possible particularly by the first-time inclusion of the former DSF's income statement and the full-year consolidation of the former Atys Group, as well as the change in the Fruit companies' financial year end. Other positive factors were continuing high organic growth and the price increases that took effect from the third quarter of 2006|07.

Increasing as strongly as revenue, the Fruit segment's operating profit thus rose by 68% to € 45.6 million (prior year: € 27.2 million).

EVENTS AFTER THE BALANCE SHEET DATE

In April 2007, after obtaining antitrust approval, AGRANA and Bulgarian sugar manufacturer Zaharni Zavodi AD established a joint venture, AGRANA Bulgaria AD, that is 51% owned by AGRANA.

No other events of particular significance occurred after the balance sheet date that would have led to a different presentation of the financial position or results of operations.

SAVOUR THE SWEET SIDE OF LIFE.

SUGAR SEGMENT: AGRANA is the leading producer of sugar in Central and Eastern Europe (CEE). The key ingredients of our success: creating and improving premium brand products, always putting quality first, and working cost-effectively. A recipe that again proved its worth in 2006|07.

SUGAR SEGMENT

KEY FIGURES SEGMENT	2006|07	2005|06
Revenue (€m)	804.6	770.4
Operating profit before exceptional items (€m)	32.9	38.7
Purchases of PP&E and intangibles[1] (€m)	30.3	13.4
Staff count	2,723	2,881

AGRANA Zucker GmbH manages the Austrian sugar activities and serves as the parent company for the Sugar segment subsidiaries in Hungary, Slovakia, the Czech Republic, Bulgaria, Bosnia-Herzegovina and Romania; it is also responsible for the coordination and operational management of these foreign subsidiaries. The interests previously held in what is now the Fruit segment were spun off into AGRANA Juice & Fruit Holding GmbH in July 2006.

The Sugar segment also includes instant products, a related business area that is operationally represented by Austrian company INSTANTINA Nahrungsmittel Entwicklungs- und Produktions Gesellschaft m.b.H. and its Hungarian subsidiary. An Austrian beet seed multiplication company, Österreichische Rübensamenzucht Gesellschaft m.b.H., is likewise under the umbrella of the Sugar segment.

Another unit assigned to the Sugar segment, AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H. (AMV), is both a distributor of sugar and food starch products and carries on an extensive animal feed business (selling by-products of sugar and starch production and trading in feeds). AMV is also in charge of the brand management for all products of AGRANA Zucker GmbH in Austria and handles the marketing and sales of the flour brands of Erste Wiener Walzmühle Vonwiller Ges.m.b.H., Fritsch Mühlenbetriebsges.m.b.H. and FARINA Mühlen Ges.m.b.H. In addition, AMV distributes the catering products of Hellma Lebensmittel-Verpackungs-Ges.m.b.H. (a member of the PortionPack Europe Group).

MARKET ENVIRONMENT

The world market for sugar

According to agriculture information agency F.O. Licht, global sugar production from October 2006 to September 2007 will total about 161.8 million tonnes (prior year: approx. 152.8 million tonnes). This growth reflects mainly an increase in sugar production in South America and Asia. As a result, world inventories rose by 14% to 73.1 million tonnes, bringing the ratio of reserves to consumption in the 2006|07 sugar marketing year to about 49%.

[1] PP&E denotes property, plant and equipment; intangibles exclude goodwill

Following the period of high prices between the last quarter of 2005 and the second quarter of 2006, the market corrected in July and August. The raw sugar quotation in New York fell by approximately 32% from USD 370 per tonne on February 28, 2006 to USD 250 as of February 28, 2007. Over the same period, the world market price for white sugar (quoted in London) declined from USD 451 per tonne to USD 333, or by about 26%.

The EU sugar regime

Of particular relevance to AGRANA is the new EU sugar regime which took effect on July 1, 2006 and is in force until September 30, 2015. Key elements of the market regime are the phased, drastic cutting of EU sugar prices and the reduction of EU sugar production by the amount of lost world market export volumes and the preferential imports. The reference price for sugar is being lowered from € 632 per tonne to € 404 per tonne. The minimum price for beet is decreasing from € 43 per tonne to € 26 per tonne. The EU sugar quota is to be reduced by almost one-third, or 5 to 6 million tonnes, to 12 to 13 million tonnes.

The new sugar regime has significantly restricted exports of EU quota sugar into the world market and re-exports of ACP sugar[2]. As a result of the adverse ruling by the WTO panel, licences for exports of above-quota C sugar to the world market were issued only until May 22, 2006.

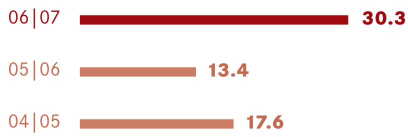
With effect from July 1, 2006, tariffs on imports from least developed countries (LDC) were reduced by 20% in the first tariff cut. To date, sugar imports from LDC countries have not yet risen significantly. The duties are to be phased out completely by July 1, 2009.

The sugar policy reform, and particularly its sharp curtailment of the scope for exports, already led to a considerable decrease in total EU beet sugar production in the 2006 campaign from 20.2 million to 17.6 million tonnes. AGRANA reduced its sugar output from the previous year's of 895,000 tonnes to 749,000 tonnes, or by 16.3%.

Through the reform, the EU seeks to ramp down less-competitive production capacity in the EC by a restructuring scheme running until the 2009|10 marketing year and thus intends to bolster the competitiveness of the European sugar industry. To do so, sugar quotas are to be reduced by offering restructuring aid to sugar factories and beet farmers. This aid is financed from restructuring levies. Regions that largely withdraw from sugar production are compensated

SUGAR SEGMENT REVENUE
(€m)

PURCHASES OF PP&E AND INTANGIBLES[1]
(€m)



STAFF COUNT

[2] Sugar from African, Caribbean and Pacific countries that have signed the Cotonou Agreement

with supplementary regional aid (so called diversification aid) for the closure of sugar plants and for taking beet cultivation area out of production. At the same time, to offset the loss of C sugar production, producers in the most efficient regions were offered additional quota totalling 1.1 million tonnes at a price of € 730 per tonne; in the 2006|07 marketing year, EU sugar producers bought 0.9 million tonnes of quota. AGRANA accounted for about 30,000 tonnes of this.

Overall, the measures adopted are to restore the balance of the EU sugar market. Should the restructuring fund fail to purchase and retire sufficient quota, the new sugar regime holds the risk of a linear cut in quotas from the 2010|11 sugar marketing year that would affect the remaining sugar producers equally.

The restructuring fund started out in line with plans as about 1.5 million tonnes of quota was renounced in the 2006|07 marketing year (including the full inulin quota of approximately 321,000 tonnes). However, the amount of quota renounced for the 2007|08 marketing year was only 0.7 million tonnes, far below the European Commission's expectations. The Commission had planned the fund to purchase 3.5 million tonnes of quota for this year. On February 22, 2007 the Commission therefore announced that the restructuring aid would be made more attractive. Sufficient money to do so is available to the EU from the restructuring tax. One of the measures will take the form of fixed, improved aid payments to beet growers. This is designed to reduce the size of a linear quota reduction for the competitive growing regions as well.

CAMPAIGN RESULTS OF THE AGRANA GROUP IN 2006

	Austria	Hungary	Czech Republic	Slovak Republic	Romania[1]	**Total**	Prior year
Number of beet growers	8,940	198	144	130	105	**9,517**	9,950
Harvest area (hectares)	39,000	19,340	12,708	7,034	10,003	**88,085**	93,880
Length of campaign (days)	99	70	77	111	74	**89**[2]	85[2]
Daily processing throughput (tonnes)	25,228	14,184	8,396	2,926	3,990	**54,724**[3]	71,335[4]
Total beet processed (tonnes)	2,493,097	991,476	636,459	324,782	295,275	**4,741,089**	5,894,294
Beet yield (tonnes per hectare)	63.93	51.27	49.11	47.84	29.49	**53.69**[2]	62.79[2]
Sugar content	17.85%	16.65%	18.40%	16.30%	15.52%	**17.42%**[2]	17.15%[2]
Beet sugar extraction (tonnes)	407,590	150,229	107,320	46,311	38,040	**749,490**	895,362
Quota (tonnes)	348,565	138,321	81,891	52,789	–	**621,566**	619,392

[1] Sugar beet campaign only, i.e., excluding refining of raw cane
[2] weighted average
[3] 8 plants
[4] 10 plants

In light of the inadequate utilisation of the restructuring fund, to alleviate the foreseen quota overhang for the 2007|08 marketing year, the Commission has decided on a temporary withdrawal of quota sugar production graduated according to individual progress in relinquishing quota. For member states that have not yet surrendered any quota to the restructuring fund, the mandatory withdrawal of quota is 13.5%. The average cut for AGRANA is about 10.5%. In the event that the necessary market stabilisation is not evident by October 2007, the European Commission has announced further quota reductions for the 2007|08 marketing year. At the same time, however, restructuring levies are collected even on the quota lost in the withdrawal, an approach that AGRANA is currently challenging in court.

New market opportunities exist in the production of industrial sugar; sales of sugar to bioethanol producers and to the chemical, pharmaceutical and fermentation industries are not subject to quotas. This market, which is not tied to reference prices for sugar or minimum prices for beet, is only serviced by the most competitive producers. In the 2006|07 campaign AGRANA produced some 95,000 tonnes of industrial sugar.

The WTO II negotiations under way since 2001 remain pending. Thus far, only a ministerial declaration was published in December 2005 in Hong Kong. The measures cited in it – such as the parallel phasing-out of all export subsidies by 2013 – will only become effective once the participating countries agree on all items negotiated in the WTO II talks. The offer tabled by the EU on 28 October 2005 for the easing of tariff protection is consistent with the price cuts decided under the EU sugar market reform. No WTO agreement is on the horizon at present.

Inter-trade agreement

In view of the expiring inter-trade agreement, new agreements became necessary for the 2007|08 financial year and 2007 beet sowing. The changes in the sugar regime are taken into account in new agreements concluded by AGRANA with the umbrella organisation of Austrian sugar beet farmers (“Die Rübenbauern”) and the local representatives in the subsidiaries’ home countries.

SUGAR: AUSTRIA

Market environment

As a result of the one-year quota cut ordered by the EU, the Austrian sugar quota of 387,326 tonnes was reduced to 330,079 tonnes for the 2006|07 campaign year, a decrease of 14.78%. By purchasing 18,486 tonnes of C quota, the production quota for 2006 was increased to 348,565 tonnes.

For the 2007|08 financial year, after the preventive quota reduction of February 2007 (by 13.5%), AGRANA has a sugar quota of 351,027 tonnes available in Austria.

Business performance

In 2006|07, as in the year before, conditions on the Austrian sugar market were shaped by considerable pressure from imports in the industrial segment. These imports originated mainly in the Balkans and Eastern Europe. Despite the intense competition, AGRANA succeeded in strengthening its market position through steady refinement of product quality. Part of the products’ popularity reflects the consistent application of the brand strategy. The marketing slogan that had already proved successful in 2005|06, “Nur Wiener Zucker ist Zucker aus Österreich” (“Only Wiener Zucker is sugar from Austria”), continued to be used last year.

AGRANA Zucker GmbH took in sales revenue of € 306.5 million in 2006|07, a decrease of 3% from the prior year's level of € 316 million. The dip in revenue resulted from the lower sugar production quota – and therefore lower sales volume – due to the "declassification"-induced quota reductions of 2005 and 2006. By contrast, sales volume in Austria (including out-of-quota sugar) was pushed up from 277,000 tonnes to 335,000 tonnes. The oversupply of quota sugar on the European market from the 2005 campaign led to price declines at the beginning of the financial year. However, prices were successfully increased before the beginning of the 2006 campaign. Higher prices were also obtained on exports of quota sugar and C sugar into the EU and other countries.

Prices of by-products (molasses and beet pulp) rose in the year amid the significantly reduced supply due to the lower sugar production, and because of higher feed grain prices. This trend was amplified, especially for dried pulp, by the global increase in feed grain prices. The further rise of 22.3% in energy prices compared to the previous year pushed sugar extraction costs significantly higher in 2006|07. However, through the structural actions taken (primarily the closing of the Hohenau plant), fixed costs were markedly reduced and utilisation boosted substantially, with a beneficial effect on overall costs.

Production and investment

The expansion of the extraction plant at the Tulln facility allowed energy consumption for pulp drying to be cut by 6.9% year-on-year based on processed beet. As a result of the longer campaign and the usual decline in beet quality towards the end of the campaign, combined total energy consumption at both Austrian plants went up 2.1% from the year before.

The capital expenditure for property, plant and equipment and intangibles in 2006|07 of € 9.9 million related to the purchase of additional sugar quota and to improvements made at the plants in Tulln and Leopoldsdorf.

SUGAR: HUNGARY

Market environment

The Hungarian market continued to be strained by low-priced imports from the West Balkan countries. Despite this difficult market environment, AGRANA was able to stabilise sales volumes and thus slightly raise sugar prices in response to higher energy costs.

Of the total Hungarian sugar quota of 401,684 tonnes, Group subsidiary Magyar Cukor Zrt. held 147,137 tonnes or 36.6%. After the EU's one-year quota cut and the additional purchase of 5,000 tonnes of C quota, Magyar Cukor Zrt.'s production quota for 2006 was 138,321 tonnes.

The one-time quota reduction (in February 2007) for 2007 resulted in a decrease of 9,448 tonnes for Magyar Cukor Zrt. The production quota available for the 2007 campaign year is thus currently 142,689 tonnes.

Business performance

For the 2006|07 financial year Magyar Cukor Zrt. posted revenue of € 135.4 million (prior year: € 123.2 million). Domestic sales were about 95,000 tonnes, up more than 4% from the year before. This also involved a marginal increase in market share. A notably positive sales trend was achieved in the industrial market, with volume growth of 7,000 tonnes.

Investment

Total energy consumption (calculated on the amount of sugar produced) was brought down by 5.3% compared to the prior year. The persistent high energy prices and the limited economic uses of the spent pulp prompted AGRANA to invest in construction of a biogas plant at the Kaposvár sugar factory. As early as the 2007 campaign, a sizeable portion of the plant's energy needs is to be met by the biogas produced. This represents the first industrial-scale biogas facility in the European sugar industry.

SUGAR: CZECH REPUBLIC

Market environment

The oversupply in the Czech sugar market gradually abated in the course of the financial year, which in the end also had a positive effect on sugar prices. The strong appreciation of the Czech koruna towards the end of 2006|07 led to growth in imports from adjacent countries.

The Czech sugar quota for 2006 was 454,862 tonnes. The temporary quota cut reduced the share of Moravskoslezské Cukrovary a.s. to 78,081 tonnes. After purchasing 3,810 tonnes of C quota, this subsidiary ultimately produced 81,891 tonnes of quota sugar.

The temporary cut by the EU will leave a production quota for the 2007 campaign year of at most 83,582 tonnes, corresponding to a reduction of 7.29% from the maximum quota.

Business performance

In 2006|07 Moravskoslezské Cukrovary a.s. posted revenue of € 79.8 million (prior year: € 75.0 million).

Domestic sugar sales were down somewhat overall in volume terms to 62,500 tonnes (prior year: 71,500 tonnes). The decrease occurred primarily in the industrial market, while a small volume gain was visible in the consumer segment thanks to the consistent brand strategy and product portfolio management.

Investment

The investment of € 4.2 million in property, plant and equipment and intangibles was spent largely on energy-saving measures and quality improvement activities, as well as the purchase of sugar quota. Energy consumption on a processed-beet basis fell by 9% from the previous year.

SUGAR: SLOVAKIA

Market environment

The Slovak sugar market experienced a production surplus, which was sold mostly in the neighbouring countries. Slovakia too thus achieved a positive price and market trend, notably in the latter half of the year.

The Slovak sugar quota for 2006 was 207,423 tonnes. Of this, Slovenské Cukrovary s.r.o. was allotted 56,671 tonnes. With the EU's temporary quota withdrawal this was reduced to 50,057 tonnes in the 2006 financial year, representing a cut of 11.67%. Additionally, Slovenské Cukrovary s.r.o. used the scope for buying 2,732 tonnes of C quota and thus had a final quota of 52,789 tonnes for the 2006 campaign year.

For the 2007 campaign year a further temporary quota cut of 4.32% has already been announced, leaving a maximum production quota of 56,837 tonnes.

Business performance

In the 2006|07 financial year Slovenské Cukrovary s.r.o. generated revenue of € 52.1 million (prior year: € 53.2 million), with the volume of domestic sugar sales up from the previous year's 45,000 tonnes to 47,000 tonnes. The trend was particularly positive in business with food retailers, where focused brand management was a key asset in the successful differentiation from competitors.

Investment

The capital expenditure of € 1.7 million in the 2006|07 financial year was used in large part for the closure of the Rimavska Sobota facility, expansion of processing capacity at the Sered plant and the purchase of sugar quota.

SUGAR: ROMANIA

Market environment

Until the end of the 2006 calendar year the Romanian sugar market was driven by the world market price of raw sugar. Thanks to the high at the beginning of 2006, high prices were obtained in Romania as well; toward the end of the year, however, prices declined. Since the country's accession to the EU on January 1, 2007 it is subject to the European sugar regime.

Even before it became an EU member, Romania was awarded a production quota of 329,636 tonnes of raw sugar and 109,164 tonnes of beet sugar. At EU accession, AGRANA Romania S.A. was allocated a beet sugar quota of 24,240 tonnes and raw sugar refining quota of 130,668 tonnes.

Business performance

With revenue climbing to € 176.0 million (prior year: € 117.8 million), the 2006|07 financial year of AGRANA Romania S.A. was highly satisfactory. Especially sales to food retailers and wholesalers saw a significant increase of 22,000 tonnes. The vigorously pursued brand strategy in Romania was rewarded by an expansion of market share to more than 50%. As well, both in the industrial and food segment, the gap to EU prices was successfully narrowed.

Production and investment

In the 2006|07 financial year, in addition to the 38,041 tonnes of white sugar produced in the 2006 beet campaign, about 179,163 tonnes of white sugar was refined from raw sugar. The limits set by the EU on annual white sugar inventories prevented the achievement of the company's 2006|07 target of 220,000 tonnes. Stocks thus had to be drawn down in January and February 2007 and the planned production quantities postponed to March 2007.

Capital expenditure in property, plant and equipment and intangibles in the 2006|07 was € 6.1 million and represented replacement investments and the construction of a distribution warehouse in Bucharest.

SUGAR: BOSNIA-HERZEGOVINA

STUDEN-AGRANA Rafinerija Secera d.o.o., Brcko
With C sugar exports abolished as a result of the WTO panel decision, and following the reform of the EU sugar regime, there is now only limited scope for sugar exports from the EU. In order to continue to supply the West Balkan region, AGRANA together with Vienna-based Bosnian-Austrian company SCO Studen & Co Holding as a 50% partner began construction of a raw sugar refinery in Bosnia. The plant's annual capacity will be approximately 150,000 tons of sugar. Building started in the autumn of 2006 and is progressing on schedule. Production is to begin at the end of 2007.

SUGAR: BULGARIA

Bulgaria's recent accession to the EU creates a new market for AGRANA. The market potential for sugar in Bulgaria measures about 260,000 tonnes per year and is supplied by raw sugar refining and white sugar imports. In November 2006, to service the Bulgarian market, AGRANA formed AGRANA Trading EOOD, a trading company based in Sofia. A packaging and distribution joint venture, AGRANA BULGARIA AD, was then established in April 2007 together with Bulgarian sugar company Zaharni Zavodi AD.

LOOKING GOOD WITH AGRANA STARCH.

STARCH SEGMENT: Through power of innovation, AGRANA today is a leading starch specialist in Europe. From simple starch, a commodity, we develop sophisticated products such as premium components for the cosmetics industry – used in lip sticks, for instance. In 2006|07, this kind of technological refinement continued to strengthen our reputation as a leader in specialty starches – making the future look good.

STARCH SEGMENT

KEY FIGURES SEGMENT	**2006|07**	**2005|06**
Revenue (€m)	253.4	232.6
Operating profit before exceptional items (€m)	28.5	33.6
Purchases of PP&E and intangibles[1] (€m)	79.2	34.9
Staff count	776	762

AGRANA Stärke GmbH manages the Austrian starch business and coordinates and operationally manages the subsidiaries in the Starch segment. These include Hungrana, the 50%-owned Hungarian corn starch and isoglucose plant (a joint venture with Tate & Lyle and ADM); the Romanian corn starch plant, S.C. A.G.F.D. Tandarei; and in Austria, the potato starch plant in Gmünd, the AGRANA corn starch plant in Aschach and the AGRANA bioethanol plant in Pischelsdorf.

In the summer of 2006 AGRANA began construction of Austria's first industrial-scale bioethanol facility, which will significantly expand the Group's diversification into renewable fuels. Commissioning of the facility is planned for the autumn of 2007. At Hungrana in Hungary, AGRANA has for some years been successfully producing alcohol for the beverage and chemical industry and bioethanol as a fuel additive. Hungrana's capacity too is being enlarged.

MARKET ENVIRONMENT

The world's grain production is estimated at about 1.56 billion tonnes (2.6% less than in the year before). Corn (maize) is the most important grain globally at 688 million tonnes or almost 44% of world cereal production, followed by wheat at 587 million tonnes or 38% of global grain production.

In the EU-27 the corn harvest in the 2006|07 marketing year was approximately 53 million tonnes, versus about 61 million tonnes in the previous year.

In Austria about 4.1 million tonnes of grain were produced in 2006. This was down 10% from 2005. Area under corn declined from about 166,000 hectares in 2005 to 158,000 hectares in 2006. Corn production in 2006 was some 1.5 million tonnes.

Two satisfactory crop years for starch potatoes in 2004 and 2005 in the EU were followed in 2006 by a below-average harvest. EU output of potato starch reached only about 80% to 85% of the quota set under the Community's starch regime. At AGRANA, quota achievement in Austria was about 91% thanks to the carryover of surplus from the year before.

[1] PP&E denotes property, plant and equipment; intangibles exclude goodwill

STARCH: AUSTRIA

Market environment

The EU quota system for potato starch was last extended in May 2005 for the years 2005|06 and 2006|07. In December 2006 the European Commission proposed another two-year extension of the current quota system, holding quotas constant for all member states. This covers the 2007|08 and 2008|09 marketing years. The total EU potato starch quota would remain unchanged at 1.9 million tonnes and the Austrian quota at 47,691 tonnes. The final decision is expected in May 2007.

Business performance

The positive revenue trend of the previous several years continued in the 2006|07 financial year. Revenue grew by about 12% to € 185.2 million (prior year: € 165.8 million). The optimisation of the product mix was stepped up further, particularly by expanding the business with higher-value-added, specialty starches. Unwavering customer focus, innovative products and high flexibility are the key success factors.

The total volume of starch sales (potato and corn starch), at 441,000 tonnes, was approximately 12% higher than the preceding year's figure of 395,500 tonnes. The expansion of procession capacity at the Aschach corn starch factory to 1,000 tonnes of corn per day was completed earlier than expected, in May 2006. This increase in production volume and the development of new markets and market niches were instrumental in the sales volume growth. Average daily corn processing volume at the Aschach plant mounted to 1,017 tonnes in 2006|07 (prior year: 854 tonnes).

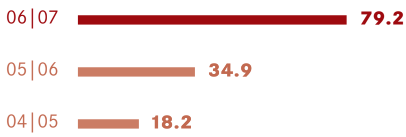
As a consequence of unfavourable weather, potato starch production from the 2006 harvest reached only 41,123 tonnes, falling short of the EU quota of 47,691 tonnes. Sales of potato starch products therefore declined in 2006|07 to 54,300 tonnes (prior year: 57,800 tonnes).

Raw materials, crop and production

Given the above-quota production of potato starch in 2005, a portion of the 2006 quota was used in advance at the time. In 2006 the contracted volume thus had to be reduced by 5% to 205,000 tonnes. The dry, very hot weather in July 2006 depressed average starch potato yields, leaving the harvested crop about 9% below the contract volume. In total over the 116 days of the 2006 campaign (prior year: 141 days), 187,000 tonnes of starch and organic starch

STARCH SEGMENT
REVENUE
(€m)

PURCHASES OF PP&E AND INTANGIBLES[1]
(€m)



STAFF COUNT

potatoes (prior year: 246,000 tonnes) were processed into 41,123 tonnes of potato starch (prior year: 52,595 tonnes). The crop's starch content of 19.0% was higher than the year-earlier level of 18.3%. On a crop area of about 6,200 hectares (prior year: about 6,600 hectares), the 1,882 growers achieved an average yield per hectare of approximately 30 tonnes (prior year: 37 tonnes). As a result, AGRANA utilised only about 91% of its potato starch quota. An unrestricted quota is once again available in 2007. For the 2007 harvest AGRANA has contracted for approximately 213,000 tonnes of (conventional and organic) starch potatoes.

In the 2006 campaign the company also bought a total of 12,300 tonnes (prior year: 14,600 tonnes) of food potatoes and organic food potatoes for use in long-life potato products.

The Aschach corn starch plant processed 352,000 tonnes of corn in 2006|07 (prior year: 299,000 tonnes). The higher throughput was attributable to the completed expansion of the plant's capacity to 1,000 tonnes of corn per day. The volume of freshly harvested wet corn processed was 84,000 tonnes, down slightly from the prior-year level of 86,000 tonnes due to weather factors.

The price for corn feedstock in 2006|07 was up significantly year-on-year because of increased demand and the EU's smaller harvest.

The markets

Sales of corn starch products were pushed up by 19% from the prior year's 193,700 tonnes to 231,000 tonnes in 2006|07. The poor potato crop resulting from the inclement summer weather led to a reduced sales volume of potato starch products. At the same time, European sales prices rose significantly due to energy and raw material costs.

The non-food sector (industrial starches) accounts for 23% of AGRANA's Austrian starch sales by volume. In the 2006|07 financial year 100,000 tonnes (prior year: 110,700 tonnes) of starch were sold into the paper, corrugated board, textile and building industries.

Sales quantities on the export side were lower than in 2005|06 as a result of volume shifts in favour of the food starch segment with its higher prices. Potato starch prices, which at the start of the year were below corn starch prices, rose again from September onwards as a consequence of the small potato harvest in Europe. From January 2007 the paper industry thus began to import tapioca and corn starch from Asia and South America.

Sales to the corrugated board industry saw a harvest-induced decrease to 18,000 tonnes (prior year: 21,000 tonnes). However, sales volume in Austria increased.

In general export sales to Asian textile manufacturers were hurt by the strong euro. As in the paper industry, some textile producers too are switching to tapioca starch in view of the increase in potato starch prices.

The building sector enjoyed a boom made possible by the good weather in the winter of 2006|07. Starch sales volume in this industry thus rose by 23%.

In the food segment of the market (starches for the food industry), sales in 2006|07 reached 121,000 tonnes (prior year: 98,600 tonnes). Until June 2006, prices were very low. Poor forecasts for potato, wheat and corn harvests drove a price surge in all starch areas beginning in September. Shortfalls of potato starch and low inventory levels finally produced potato starch prices far above the prices for corn starch.

Since more than ten years ago, AGRANA has been processing organically grown potatoes and corn at the Gmünd and Aschach facilities to produce organic starches, organic saccharification products and organic potato products (potato flakes and dehydrated potatoes). In organic starch products and GM-free[1] starch products, AGRANA has a strong reputation as a pioneer in Europe. The complete supply and processing chain is exhaustively documented, audited and certified – from seed to crop, and from receipt of the raw material through every production stage all the way to shipping. These products are marketed to the entire food industry, such as for use in fruit preparations, sweets, baby food, baked goods and gourmet foods. More than 90% of the products are exported. The foremost markets are the EU, Switzerland, North America and South East Asia.

Since the EU approved the cultivation of genetically modified corn, demand has increased for guaranteed GM-free starch products. The US market for non-GM organic products from Europe is also continuously growing. With an increase of about 23% in sales volume, AGRANA further expanded its market share in 2006|07.
In long-life potato products the volume sold rose by 9%.

Investment

The Starch segment's capital expenditure for property, plant and equipment and intangibles in Austria was € 11.5 million in 2006|07 (prior year: € 22.6 million). Investment focused above all on the final stage in the expansion of the Aschach corn starch factory to a processing capacity of 1,000 tonnes of corn per day. The expansion was completed in May 2006 with the commissioning of a new starch saccharification plant and the enlargement of the waste water treatment plant. At the potato starch facility in Gmünd the plant infrastructure was improved and a largely automated packaging area for baby food was completed and brought on stream. In this way AGRANA is responding to the growth in demand for specialty starch products.

STARCH: HUNGARY

Market environment

In the 2006|07 marketing year the Hungarian isoglucose quota reflected both a declassification-induced reduction of 9.4% and an increase resulting from the reform of the sugar regime (the quota is being raised by 27,109 tonnes per year for three consecutive years). On balance, the isoglucose quota thus rose to approximately 177,000 tonnes from the previous year's level of 137,627 tonnes. This also includes 34,000 tonnes of one-off isoglucose quota arising from the extension of the sugar marketing year by three months. The Hungarian isoglucose quota is fully allocated to Hungrana, AGRANA's 50%-owned subsidiary.

For the 2007|08 marketing year the quota will probably be about 180,000 tonnes. This figure is the result of two successive quota increases under the new sugar regime from originally 137,627 tonnes and of an early, temporary quota reduction of 6.21%.

Business performance

The ownership interests in Hungrana, the corn starch and isoglucose plant, are held by AGRANA Stärke GmbH and by Szabadegyházai Szolgáltató es Vagyonkezelö Kft, a subsidiary of Tate & Lyle and ADM.

In 2006|07 AGRANA's 50% share in Hungrana's revenue was € 66.9 million (prior year: € 67.4 million). The reasons for the dip in revenue were the weak Hungarian forint in the first half of 2006|07 and the decline in isoglucose prices driven by the reform of the sugar regime.

[1] Not derived from genetically modified organisms

Raw materials, crop and production

In the 2006|07 financial year Hungrana processed roughly 451,000 tonnes of corn. Raw material prices were up from the year before. A year-on-year decrease in corn yields led to a shorter wet corn campaign and smaller wet corn harvest of about 72,000 tonnes.

Investment

In 2006|07 Hungrana completed the expansion of daily processing capacity to 1,500 tonnes of corn and the enlargement of bioethanol production capacity to 150 cubic metres per day. To prepare for the increase in the isoglucose quota under the new EU sugar regime to a total of 218,927 tonnes – to be reached in 2008|09 – and to raise alcohol production capacity to 450 cubic metres per day, investment began for a further enlargement to 3,000 tonnes of daily corn processing capacity. AGRANA's 50% share of the total investment in property, plant and equipment and intangibles was € 21.3 million.

STARCH: ROMANIA

Business performance

Revenue of the Romanian corn starch plant, S.C. A.G.F.D. Tandarei, grew by 32% in 2006|07 to € 6.6 million (prior year: € 5.0 million). Sales volume of corn starch products increased to about 16,000 tonnes (prior year: 11,800 tonnes) and the market shares both for starch and glucose were maintained at the high year-earlier level.

Raw materials, crop and production

In Romania in the 2006|07 financial year, direct contracts with farmers were increased to about 16,000 tonnes of corn. At the Tandarei corn starch plant some 20,000 tonnes of corn were processed, as in the year before. Average processing capacity was 100 tonnes of corn per day.

Investment

In 2006|07 investment was completed in a group of corn silos with a storage capacity of 20,000 tonnes that allows AGRANA to exploit the lower raw material prices during harvest season and thus to safeguard the feedstock required for production until the new crop comes in. Capital expenditure on the thermal utilisation of by-products was concluded in the fourth quarter of 2006|07. Early results show that this project is significantly cutting energy costs and greatly improving the cost structure. Total capital spending in 2006|07 was 1.3 million.

BIOETHANOL

The EU plans to more than double the biofuel component in automotive fuels from 2% of energy content to 5.75% in 2010 in order to contribute to environmental protection, work towards meeting the Kyoto targets and lessen dependence on petroleum. By 2010, based on a share of 5.75%, approximately 10 million cubic metres of bioethanol will be needed, compared to about 3.1 million in 2006 (source: F.O. Licht). At the beginning of March 2007 the EU heads of state and government expanded the EU directive by agreeing on a 10% substitution of biogenic for fossil fuels by 2020.

Austria

In Austria the EU biofuels directive was transposed by requiring biogenic fuel shares (by energy content) of 2.5% from October 1, 2005, 4.3% from October 1, 2007 and 5.75% from October 1, 2008. This is accompanied by a tax reduction from October 1, 2005 for diesel containing at least 4.4% of biogenic fuel by volume and, from October 1, 2007, for petrol containing at least 4.4% biogenic fuel by volume. In addition, on October 1, 2007 the bioethanol blend regulation takes effect, which likewise offers a tax break for petrol with a high (85%) bioethanol content.

What is more, in March 2007 the Austrian government announced its ambitious goal of reaching the EU's 10% substitution target by 2010 rather than by 2020.

In this favourable environment, AGRANA is currently building Austria's first industrial-scale bioethanol facility. Located in Pischelsdorf, the plant will cost about € 125 million and have a capacity of up to 240,000 cubic metres per year.

AGRANA Bioethanol GmbH is 74.9% owned by AGRANA Stärke GmbH. The other 25.1% of the shares are held by Rübenproduzenten Beteiligungs GesmbH.

The mild winter speeded the pace of construction. From the autumn of 2007 – coinciding with the coming into effect of the tax reduction for bioethanol-petrol blends on October 1 – the bioethanol plant will thus be able to supply Austria's entire demand.

The ethanol production process for the plant was chosen to allow the use of a wide variety of agricultural raw materials, such as wheat, corn or concentrated sugar beet juice. For instance, it takes 2.59 kilograms of wheat to make one litre of ethanol. To produce the planned volume of bioethanol in Pischelsdorf will require, in addition to concentrated beet juice, approximately 450,000 tonnes of wheat per year.

A by-product of the bioethanol production from grain will be up to 170,000 tonnes of protein-rich animal feed per year – so-called "DDGS" (distillers dried grains with solubles), which can partly replace imported soy-based feed from overseas.

In the first quarter of 2006|07 AGRANA signed a medium-term contract to supply about one-third of the plant's total production capacity to OMV AG. Production that exceeds domestic demand will be marketed under a distribution partnership with CropEnergies AG.

In the 2006|07 financial year € 45.0 million was invested in the construction of the bioethanol facility.

Hungary

From July 1, 2007 a 4.4% biogenic content in fossil transport fuels will be mandatory in Hungary. Sales of non-compliant fuels will be subject to an additional tax of 8%. At present about 1% bioethanol, in the form of ETBE[1], is added to fuels in Hungary. However, as ETBE production capacity is limited, it is also becoming necessary to directly add ethanol to fuels so as to reach the required blend.

In order to be able to satisfy the demand for ethanol, which is growing throughout Europe, ethanol capacity at the Hungrana production plant was raised in April 2006 from 60 cubic metres to 150 cubic metres per day. The facility thus currently distils about 55,000 cubic metres of bioethanol per year. In concert with the further increase in daily corn processing capacity to 3,000 tonnes, ethanol production capacity too is to be raised to approximately 160,000 cubic metres per year. This expansion is progressing to plan and should be implemented by April 2008.

In the 2006|07 financial year Hungrana increased its volume of ethanol sales by 26.7% to about 25,000 cubic metres. Owing to the high oil prices, the ethanol prices obtained were well above prior-year levels.

[1] ETBE, or ethyl tertiary butyl ether, acts as an octane booster and is based on ethanol

ENJOY THE FRUITS OF SUCCESS.

FRUIT SEGMENT: AGRANA is a world-leading supplier of premium fruit preparations and fruit juice concentrates. The market trend towards healthy food and drink, the quality of our products, our efficient organisation and sustained growth as a global business – all these ensure that everyone can enjoy AGRANA fruit, now and in the future.

FRUIT SEGMENT

KEY FIGURES SEGMENT	2006|07	2005|06
Revenue (€m)	914.6	541.2
Operating profit before exceptional items (€m)	45.6	27.2
Purchases of PP&E and intangibles[2] (€m)	47.8	42.9
Staff count	4,724	4,487

AGRANA Juice & Fruit Holding GmbH indirectly holds all companies of the Fruit segment. The segment is coordinated and operationally managed by two business-specific holding companies: AGRANA Fruit S.A. (based in Paris, France) for the fruit preparations activities, and AGRANA Juice GmbH (based in Gleisdorf, Austria) for the fruit juice concentrate activities.

The restructuring of the Fruit segment and its fruit companies acquired since 2003 – Atys, DSF, Steirerobst, VallØ Saft and Wink – was completed in the middle of 2006. As a result of this reorganisation, all companies of the Fruit segment are now able to operate in the global market under the unified identity of the AGRANA brand and fulfil customers' requirements and preferences more completely than ever. Moreover, the companies' combination into a single business segment unlocks additional potential and synergies – in raw material procurement, administration, research and development, product sales and internal communication – and facilitates the AGRANA Group's becoming ever more global.

In 2006|07 AGRANA vigorously continued to pursue the dynamic growth strategy of the past several years both in the fruit preparations and the fruit juice concentrates business.

In June 2006 AGRANA acquired 50% of Xianyang Andre Juice Co., Ltd., a subsidiary of Hong Kong-listed Yantai North Andre Juice Company Ltd. The joint venture is located in China and produces apple juice concentrate, primarily for the world market.

In September 2006, construction work began on a new fruit preparations plant in Cabreúva in the Brazilian state of Sao Paulo. Since the spring of 2007, this facility is producing high-quality fruit preparations products for the Brazilian dairy industry.

[1] PP&E denotes property, plant and equipment; intangibles exclude goodwill

MARKET ENVIRONMENT

At its European apple juice production locations in Austria, Poland, Romania, Hungary and Ukraine, AGRANA predominantly produces sour (high-acidity) apple juice concentrate. Sweet (low-acidity) apple juice concentrate, by contrast, is produced with joint venture partner Yantai North Andre Juice Co., Ltd. in China. In the course of the year under review, prices of sweet and of sour apple juice concentrate converged. Next to the US market, sweet apple juice concentrate is in particularly strong demand in the rapidly growing Russian market, which creates new sales opportunities for AGRANA in this market segment.

The heightened demand from the worldwide fruit juice industry for apple juice concentrates is explained by the poor orange harvest and reduced orange orchard planting area in Brazil, conditions which resulted in production bottlenecks and price increases for orange juice concentrate.

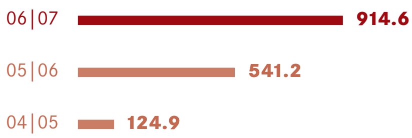
In the autumn of 2006, in reaction to complaints from Polish strawberry producers, the European Commission imposed a provisional anti-dumping duty of 34.2% on frozen strawberries from China. After expiration of the six-month term, in April 2007, the EU suspended the anti-dumping duty and introduced a minimum import price of € 598 per tonne for Chinese frozen strawberries without added sugar (exclusive of a 14.4% import tariff).

RAW MATERIALS, CROP AND PRODUCTION

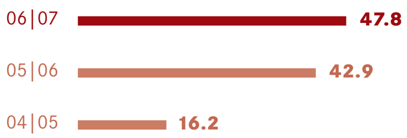
In the 2006|07 financial year, in spite of in some cases poor harvests, AGRANA was able to fully meet its worldwide requirements for high-quality fruit for fruit preparations. A trend towards tighter raw material markets was especially evident in berry fruits (strawberry, raspberry and blueberry).

Owing to dry summer weather and less area planted than in the previous year, the Polish market was characterised by a low strawberry supply, which caused field prices to rise. For California strawberries, the continued high demand on the world market also translated into higher prices. In South America the harvest period was shorter than usual and growing conditions less favourable, resulting in a lower supply of raw materials. Having less area under strawberries than in the previous year, China, a relatively new producer of frozen strawberries, was not able to fully make up the global-level shortfall in the fruit.

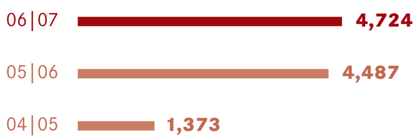
FRUIT SEGMENT
REVENUE
(€m)



PURCHASES OF PP&E AND INTANGIBLES[1]
(€m)



STAFF COUNT



The antidumping duty on frozen Chinese raw material led to further price hikes and the almost total depletion of European inventories.

Regarding “wild” blueberries in Poland and Russia, the comparatively dry summer led to reduced crop size, even as demand climbed by up to 50% above the year-earlier level. In North America, cultivated blueberries, amid the strong increase in demand, even reached prices 80% higher than in the previous harvest season. The dry weather also reduced the Polish raspberry crop. The resulting lower supply of frozen raspberries was compensated for by the good Serbian and North American harvests.

Stone fruit crops (mainly peaches, plums and cherries), despite some adverse regional growing conditions, remained at the prior year’s level. Tropical fruits such as mangoes, pineapples and bananas are increasingly in fashion and, in addition to the large fresh fruit market, are also fast gaining popularity for use in smoothies, the pureed-fruit drinks with a high fruit content. This trend is reflected in the tight supply situation for these fruits, which is expected to mean continuing high prices in 2007|08 as well.

AGRANA is countering this rising tendency in prices with a global procurement system that makes the Group less dependent on individual source regions.

The Group’s ten European production sites for fruit juice concentrates are located in the midst of the Central and Eastern European apple- and berry-growing areas. In Poland, Hungary, Romania, Ukraine, Denmark and Austria, AGRANA purchases and locally processes apples and – under the collective term “red berries” – strawberries, raspberries, black and red currents, sour cherries, chokeberries and elderberries. Besides fruit juice concentrates, products include not-from-concentrate juices and purees.

Processing of the 2006 harvest for apple juice concentrate began in August. In Poland, where about 20% of Europe’s apple crop is harvested, the crop was better than in the previous year thanks to good availability of fruit from trees grown outside intensively managed orchards. Even after a two-month drought in June and July that resulted in smaller fruit size and weight, purchasing volumes in Poland were increased by more than 15% from the year before. In all three Polish production facilities, capacity utilisation was therefore high.

The crops harvested in Hungary were smaller than expected. Because of mediocre growing conditions during the flowering season, the poor harvest of the previous year was only slightly exceeded. All the same, through improvements in the procurement system, AGRANA was able to purchase about 20% more processing apples at the three plants in eastern Hungary than in the prior year.

Apple orchards in Ukraine and Romania were affected by severe frosts in the winter of 2005|06. As early as the spring of 2006 it was thus clear that the previous year’s large harvest would not be repeated this time. In the summer and autumn that led to a sharp rise in raw material prices. In the interest of optimising plant locations, the EU enlargement prompted the closing of the western Romanian factory in Carei. The three eastern Hungarian fruit juice concentrate plants very close to Carei will take over the processing of raw materials from the western Romanian catchment area.

In Austria an expansion of the geographic area from which raw materials are sourced allowed the feedstock procurement for apple juice concentrate to be improved in comparison to the previous years and thus led to better utilisation at the Gleisdorf plant.

Overcoming the net deterioration in the purchasing environment described above, AGRANA was able to boost the volume of apples bought by 10% compared to the 2005|06 financial year. Purchasing prices for apples went up over the entire processing season, but remained just below the high prices paid in 2005.

The Chinese joint venture plant in Xianyang (Shaanxi Province) producing sweet apple juice concentrate for export ran at full capacity from the beginning of the record apple harvest in August 2006. Sustained by the extremely abundant apple crop in China, the processing of winter apples at this plant continued even beyond the balance sheet date of February 28, 2007. The key factors behind the Chinese bumper apple crop were the increase in the area under apple orchards (which in recent years has been promoted by the government) and favourable weather during the growing season.

The amount of raw material procured for berry juice concentrates surpassed expectations. In the two countries most important to AGRANA's procurement of red berries – Poland and Denmark – the purchased quantities of strawberries, sour cherries and black currants were boosted by more than 10% from the preceding year. Only raspberries were marked by a crop failure in the wake of drought in June and July. The raw material supply of the manufacturing plants was nonetheless ensured throughout and the quality of the fruit juice concentrates produced was very good. In addition to concentrates, the facility in Vinnitsa, Ukraine, makes premium fruit purees to order for AGRANA customers.

Even with partially tight raw material supplies and the rapid globalisation of the market, AGRANA successfully covered its fruit buying needs and strengthened its competitive position in raw material procurement. This was achieved by efficient worldwide sourcing, constant monitoring and analysis of the market for fruit preparations and close contact with producers and suppliers.

To achieve the highest product quality and reinforce customer satisfaction, AGRANA further improved internal quality management and supplier certification. The chief focus was on the traceability of fruit sources all the way back to the grower.

INVESTMENT

In 2006|07 investment in the Fruit segment totalled € 47.8 million. Capital expenditure in the fruit preparations area centred especially on construction of the new fruit preparations plant in Cabreúva, Brazil, which began in September 2006. The plant was commissioned in the spring of 2007. The installation of a third fruit preparations production line in Serpuchov, Russia, was successfully concluded in 2006 and the plant contributes to meeting the high demand on the Russian market.

In the production of fruit juice concentrates, the investment priority was the expansion of chilling and freezing capacity. Hungary was the site of investment in an energy-efficient evaporator system. Capital expenditure also included replacement investment and optimisations for yield increases, quality improvement and assurance as well as process safety at the AGRANA facilities.

AGRANA FRUIT (FRUIT PREPARATIONS)

Business performance

AGRANA is the world's leading manufacturer of fruit preparations for the dairy, bakery and ice-cream industry. Through the high organic growth, the top position in the world market was cemented further.

Until 2008 the global market volume for yoghurt products is expected to grow by about 5% annually, with double-digit rates of expansion forecast especially for Eastern Europe (10% per year) and Asia (14% per year) (Source: Global Food Markets, Leatherhead Food International, June 2005). As the world market leader in fruit preparations, AGRANA is operating fruit preparations plants in both of these growth regions. All told, AGRANA has production facilities for fruit preparations in 26 different locations worldwide.

South America represents an attractive, fast-growing market that since 1994 has been supplied from a fruit preparations plant in Argentina. In September 2006, construction began of a new fruit preparations manufacturing facility in Cabreúva in the Brazilian state of Sao Paulo, at the business location of Ricaeli, a local frozen foods company. The new plant is designed to supply the Brazilian dairy industry's growing demand for fruit preparations. Ricaeli, a producer of frozen fruit and frozen purees for retailers and industrial customers, will hold a minority interest of up to 25% in the venture. AGRANA is benefiting from Ricaeli's local knowledge – particularly in raw material buying – and the partner's provision of the necessary infrastructure. Production at the plant began in the spring of 2007. From 2008 the facility's production capacity is to be expanded in the next project stage.

In addition to the strategically important growth markets in Central and Eastern Europe, Asia and South America, AGRANA retains its successful and leading operational presence in the well-developed, high-volume dairy markets of Western Europe and North America, as well as in Africa and Australia/Oceania. These markets demand consistent leadership in innovation and technology.

To satisfy the global rise in demand for fruit preparations on a dependable basis, the purchasing of raw materials was reorganised and the different procurement systems were unified. Through the assignment of global areas of responsibility and the pooling of purchasing activities into functional units (notably category buying, logistics, finance and food safety), additional procurement synergies are mobilised. The result is that the increased purchasing volume created by the organic growth and by the completed integration of all companies can be organised more efficiently, with critical deliverables being security of supply and quality of raw materials.

In studies of the capacity utilisation of the European fruit preparation plants, optimisation criteria are currently being developed for these facilities. The aim is to avoid capacity bottlenecks and utilise the production plants in Europe as efficiently as possible. Furthermore, hauling distances to customers are to be minimised in order to control transport costs and environmental effects.

AGRANA JUICE (FRUIT JUICE CONCENTRATES)

Business performance

AGRANA is Europe's leading manufacturer of apple juice concentrate and a major European producer of other fruit juice concentrates.

Until 2008 the world fruit juice market is forecast to grow at about 7% a year in terms of volume; especially Eastern Europe (12% p.a.) and Asia (31% p.a.) are important growth markets (source: Global Food Markets, Leatherhead Food International, June 2005). AGRANA has presence in both regions.

The Group operates ten fruit juice concentrate plants in Central and Eastern Europe and with their output supplies not only the highly specialised Western European fruit juice industry, but also the growing demand for apple and berry juice concentrates in the CEE markets.

In China the year's apple harvest produced a record crop of approximately 24.5 million tonnes of fruit (prior year: 20.4 million tonnes) (source: USDA). This represents about one-third of average world apple production. Because of the good harvest the facility in Xianyang, which produces sweet apple juice concentrate for worldwide export, is running at capacity for longer than the fruit juice concentrate plants in Europe. The plant's product is sold mainly into the large North American market, the Russian market (characterised by strong demand) and into Europe. The joint venture also targets the expanding Asian market for fruit juices. AGRANA is the first European maker of fruit juice concentrates to have made the move into the world's largest procurement market for process apples.

Compared to the previous year, the price for sour apple juice concentrate remained relatively steady while sweet concentrate rose in price. This development reflected above all the increase in demand from the fruit-juice-using industry. This sector is favouring new recipes and blends – especially in the North American and Asian market – that lean heavily towards the (lower-priced) sweet concentrate and offset shortages of concentrated orange juice.

ENVIRONMENT AND SUSTAINABILITY

AGRANA aims at economising on a long-term and sustainable basis.

AGRANA is an international company that processes plant crops into high-quality products. Sustainable use of the available resources has been a crucial principle for AGRANA for decades. This is evident in the raw materials and production methods employed, which optimise the efficient, environmentally sound use of energy and reduction of emissions.
Food safety, quality assurance, traceability of all industrial processes back to the farmer's field – including the handling of the raw materials from seed to harvest – as well as extensive certification all contribute to the documented sustainability of AGRANA's products and environmental practices.

AGRANA continually invests in improving energy efficiency and in minimising the use of resources in transport, production and packaging. In addition, a continuous improvement process for environmental standards is consistently applied and intensified.

BIOETHANOL: THE FUEL FOR SUSTAINABLE DEVELOPMENT

Bioethanol contributes to the improvement of the CO_2 balance.

Beginning in the autumn of 2007, AGRANA wants to supply clean energy from Austria. With the construction of the first industrial-scale bioethanol plant in Austria, AGRANA will provide an important contribution to the improvement of the CO_2 balance: The combustion of bioethanol releases only as much CO_2 as the plants have captured from the atmosphere during their growth. The use of bioethanol as a fuel thus actively contributes to slowing the greenhouse effect. What is more, bioethanol burns without producing soot, is sulphur-free and contains no poisons or hazardous substances.

In the environmental impact assessment for the construction of the AGRANA bioethanol plant in Pischelsdorf, Austria, particular emphasis was placed on preserving the existing ecosystem. For instance, an amphibian fence was installed to safeguard the continued existence of the natural ecological balance around the facility.

ENERGY CONSUMPTION AND EMISSIONS

AGRANA has for years been investing in energy conservation and environment-saving emissions reduction at its plants.

Sugar extraction is an energy-intensive process. The process heat and electrical energy needed to evaporate the sugar beet's water content of 75% is generated in cogeneration plants (combined-cycle systems of steam and gas turbines), which provide maximum energy efficiency. They achieve a high utilisation of the primary energy used, less consumption of fossil fuels and lower specific (per-unit-of-product) emissions, thus minimising environmental impacts.

[1] Selected examples of the long list of AGRANA's certifications held and standards followed are ISO 9001, IFS (International Food Standard), Codex Alimentarius (FAO/WHO food standards): HACCP principles, good manufacturing practices, good hygienic practices, FDA CFR 21 in the USA, GMP B2, kosher certificates, etc.

Since 1990 in Austria, AGRANA's consumption of fossil fuel energy (per unit of beet processed) for sugar production and drying of spent beet pulp has been cut by almost 31% through investment in improved plant processes, instrumentation and control technology. The Austrian plants already rank among the best in Europe in energy efficiency. This standing is regularly verified by international benchmarking in the Group.

CO_2 emissions per unit of output product were brought down by 32% over the same period, thus contributing significantly to reducing the environmental footprint.

With this disproportionately steep reduction, Austria's sugar industry has also already now fulfilled the Kyoto target of a 13% cut in CO_2 emissions by 2010 in Austria compared to 1990 levels.

Steps to further reduce energy consumption – and thus emissions – in 2006|07 included, for example, the additional installation of an extraction tower and a press for vegetable matter at the sugar factory in Tulln, Austria. At the facilities in the new EU countries as well, energy consumption was drastically lowered. Continuous work is also done to improve production technologies.

Next to the investments already made in energy-saving measures, further capital expenditure are already planned for the future. In 2007|08 a biogas plant is scheduled to be built at the sugar factory in Kaposvár, Hungary. AGRANA is thus choosing alternative sources of energy supply. The plant will generate enough biogas from the pulp left after sugar beet processing to take the place of more than half the fossil fuel otherwise used. Accordingly, less CO_2 will also be released by fossil fuel combustion. This production-scale biogas plant will be the first of its kind in the European sugar industry.

In the starch plants, AGRANA is currently also working on reclaiming energy from the by-products of potato and corn starch production. Here natural gas as a primary energy source has been partly replaced with biogas or biomass. Another focal point of the present programmes to increase energy efficiency are energy reclamation measures, such as making the best possible use of waste heat from furnaces.

AGRANA thus continues to find ways to make the energy supply more sustainable.

RAW MATERIALS AND TRANSPORT

AGRANA has set itself the task of making comprehensive business and environmental advice available to farmers, the Group's most important raw material suppliers.

In the Sugar and Starch segments, AGRANA has therefore long been providing intensive consulting services to growers, which has led to a significant reduction in pesticide and fertiliser use. Methods were also developed to refine irrigation by measuring soil moisture in the rooting zone.

In the Fruit segment a similar knowledge transfer is achieved through the close contact maintained with fruit growers by the AGRANA category buyers (responsible for global fruit purchasing) and the team of quality assurance staff and agricultural advisors supporting them. Mandatory cultivation regimes are to some extent prescribed to farmers in terms of whether, when, how much and which herbicides and fertilisers are to be used. To assure high quality standards and promote sustainable management, AGRANA works with certified raw material suppliers.

Beet is transported to the Austrian sugar plants in Leopoldsdorf and Tulln largely by rail, with the rail component further increased to 54% in the year under review.

About one-third of the potatoes used by the starch plant in Gmünd, Austria also arrive by rail.

ENVIRONMENTALLY FRIENDLY PRODUCTION METHODS

A hallmark of production processes at the AGRANA factories is that they feature closed cycles where possible. In addition to almost complete utilisation of all raw material components and by-products, this also means the treatment and reuse of waste process water. For instance, by installing closed cooling cycles instead of once-through systems, fresh water consumption was greatly reduced, as now essentially only the water lost to evaporation in the cooling towers needs to be replaced.

For production to be environmentally sound, wastewater from production processes must also be cleaned appropriately. State-of-the-art water treatment plants help reduce effluent to a minimum. For some years an investment priority at the AGRANA plants has therefore been the continual improvement of wastewater treatment systems. At the fruit juice concentrate plants in Bialobrzegi, Poland and Vaslui, Romania, existing wastewater treatment plants were enlarged and improved.

The commissioning of a new evaporation plant in Hungary has cut energy use by 30%. The high degree of process integration and the exploitation of other utilisation potential leave only small quantities of organic waste to be composted.

At the potato starch manufacturing facility in Gmünd, Austria, the potato water left after starch extraction, which contains valuable minerals from the potato, is concentrated and returned to the soil. Similarly, at the corn starch plant in Aschach, Austria, the corn steep liquor is reclaimed after evaporation and used to enrich animal feed. In the final phase of expansion to a daily corn processing capacity of 1,000 tonnes in Aschach, the company worked closely with experts, authorities and neighbouring property owners to reduce dust, smells and noise emitted by the plant. A modern biofilter system removes odour-bearing compounds from the waste air from the by-product lines.

INNOVATION AND SUSTAINABILITY

AGRANA places a high value on the constant improvement of production facilities in terms of safety, environmental soundness and especially resource conservation. Important contributions in this area are coming from the Group's R&D units, both located in Austria: Zuckerforschung Tulln and, in Gleisdorf, the Center of Innovation and Excellence.

Efforts to reduce lime consumption in sugar production led to the development of LIMOS (Lime Optimization System), a computer program. It determines the exact optimum concentration of milk of lime needed in juice purification and thus helps save lime and coke.

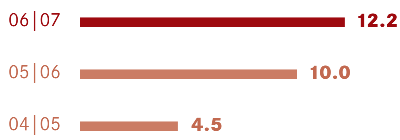
Similarly, use of alkalizing agents was reduced by the development and use of LISA (Lime Salts Analyzer), an automated hardness testing system.

With respect to foam control in potato starch and sugar production processes, AGRANA implemented both structural measures for foam prevention and mechanical measures for breaking foam. As well, foam detectors with an integrated rinsing system were developed that permit more efficient use of foam control agents.

RESEARCH AND DEVELOPMENT

Success in the global competitive arena will in the future also turn in large part on companies' innovative power, speed of innovation, and flexibility. AGRANA's research and development (R&D) activities pursue the goal of innovating in all business areas and with a rigorous focus on customers. Our R&D work aims at opening up new markets and producing goods that are less interchangeable. Relentless targeting of market needs and close collaboration with customers are the other foundations for the successful implementation of product innovations.

R&D EXPENSES (INTERNAL AND EXTERNAL)
€m



With the development of innovative products from renewable resources, AGRANA also makes an important contribution to improving the sustainability of the resources we all need in order to live.

The research and development operations for the whole AGRANA Group are concentrated mainly in Austria-based Zuckerforschung Tulln Ges.m.b.H. (ZFT). They range from agricultural R&D, to food, sugar, starch and bioethanol technology, all the way to microbiology and biotechnology.

In the 2006|07 financial year in the Fruit segment, the process of integrating the individual innovation teams continued and a new organisational structure was put in place. The research and development activities in Mitry Mory in France were moved to the Center of Innovation and Excellence in Gleisdorf, Austria, where new products are developed in response to customer and market requirements. As well, additional experts were brought on staff to devise product concepts for new markets. The R&D priorities in Gleisdorf also include process development, process optimisation, and (for the Fruit segment) product safety and quality assurance.

AGRANA had an average total of 188 employees in the R&D departments in the financial year.

Internal and external expenditure on R&D in 2006|07 was about € 12.2 million.

SUGAR R&D

Sugar-related research and development during the year continued to centre on cost optimisation through reduced consumption of supplies and on the use of natural antibacterials.

At the Tulln processing plant, valuable insights were gained into the limits of lime conservation in the purification of sugar beet juice. Supported by LIMOS, the software programme for applying precisely the required concentration of milk of lime for juice purification, the optimum dosage was found in the first one-third of the campaign at a lower-than-average level of lime consumption. In addition to its use in the Tulln factory, LIMOS was successfully introduced in other plants within and outside the Group, thus generating licence revenue.

Early encouraging results were also achieved in the efforts to market, outside Europe, the Tulln sugar research facility's devices for reducing consumption of process supplies. Thanks to presentations and poster sessions, the first specific requests were already received, primarily for LISA, the automated hardness measurement system.

In the area of natural antibacterial agents – products based on hop acids, resin acids and myristic acid – success was achieved in using these substances in cooling water systems. At the Tulln plant, for the first time, chlorine-based products were thus entirely eliminated. Through careful coordination of dosage and water routing, any negative effects on the water treatment plant were prevented.

Although the use of the products in the extraction area can already be regarded as state of the art, we went even further: The small extraction tower (with a capacity of 3,000 tonnes per day) additionally installed in the Tulln factory made possible the first trials aimed at virtually complete suppression of microbiological activity. This had not previously been an option in Austria due to the requirements for the pressability of the extraction residue. The innovation allowed a dosage control system to be tested in the tower juice. Other activities in new applications focused on silage (suppression of undesirable kinds of fermentation) and corn starch extraction. Industrial-scale tests in connection with the processing of deteriorated beet, however, could not be carried out as a result of the mild winter.

An initiative steadily gaining in importance is the Group-wide collaboration in the center of excellence for sugar technology. Thus, the most recent campaign produced more intensive sharing of expertise and best practices through regular video conferences. Likewise, participation was stepped up in joint projects relating, for example, to the operation and maintenance of lime kilns and to alternative flocculants.

The examination of the various primary and intermediate products for parameters relevant to quality likewise represents an important tool for maintaining the high standard of the finished products.

STARCH R&D

Through intensification of the activities in the food market segment and raising of synergies in the Group, new specialised starch derivatives were developed, especially for use as thickeners in fruit preparations. Another area of emphasis was the development of organic starches for special applications. These novel, premium products have outstanding thickening and gelling properties that until now could be achieved only by chemical modification processes.

The main research subjects in the non-food segment include thickeners in paint systems, applications in construction, finishing agents for fiberglass wallcovering, adhesives for the packaging industry, and additives for cosmetics. Spurred by the strong rise in oil prices, interest in products from renewable materials is clearly growing.

Through the combined use of high-viscosity starch derivatives and cellulose ethers as thickening agents, particularly in emulsion paints, a new area of application was unlocked for starch products. These new products are being brought to market based on intensive application research conducted in an emulsion paint laboratory specifically established for the purpose. Patent applications were filed to secure the rights to the technologies.

A major area of application for starch derivatives has for some years been the building industry. Special starch ethers are employed in cement-based systems (such as mortar), in a wide range of plaster systems (among them cement, plaster of paris and polymer), as conditioners in tile adhesive and as additives in concrete.

For economic reasons the packaging industry is searching for alternatives to casein for attaching labels to glass packaging. With the aid of extrusion technology, AGRANA answered this need by developing a new starch product with significantly improved properties (concerning adhesion, rheology, stability and other attributes) compared to the existing products. The new solution was successfully launched on the market.

Through product innovation and application support for customers, AGRANA developed new market segments for starch products and made established processes more economical.

For the production of bioethanol, development efforts are favouring varieties of wheat that are high in starch, in contrast to bread cereals, where high protein content and hardness are top selection criteria. The high-starch wheat varieties were less in demand in the past and thus less widely cultivated. With the emphasis on renewable energy in Europe, these strains are becoming attractive again. Accordingly, AGRANA is participating in a multi-year research project designed to develop cereal varieties particularly suitable as raw material in the production of bioethanol. In addition to satisfying standard requirements, these varieties must have a high starch content, starch yield and ethanol yield, as well as rapid fermentability. The best eligible genotypes are selected for national-list trials and refined in breeding programmes, thus serving as parents for the development of improved populations. From systematic field trials, samples are taken and the starch content and ethanol yield determined. Operationally realistic field trial results on ethanol yield and on cultivation-method-specific production costs serve as the basis for the economic comparison of wheat and triticale as raw materials. The researchers are also examining the general utility of launching a focused programme to develop triticale varieties.

In parallel, another research project is underway to chart the potential of bioethanol as an alternative fuel. One of its goals is to find out the effects of higher-ethanol blends and of improved engines, efficiency levels and emissions. As well, a fleet trial is being conducted to answer the question of the everyday usability of these vehicles and the changes to existing infrastructure necessary for problem-free mass use with fuel blends high in bioethanol.

FRUIT R&D

Given the short innovation cycles in the fruit yoghurt market, manufacturers of fruit preparations must respond very rapidly to changing consumer preferences and be quick to spot or anticipate trends. To ensure these capabilities, a new cutting-edge Center of Innovation and Excellence for product and process development, process optimisation, product safety and quality assurance was established in 2005 in Gleisdorf, Austria to serve the entire AGRANA Fruit segment.

The development activities for fruit juice concentrates dealt primarily with increasing juice yields and colour yields of the processed raw materials, with quality enhancement, and with yield improvement of the fruit aromas generated during processing. Another thrust of development was aimed at adjusting technology to achieve optimum energy efficiency.

STAFF

In the 2006|07 financial year the AGRANA Group had an average of 8,223 employees, about 1% more than in the prior year (8,130).

The breakdown of the staff count by segment was as follows:

- Sugar segment: 2,723 employees (prior year: 2,881)
- Starch segment: 776 employees (prior year: 762)
- Fruit segment: 4,724 employees (prior year: 4,487)

The number of employees in the Fruit segment rose by 237, due in large part to the inclusion of the AGRANA joint venture in China and of the former DSF in Germany in the Group staff count.

Increasing internationalisation brought about changes for the AGRANA company culture.

In the Sugar segment, employee numbers in 2006|07 fell by 158 people owing to redundancies from the two plant closures in Austria and Slovakia. Based on consultation with the employee councils, comprehensive benefit plans for redundancy transition were implemented in the financial year. Some of the employees involved were offered replacement positions at other AGRANA locations, including the bioethanol plant under construction in Pischelsdorf. The Sugar segment's average staff count for the 2006|07 financial year was 2,723 employees (prior year: 2,881) employees.

The creation and development of the Fruit segment involved a strong surge in AGRANA's globalisation and ushered in sweeping changes in the corporate culture. Over a very few years, AGRANA transformed itself from a regional business into an international Group with a global focus. Thus, in 2006|07 the Group employed 1,650 people in Austria (prior year: 1,746) and 6,573 people (prior year: 6,384) in the international holdings of the Sugar, Starch and Fruit segments. Most of the staff – about 80% – thus works outside Austria. The orientation of the AGRANA management team is correspondingly international.

The Group's rapid growth is proactively supported by an AGRANA corporate culture project launched in 2004|05 that has included establishing principles for working together as the foundation of the Group's culture. These standards of interaction and cooperation connect employees across all business areas and geographical boundaries and thus create a common understanding from which to achieve the Group's goals and implement its strategy. These criteria also form the basis of the annual appraisal and development interview, which in addition to the setting and evaluation of personal targets also focuses more generally on discussing the expectations for and appraisal of performance, as well as employees' further development. The introduction of these regular meetings with each staff member is an important strategic initiative for supporting an emphasis on feedback, promoting performance- and results-oriented management, and systematic people development.

The corporate culture project continues in the current 2007|08 financial year, highlighting service practices and communication policy in order to improve in-house communication and achieve the best possible information management.

Against the backdrop of the recent years' acquisitions, particular attention in 2006|07 was given to harmonising the various performance-oriented compensation systems. In an international integration project, a uniform new performance incentive scheme was designed that is currently being put into practice worldwide. Likewise, a single job evaluation system was introduced for the whole AGRANA Group.

STAFF DEVELOPMENT AS A SUCCESS FACTOR

In addition to individualised training, AGRANA offers annual in-house programmes for personal development. For example, this is done through international workshops and strategy meetings for junior managers-in-training that give participants the opportunity to discuss the Group's strategies directly with AGRANA's Management Board and with the managing directors of the operating companies.
The Group also conducted cross-segment seminars – such as intercultural training – that focus on building soft skills.

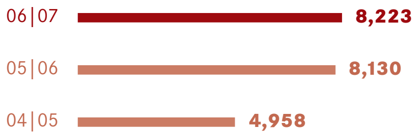
The high importance attached to employee training was also reflected in the intensive apprenticeship programme in Austria and the introduction of similar systems abroad. The most strongly prevalent apprenticeship occupations are mechanical engineering technician, plant electrician, process control technician, lathe operator and chemical laboratory technician.

WORK SAFETY AND HEALTH

The accident prevention programme begun in 2003 continued to be run successfully in 2006|07, further reducing the number of injuries.The sharing of best practices between the Group's work locations was further intensified.

In Austria, for example, to promote general health and wellness among staff, a programme known as "AGRANA-Fit" encouraged health improvement and maintenance as well as greater health consciousness. Variations on this initiative already exist at numerous AGRANA companies worldwide, from non-smoking campaigns in the USA to group fitness training in China.

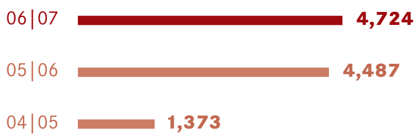
GROUP STAFF COUNT



SUGAR SEGMENT

STARCH SEGMENT

FRUIT SEGMENT



RISK MANAGEMENT

AGRANA uses an integrated system for the early detection and monitoring of risks that are specific to the Group. The approach to managing risks is guided by the aim of balancing risks and returns. The Group's risk culture is characterised by risk-aware behaviour, clearly defined responsibilities, independence of risk control, and the implementation of internal control systems.
AGRANA believes that the responsible treatment of business risks and opportunities is a vital element of sustainable and value-driven corporate governance. Risk management thus forms an integral part of the entire planning, management and reporting process and is directed by the Management Board. The Group and all subsidiaries employ risk management systems that are tailored to the respective operating activity. Their aim is the systematic identification, assessment, control and documenting of risks.

Risk management is integral part of the entire planning, management and reporting process.

In a three-pronged approach, risk management at the AGRANA Group is based on risk control at the operational level and strategic control of Group companies – both supported by reporting and control systems – and on the Group's internal auditing, which systematically and regularly scrutinises business processes, transactions and systems.

In addition, emerging trends that could adversely affect business performance are identified and analysed early and continually re-evaluated as part of the risk management process.

Strategic control of Group companies and risk control at operational level
In the strategic control of Group holdings, the main focus is on strategic planning in the business segments and units. Material developments that may affect business performance are identified and assessed. Based on market analysis and competitive analysis, relevant opportunities and threats are taken into account in management decisions. Controlling of Group companies involves monitoring the attainment of business targets and steering the companies via uniform measures of performance. It evaluates the Group's portfolios of strategic holdings to achieve the best portfolio structure and supports acquisitions and disposals of businesses.

Operational-level risk control is performed by the operational controlling department on a continuous basis. Through a comprehensive reporting system, the Management Board is kept informed continually, both regularly and on an ad-hoc basis.

Internal monitoring system/internal auditing
The internal group auditing team carries out its auditing and reporting tasks in the parent company and the other Group companies. Internal Group auditing is a Management Board function. The internal auditors examine and evaluate the security, cost-effectiveness and propriety of business processes and transactions as well as the effectiveness of the internal controls.

RISKS FROM BUSINESS ACTIVITIES

As a manufacturing company in the agricultural sector, AGRANA's business activities expose it to specific operational risks that may have significant negative effects on its financial position and results of operations.

Risks from sugar regime

Potential effects of international and national trade agreements and market policy are analysed at an early stage and evaluated within the risk management process.

Of particular relevance to AGRANA in this context is the new EU sugar regime, which took effect on July 1, 2006 and is in force until September 30, 2015.

The new sugar market regime and its effects are discussed in detail beginning on page 34 in the report on the Sugar segment.

Procurement risks

AGRANA as a processor of agricultural products is subject to procurement risks that may arise from weather conditions. This could result in an insufficient supply of agricultural raw materials. Moreover, these raw materials, especially grain, may be subject to price fluctuations that cannot be fully passed through to customers. These risks are relevant primarily in the Starch and Fruit segments. Procurement risks are less significant in the Sugar segment because under the sugar regime, beet growers strive to utilise their supply quotas as fully as possible. AGRANA mitigates procurement risks by concluding delivery contracts with a large number of suppliers and, in the Fruit segment, by sourcing worldwide.

The restructuring of the Fruit segment and the resulting capability for global purchasing have significantly reduced these procurement risks. With a view to lessening dependence on local markets and single regions, procurement for the Fruit segment is – to the extent deemed environmentally and economically appropriate – conducted on a global basis in order to provide customers with consistent high quality and reliable delivery. To this end, AGRANA also enters into long-term contracts with suppliers and customers to maximise mutual benefit through mutual commitment. These firm ties help to ensure procurement of only the best raw materials and their production and processing to exacting, approved standards.

Energy price risks are mitigated at AGRANA by careful monitoring of the market, by hedging of future price movements when making energy purchases, and by continually evaluating and promptly implementing measures to conserve energy.

Competitive risks

In AGRANA's markets, demand for the Group's products is relatively stable. Signs of possible changes in consumer behaviour are identified at an early stage through AGRANA's risk management process. Implications for the market position are analysed and, as appropriate, reflected in modifications to business strategy. Competition-induced swings in sales prices – encountered particularly in the Starch and Fruit segments – are met by continually optimising cost structures, with the goal of cost leadership.

In the Fruit segment, the sustained strong growth and the requirements of the new markets in Central and Eastern Europe, Russia and Asia with their rapidly developing fruit juice and dairy industries all make it vital to watch the markets at all times. Only with the help of accurate and above all continual market analyses and market development can the largely double-digit growth and high potential of these markets be harnessed for the further growth of the AGRANA Group.

Product quality

Making products of excellent quality that benefit customers and consumers is something that AGRANA inherently expects of itself and thus takes for granted as its mission. Complying with all relevant food and beverage legislation is therefore something that AGRANA does as a matter of course. Risks associated with quality shortcomings, arising for instance from contaminated raw materials or processing defects, are mitigated by applying very high, certified internal quality standards. Adherence to these standards is regularly monitored throughout the Group.

Other operational risks arising in the areas of production, logistics, research and development as well as from the use of information technology are of comparatively little importance. AGRANA reduces these risks by permanent monitoring, clear documentation and continuous improvement of processes.

Legal risks

No actions are pending against AGRANA or its Group companies that could have material impacts on the Group's financial position.

AGRANA is exposed to the risk of possible changes in the legal environment, particularly in food and environmental legislation. AGRANA identifies such risks at an early stage, assesses their potential impact on the Group's business activity and takes countermeasures where appropriate.

Risks from derivative financial instruments

AGRANA is subject to risks from movements in exchange rates, interest rates and share prices. To hedge risks arising from operating and financing activities, the Group, to a limited extent, makes use of derivatives.

AGRANA uses derivatives largely to hedge the following exposures:

- Interest rate risks: Fixed-interest investments or borrowings carry the risk that a change in market interest rates will lead to a change in the quoted price of the financial instrument. This is known as interest rate price risk. By contrast, floating-rate investments or borrowings are subject to minimal price risk, as their interest rate is adjusted to market rates very frequently. However, the fluctuation in the short-term interest rate creates risk as to the amounts of future interest rate payments. This is referred to as interest rate cash flow risk.
- Currency risks arise mainly from the purchase and sale of goods on the world market in foreign currencies and from financing in foreign currencies.
- Product price risks arise from price fluctuation on the world market, particularly in the volatile prices of energy and raw materials.

To hedge the risks cited above, AGRANA uses conventional instruments such as interest rate swaps, interest rate caps and/or floors, interest rate futures, exchange rate contracts and commodity futures. The use of these instruments is regulated by Group policies under the Group's risk management system. These policies set ceilings appropriate to the underlying transactions, define authorisation procedures, rule out the speculative use of derivative financial instruments, minimise credit risks, and specify internal reporting rules and the organisational separation of risk-taking and risk control. Adherence to these rules and the proper processing and valuation of transactions are regularly and independently monitored.

Aggregate risk

On balance, the aggregate risk exposure of the Group has increased in comparison to the prior year, due especially to the insufficient amount of quota surrendered voluntarily by non-competitive sugar producers.

OPPORTUNITIES FOR THE GROUP'S GROWTH GOING FORWARD

AGRANA's consistent pursuit of a sustainable, value-driven corporate strategy also creates many opportunities.

The reform of the European Community's sugar regime, while holding the risks described above, also offers scope for a lasting strengthening of the Group's competitive position in the sugar market. The structural changes to the European sugar industry caused by the price reductions will prompt a number of rivals to withdraw from the market, particularly in climatically less favoured regions of Europe. AGRANA commands a superb competitive position and seeks to expand its market share further, not least on the strength of logistic advantages from being located close to large industrial sugar customers.

Another major opportunity is that of producing alcohol fuel from renewable resources, with the twin benefits of reducing dependence on fossil fuels and cutting carbon dioxide emissions. In some countries, such as Brazil, the associated market potential is already widely pursued by industry.
The EU as well has committed itself to the use of renewable sources of energy under the Kyoto Protocol, the EU's Biomass Action Plan and its Strategy for Biofuels. The process of making these commitments more specific and implement them is underway. Austria has passed laws requiring the partial substitution of biogenic for fossil fuels. Through the expansion of the Hungarian bioethanol capacity and the construction of the new plant in Austria, AGRANA has already set the stage for remaining a prominent supplier in the burgeoning market for biogenic fuels.

The Fruit segment newly formed in the last financial years by acquisitions is growing strongly. This growth provides a counterbalance to the risks from the changes in the EU sugar market. The AGRANA Group is already the world market leader in fruit preparations for the dairy industry. The Fruit segment's business is anticipated to expand both in saturated markets and emerging growth markets, with the expansion driven above all by the global high demand for dairy products and the rise in consumption of fruit juice.

On balance for the current 2007|08 financial year, the Management Board of AGRANA Beteiligungs-AG sees no risks to AGRANA's status as a going concern.

OUTLOOK FOR 2007|08

Value-added growth will remain AGRANA's focus for the 2007|08 financial year.

The aim in the Fruit segment is to continue the global expansion and add to the capacity of our existing facilities to maintain a growth rate above that of the market.

In the Starch segment, AGRANA will remain on the growth path in 2007|08, particularly by targeting specialty and niche products. The Starch segment is also expanding its bioethanol capacity; in the market for this environmentally friendly alternative fuel, AGRANA wants to become a leading Central European supplier.

AGRANA also plans to further consolidate its market position in the Sugar segment and expand its strong position in Eastern Europe and the Balkan region.

Value-added growth will remain AGRANA's focus.

The sound financial position, good earnings and strong cash flow underpin AGRANA's ability to achieve these strategic goals.

Group revenue in 2007|08 is projected to be almost € 1.9 billion.

While this figure is marginally below that in 2006|07, the difference is attributable to the shorter reporting period in the Fruit segment (12 months instead of 14) and the lower product quantities available for marketing in the Sugar segment. The high organic growth will not fully offset these factors.

Profits in the Starch and Fruit segments this year are expected to rise compared to last year. The Sugar segment will be influenced by the amendments to the sugar market reform that are expected to be adopted by the European Commission in October 2007, after which more detailed forecasts can be prepared for this segment.

BEET CONTRACTS	Area under beet		Number of growers		Contracted beet volume	
	2007 (hectares)	2006 (hectares)	2007	2006	2007 (1,000 to)	2006 (1,000 to)
Austria	43,000	39,562	8,574	8,944	3,170	2,680
Czech Republic	14,000	12,703	160	144	740	675
Hungary	19,000	19,913	190	198	1,020	941
Slovakia	8,000	6,973	101	139	408	294
Romania	7,500	8,248	93	243	205	250
Total	**91,500**	**87,399**	**9,118**	**9,668**	**5,543**	**4,840**

SUGAR SEGMENT

Due to a combination of the temporary reduction in sugar quotas in the reporting period, the withdrawal already agreed for 2007|08 and the lower level of exports compared to 2006|07, AGRANA expects sugar revenue to decline despite the start of production at the refinery in Bosnia and sales activities in Bulgaria.

The restructuring levy imposed by the EU in the 2007|08 marketing year of € 173.80 per tonne of sugar is nearly 40% higher than last year. If the European Commission continues to impose the restructuring levy on unutilised quotas, this will substantially impair results in the Sugar segment.

In order to compensate for these external factors, AGRANA will continue to pursue efficiency gains in production and marketing. Additional steps to stabilise results include bolstering the Group's market position, particularly in Central and South-Eastern Europe, cost-cutting measures and a focus on customer service and satisfaction.

Raw materials

Thanks to Eastern Sugar's relinquishing of quota and the associated closing of five of its sugar refineries in the Czech Republic, Slovakia and Hungary, supply-side pressure has eased considerably in these markets. The closure of the only sugar refinery in Slovenia has also boosted sales potential for AGRANA.

Beet cultivation area for 2007 has been increased. The reason is the chemical industry's expected demand for sugar, which does not come under the quotas for sales to the pharmaceutical and fermentation industries.

Investment

A total of € 4.5 million has been earmarked for capital expenditure at the two Austrian plants in the 2007|08 financial year. Investment of around € 15.0 million to replace equipment and achieve energy savings is planned for the sugar refineries in Hungary, the Czech Republic, Slovakia and Romania.

The majority of the € 16.2 million set aside for investment to strengthen the market position in the Balkan region will be used for completion of the raw sugar refinery in Brcko, Bosnia-Herzegovina, and expansion of the distribution centre in Sofia, Bulgaria.

STARCH SEGMENT

The weather-related poor starch potato harvest in 2006 led to relatively low inventories and a marked increase in potato starch prices.

As the above-quota production from 2005|06 carried forward to 2006|07 was thus used up last year, an unrestricted potato starch quota of 47,691 tonnes is again available for 2007|08. Contracts totalling around 213,000 tonnes of conventional and organic starch potatoes have therefore been concluded for the 2007 season. Assuming favourable weather conditions, AGRANA expects potato starch production to reach the quota.

Following the addition of further capacity, the corn processing volume in Hungary is to increase to about 525,000 tonnes in the 2007|08 financial year. Throughput in Romania is also expected to rise, to 22,000 tonnes. The corn starch plant in Aschach, Austria, is forecast to see processing levels rise to around 360,000 tonnes of corn.

Starch prices – currently high for commodity starches amid the raw material supply situation – will be influenced by the 2007 harvest. For specialty starch products, volumes are expected to rise, yet prices are likely to remain stable.

Considerable boosts to revenue in 2007|08 will be generated by the coming-on-stream of the bioethanol facility in Pischelsdorf, Austria, and the higher processing capacity at the Hungrana corn starch and isoglucose plant. Slightly detracting from the rise in earnings will be the start-up costs of the bioethanol plant that is scheduled to enter operation in October 2007, and the payments into the restructuring fund for the isoglucose quota.

Investment

A total of € 112.9 million is budgeted for investment in property, plant and equipment and intangible assets in the Starch segment during 2007|08.

The portion designated to be spent in Austria is € 73.0 million, including approximately € 57.7 million for the construction of the bioethanol plant in Pischelsdorf. The remaining € 15.3 million will be invested in the Austrian starch factories.

In Hungary, AGRANA's 50% share of investment will be about € 39.0 million. Most of the capital spending will be for the expansion of Hungrana's corn processing capacity to 3,000 tonnes per day. Investment in Romania of approximately € 0.7 million will involve various replacement and efficiency-improvement projects.

FRUIT SEGMENT

Both in the fruit preparations and fruit juice concentrate operations, AGRANA expects dynamic organic growth and a significant increase in profit.

The Group will continue to increase its penetration of existing markets and development of new markets.

The aim is to expand AGRANA's lead in market share in the high-volume European as well as the North and Central American markets for fruit preparations. In the fast-growing CEE, Asian and South American markets, the goal is to outpace the market's growth rates.

In fruit juice concentrates, AGRANA intends to expand its world market position as the joint venture in China exports rising volumes of sweet apple juice concentrate to Europe, the USA and Russia. In Europe, AGRANA plans to identify new business areas and markets through systematic, focused marketing activities and in-depth market analysis. The current trend towards health drinks with a high fruit content (such as smoothies) will be exploited by working closely with customers to develop new product concepts.

Investment

The Fruit segment is to invest a total of € 41.9 million in 2007|08.

The majority of the investment in the fruit preparations business will pay for additional capacity and the associated infrastructure. At the Serpuchov fruit processing facility in Russia, for instance, a new production line is planned to satisfy rising demand. Other investment is scheduled for the completion of the new fruit processing facility and the start-up of operations in Brazil.

In the fruit juice concentrate activities, the on-going projects to optimise yields continue. A further focus will be the expansion and renewal of existing wastewater plants. We will also work together with our joint venture partner in China to increase capacity for apple juice concentrate at the Xianyang Andre Juice Co., Ltd. This investment aims to ensure that the potential offered by the large supply of apples in this stragically important procurement region is utilised to the fullest extent possible.

CONSOLIDATED FINANCIAL STATEMENTS 2006 | 07

(based on IFRS)

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED FEBRUARY 28, 2007

		2006|07 €000	Before restructuring €000	Restructuring €000	Total 2005|06 €000
(1)	Revenue	1,915,819	1,499,602		1,499,602
(2)	Changes in inventories of finished and unfinished goods	(29,851)	1,245		1,245
(2)	Own work capitalised	4,301	2,164		2,164
(3)	Other operating income	31,620	28,169		28,169
(4)	Cost of materials	(1,181,424)	(984,094)	(204)	(984,298)
(5)	Staff costs	(213,979)	(173,924)	(8,881)	(182,805)
(6)	Depreciation, amortisation and impairment losses	(80,600)	(65,077)	(13,449)	(78,526)
(7)	Other operating expenses	(340,105)	(208,538)	(2,000)	(210,538)
(8)	**Operating profit after exceptional items**[1]	**105,781**	**99,547**	**(24,534)**	**75,013**
(9)	Finance income	15,227	16,433		16,433
(10)	Finance expenses	(27,600)	(21,356)		(21,356)
(11)	Share of profit of associates	51	1,608		1,608
	Net financial items	**(12,322)**	**(3,315)**		**(3,315)**
	Profit before tax	**93,459**	**96,232**	**(24,534)**	**71,698**
(12)	Income tax expense	(22,362)	(12,741)	5,749	(6,992)
	Profit for the period	**71,097**	**83,491**	**(18,785)**	**64,706**
	Attributable to shareholders of the parent	68,865			62,745
	Minority interests	2,232			1,961
(13)	Earnings per share under IFRS (basic and diluted)	€ 4.85			€ 4.42

[1] The line item name "Operating profit after exceptional items" applies only to the columns titled "2006|07" and "Total 2005|06", not to the columns "Before Restructuring" and "Restructuring". For the latter two columns, the line item name is "Operating profit".

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED FEBRUARY 28, 2007

		2006|07	2005|06
		€000	€000
	Profit for the period	71,097	64,706
	Depreciation, amortisation and impairment of non-current assets	81,338	79,355
	Valuation gains on non-current assets	(477)	(6)
	Changes in non-current provisions	(1,279)	(8,044)
	Share of profit of associates	(51)	(1,608)
	Other non-cash (income)/expenses	(104)	10,944
	Profit before tax, depreciation and amortisation	**150,524**	**145,347**
	Gains on disposal of non-current assets	**(1,850)**	**(783)**
	Changes in inventories	20,621	(43,075)
	Changes in receivables, deferred tax assets and current assets	(1,811)	46,253
	Changes in current provisions	(16,741)	(11,648)
	Changes in payables (excluding borrowings)	(15,472)	45,975
	Changes in non-cash items resulting from foreign exchange translation	1,656	(2,837)
	Change in working capital	**(11,747)**	**34,668**
(14)	**Net cash from operating activities**	**136,927**	**179,232**
	Proceeds from disposal of non-current assets	7,744	8,805
	Purchases of property, plant and equipment and intangible assets	(145,882)	(91,195)
	Proceeds from disposal of available-for-sale securities	5,262	74,803
	Purchases of non-current financial assets	(5,181)	(7,531)
	Purchases of businesses	(28,965)	(133,091)
(15)	**Net cash used in investing activities**	**(167,022)**	**(148,209)**
	Capital increase by a subsidiary through minority interests	10,040	0
	Changes in non-current borrowings	78,028	49,585
	Changes in current borrowings	25,327	(43,869)
	Dividends paid	(30,166)	(30,153)
(16)	**Net cash from/(used in) financing activities**	**83,229**	**(24,437)**
	Net increase in cash and cash equivalents	**53,134**	**6,586**
	Effect of changes in foreign exchange rates on cash and cash equivalents	(1,728)	961
	Cash and cash equivalents at beginning of period	80,812	73,265
	Cash and cash equivalents at end of period	**132,218**	**80,812**

CONSOLIDATED BALANCE SHEET AT FEBRUARY 28, 2007

			Feb 28, 2007 €000	Feb 28, 2006 €000
ASSETS		**A. Non-current assets**		
	(17)	Intangible assets	254,516	230,852
	(18)	Property, plant and equipment	545,005	499,283
	(19)	Investments in associates	576	526
	(20)	Securities	27,434	25,507
	(20)	Investments in non-consolidated subsidiaries and outside companies, and loan receivables	105,802	144,243
	(21)	Receivables and other assets	5,705	4,150
	(22)	Deferred tax assets	9,230	14,490
			948,268	**919,051**
		B. Current assets		
	(23)	Inventories	510,037	528,018
	(21)	Trade receivables and other assets	305,488	283,240
		Current tax assets	8,615	7,070
	(24)	Securities	27,060	32,322
		Cash and cash equivalents	132,218	80,812
			983,418	**931,462**
		Total assets	**1,931,686**	**1,850,513**
EQUITY AND LIABILITIES	(25)	**A. Equity**		
		Share capital	103,210	103,210
		Share premium and other capital reserve	411,362	411,362
		Retained earnings	356,582	357,622
		Equity attributable to equity holders of the parent	871,154	872,194
		Minority interests	24,345	13,611
			895,499	**885,805**
		B. Non-current liabilities		
	(26a)	Retirement, termination and long-service benefit obligations	49,011	51,925
	(26b)	Other provisions	28,294	26,577
	(27)	Borrowings	331,700	253,673
	(28)	Other payables	2,078	2,976
	(29)	Deferred tax liabilities	40,226	50,273
			451,309	**385,424**
		C. Current liabilities		
	(26b)	Other provisions	38,233	54,973
	(27)	Borrowings	194,447	166,892
	(28)	Trade and other payables	348,122	346,600
	(28)	Current tax liabilities	4,076	10,819
			584,878	**579,284**
		Total equity and liabilities	**1,931,686**	**1,850,513**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED FEBRUARY 28, 2007

			Retained earnings					
	Share capital	Share premium	Revaluation reserve	Other retained earnings	Currency translation reserve	Profit for the period	Minority interests	Total
At February 28, 2007	€000	€000	€000	€000	€000	€000	€000	€000
At March 1, 2006	103,210	411,362	46,727	249,481	(1,331)	62,745	13,611	885,805
Loss on available-for-sale financial assets	0	0	(30,221)	0	0	0	0	(30,221)
Cash flow hedge	0	0	(753)	0	0	0	0	(753)
Currency translation loss	0	0	0	0	(8,386)	0	(94)	(8,480)
Net income/(expense) recognised directly in equity	**0**	**0**	**(30,974)**	**0**	**(8,386)**	**0**	**(94)**	**(39,454)**
Profit for the period	0	0	0	0	0	68,865	2,232	71,097
Total recognised income and expense	**0**	**0**	**(30,974)**	**0**	**(8,386)**	**68,865**	**2,138**	**31,643**
Dividends paid	0	0	0	0	0	(29,695)	(471)	(30,166)
Transfer to reserves	0	0	0	33,050	0	(33,050)	0	0
Other changes	0	0	0	(850)	0	0	9,067	8,217
At February 28, 2007	**103,210**	**411,362**	**15,753**	**281,681**	**(9,717)**	**68,865**	**24,345**	**895,499**
				356,582				
At February 28, 2006								
At March 1, 2005	103,210	411,362	14,318	199,084	(8,482)	79,872	36,487	835,851
Gain on available-for-sale financial assets	0	0	31,656	916	0	0	0	32,572
Cash flow hedge	0	0	753	0	0	0	0	753
Currency translation gain	0	0	0	0	7,151	0	1,368	8,519
Net income/(expense) recognised directly in equity	**0**	**0**	**32,409**	**916**	**7,151**	**0**	**1,368**	**41,844**
Profit for the period	0	0	0	0	0	62,745	1,961	64,706
Total recognised income and expense	**0**	**0**	**32,409**	**916**	**7,151**	**62,745**	**3,329**	**106,550**
Dividends paid	0	0	0	0	0	(29,190)	(963)	(30,153)
Transfer to reserves	0	0	0	50,682	0	(50,682)	0	0
Other changes	0	0	0	(1,201)	0	0	(25,242)	(26,443)
At February 28, 2006	**103,210**	**411,362**	**46,727**	**249,481**	**(1,331)**	**62,745**	**13,611**	**885,805**
				357,622				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE AGRANA GROUP

SEGMENT REPORTING

Segment reporting, which conforms with International Accounting Standard (IAS) 14, distinguishes between three business segments, Sugar, Starch and Fruit, thus following the AGRANA Group's internal reporting structure. The Sugar segment comprises sugar extraction in Austria, Hungary, the Czech Republic, Slovakia and Romania as well as sugar-related business areas. The Starch segment encompasses production facilities in Austria, Hungary and Romania. The Fruit segment is composed of two units: Juice (producing fruit juice concentrates notably in Austria, Denmark, Poland, Romania and Hungary) and Fruit (producing fruit preparations worldwide).

Segmentation by business activity

Financial year 2006|07	Sugar €000	Starch €000	Fruit €000	Consolidation €000	Group €000
Revenue	804,574	253,429	914,619	(56,803)	1,915,819
Inter-segment revenue	(19,908)	(36,891)	(4)	56,803	0
External revenue	784,666	216,538	914,615	0	1,915,819
EBITDA	57,658	41,336	88,499	0	187,493
Depreciation and impairment of property, plant and equipment[1]	24,743	12,825	42,937	0	80,505
Operating profit	32,915	28,511	45,562	0	106,988
Exceptional items	0	(1,207)	0	0	(1,207)
Operating profit after exceptional items	32,915	27,304	45,562	0	105,781
Share of profit of associates	51	0	0	0	51
Carrying amount of associates	576	0	0	0	576
Segment assets	559,124	250,609	796,522	0	1,606,255
Segment liabilities	305,205	48,851	111,681	0	465,737
Purchases of property, plant and equipment	30,337	79,232	47,788	0	157,357
Purchases of non-current financial assets	2,784	142	2,629	0	5,555
Total capital expenditure	33,121	79,374	50,417	0	162,912
Staff count	2,723	776	4,724	0	8,223

[1] PP&E denotes property, plant and equipment; intangibles exclude goodwill

Financial year 2005|06	Sugar €000	Starch €000	Fruit €000	Consoli-dation €000	Group €000
Revenue	770,418	232,558	541,158	(44,532)	1,499,602
Inter-segment revenue	(16,625)	(27,907)	0	44,532	0
External revenue	753,793	204,651	541,158	0	1,499,602
EBITDA	61,878	45,358	57,388	0	164,624
Depreciation and impairment of property, plant and equipment[1]	23,171	11,764	30,142	0	65,077
Operating profit	38,707	33,594	27,246	0	99,547
Restructuring expenses	(24,534)	0	0	0	(24,534)
Operating profit after restructuring	14,173	33,594	27,246	0	75,013
Share of profit of associates	43	0	1,565	0	1,608
Carrying amount of associates	526	0	0	0	526
Segment assets	596,005	174,378	761,375	0	1,531,758
Segment liabilities	336,730	32,630	113,691	0	483,051
Purchases of property, plant and equipment	13,356	34,941	42,898	0	91,195
Purchases of non-current financial assets	7,373	0	158	0	7,531
Total capital expenditure	20,729	34,941	43,056	0	98,726
Staff count	2,881	762	4,487	0	8,130

The revenue and asset data represents consolidated amounts. Capital expenditures consist of additions to intangible assets (excluding goodwill) and property, plant and equipment. Inter-segment charges for products and services are based on comparable market prices.

The exceptional items in the 2006|07 financial year result from the cost of the construction stage of AGRANA Bioethanol GmbH.

Segment assets and segment liabilities are based on total segment assets and liabilities, respectively, and do not take into account financial receivables and borrowings. As well, the following items are eliminated in the segment data to the extent that they cannot be allocated: investments in associates, equity interests in other Group companies, securities and loan receivables. Current and deferred tax assets/liabilities are also eliminated.

	Feb 28, 2007	Feb 28, 2006
	€000	€000
Total assets	1,931,686	1,850,513
Less non-current financial assets	(133,812)	(170,276)
Less securities, cash and cash equivalents	(159,278)	(113,134)
Less tax assets and other assets	(32,341)	(35,345)
Segment assets	**1,606,255**	**1,531,758**
Provisions and other liabilities	1,036,187	964,708
Less borrowings	(526,148)	(420,565)
Less deferred tax liabilities and tax payable	(44,302)	(61,092)
Segment liabilities	**465,737**	**483,051**

Segmentation by region

The division into geographic segments is based on the domicile of the company in question.

	2006|07	2005|06
	€000	€000
Revenue		
Austria	642,475	643,459
Rest of EU	890,408	645,120
EU-27	1,532,883	1,288,579
Rest of Europe (Russia, Serbia, Turkey, Ukraine)	85,208	43,383
Other foreign countries	297,728	167,640
Total	**1,915,819**	**1,499,602**
Segment assets		
Austria	725,186	674,226
Rest of EU	649,260	647,971
EU-27	1,374,446	1,322,197
Rest of Europe (Russia, Serbia, Turkey, Ukraine)	86,132	87,979
Other foreign countries	145,677	121,582
Total	**1,606,255**	**1,531,758**

	2006|07 €000	2005|06 €000
Purchases of property, plant and equipment and intangible assets		
Austria	70,000	36,504
Rest of EU	63,044	26,767
EU-27	133,044	63,271
Rest of Europe (Russia, Serbia, Turkey, Ukraine)	4,561	14,289
Other foreign countries	19,752	13,635
Total	**157,357**	**91,195**

BASIS OF PRESENTATION

AGRANA Beteiligungs-AG ("the Company"), whose registered office is Donau-City-Strasse 9, A-1220 Vienna, Austria, together with its subsidiaries constitutes an international group engaged mainly in worldwide processing of agricultural raw materials.

The consolidated financial statements of the AGRANA Group for 2006|07 were prepared in accordance with International Financial Reporting Standards (IFRS) in effect at the balance sheet date and with International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the European Union.

Amounts in the consolidated financial statements are presented in thousands of euros (€000) unless otherwise indicated. Rounding errors may occur in totals of rounded amounts and percentages as a result of the use of automated calculation.

New standards issued by the International Accounting Standards Board (IASB) are applied from the time of their entry into force.

A number of standards and interpretations that became binding from the financial year under review have little or no effect on the Company's reporting. They are the following: the amended IAS 19 (Employee Benefits); IFRS 6 (Exploration for and Evaluation of Mineral Resources); IAS 21 (The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation); IFRIC 4 (Determining Whether an Arrangement Contains a Lease); IFRIC 6 (Liabilities Arising from Participating in a Specific Market); IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies) and amendments to IAS 39 (Financial Instruments). The application of an amendment to IAS 1 (Presentation of Financial Statements: Capital Disclosures) led to additional disclosures.

New standards and interpretations already issued, but not yet effective, by the balance sheet date are not early adopted. These are particularly IFRS 7 (Financial Instruments: Disclosures), which will supersede IAS 32 (Financial Instruments: Disclosure and Presentation) from the 2007|08 financial year; IFRS 8 (Operating Segments), which will be effective from the 2009|10 financial year; and IFRIC 8 (Scope of IFRS 2) and IFRIC 9 (Reassessment of Embedded Derivatives), both of which will be binding from the 2007|08 financial year. With the exception of IFRS 7, which exclusively adds new disclosure requirements, the changes cited above are not expected to have material effects on the presentation of the financial position and results of operations of the AGRANA Group.

In preparing the consolidated financial statements, the principles of clarity, understandability and materiality were observed. The nature of expense method was used in the presentation of the income statement. The separate financial statements of the fully consolidated companies represented in the consolidated financial statements are based on uniform accounting policies.

BASIS OF CONSOLIDATION

Scope of consolidation

The consolidated financial statements include by full consolidation all domestic and foreign companies controlled by AGRANA Beteiligungs-AG (i.e., all subsidiaries), unless the subsidiary's effect on the Group's financial position and results of operations is of minor significance. Subsidiaries' accounts are consolidated from the time that control is acquired until control ceases.

Companies operated jointly with another entity (joint ventures) are included in the consolidated financial statements by proportionate consolidation based on the Group's equity interest in the joint venture.

Companies over which AGRANA Beteiligungs-AG directly or indirectly exerts significant influence (associated entities, or associates) are included in the consolidated financial statements by the equity method of accounting.

At the balance sheet date, 63 (prior year: 66) companies besides the parent were fully consolidated in the Group financial statements and 4 (prior year: 2) companies were proportionately consolidated.

An overview of the fully consolidated, proportionately consolidated, and equity-accounted entities, as well as Group entities is found on page 120.

The number of companies included in the consolidated financial statements changed as follows in the 2006|07 financial year:

	Full consolidation	Proportionate consolidation	Equity method
At March 1, 2006	66	2	1
First-time inclusion	4	2	0
Reorganisation	(6)	0	0
Deconsolidation	(1)	0	0
At February 28, 2007	**63**	**4**	**1**

First-time inclusion

- AGRANA BiH Holding GmbH, Vienna, Austria
  Activity: Holding company | Established: July 2006 | Equity interest 75%
- AGRANA-STUDEN Beteiligungs GmbH, Vienna, Austria
  Activity: Holding company | Established: July 2006 | Equity interest: 50%
- Xianyang Andre Juice Co., Ltd., Xianyang City, China
  Activity: Production of apple juice concentrate | Acquired: September 2006 | Equity interest: 50%
- AGRANA Trading EOOD, Sofia, Bulgaria
  Activity: Sugar distribution | Established: October 2006 | Equity interest: 100%
- AGRANA Fruit Brasil Participações Ltda., Sao Paulo, Brazil
  Activity: Holding company | Established: June 2006 | Equity interest: 99.99%
- AGRANA Fruit Brasil Indústria, Comércio, Importação e Exportação Ltda., Sao Paulo, Brazil
  Activity: Fruit preparation | Established: September 2006 | Equity interest: 99.22%

In 2006|07 AGRANA began production operations in the Chinese market, thus gaining a presence in the world's largest raw materials procurement region for sweet apple juice concentrate.

Reorganisation

The year under review saw the reorganisation of the Fruit segment, which entailed changes in company names. The number of fully consolidated entities was reduced by the merging of the Hungarian juice companies into AGRANA Juice Magyarország Kft. in the third quarter and by the merging of the Austrian fruit companies into AGRANA Fruit Austria GmbH in the fourth quarter.

Deconsolidation

The sole instance of deconsolidation was Vallø Saft Holding A/S, Køge, Denmark, which was liquidated. The effects of the deconsolidation were not material.

In addition to the above changes in the scope of consolidation, in 2006|07 additional shares in some fruit preparations subsidiaries were acquired by the Group from minority shareholders.

Effects of changes in the scope of consolidation
The changes in the scope of consolidation and the purchase of additional shares from minority shareholders had the following effects on the consolidated financial statements (before consolidation):

	2006|07
	€000
Non-current assets	4,548
Inventories	2,640
Receivables and other assets	287
Cash, cash equivalents and securities	604
Current assets	3,531
Non-current liabilities	(2)
Current liabilities	(3,114)
Net assets	**4,963**
Minority interests	1,813
Goodwill	13,991
Cash used in purchase of businesses	**20,767**
Cash of acquired companies	(604)
Net cash used in purchase of businesses	**20,163**

	2006|07	2005|06
	€000	€000
Revenue	6,843	334,057
Profit for the period	873	17,098

Joint ventures
The information below presents the Group’s share of the aggregated results of proportionately consolidated companies. The companies involved are joint venture HUNGRANA Kft. and its subsidiary Hungranatrans Kft., Szabadegyhaza, Hungary (Vienna-based AGRANA Stärke GmbH owns 50% of the latter subsidiary), and, from the 2006|07 financial year, AGRANA-STUDEN Beteiligungs GmbH, Vienna, and Xianyang Andre Juice Co., Ltd., China.

	Feb 28, 2007	Feb 28, 2006
	€000	€000
Non-current assets	47,414	21,501
Inventories	17,498	6,056
Receivables and other assets	16,586	8,175
Cash, cash equivalents and securities	867	1,774
Current assets	34,951	16,005
Total assets	**82,365**	**37,506**
Equity	42,346	22,602
Non-current liabilities	1,005	807
Current liabilities	39,014	14,097
Total equity and liabilities	**82,365**	**37,506**

	2006|07	2005|06
	€000	€000
Revenue	72,823	67,381
Profit for the period	16,290	18,394

Balance sheet date

The balance sheet date (reporting date) of the consolidated financial statements is the last day of February. Group companies with other reporting dates prepare interim financial statements at the Group reporting date.

In the consolidated financial statements for the year ended February 28, 2006 the Fruit segment subsidiaries were included based on their accounts for the year ended December 31, 2005. In the 2006|07 financial year the year-end of the Fruit segment companies' annual or interim financial statements was changed from the end of December to the end of February. As a result, the annual financial statements of the Fruit segment companies incorporated in the consolidated income statement for the 2006|07 financial year represent a period of 14 months, that is, they include January and February 2007. This fact should be considered when comparing the current 2006|07 IFRS consolidated financial statements with the prior-year data.

The standardisation of the reporting date had the following effects on revenue and profit after tax:

	12 months	14 months	Difference
	€000	€000	€000
Revenue	780,615	914,619	134,004
Profit after tax	14,621	13,483	(1,138)

In addition to these effects, it should be noted that for the comparative 2005|06 financial year, because of the date of initial consolidation, only nine months of the former Atys Group companies' results are included in the consolidated financial statements.

Consolidation methods

▮ Acquisitions of companies that are fully or proportionately consolidated are accounted for using the purchase method, by allocating their acquisition cost to the acquired identifiable assets and liabilities (including contingent liabilities) at the time of acquisition. Where the acquisition cost exceeds the net fair value of the acquired assets and liabilities, the difference is recognised as goodwill under intangible assets. Conversely, where the acquisition cost is less than the net fair value of the acquired assets and liabilities, this difference (sometimes referred to as "negative goodwill") from initial consolidation is recognised in income in the period of acquisition.

▮ Pursuant to IFRS 3, goodwill is not amortised. Instead, by what is known as the impairment-only approach, goodwill is tested for impairment at least annually and written down only in the event of impairment.

▮ Investments in associates are measured at equity (by the purchase method) on the basis of the associated entities' most recent available annual financial statements. In accordance with IFRS 3, negative goodwill (any excess of the net fair value of acquired assets and liabilities over acquisition cost) is recognised under "share of profit of associates" in the year of acquisition. As required under IFRS 3, goodwill arising from initial measurement is recognised in the carrying amount of the equity interests held in the associates and is not amortised but is tested for impairment at least annually.

▮ All expenses, income, receivables, payables and provisions resulting from transactions between fully or proportionately consolidated companies are eliminated.

▮ For assets that arise from intragroup flows of products or services and are included in non-current assets or in inventories, inter-company balances are eliminated unless insignificant.

Foreign currency translation

▮ Financial statements of foreign Group companies were translated into euros in accordance with IAS 21. The functional currency of every Group company was its respective national currency. Assets and liabilities are translated at middle rates of exchange at the balance sheet date. Expenses and income were translated at annual average rates of exchange. Differences compared to prior-year amounts arising from the translation of balance sheet items at current balance sheet exchange rates or arising from the use of average rates in translating expenses and income compared to the use of current balance sheet date rates are recognised directly in equity.

▮ Foreign currency monetary items are measured at exchange rates at the balance sheet date, with currency translation gains and losses recognised in profit or loss in the consolidated income statement.

▮ The following exchange rates were applied in the translation of those companies for which the prior-year data was already based on a year end of February 28:

		Rate at reporting date		Average rate for year to Feb 28,	
Country	Currency	Feb 28, 2007	Feb 28, 2006	2007	2006
		€	€	€	€
Romania	RON	3.40	3.50	3.49	3.60
Slovakia	SKK	34.44	37.08	36.74	38.44
Czech Republic	CZK	28.30	28.26	28.25	29.50
Hungary	HUF	254.70	252.83	264.55	249.08

▮ The financial statements of the Fruit segment companies, which changed their year end from the end of December to the end of February, were translated at the following rates:

		Rate at reporting date		Average rate for	
Country	Currency	Feb 28, 2007	Dec 31, 2005	Jan 1, 2006– Feb 28, 2007	Jan 1, 2005– Dec 31, 2005
		€	€	€	€
Argentina	ARS	4.10	3.59	3.89	3.61
Australia	AUD	1.68	1.61	1.67	1.63
Brazil	BRL	2.81	–	2.73	–
Bulgaria	BGN	1.96	–	1.96	–
China	CNY	10.23	9.55	10.03	10.21
Denmark	DKK	7.45	7.46	7.46	7.45
Fiji	FJD	2.21	2.07	2.18	2.10
South Korea	KRW	1,244.15	1,190.99	1,201.49	1,274.39
Morocco	MAD	11.15	10.88	11.05	11.02
Mexico	MXN	14.75	12.61	13.78	13.58
Poland	PLN	3.92	3.87	3.90	4.03
Romania	RON	3.40	3.68	3.50	3.62
Russia	RUB	34.53	33.97	34.15	35.16

		Rate at reporting date		Average rate for	
				Jan 1, 2006–	Jan 1, 2005–
Country	Currency	Feb 28, 2007	Dec 31, 2005	Feb 28, 2007	Dec 31, 2005
		€	€	€	€
Serbia	CSD	80.00	85.65	83.50	83.13
South Africa	ZAR	9.58	7.49	8.64	7.92
Czech Republic	CZK	28.30	28.99	28.29	29.77
Turkey	TRL	1.87	1.59	1.81	1.67
USA	USD	1.32	1.18	1.26	1.25
Ukraine	UAH	6.67	5.99	6.37	6.37
Hungary	HUF	254.70	252.66	262.64	248.06

ACCOUNTING POLICIES

Intangible assets and property, plant and equipment

- Purchased intangible assets (other than goodwill) are capitalised at cost and amortised on a straight-line basis over their expected useful lives of between 5 and 15 years.

- Goodwill and intangible assets with an indefinite useful life are not amortised but are reviewed for impairment at least annually. Details on this impairment test are presented in the notes to the balance sheet.

- Intangible assets acquired through business combinations are recorded separately from goodwill if they are separable by the definition in IAS 38 or if they result from a contractual or legal right and their fair value can be reliably measured.

- The additional quotas for sugar production, included in intangible assets, are amortised on a straight-line basis over the nine-year period to the end of the sugar regime in 2014|15. The “sugar regime” is the European Union’s Common Market Organisation (CMO) for sugar.

- Product development costs are capitalised at cost where costs can be accurately allocated and where both the technical feasibility and the marketing of the new products are assured. In addition, the development must be sufficiently likely to generate future cash inflows. Under IAS 38, research costs cannot be capitalised and are charged directly to expense in the income statement.

▮ Items of property, plant and equipment are valued at cost of purchase and/or conversion less straight-line depreciation and impairment losses. Besides materials and labour costs, prorated overheads were capitalised in the conversion costs of internally generated assets. Financing costs are not included. Maintenance costs are expensed as incurred. They are capitalised only if they lead to an expansion or material improvement of the asset concerned.

▮ Where rental agreements or leases transfer all material risks and rewards of ownership to the AGRANA Group (finance leases), the asset rented or leased is recorded as an asset. The asset is initially measured at the lower of its fair value at the inception of the rental period or lease and the present value of the future minimum rental or lease payments. This amount is simultaneously recorded as a liability under borrowings.

▮ Depreciation of property, plant and equipment is generally based on the following useful lives:

Buildings	30 to 50 years
Plant and machinery	10 to 15 years
Office furniture and equipment	3 to 10 years

▮ Impairment losses are recognised, in accordance with IAS 36, if the recoverable amount of an asset has declined below its carrying amount. The recoverable amount is the higher of the asset's net selling price and its value in use.

Government assistance

▮ Government grants to reimburse the Group for costs are recognised as other operating income in the period when the related costs are incurred, unless the grant is contingent on conditions that are not yet sufficiently likely to be met.

▮ Grants to support capital expenditure are deducted from the cost of intangible assets and property, plant and equipment beginning at the time of the binding award of the grant.

Investments in associates

▮ Investments in associates, unless of minor significance, are recognised by the equity method based on the ownership interest held.

Financial assets

▮ Investments in non-consolidated subsidiaries and outside companies are as a rule measured at fair value in accordance with IAS 39. If fair value cannot be reliably determined, they are recorded at cost. An impairment loss is recognised upon evidence of sustained impairment.

▮ Loan receivables are measured at their nominal amount. Interest-free or low-interest long-term loans are measured at their present value.

▮ Inasmuch as the Group has the intent and ability to hold fixed-maturity securities until maturity (these assets are referred to as "held-to-maturity"), they are measured at amortised cost. Any difference between cost and redemption value is allocated over the total life of the security using the effective interest method. All other securities (these assets are referred to as "available-for-sale") are measured at market prices, with changes in fair value recognised directly (after deferred taxes) in equity in a separate reserve item. Only after the cumulative changes in fair value are realised by selling the security are they recognised in profit or loss.

▮ Financial assets are recognised at the settlement date.

▮ Where there is substantial evidence of impairment and the estimated recoverable amount of a non-current financial asset is lower than its carrying amount, an impairment loss is recognised in the income statement for the period.

▮ Cash equivalents are measured at their face amount.

Inventories

▮ Inventories are measured at the lower of cost of purchase and/or conversion and net selling price. The weighted average cost formula is used. In accordance with IAS 2, the conversion costs of unfinished and finished products include – in addition to directly attributable unit costs – reasonable proportions of the necessary material costs and production overheads inclusive of depreciation of manufacturing plant (based on the assumption of normal capacity utilisation) as well as production-related administrative costs. Financing costs are not taken into account. To the extent that inventories are at risk because of prolonged storage or reduced saleability, an impairment loss is recognised.

Receivables

▮ Receivables are carried at face amounts, less provisions for impairment in the case of identifiable risks. Non-interest-bearing receivables with a remaining maturity of more than one year are recognised at their present value. Receivables denominated in foreign currencies are translated at the middle rates of exchange at the balance sheet date.

Emission certificates

▮ Emission rights are accounted for in accordance with IAS 38 (Intangible Assets), IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). Emission certificates issued for the calendar year in question are intangible assets for the purposes of IAS 38 and must be classified as current assets. They are assigned a cost of zero. From the point when emissions exceed allocated certificates, a provision for CO_2 emissions must be established for actual additional emissions and recognised in the income statement. The provision is calculated on the basis of the fair value of emission certificates at the relevant valuation date.

Impairment

▮ Assets (other than inventories and deferred tax assets) are tested at every balance sheet date for evidence of impairment. Goodwill and other intangible assets with an indefinite useful life are reviewed for impairment shortly before every balance sheet date, regardless of whether there is indication of possible impairment.

▮ The impairment test involves determining the asset's recoverable amount. The recoverable amount is the higher of value in use and net selling price. If the asset's recoverable amount is less than its carrying amount, the difference is expensed as an impairment loss in the income statement.

▮ An asset's value in use is the present value of the estimated future cash flows from the asset's continuing use and from its disposal at the end of its useful life. The discount rate used in determining present value is a pre-tax market rate adjusted for the specific risks of the asset concerned. Where no independent cash flows can be determined for the individual asset, value in use is determined on the basis of the next larger unit (the cash-generating unit) to which the asset belongs and for which independent cash flows can be identified.

▮ The net selling price of an asset is its fair value (the amount obtainable from its sale in a bargained transaction between knowledgeable, willing parties) less costs to sell.

▮ Where an impairment loss later decreases or is eliminated, the amount of the reversal of the impairment loss (except in the case of goodwill) is recognised as income in the income statement up to the lower of amortised original cost and value in use. Impairment losses on goodwill are not reversed.

Employee benefit obligations

▮ The AGRANA Group maintains both defined contribution and defined benefit pension plans. Under the defined contribution pension arrangements, AGRANA has no further obligation after paying the agreed premium. Therefore no provision is recognised for defined contribution plans.

▮ The provisions for defined benefit retirement, termination and long-service obligations are calculated using the projected unit credit method in accordance with IAS 19 (Employee Benefits), based on actuarial valuations. This involves determining the present value of the defined benefit obligation and comparing it to the fair value of plan assets at the balance sheet date. In the case of a deficit, a provision is recorded; in the case of a surplus, an asset (other receivable) is recorded. The defined benefit obligation is measured by the projected unit credit method. Under this method, the future payments determined on the basis of realistic assumptions are accumulated over the period during which the respective beneficiaries acquire the entitlement to these benefits.

▮ A difference between the provision's amount determined in advance on the basis of the assumptions used and the actual amount of the obligation (an actuarial gain or loss) is not recognised in the provision until it exceeds 10% of the actual amount. This is sometimes referred to as the corridor method. When the 10%-corridor is breached, the amount of the difference in excess of 10%, divided by the average remaining working life of the participating employees, is recognised as income or expense.

▮ The calculation is based on extrapolated future trends in salaries, retirement benefits and employee turnover, as well as a discount rate of 4.50% (prior year: 4.50%).

▮ A portion of pension obligations was transferred to pension funds. Retirement benefit contributions are calculated in such a way as to fully fund the retirement benefit obligation at the time of retirement. If a plan deficit occurs, there is an obligation to fund the shortfall. The individual assets allocated to the pension fund are netted against the provision for retirement benefits.

Other provisions

▮ Other provisions are recognised where the following conditions are met: the AGRANA Group has a legal or constructive obligation to a third party as a result of a past event, the obligation is likely to lead to an outflow of resources, and the amount of the obligation can be reliably estimated.

▮ Provisions are measured at the amount representing the best estimate of the expenditure required to settle the obligation. If the present value of the obligation determined on the basis of a market interest rate differs materially from its nominal amount, the present value of the obligation is used.

▮ The risks arising from contingent liabilities are covered by sufficient provisions.

Deferred taxes

▮ Deferred taxes are recognised on temporary differences between the IFRS carrying amounts of assets and liabilities and the tax base; on consolidation entries and on tax loss carryforwards expected to be utilised. Significant differences existed between the IFRS carrying amounts and the tax base for property, plant and equipment, for inventories and for provisions. Deferred tax assets are recognised for unused tax loss carryforwards insofar as these are deemed to be usable within five years.

▮ Deferred taxes are calculated by the liability method (under IAS 12), based on the pertinent national income tax rates. Consequently, with the exception of goodwill arising on consolidation, deferred taxes are recognised for all temporary differences between the IFRS balance sheet and the tax base.

▮ Deferred taxes are measured at the future tax rates expected to apply to the period when the asset is realised or the liability is settled. Future changes in tax rates are taken into account if the change in tax rate had already been enacted in law at the time of the preparation of the of the financial statements.

▮ Deferred tax assets are classified as non-current assets; deferred tax liabilities are recorded as non-current liabilities. Deferred tax assets are offset against deferred tax liabilities if they relate to the same tax authority.

Payables

▮ Borrowings are initially measured at their actual proceeds. Premiums, discounts or other differences between the proceeds and the repayment amount are realised over the term of the instrument by the effective interest method and recognised in finance cost or expense (amortised cost).

▮ Trade payables are initially measured (at inception of the liability) at the fair value of the goods or services received. Subsequently these payables are measured at amortised cost. Other payables not resulting from the receipt of goods or services are measured at their payable amount.

▮ Payables denominated in foreign currencies are recognised at middle rates of exchange at the balance sheet date.

Derivative financial instruments

▮ Derivative financial instruments are used to hedge risks from changes in interest rates, exchange rates and commodity prices. At inception of the derivative contract, derivatives are recognised at cost. Subsequently they are measured at market value at every balance sheet date. Value changes are as a rule recognised in profit or loss. If the conditions for cash flow hedge accounting under IAS 39 are met, unrealised value changes are recognised directly in equity.

▮ The market value of derivative financial instruments is determined on the basis of quoted market prices, information from banks or discounting-based valuation methods. The market value of forward exchange contracts is the difference between the contract rate and the current forward rate.

Recognition of revenue and costs

▮ Revenue from goods sold is recognised when substantially all risks and rewards incident to ownership have passed to the purchaser. Revenue from services provided is recognised to the extent that the services have been rendered by the balance sheet date.

▮ Operating expenses are recognised in the income statement upon use of the product or service or as incurred.

▮ Finance expenses comprise the interest expenses, similar expenses and transaction costs on borrowings including finance leases; financing-related currency translation gains and losses; and financing-related hedging gains and losses.

▮ Income from financial investments consists of interest, dividend and similar income realised from cash-equivalent investments and investments in other financial assets; gains and losses on the disposal of financial assets; as well as impairment losses and impairment loss reversals.

▮ Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised at the time of the decision to pay the dividend.

Critical assumptions and judgements

▮ The preparation of these consolidated financial statements in accordance with IFRS requires the Company's management to make judgements and to proceed on assumptions about future developments. These judgements and assumptions can have a material effect on the recognition and measurement of the assets and liabilities, the disclosure requirements for other liabilities at the balance sheet date, and the amounts of income and expenses reported for the financial year.

▮ The following assumptions involve a not insignificant risk that they may lead to a material change in the carrying amounts of assets and liabilities in the next financial year:

▮ Goodwill is reviewed for impairment by reference to a cash flow forecast for the next five years and using a discount rate adjusted for the industry and for the Group's specific risk profile.

▮ The measurement of existing retirement and termination benefit obligations involves assumptions regarding interest rate, age at retirement, life expectancy, employee turnover and future increases in benefits.

▮ The recognition of deferred tax assets is based on the assumption that sufficient tax income will be realised in the future to utilise tax loss carryforwards.

Changes in accounting methods

▮ The accounting for government grants that support capital expenditure has been changed from the previous years. For greater clarity and ease of understanding of the balance sheet, such government grants are no longer carried as liabilities, but deducted from intangible assets and property, plant and equipment. In accordance with IAS 8 this change was applied retrospectively to March 1, 2005. The effect on carrying amounts can be discerned from the movement in intangible assets and property, plant and equipment. The comparative prior-year figures for intangible assets and property, plant and equipment and for other payables were each reduced by € 4,572 thousand.

▮ In the segment reporting, the Fruit activities have been recognised as a separate segment in view of their growing importance. The prior-year data for the corresponding items has been restated.

▮ Available-for-sale securities were reclassified out of cash and cash equivalents in the cash flow statement. As a result, cash and cash equivalents as defined for the purposes of the cash flow statement now contain only cash on hand, cheques and bank deposits. This change was also made retrospectively to March 1, 2005. This reduced cash and cash equivalents at February 28, 2006 by € 32,322 thousand while cash flow from investing activities in 2005|06 increased by € 74,803 thousand.

▮ Owing to their materiality, gains and losses on foreign currency translation of receivables and payables were offset both in operating profit after exceptional items and in net financial items.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

	2006|07 €000	2005|06 €000
By nature of activity		
Revenue from the sale of finished goods	1,769,549	1,368,775
Revenue from the sale of goods purchased for resale	136,897	121,748
Service revenue	9,373	9,079
Total	**1,915,819**	**1,499,602**

The regional analysis of revenue is presented in the Segment reporting section above.

(2) Changes in inventories and own work capitalised

	2006|07 €000	2005|06 €000
Changes in inventories of finished and unfinished goods	(29,851)	1,245
Own work capitalised	4,301	2,164

The decrease of € 29,851 thousand in inventories of finished and unfinished goods occurred mainly in the Sugar segment and was attributable to the high sales in Romania and Austria.

(3) Other operating income

Income from:	2006|07 €000	2005|06 €000
Disposal of non-current assets other than financial assets	2,961	1,562
Release of provisions	0	4,489
Group levies (from non-consolidated companies)	2,954	399
Services rendered to third parties	2,127	1,205
Insurance benefits and payments for damages	1,427	5,506
Leases	1,752	1,558
Currency translation differences	0	130
Reversal of impairment losses on receivables	551	445
Marketing services	2,840	2,668
Beet and pulp cleaning, transport and handling	623	1,033

	2006|07	2005|06
Income from:	€000	€000
Storage cost reimbursement	965	386
Raw material procurement	1,255	1,214
Expenses passed through to third parties	3,156	0
Other items	11,009	7,574
Total	**31,620**	**28,169**

(4) Cost of materials

	2006|07	2005|06
Cost of:	€000	€000
Raw materials	760,036	676,528
Goods purchased for resale	229,344	152,002
Consumables	148,594	120,345
Purchased services	43,450	35,423
Total	**1,181,424**	**984,298**

(5) Staff costs

	2006|07	2005|06
	€000	€000
Wages and salaries	164,747	143,921
Social security taxes	41,630	34,632
Expenses for retirement benefits	2,864	1,317
Expenses for termination benefits	4,738	2,935
Total	**213,979**	**182,805**

Additions to the provisions for retirement, termination and long-service benefit obligations are reported in staff costs, without their interest component. Net interest expense of € 3,190 thousand (prior year: € 2,946 thousand) arising from these items is included in net financial items.

Average number of staff employed during the financial year

	2006|07	2005|06
By employee category		
Wage-earning staff	6,137	6,134
Salaried staff	2,013	1,924
Apprentices	73	72
Total	**8,223**	**8,130**

	2006|07	2005|06
By region		
Austria	1,650	1,746
Rest of EU	3,539	3,435
EU-27	5,189	5,181
Rest of Europe (Russia, Serbia, Turkey, Ukraine)	889	1,068
Other foreign countries	2,145	1,881
Total	**8,223**	**8,130**

(6) Depreciation, amortisation and impairment losses

	2006|07			2005|06		
	Total	Amortisation, depreciation	Impairment losses	Total	Amortisation, depreciation	Impairment losses
	€000	€000	€000	€000	€000	€000
Intangible assets	7,701	7,701	0	4,071	4,070	1
Property, plant and equipment	73,280	69,848	3,432	61,006	60,931	75
Reversal of impairment losses recognised in operating profit	(476)	0	(476)	0	0	0
Depreciation, amortisation and impairment losses recognised in operating profit	**80,505**	**77,549**	**2,956**	**65,077**	**65,001**	**76**
Exceptional items	95	95	0	0	0	0
Restructuring	0	0	0	13,449	0	13,449
Depreciation, amortisation and impairment losses recognised in operating profit after exceptional items	**80,600**	**77,644**	**2,956**	**78,526**	**65,001**	**13,525**
Non-current financial assets	263	0	263	195	0	195
Impairment losses recognised in net financial items	**263**	**0**	**263**	**195**	**0**	**195**
Total	**80,863**	**77,644**	**3,219**	**78,721**	**65,001**	**13,720**

The impairment losses relate to the Sugar segment, primarily the closed plant in Hohenau, Austria.

(7) Other operating expenses

	2006|07	2005|06
	€000	€000
Operating and administrative expenses	90,118	72,433
Selling and freight costs	88,962	75,787
Advertising expenses	10,971	10,985
Market restructuring levy	88,453	0
Production levy and additional levy	2,175	7,081
Other taxes	7,831	6,505
Losses on disposal of non-current assets	1,118	778
Research and development expenses	4,361	4,205
Operating expenses arising from third-party inputs	3,684	7,536
Hedging transactions	6,865	174
Currency translation losses	2,910	0
Rent and lease expenses	5,791	4,655
Other	26,866	20,399
Total	**340,105**	**210,538**

Internal and external R&D costs totalled € 12,158 thousand (prior year: € 9,961 thousand).

(8) Operating profit after exceptional items

	2006|07	2005|06
	€000	€000
Operating profit	106,988	99,547
Exceptional items	(1,207)	0
Restructuring	0	(24,534)
Total	**105,781**	**75,013**

Exceptional items represent the construction costs for the new bioethanol plant in Pischelsdorf, Austria. The facility is to be commissioned in the autumn of 2007.

(9) Finance income

	2006|07	2005|06
	€000	€000
Interest income	8,173	8,403
Other finance income	7,054	8,030
Of which currency translation gains	[1,266]	[2,115]
Of which from investments in other companies	[3,374]	[3,183]
Of which from subsidiaries	[1,699]	[1,951]
Of which recognition of negative goodwill	[104]	[203]
Total	**15,227**	**16,433**

(10) Finance expenses

	2006|07	2005|06
	€000	€000
Interest expenses	26,337	19,291
Other finance expenses	1,263	2,065
Of which impairment loss on available-for-sale securities	[286]	[1,394]
Total	**27,600**	**21,356**

Interest expenses include the interest component of allocations to the provisions for retirement, termination and long-service benefits of € 3,190 thousand (prior year: € 2,946 thousand).

(11) Share of profit of associates

	2006|07	2005|06
	€000	€000
Share of profit	51	1,608

The prior-year share of profit of associates came primarily from the former Atys Group, which in the first quarter of 2005|06 was still accounted for as an associate using the equity method.

(12) Income tax expense

Current and deferred tax expenses and income pertain to Austrian and foreign income taxes and had the following composition:

	2006|07	2005|06
	€000	€000
Current tax expense	17,896	18,803
Of which Austrian	[3,474]	[606]
Of which foreign	[14,422]	[18,197]
Deferred tax expense/(income)	4,466	(11,811)
Of which Austrian	[(113)]	[(5,306)]
Of which foreign	[4,579]	[(6,505)]
Total	**22,362**	**6,992**
Of which Austrian	[3,361]	[(4,700)]
Of which foreign	[19,001]	[11,692]

Reconciliation of the deferred tax amounts in the balance sheet to the deferred taxes in the income statement:

	2006|07	2005|06
	€000	€000
(Decrease)/increase in deferred tax assets in the consolidated balance sheet	(5,260)	11,570
Of which from addition to scope of consolidation not recognised in income statement	[(176)]	[1,622]
Of which from other changes not recognised in income statement	[(716)]	[(105)]
Of which from changes recognised in income statement	[(4,368)]	[10,053]
Decrease/(increase) in deferred tax liabilities in the consolidated balance sheet	10,047	(25,101)
Of which from addition to scope of consolidation not recognised in income statement	[0]	[(15,003)]
Of which from other changes not recognised in income statement	[10,145]	[(11,855)]
Of which from changes recognised in income statement	[(98)]	[1,757]

Reconciliation of profit before tax to income tax expense

	2006|07	2005|06
	€000	€000
Profit before tax	93,459	71,698
Austrian tax rate	25%	25%
Theoretical tax expense	**23,365**	**17,925**
Differences due to:		
Different tax rates	(3,320)	(2,352)
Tax reduction through tax-exempt income	(4,159)	(7,810)
Tax increase through non-deductible expenses and additional tax debit	4,447	3,323
Non-recurring tax expenses	2,029	(252)
Non-temporary differences due to consolidation	0	(3,842)
Income tax expense	**22,362**	**6,992**
Effective tax rate	**23.9%**	**9.8%**

The theoretical tax expense is based on the application of the Austrian corporation tax rate of 25%.

The Tax Reform Act of 2005 introduced a new concept for the taxation of company groups. In accordance with its provisions, the AGRANA Group established a group consisting of AGRANA Beteiligungs-AG as the group parent and the following group members: AGRANA Zucker GmbH, AGRANA Stärke GmbH, AGRANA Marketing- und Vertriebsservice Gesellschaft mbH, AGRANA Bioethanol GmbH, Agrofrucht GmbH, AGRANA Juice & Fruit GmbH, AGRANA Internationale Verwaltungs- und Asset-Management GmbH, AGRANA Juice GmbH, and Brüder Hernfeld GmbH. In the financial year a tax transfer took place between the Group members and the parent company at one-half of the Austrian tax rate.

Deferred taxes are recognised on differences between carrying amounts in the consolidated financial statements and the tax bases of the individual companies in their home countries. Deferred taxes take into account carryforwards of unused tax losses.

In the interest of conservative planning, deferred taxes reflect carryforwards of tax losses only to the extent that sufficient taxable profit is likely to be earned over the next five years to utilise the deferred tax assets.

(13) Earnings per share

		2006|07	2005|06
Profit for the period attributable to equity holders of the parent (i.e., of AGRANA Beteiligungs-AG)	€000	68,865	62,745
Average number of shares outstanding	units	14,202,040	14,202,040
Earnings per share based on IFRS (basic and diluted)	€	4.85	4.42
Dividend per share	€	1.95[1]	1.95

[1] Proposed

Assuming that the Annual General Meeting approves the proposed allocation of profit for the 2006|07 financial year, AGRANA Beteiligungs-AG will distribute € 27,694 thousand (prior year: € 27,694 thousand).

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method and in accordance with IAS 7. The statement traces the movements in the AGRANA Group's cash and cash equivalents arising from operating, investing and financing activities.

Cash and cash equivalents for the purpose of the cash flow statement represent cash on hand, cheques and bank deposits. They do not include current bank borrowings or available-for-sale securities. The effects of business acquisitions are eliminated and are presented in the item "purchases of businesses". Currency translation differences, with the exception of those relating to cash and cash equivalents, are already eliminated within the corresponding items in the balance sheet.

(14) Net cash from operating activities

Profit before tax, depreciation and amortisation was € 150,524 thousand (prior year: € 145,347 thousand), which represented 7.9% of revenue (prior year: 9.7%). After changes in working capital, net cash available from operating activities was € 136,927 thousand (prior year: € 179,232 thousand). Other non-cash expenses in the prior year consisted mainly of restructuring provisions (for redundancy-transition benefit plans and facility closure costs).

Net cash from operating activities included the following interest, tax and dividend payments:

	2006|07	2005|06
	€000	€000
Interest received	8,154	8,252
Interest paid	17,040	16,378
Tax paid	25,903	14,617
Dividends received	5,073	5,135

(15) Net cash used in investing activities

▮ In the year under review, the definition of cash and cash equivalents was changed to the effect that the item now consists only of cash, cheques and bank deposits. This led to a restatement of the corresponding prior-year data.

▮ € 167,022 thousand (prior year: € 148,209 thousand) was required to finance the investing activities.

▮ Purchases of property, plant and equipment and intangible assets increased to € 145,882 thousand (prior year: € 91,195 thousand).

▮ Proceeds from disposal of non-current assets were € 7,744 thousand (prior year: € 8,805 thousand).

▮ Investment in financial assets used cash in the amount of € 5,181 thousand (prior year: € 7,531 thousand).

▮ The amount of € 28,965 thousand (prior year: € 133,091 thousand) spent on purchases of businesses represented the acquisition and other smaller investments in the Fruit segment as well as the establishment of Bosnian sugar company STUDEN-AGRANA Rafinerija Secera d.o.o. The outflow of € 29,569 thousand compared with an inflow of € 604 thousand. The outflow included an acquisition made in the prior year that did not result in a cash movement until the financial year under review.

(16) Net cash from/(used in) financing activities

In 2006|07, borrowings increased by € 103,355 thousand (prior year: € 5,716 thousand). The disposal of shares in AGRANA Bioethanol GmbH with a simultaneous capital increase led to a cash inflow of € 10,040 thousand. Dividends paid consisted mainly of the cash dividend payable to the shareholders of AGRANA Beteiligungs-AG.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(17) Intangible assets

Financial year 2006|07	Goodwill €000	Production rights €000	Commercial privileges, licences and similar rights €000	Total €000
Acquisition costs				
At March 1, 2006	199,505	0	61,799	261,304
Currency translation differences	0	0	(664)	(664)
Changes in scope of consolidation	5,673	0	0	5,673
Additions	8,317	14,527	2,503	25,347
Reclassifications	0	0	425	425
Disposals	0	0	(389)	(389)
At February 28, 2007	**213,495**	**14,527**	**63,674**	**291,696**
Accumulated amortisation and impairment				
At March 1, 2006	0	0	30,452	30,452
Currency translation differences	0	0	(337)	(337)
Changes in scope of consolidation	0	0	0	0
Additions	0	1,847	5,854	7,701
Reclassifications	0	0	(247)	(247)
Disposals	0	0	(389)	(389)
Reversal of impairment	0	0	0	0
At February 28, 2007	**0**	**1,847**	**35,333**	**37,180**
Carrying amount at February 28, 2007	**213,495**	**12,680**	**28,341**	**254,516**

Financial year 2005|06	Goodwill €000	Production rights €000	Commercial privileges, licences and similar rights €000	Total €000
Acquisition costs				
At March 1, 2005	42,968	–	22,963	65,931
Adjustment March 1, 2005	0	–	(76)	(76)
Currency translation differences	0	–	400	400
Changes in scope of consolidation	156,537	–	34,573	191,110
Additions	0	–	3,988	3,988
Reclassifications	0	–	56	56
Disposals	0	–	(105)	(105)
At February 28, 2006	**199,505**	**–**	**61,799**	**261,304**

	Goodwill	Production rights	Commercial privileges, licences and similar rights	Total
	€000	€000	€000	€000
Accumulated amortisation and impairment				
At March 1, 2005	0	–	19,838	19,838
Adjustment March 1, 2005	0	–	(64)	(64)
Currency translation differences	0	–	260	260
Changes in scope of consolidation	0	–	6,396	6,396
Additions	0	–	4,071	4,071
Reclassifications	0	–	0	0
Disposals	0	–	(49)	(49)
Reversal of impairment	0	–	0	0
At February 28, 2006	**0**	**–**	**30,452**	**30,452**
Carrying amount at February 28, 2006	**199,505**	**–**	**31,347**	**230,852**

▮ Intangible assets are dominated by goodwill, capitalised in accordance with IFRS 3, that resulted from the acquisition of companies beginning in the 1995|96 financial year. Intangibles also include acquired customer relationships of the former Atys Group, software, patents and similar rights, as well as prepayments made. In 2006|07 the Group purchased additional quota offered by the EU for sale to the former "C sugar" producers. The net value of this quota purchase was € 12,680 thousand. This quota is amortised on a straight-line basis over a nine-year period to the end of the current sugar regime (September 2015).

▮ Of the carrying amounts of goodwill, the Sugar segment accounted for € 19,501 thousand (prior year: € 19,501 thousand), the Starch segment for € 2,090 thousand (prior year: € 2,090 thousand) and the Fruit segment for € 191,904 thousand (prior year: € 177,914 thousand). The increase in the Fruit segment resulted from the acquisition of Xianyang Andre Juice Co., Ltd. and of additional shares in companies already partly owned.

▮ To satisfy the provisions of IFRS 3 in conjunction with IAS 36 and to allow the calculation of any impairment of goodwill, AGRANA has defined its cash-generating units to match its internal reporting structure. The cash-generating units within the AGRANA Group are the

Sugar segment, Starch segment and Fruit segment, consistent with the internal management accounting and reporting processes.

▮ To test for impairment, the carrying amount of each cash-generating unit is measured by allocating to it the corresponding assets and liabilities, inclusive of attributable goodwill and other intangible assets. An impairment loss is recognised when the recoverable amount of a cash-generating unit is less than its carrying amount inclusive of goodwill. The recoverable amount is the higher of net realisable value and the present value of future cash flows expected from an asset.

▮ When testing for impairment, AGRANA uses a discounted cash flow method to determine the value in use of the cash-generating units. The determination of expected cash flows from each cash-generating unit is based on validated business plans that are approved by Supervisory Board committees and have a planning horizon of five years. The projections for the Sugar segment were revised in the fourth quarter of 2006|07 as the sugar market reform is expected to exert further strain on business results. However, this did not detract from the value of Sugar segment goodwill. More information is provided in the Risk report chapter of this annual report. Projections beyond a five-year horizon are based on the assumption of a constant, inflation-induced growth rate of 1.0% per year (assumption in the prior year: 1.0%). The weighted average cost of capital (WACC) derived from the AGRANA Group's capital costs is calculated at between 7.8% and 9.1% (prior year: 7.0%) before tax.

▮ The quality of the forecast data is frequently checked against actual outcomes with the help of variance analysis. The insights gained are then taken into account during the preparation of the next annual plan. Projections of value in use are highly sensitive to assumptions regarding future local market developments and volume trends. Value in use is therefore ascertained both on the basis of experience and of assumptions that are reviewed with experts in the regional markets.

▮ The absence of impairment was documented for all goodwill reported in the consolidated financial statements. No impairment charges were therefore recognised in the 2006|07 financial year.

▮ No other intangible assets with indefinite useful lives required recognition at the balance sheet date.

(18) Property, plant and equipment

Financial year 2006|07	Land, similar rights and buildings €000	Technical plant and machinery €000	Other plant, office furniture and equipment €000	Plant under construction €000	Total €000
Cost					
At March 1, 2006	423,743	822,364	156,813	32,772	1,435,692
Currency translation differences	(2,344)	(8,517)	(1,803)	(450)	(13,114)
Changes in scope of consolidation	1,219	2,742	147	725	4,833
Additions	11,689	38,129	12,031	78,477	140,326
Reclassifications	6,996	17,165	(1,592)	(22,994)	(425)
Disposals	(3,723)	(30,103)	(8,266)	(642)	(42,734)
Government grants	(962)	(1,579)	(50)	(9,900)	(12,491)
At February 28, 2007	**436,618**	**840,201**	**157,280**	**77,988**	**1,512,087**
Accumulated depreciation and impairment					
At March 1, 2006	209,456	609,509	117,068	376	936,409
Currency translation differences	(45)	(3,589)	(1,179)	9	(4,804)
Changes in scope of consolidation	49	211	24	0	284
Additions	17,241	44,128	12,017	(12)	73,374
Reclassifications	249	1,815	(1,829)	12	247
Disposals	(3,140)	(27,222)	(7,677)	87	(37,952)
Reversal of impairment	(146)	(303)	(27)	0	(476)
At February 28, 2007	**223,664**	**624,549**	**118,397**	**472**	**967,082**
Carrying amount at February 28, 2007	**212,954**	**215,652**	**38,883**	**77,516**	**545,005**

Financial year 2005|06	Land, similar rights and buildings €000	Technical plant and machinery €000	Other plant, office furniture and equipment €000	Plant under construction €000	Total €000
Cost					
At March 1, 2005	330,680	658,648	90,126	18,293	1,097,747
Adjustment March 1, 2005	(2,698)	(2,638)	(835)	0	(6,171)
Currency translation differences	4,701	10,222	1,539	965	17,427
Changes in scope of consolidation	67,911	134,233	53,338	5,797	261,279
Additions	18,679	28,411	14,520	25,597	87,207
Reclassifications	9,134	2,286	2,419	(13,896)	(57)
Disposals	(4,437)	(8,355)	(4,002)	(3,984)	(20,778)
Government grants	(227)	(443)	(292)	0	(962)
At February 28, 2006	**423,743**	**822,364**	**156,813**	**32,772**	**1,435,692**
Accumulated depreciation and impairment					
At March 1, 2005	168,783	481,347	65,889	235	716,254
Adjustment March 1, 2005	(555)	(825)	(560)	0	(1,940)
Currency translation differences	1,517	4,921	1,067	2	7,507
Changes in scope of consolidation	26,521	84,393	43,343	87	154,344
Additions	16,639	47,487	10,278	52	74,456
Reclassifications	5	(537)	532	0	0
Disposals	(3,454)	(7,277)	(3,481)	0	(14,212)
Reversal of impairment	0	0	0	0	0
At February 28, 2006	**209,456**	**609,509**	**117,068**	**376**	**936,409**
Carrying amount at February 28, 2006	**214,287**	**212,855**	**39,745**	**32,396**	**499,283**

▮ Additions (purchases) of intangible assets and property, plant and equipment:

	2006|07 €000	2005|06 €000
Sugar segment	30,337	13,356
Starch segment	79,232	34,941
Fruit segment	47,788	42,898
Total	**157,357**	**91,195**

▮ The increase in the Sugar segment resulted from the purchase of the additional sugar production quotas under the sugar regime. The increase in the Starch segment related largely to the construction of the new bioethanol plant in Pischelsdorf, Austria.

▮ Currency translation differences are the differences between amounts arising from the translation of the opening balances of foreign Group companies at the exchange rates prevailing at the start and at the end of the reporting period.

▮ The AGRANA Group, in addition to operating leases, also employs a small number of finance leases. The change in property, plant and equipment under finance leases was as follows:

	2006|07	2005|06
	€000	€000
Cost	8,014	7,933
Accumulated depreciation and impairment	3,170	2,307
Carrying amount	**4,844**	**5,626**

▮ The use of off-balance sheet property, plant and equipment (operating leases) gives rise to the following obligations under lease, licence and rental agreements:

	2006|07	2005|06
	€000	€000
In the next year	1,170	1,369
In years 2 to 5	3,188	3,724
Beyond 5 years	3,586	4,546

▮ Expenses for operating leases, licence and rental agreements were € 2,253 thousand (prior year: € 1,492 thousand).

(19) Investments in associates

	2007	2006
	€000	€000
At March 1	526	96,780
Additions	0	28
Share of profit	51	1,608
Changes in scope of consolidation	0	(97,890)
At February 28	**576**	**526**

(20) Securities, investments in non-consolidated subsidiaries and outside companies, and loan receivables

Financial year 2006|07	Investments in non-consolidated subsidiaries and outside companies, and loan receivables €000	Non-current securities €000	Total €000
Cost			
At March 1, 2006	144,749	27,439	172,188
Currency translation differences	(29)	(12)	(41)
Changes in scope of consolidation	0	6	6
Additions	3,635	1,920	5,555
Reclassifications	0	0	0
Disposals	(90)	(1,289)	(1,379)
Fair value changes (IAS 39)	(42,000)	1,344	(40,656)
At February 28, 2007	**106,265**	**29,408**	**135,673**
Accumulated amortisation and impairment			
At March 1, 2006	506	1,932	2,438
Currency translation differences	0	0	0
Changes in scope of consolidation	0	6	6
Additions	1	262	263
Reclassifications	0	0	0
Disposals	(44)	(224)	(268)
Reversal of impairment	0	(2)	(2)
At February 28, 2007	**463**	**1,974**	**2,437**
Carrying amount at Feb 28, 2007	**105,802**	**27,434**	**133,236**

Financial year 2005|06			
Cost			
At March 1, 2005	94,610	25,579	120,189
Currency translation differences	343	41	384
Changes in scope of consolidation	1,068	358	1,426
Additions	7,461	42	7,503
Reclassifications	6	(6)	0
Disposals	(839)	(572)	(1,411)
Fair value changes (IAS 39)	42,100	1,997	44,097
At February 28, 2006	**144,749**	**27,439**	**172,188**

	Investments in non-consolidated subsidiaries and outside companies, and loan receivables	Non-current securities	Total
	€000	€000	€000
Accumulated amortisation and impairment			
At March 1, 2005	349	1,898	2,247
Currency translation differences	14	0	14
Changes in scope of consolidation	0	(1)	(1)
Additions	143	53	196
Reclassifications	0	0	0
Disposals	0	(12)	(12)
Reversal of impairment	0	(6)	(6)
At February 28, 2006	**506**	**1,932**	**2,438**
Carrying amount at February 28, 2006	**144,243**	**25,507**	**169,750**

(21) Receivables and other assets

	Feb 28, 2007	Feb 28, 2006
	€000	€000
Trade receivables	211,555	187,637
Of which due in more than 1 year	[71]	[807]
Amounts owed by affiliated companies	8,114	8,198
Of which due in more than 1 year	[0]	[18]
Amounts owed by associates	1,205	1,013
Amounts owed by other related companies	1,785	1,047
VAT credits and other tax credits	37,728	52,779
Reimbursement receivable under the sugar regime	6,463	10,492
Receivable from beet growers for quota purchase	7,835	0
Receivable under government grants	10,450	0
Prepayments and accrued income	3,392	3,527
Other assets	22,666	22,697
Of which due in more than 1 year	[5,634]	[3,325]
Total	**311,193**	**287,390**
Of which due in more than 1 year	[5,705]	[4,150]

Amounts owed by affiliated companies represent open accounts with non-consolidated subsidiaries as well as with the Group's parent Südzucker AG and its subsidiaries.

(22) Deferred tax assets

Deferred tax assets were attributable to the following balance sheet items:

	Feb 28, 2007	Feb 28, 2006
Deferred tax assets	€000	€000
Retirement, termination and long-service benefit obligations	2,552	2,027
Inventories and receivables	210	5,204
Other provisions and liabilities	3,364	3,742
Carryforwards of unused tax losses	8,152	10,495
Total deferred tax assets	**14,278**	**21,468**
Deferred tax assets offset against deferred tax liabilities relating to the same tax authority	(5,048)	(6,978)
Net deferred tax assets	**9,230**	**14,490**

The net deferred tax liabilities of € 40,226 thousand (prior year: € 50,273 thousand) are detailed in note 29.

(23) Inventories

	Feb 28, 2007	Feb 28, 2006
	€000	€000
Raw materials and consumables	107,881	115,180
Unfinished goods	20,588	21,017
Finished goods and goods purchased for resale	379,464	390,229
Prepayments	2,104	1,592
Total	**510,037**	**528,018**

A reversal of € 249 thousand (prior year: € –603 thousand) of impairment losses was recognised on inventories.

(24) Securities

Other securities had a carrying amount of € 27,060 thousand (prior year: € 32,322 thousand) and comprised mainly floating-rate debt securities held as a liquidity reserve.

(25) Equity

- The Company's share capital of € 103,210,246 at the balance sheet date consisted of 14,202,040 ordinary voting bearer shares without par value.

- The movements in the Group's equity are presented on page 71.

(26) Provisions	Feb 28, 2007	Feb 28, 2006
	€000	€000
Provisions for:		
Retirement benefits	32,746	36,394
Termination benefits	16,265	15,531
Long-service benefits	4,889	4,184
Other	61,638	77,366
Total	**115,538**	**133,475**

a) Provisions for retirement, termination and long-service benefit obligations

Provisions for retirement and termination benefits are actuarially measured using the projected unit credit method and taking into effect future trends. For both the retirement and termination benefit obligations, the plans are defined benefit plans.

In respect of the Austrian companies, the following assumptions were used regarding probable future increases in pay and in retirement benefits:

	2007	2006
	%	%
Expected rate of wage and salary increases	2.50	2.50
Expected rate of pension increases	2.00	2.00
Discount rate	4.50	4.50
Expected rate of return on plan assets	4.5 – 8.5	4.5 – 8.5

For foreign entities the assumptions are adjusted to the particular conditions.

Over the last five years the present values of the defined benefit obligations changed as follows:

	Feb 28, 2007	Feb 28, 2006	Feb 28, 2005	Feb 29, 2004	Feb 28, 2003
	€000	€000	€000	€000	€000
Retirement benefits	44,378	47,491	41,004	38,201	37,757
Termination benefits	18,906	17,403	18,777	15,005	15,626
Long-service benefits	4,908	4,184	4,750	4,886	4,734

Historical information on the retirement benefit obligation

	Feb 28, 2007	Feb 28, 2006	Feb 28, 2005	Feb 29, 2004	Feb 28, 2003
	€000	€000	€000	€000	€000
Present value of obligation	44,378	47,491	41,004	38,201	37,757
Plan assets	7,156	6,327	1,946	1,578	1,294
Unfunded obligation	37,222	41,164	39,058	36,623	36,463

The provisions showed the following movements:

	Retirement benefits	Termination benefits	Long-service benefits
Financial year 2006|07	€000	€000	€000
Provision in balance sheet at March 1, 2006	**36,394**	**15,531**	**4,184**
Current service cost	740	966	199
Interest cost	2,210	799	181
Expected income from plan assets	(477)	0	0
Actuarial gain	828	189	201
Total amount recognised in income statement	3,301	1,954	581
Changes in scope of consolidation	0	(33)	(52)
Benefits paid	(3,683)	(1,756)	(564)
Contributions to plan assets	(851)	0	0
Currency translation differences	(97)	0	0
Reclassifications	(1,323)	587	736
Other changesn	(995)	(18)	4
Provision in balance sheet at February 28, 2007	**32,746**	**16,265**	**4,889**
Unrecognised actuarial gain	4,476	2,641	19
Fair value of plan assets	7,156	0	0
Present value of obligation at February 28, 2007	**44,378**	**18,906**	**4,908**

Financial year 2005|06	Retirement benefits €000	Termination benefits €000	Long-service benefits €000
Provision in balance sheet at March 1, 2005	**34,716**	**17,236**	**4,750**
Current service cost	325	941	215
Interest cost	1,869	860	217
Expected income from plan assets	(104)	0	0
Actuarial gain/(loss)	255	(2,427)	(812)
Total amount recognised in income for the period	2,345	(626)	(380)
Changes in scope of consolidation	3,427	178	30
Benefits paid	(3,729)	(1,257)	(216)
Contributions to plan assets	(365)	0	0
Provision in balance sheet at February 28, 2006	**36,394**	**15,531**	**4,184**
Unrecognised actuarial gain	4,770	1,872	0
Fair value of plan assets	6,327	0	0
Present value of obligation at February 28, 2006	**47,491**	**17,403**	**4,184**

There were no expenses for or income from changes in benefit plans and benefit payments or as a result of changes in assumptions.

The present value of expected future benefits reflects the benefits to which employees are expected to be entitled based on conditions at the balance sheet date. It includes actuarial gains and losses resulting from the differences between expected risks and actual occurring individual risks. The provision for direct benefit obligations does not take into account actuarial gains and losses within the corridor allowed by IAS 19 of 10% of the actual amount of the defined benefit obligation.

Similar obligations exist, in particular, at foreign Group companies. They are measured actuarially and take into account future cost trends.

b) Other provisions

	EU sugar regime	Recla-mation	Staff costs	Uncertain liabilities	Total
	€000	€000	€000	€000	€000
At March 1, 2006	**7,161**	**17,313**	**24,217**	**28,675**	**77,366**
Currency translation differences	(2)	(17)	(23)	190	148
Changes in scope of consolidation	0	0	0	717	717
Released	(1,477)	(4,991)	(761)	(1,587)	(8,816)
Used	(5,122)	(344)	(10,163)	(28,090)	(43,719)
Added	0	164	6,982	28,796	35,942
At February 28, 2007	**560**	**12,125**	**20,252**	**28,701**	**61,638**

Of the total other provisions, € 23,406 thousand (prior year: € 22,393 thousand) were classified as non-current liabilities and € 38,232 thousand (prior year: € 54,973 thousand) were current liabilities.

The provision for reclamation comprises both recultivation obligations as well as the emptying of landfills and removal of waste residues.

(27) Borrowings

	Feb 28, 2007	Of which due in up to 1 year	Of which due in 1 to 5 years	Of which due in more than 5 years	Feb 28, 2006	Of which due in up to 1 year	Of which due in 1 to 5 years	Of which due in more than 5 years
	€000	€000	€000	€000	€000	€000	€000	€000
Bonds	20,000	0	20,000	0	20,000	0	20,000	0
Bank loans and overdrafts	505,235	193,796	306,583	4,856	398,627	165,904	224,030	8,693
Lease liabilities	912	651	261	0	1,938	988	950	0
Borrowings	**526,147**	**194,447**	**326,844**	**4,856**	**420,565**	**166,892**	**244,980**	**8,693**
Non-current securities	(27,434)	0	0	0	(25,507)	0	0	0
Available-for-sale securities	(27,060)	0	0	0	(32,322)	0	0	0
Cash and cash equivalents	(132,218)	0	0	0	(80,812)	0	0	0
Net debt	**339,435**	0	0	0	**281,924**	0	0	0

Details of bank loans and bank overdrafts are found in the section Notes on financial instruments and derivative financial instruments.

Bank loans and overdrafts were secured as follows at the balance sheet date:

	Feb 28, 2007 €000	Feb 28, 2006 €000
Mortgage liens	13,913	16,871
Other liens	10,184	1,338
Total	**24,097**	**18,209**

(28) Trade and other payables

	Feb 28, 2007	Of which due in			Feb 28, 2006	Of which due in		
		up to 1 year	1 to 5 years	more than 5 years		up to 1 year	1 to 5 years	more than 5 years
	€000	€000	€000	€000	€000	€000	€000	€000
Trade payables	191,875	191,873	2	0	229,117	229,117	0	0
Amounts owed to affiliated companies	6,250	6,250	0	0	56,505	56,186	319	0
Deferred income	6,825	6,825	0	0	6,814	6,814	0	0
Other payables	149,326	147,250	1,424	652	67,959	65,302	1,847	810
Of which:								
Restructuring levy	[89,248]	[89,248]	[0]	[0]	[0]	[0]	[0]	[0]
Purchase of additional quota	[17,268]	[17,268]	[0]	[0]	[0]	[0]	[0]	[0]
Income tax	[4,076]	[4,076]	[0]	[0]	[10,819]	[10,819]	[0]	[0]
Other tax	[5,339]	[5,326]	[13]	[0]	[7,335]	[7,335]	[0]	[0]
Social security	[4,844]	[4,844]	[0]	[0]	[5,847]	[5,847]	[0]	[0]
Total	**354,276**	**352,198**	**1,426**	**652**	**360,395**	**357,419**	**2,166**	**810**

Trade payables include obligations to beet growers of € 75,581 thousand (prior year: € 103,321 thousand).

Other payables consist mainly of tax liabilities, liabilities to employee benefit schemes and payables on payroll accounts.

(29) Deferred tax liabilities

Deferred tax liabilities were attributable to the following balance sheet items:

	Feb 28, 2007	Feb 28, 2006
Deferred tax liabilities	€000	€000
Non-current assets	22,477	31,501
Inventories and receivables	15,055	14,311
Untaxed reserves in separate financial statements	7,656	8,171
Other provisions and liabilities	86	3,268
Total deferred tax liabilities	**45,274**	**57,251**
Deferred tax assets offset against deferred tax liabilities relating to the same tax authority	(5,048)	(6,978)
Net deferred tax liabilities	**40,226**	**50,273**

The net deferred tax assets of € 9,230 thousand (prior year: € 14,490 thousand) are detailed in note 22.

(30) Contingent liabilities and other financial liabilities

	Feb 28, 2007	Feb 28, 2006
	€000	€000
Sureties	6,059	2,023
Warranties, cooperative liabilities	2,139	2,088
Parent guarantees	460	316
Contingent liabilities	**8,658**	**4,427**
Present value of lease payment due within 5 years	5,030	6,274
Order commitments (purchases of property, plant and equipment)	73,275	23,030
Other financial liabilities	**78,305**	**29,304**
Total	**86,963**	**33,731**

NOTES ON FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

To manage the seasonally fluctuating cash flows, the AGRANA Group in the course of its day-to-day financial management uses conventional investments (in call money, time deposits and securities) and borrowings (in the form of overdrafts, short-term funds and fixed-rate loans).

Financial instruments are typically subject to interest-rate, currency and credit risks.

Interest rate risk

In the case of a financial instrument for which a fixed interest rate has been agreed to maturity, the risk is that its price may change as the market interest rate fluctuates; this is known as interest rate price risk. By contrast, floating-rate investments or borrowings are subject to minimal price risk, as their interest rate is adjusted to market rates very frequently. However, the fluctuation in the short-term interest rate creates risk as to the amounts of future interest rate payments; this is referred to as interest rate cash flow risk. Investments in equity securities and short-term receivables and payables are not subject to interest rate risk.

Currency risk

Currency risk is defined as the risk that the value of a balance sheet item will fluctuate due to changes in foreign exchange rates.

Credit risk

AGRANA minimises the credit risks of non-current investments, of securities and of receivables from derivative positions by dealing only with counterparties with excellent credit standing.

The material primary investment and debt instruments held at February 28, 2007 had the following composition by balance sheet item:

Investments in non-consolidated subsidiaries and outside companies, and other non-current securities	Contracted currency	Market value	Cost
		€000	€000
Available for sale			
Equities, Ges.m.b.H. (limited liability companies) shares, shares in cooper-atives, other equity interests	EUR	102,264	86,336
	CZK	275	156
	HKD	1,261	1,261
Investment funds	EUR	19,790	15,712
Other securities	EUR	8	8
	USD	292	292
Bonds	EUR	4,865	4,307
Total		**128,755**	**108,072**
Previous year		[168,121]	[108,581]

Securities classified as current assets	Contracted currency	Market value	Cost
		€000	€000
Available for sale			
Investment funds and money market funds	EUR	19,483	19,179
	MXN	6,511	6,511
	TRL	968	968
Other securities	EUR	98	98
Total		**27,060**	**26,756**
Previous year		[32,322]	[32,326]

Unrealised differences between costs and the carrying amounts in the balance sheet are not recognised in the income statement but in equity, in the revaluation reserve.

Bank loans and overdrafts

Payables are recognised at amounts repayable. In the case of payables denominated in foreign currencies, nominal values were translated into euros by applying the exchange rates prevailing at the balance sheet date. Fair values could therefore be higher or lower compared to the prior-period values, depending on movements in exchange rates.

	Average effective interest rate 2006|07 in %	2005|06 in %	Feb 28, 2007 €000	Of which due in: up to 1 year €000	1 to 5 years €000	more than 5 years €000
Fixed rate						
EUR	2.49	2.78	228,950	7,941	216,443	4,566
PLN	4.00	4.00	169	85	84	0
SKK	0	3.30	0	0	0	0
	2.49	**2.81**	**229,119**	**8,026**	**216,527**	**4,566**
Variable rate						
EUR	4.32	2.93	172,563	110,692	61,581	290
CHF	0	1.17	0	0	0	0
DKK	4.29	2.84	4,161	0	4,161	0
GBP	7.49	7.32	313	313	0	0
HUF	8.11	6.08	17,002	17,002	0	0
KRW	0	6.05	0	0	0	0
MAD	12.00	12.00	3	3	0	0
PLN	3.71	4.07	34,412	34,412	0	0
RON	9.40	7.54	435	435	0	0
SKK	4.96	0	2,353	2,353	0	0
USD	5.88	5.02	44,859	20,556	24,303	0
ZAR	10.00	10.00	15	4	11	0
	4.75	**3.75**	**276,116**	**185,770**	**90,056**	**290**
Total	**3.72**	**3.46**	**505,235**	**193,796**	**306,583**	**4,856**

Derivative financial instruments and risk management

To hedge part of the risks arising from its operating activities (risks due to movements in interest rates, foreign exchange rates and raw material prices), the AGRANA Group to a limited extent uses derivative financial instruments. The Group employs only conventional derivatives for which there is a sufficiently liquid market (for example, interest rate swaps, interest rate options, interest rate caps, forward exchange contracts and currency options). The use of these instruments is governed by Group policies under the Group's risk management system. These policies prohibit the speculative use of derivative financial instruments, set ceilings appropriate to the underlying transactions, define authorisation procedures, minimise credit risks, and specify internal reporting rules and the organisational separation of risk-taking and risk control. Adherence to these standards and the proper processing and valuation of transactions are regularly monitored by an independent part of the organisation.

Feb 28, 2006	Of which due in up to 1 year	1 to 5 years	more than 5 years
€000	€000	€000	€000
116,214	9,143	98,724	8,347
254	85	169	0
6,607	6,607	0	0
123,075	**15,835**	**98,893**	**8,347**
159,432	91,596	67,490	346
1,887	1,887	0	0
8,035	3,881	4,154	0
252	252	0	0
26,602	26,602	0	0
420	420	0	0
6	6	0	0
24,807	24,807	0	0
584	584	0	0
0	0	0	0
53,501	8	53,493	0
26	26	0	0
275,552	**150,069**	**125,137**	**346**
398,627	**165,904**	**224,030**	**8,693**

The notional principal amounts and the fair values of the derivative financial instruments held by the AGRANA Group were as follows:

	Notional principal amount		Fair value	
	Feb 28, 2007	Feb 28, 2006	Feb 28, 2007	Feb 28, 2006
	€000	€000	€000	€000
Currency derivatives	38,073	38,110	(296)	601
Interest-rate derivatives	31,000	47,000	(353)	(120)
Commodity derivatives	0	7,310	0	259
Total	**69,073**	**92,420**	**(649)**	**740**

All derivative transactions presented are used solely to hedge the Group's currency risks and interest rate risks. To some extent, hedge accounting under IAS 39 is used for the transactions presented. The fluctuations in the value of these hedging instruments are offset against the fluctuations in the value of the hedged transactions. The value changes of the derivative positions to which hedge accounting is not applied are recognised in profit or loss.

Notional amount

The notional principal amount of a derivative is the nominal amount that is used to calculate the payments made by the parties to the derivative contract. The hedge is designed to protect against – and the risk resides in – the price changes in relation to this notional amount.

Fair values

Fair values of derivatives are measured at quoted market prices at the balance sheet date without offsetting against any opposite movements in the values of hedged items.

The fair value of a derivative is the amount which the AGRANA Group would have to pay or would receive in the event of early termination of the hedge position.

Value changes of derivatives employed to hedge future cash flows (cash flow hedges) are initially recognised in the revaluation reserve without an effect on the income statement. Only when the cash flows are realised are the value changes recognised in profit or loss.

RELATED PARTY DISCLOSURES

AGRANA Zucker, Stärke und Frucht Holding AG holds 100% of the ordinary shares of Z & S Zucker und Stärke Holding AG, which in turn holds 75.5% of the ordinary shares of AGRANA Beteiligungs-AG. Both holding companies are exempt from the obligation to prepare consolidated financial statements, as their accounts are included in the consolidated financial statements of Südzucker AG, Mannheim/Ochsenfurt, Germany.

Related parties for the purposes of IAS 24 are Südzucker AG, Mannheim/Ochsenfurt, Germany, and Zucker-Beteiligungsges.m.b.H., Vienna, as shareholders of AGRANA Zucker, Stärke und Frucht Holding AG. AGRANA's consolidated financial statements are included in the consolidated financial statements of Südzucker AG, Mannheim/Ochsenfurt.

RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H., Vienna, and its subsidiaries are also considered to be related parties.

At the balance sheet date, current borrowings in respect of the related companies named above stood at € 48,361 thousand (prior year: € 53,016 thousand). These borrowings were based on normal commercial terms. There were current trade receivables of € 3,671 thousand (prior year: € 5,917 thousand) resulting from sales of goods. In relation to joint venture partners there were other liabilities of € 1,543 thousand (prior year: € 3,231 thousand); amounts owed by these partners totalled € 2,512 thousand (prior year: € 0).

Remuneration paid to members of the Management Board of AGRANA Beteiligungs-AG totalled € 1,472 thousand (prior year: € 1,596 thousand), consisting of total fixed base salaries of € 975 thousand (prior year: € 957 thousand) and a total performance-based component of € 497 thousand (prior year: € 639 thousand). The performance-based elements are tied to the amount of the dividend payout.

On July 14, 2006 the Annual General Meeting voted to pay the Supervisory Board annual aggregate remuneration of € 165 thousand (prior year: € 165 thousand) and gave the Supervisory Board Chairman the responsibility for allocating this sum. The amount paid to the individual Supervisory Board members is linked to their function on the Board. No meeting fees were paid in the year under review.

Post-employment benefits granted to the Management Board under the Company's plan are pension, disability insurance and survivor benefits. The pension becomes available when the pension eligibility criteria of the Austrian public pension scheme (ASVG) are met. The amount of the pension is calculated as a percentage of a contractually agreed assessment base.
In the event of early retirement within ASVG rules, the amount of the pension is reduced. The retirement benefit obligations to the Management Board have been transferred to an external pension fund. The obligation's excess of € 1,322 thousand (prior year: € 1,246 thousand) over existing plan assets was recognised in provisions.

In the event that a Management Board appointment is terminated, severance pay has been agreed consistent with the Employees Act.

Vienna, May 3, 2007

The Management Board

Johann Marihart (by his own hand)
Walter Grausam (by his own hand)
Thomas Kölbl (by his own hand)

SUBSIDIARIES AND BUSINESS INTERESTS AT FEBRUARY 28, 2007

(interests held of at least 20% of share capital)

Name of company	City/town	Country	Equity interest Direct in %	Indirect in %
I. Subsidiaries				
Fully consolidated companies				
AGRANA Bioethanol GmbH	Vienna	Austria	–	74.90%
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	Vienna	Austria	–	100.00%
AGRANA Juice & Fruit Holding GmbH	Vienna	Austria	98.91%	1.09%
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	Vienna	Austria	100.00%	–
AGRANA Zucker GmbH	Vienna	Austria	98.91%	1.09%
AGRANA Stärke GmbH	Vienna	Austria	98.91%	1.09%
Agrofrucht, Handel mit landwirtschaftlichen Produkten Gesellschaft m.b.H.	Vienna	Austria	–	100.00%
Brüder Hernfeld Gesellschaft m.b.H.	Vienna	Austria	–	100.00%
INSTANTINA Nahrungsmittel Entwicklungs- und Produktions Gesellschaft m.b.H.	Vienna	Austria	66.67%	–
AGRANA Magyarország Értékesitési Kft.	Budapest	Hungary	–	87.36%
Elsö Hazai Cukorgyártó és Forgalmazó Kft.	Budapest	Hungary	–	99.19%
INSTANTINA Hungária Élelmiszergyartó és Kereskedelmi Kft.	Petöháza	Hungary	–	66.67%
Magyar Cukorgyártó és Forgalmazó Zrt.	Budapest	Hungary	–	87.32%
Moravskoslezské Cukrovary a.s.	Hrusovany	Czech Republic	–	97.66%
Slovenské Cukrovary s.r.o.	Sered	Slovakia	–	100.00%
S.C. A.G.F.D. Tandarei s.r.l.	Tandarei	Romania	–	99.99%
S.C. AGRANA Romania S.A.	Buzau	Romania	–	91.33%
S.C. Romana Prod s.r.l.	Roman	Romania	–	91.33%
AGRANA BiH Holding GmbH	Vienna	Austria	–	75.00%
AGRANA Trading EOOD	Sofia	Bulgaria	–	100.00%
AGRANA Juice GmbH	Gleisdorf	Austria	–	100.00%
AGRANA Juice Sales & Marketing GmbH	Bingen	Germany	–	100.00%
AGRANA Juice Service & Logistik GmbH	Bingen	Germany	–	100.00%
AGRANA Juice Denmark A/S	Køge	Denmark	–	100.00%
AGRANA Juice Magyarország Kft.	Vásásarosnamény	Hungary	–	100.00%
AGRANA Juice Poland Sp z.o.o.	Bialobrzegi	Poland	–	100.00%
AGRANA Juice Romania Vaslui s.r.l.	Vaslui	Romania	–	100.00%
AGRANA Juice Romania Carei S.R.L	Carei	Romania	–	100.00%
Financière Atys S.A.S.	Paris	France	–	100.00%

Name of company	City/town	Country	Equity interest Direct in %	Indirect in %
AGRANA Fruit S.A.	Paris	France	–	100.00%
AGRANA Fruit France S.A.	Paris	France	–	100.00%
AGRANA Fruit Services S.A.S.	Paris	France	–	100.00%
AGRANA Fruit Austria GmbH	Gleisdorf	Austria	–	100.00%
AGRANA Fruit Argentina S.A.	Buenos Aires	Argentina	–	99.97%
AGRANA Fruit Australia Pty Limited	Central Mangrove	Australia	–	100.00%
AGRANA Fruit Bohemia s.r.o.	Kaplice	Czech Republic	–	100.00%
AGRANA Fruit Brasil Participações Ltda.	Sao Paulo	Brazil	–	99.99%
AGRANA Fruit Brasil Indústria, Comércio, Importação e Exportação Ltda.	Sao Paulo	Brazil	–	99.22%
AGRANA Fruit Dachang Co., Ltd	Dachang	China	–	100.00%
AGRANA Fruit Fiji Pty. Ltd	Sigatoka	Fiji	–	100.00%
AGRANA Fruit Germany GmbH	Konstanz	Germany	–	100.00%
AGRANA Fruit Istanbul Gida San Ve Tic A.S.	Zincirlikuyu	Turkey	–	100.00%
AGRANA Fruit Korea Co., Ltd	Seoul	South Korea	–	100.00%
AGRANA Fruit México, S.A. de C.V.	Michoacan	Mexico	–	100.00%
o.o.o. AGRANA Fruit Moscow Region	Serpuchov	Russia	–	100.00%
AGRANA Fruit Latinoamerica S. de R.L de C.V	Michoacan	Mexico	–	99.99%
AGRANA Fruit Luka TOF	Winniza	Ukraine	–	100.00%
AGRANA Fruit Polska SP z.o.o.	Ostroleka	Poland	–	100.00%
AGRANA Fruit Ukraine TOF	Winniza	Ukraine	–	100.00%
AGRANA Fruit US, Inc	Brecksville	USA	–	100.00%
Flavors from Florida, Inc	Bartow	USA	–	100.00%
AGRANA Fruit Services Inc.	Tampa	USA	–	100.00%
AGRANA Fruit South Africa (Proprietary) Ltd	Cape Town	South Africa	–	100.00%
AGRANA Fruit Investments South Africa (Proprietary) Ltd	Cape Town	South Africa	–	100.00%
Fruimark (Proprietary) Ltd	Cape Town	South Africa	–	100.00%
Dirafrost FFI	Herk-de-Stad	Belgium	–	100.00%
Frefrost Sarl	Laouamra	Morocco	–	100.00%
Diramar Sarl	Laouamra	Morocco	–	100.00%
Dirafrost France S.A.	St. Genis Laval	France	–	100.00%
Yube d.o.o.	Grdovici	Serbia	–	100.00%
Dirafrost Deutschland GmbH	Hof	Germany	–	100.00%

Name of company	City/town	Country	Equity interest Direct in %	Indirect in %
Companies accounted for by the equity method				
Österreichische Rübensamenzucht Gesellschaft m.b.H.	Vienna	Austria	–	86.00%
Non-consolidated subsidiaries				
Zuckerforschung Tulln Ges.m.b.H.	Vienna	Austria	100.00%	–
Dr. Hauser Gesellschaft m.b.H.	Garmisch-Partenkirchen	Germany	–	100.00%
Hottlet Sugar Trading N.V.	Berchem	Belgium	25.10%	–
Schoko-Schwind Kft.	Kecskemet	Hungary	–	100.00%
AGRANA Skrob s.r.o.	Hrusovany	Czech Republic	–	100.00%
Caragrimex S.A.	Carei	Romania	–	99.26%
PFD-Processed Fruit Distribution Ltd.	Nicosia	Cyprus	–	100.00%
Diragri Sarl	Laouamra	Morocco	–	100.00%
Egybe Sarl	Cairo	Egypt	–	100.00%
DIVA2 GmbH	Hamburg	Germany	–	100.00%

II. Joint ventures

Companies accounted for by proportionate consolidation				
HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	Szabadegyhaza	Hungary	–	50.00%
Hungranatrans Kft.	Szabadegyhaza	Hungary	–	50.00%
AGRANA-STUDEN Beteiligungs GmbH	Vienna	Austria	–	37.50%
Xianyang Andre Juice Co., Ltd.	Xianyang City	China	–	50.00%
Non-consolidated joint venture				
STUDEN-AGRANA Rafinerija Secera d.o.o.	Brcko	Bosnia-Herzegovina	–	37.50%

THE COMPANY'S BOARDS

SUPERVISORY BOARD

Chairman

Christian Konrad, Vienna, independent;
from December 19, 1990;
term ends at 20th AGM (in 2007)

- Chairman of the Supervisory Board of UNIQA Versicherungen AG, Vienna
- Member of the Supervisory Board of DO & CO Restaurants & Catering AG, Vienna
- Member of the Supervisory Board of BAYWA AG, Munich
- Vice-Chairman of the Supervisory Board of Südzucker AG, Mannheim/Ochsenfurt

First Vice-Chairman

Rudolf Müller, Ochsenfurt, independent;
from March 30, 1995;
term ends at 20th AGM (in 2007)

Second Vice-Chairman

Erwin Hameseder, Mühldorf
from March 23, 1994;
term ends at 20th AGM (in 2007)

- Member of the Supervisory Board of Flughafen Wien AG, Vienna
- Member of the Supervisory Board of VK Mühlen AG, Hamburg
- Member of the Supervisory Board of Südzucker AG, Mannheim/Ochsenfurt

Members

Ludwig Eidmann, Gross-Umstadt, independent;
from July 2, 2004;
term ends at 20th AGM (in 2007)

- Member of the Supervisory Board of Südzucker AG, Mannheim/Ochsenfurt

Hans-Jörg Gebhard, Eppingen, independent;
from July 9, 1997;
term ends at 20th AGM (in 2007)

- Chairman of the Supervisory Board of Südzucker AG, Mannheim/Ochsenfurt

Christoph Kirsch
Weinheim/Bergstrasse, independent;
from March 23, 1994 to July 14, 2006

- Member of the Supervisory Board of Vossloh AG, Werdohl

Theo Spettmann, Ludwigshafen, independent;
from July 14, 2006;
term ends at 20th AGM (in 2007)

- Member of the Supervisory Board of Mannheimer AG Holding, Mannheim

Hermann Schultes, Zwerndorf, independent;
from July 12, 2002 to July 14, 2006

Ernst Karpfinger
Baumgarten/March, independent;
from July 14, 2006;
term ends at 20th AGM (in 2007)

Christian Teufl, Vienna
from July 10, 2003;
term ends at 20th AGM (in 2007)

- Member of the Supervisory Board of VK Mühlen AG, Hamburg

Representatives of the Staff Council

Thomas Buder
Tulln (from August 1, 2006)

Franz Ennser
Vienna

Harald Toth
Leopoldsdorf (until July 31, 2006)

Peter Vymyslicky
Leopoldsdorf

Erich Weissenböck
Gmünd

Committees and their members

Nomination and Remuneration Committee
Christian Konrad
Rudolf Müller
Erwin Hameseder

Strategy Committee
Christian Konrad
Rudolf Müller
Erwin Hameseder
Hans-Jörg Gebhard

Audit Committee
Erwin Hameseder
Theo Spettmann
Franz Ennser

MANAGEMENT BOARD

Chairman (Chief Executive Officer)

Johann Marihart
Limberg

Members

Walter Grausam
Vienna

Thomas Kölbl
Mannheim

UNQUALIFIED INDEPENDENT AUDITOR'S REPORT [TRANSLATION]

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of AGRANA Beteiligungs-Aktiengesellschaft, Vienna, which comprise the balance sheet as at February 28, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and for the preparation of the management report for the group in accordance with Austrian regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the management report for the group is consistent with these consolidated financial statements. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether the management report for the group is consistent with these consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion an the effectiveness of the entity's internal control. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the consolidated financial statements are in accordance with legal requirements and present fairly, in all material respects, the financial position of the group as of February 28, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The management report for the group is consistent with the consolidated financial statements.

Report on Other Legal Requirements

Austrian Commercial Law requires that the Management Report, which has to be prepared by the Management in accordance with Austrian Commercial Law, has to be audited.

In our opinion, the Management Report for the group is consistent with the consolidated financial statements.

Vienna, May 3, 2007

KPMG Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Rainer Hassler ppa Reiner Kaps
(Austrian Chartered Accountants)

LOGOS
Wirtschaftsprüfungs- und
Steuerberatungsges.m.b.H.

Michael Rab
(Austrian Chartered Accountant)

PERFORMANCE INDICATORS

Abbreviation	Indicator Definition	2006|07 €000	2005|06 €000
	Borrowings + Bank loans and overdrafts + bonds + lease liabilities	526,147	420,565
CE	**Capital employed** (PP&E + intangibles including goodwill) + working capital	1,246,087	1,151,735
Debt/equity ratio	Net debt / equity including minority interests x 100	37.9%	31.8%
Dividend yield	Dividend per share / closing share price	2.6%	2.5%
EBIT	**Operating profit** Earnings before interest and tax and before exceptional items	106,988	99,547
EBITDA	**Earnings before interest, tax, depreciation and amortisation** (Income statement items 8 + 6) Operating profit + depreciation and amortisation	187,493	164,624
EBITDA margin	EBITDA x 100 / revenue	9.8%	11.0%
EPS	**Earnings per share** Profit for the period / number of shares outstanding	€ 4.85	€ 4.42
	Equity ratio Equity / total capital	46.4%	47.9%
EVS	**Equity value per share** Equity attributable to equity holders of the parent / number of shares outstanding	€ 61.3	€ 61.4
FCF	**Free cash flow** Cash flow from operating activities + cash flow from investing activities	(30,095)	31,023
	Intangible assets including goodwill	254,516	230,852
P/E	**Price/earnings ratio** Financial year-end closing share price / earnings per share	15.7	17.6
PP&E	**Property, plant and equipment**	545,005	499,283
	Net debt Borrowings less (cash + cheques + other bank deposits + available-for-sale securities + non-current securities)	339,435	281,924
Operating margin	Operating profit x 100 / revenue	5.6%	6.6%
ROCE	**Return on capital employed** Operating profit / capital employed	8.6%	8.6%
ROS	**Return on sales** Profit before tax x 100 / revenue	4.9%	4.8%
WC	**Working capital** Inventories + trade receivables + other assets – current provisions – current prepayments – trade payables – other payables	446,566	417,027

PARENT COMPANY FINANCIAL STATEMENTS 2006|07
(based on UGB)

PARENT COMPANY BALANCE SHEET AT 28 FEBRUARY 2007

		Feb 28, 2007	Feb 28, 2006
		€000	€000
ASSETS	**A. Non-current assets**		
	I. Intangible assets	929	38
	II. Property, plant and equipment	1,229	975
	III. Non-current financial assets	434,002	313,874
		436,160	**314,887**
	B. Current assets		
	I. Receivables and other assets	125,641	295,703
	II. Securities	10,156	10,456
	III. Cash and bank balances	3	5
		135,800	**306,164**
	Total assets	**571,960**	**621,051**
EQUITY AND LIABILITIES	**A. Equity**		
	I. Share capital	103,210	103,210
	II. Share premium and other capital reserves	418,990	418,990
	III. Retained earnings	13,928	13,928
	IV. Net profit available for distribution Of which brought forward from prior year: € 40 thousand (prior year: € 2 thousand)	27,765	27,734
		563,893	**563,862**
	B. Untaxed reserves	0	0
	C. Provisions		
	I. Retirement, termination and long-service benefit obligations	1,607	1,486
	II. Provisions for tax and other liabilities	2,529	3,023
		4,136	**4,509**
	D. Payables		
	I. Borrowings	0	0
	II. Other payables	3,931	52,680
		3,931	**52,680**
	Total equity and liabilities	**571,960**	**621,051**
	Contingent liabilities	391,868	277,530

PARENT COMPANY INCOME STATEMENT FOR THE YEAR ENDED FEBRUARY 28, 2007

	2006|07 €000	2005|06 €000
1. Revenue	191	147
2. Other operating income	20,723	17,102
3. Cost of materials and other purchased inputs	(21)	0
4. Staff costs	(11,382)	(9,989)
5. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	(736)	(484)
6. Other operating expenses	(12,246)	(9,618)
7. Operating profit (subtotal of items 1 to 6)	**(3,471)**	**(2,842)**
8. Income from investments in subsidiaries and other companies Of which from subsidiaries: € 23,236 thousand (prior year: € 25,755 thousand)	26,610	28,941
9. Income from other non-current securities	192	131
10. Other interest and similar income Of which from subsidiaries: € 5,172 thousand (prior year: € 2,497 thousand)	6,300	7,097
11. Income from disposal of non-current financial assets	0	0
12. Expenses from non-current financial assets and from available-for-sale securities	(157)	(1,519)
13. Interest and similar expenses	(83)	(267)
14. Net financial items (subtotal of items 8 to 13)	**32,862**	**34,383**
15. Profit before tax (subtotal of items 1 to 13)	**29,391**	**31,541**
16. Income tax expense	(1,666)	(109)
17. Profit for the period	**27,725**	**31,432**
18. Transfer from untaxed reserves	0	0
19. Transfer to retained earnings	0	(3,700)
20. Profit brought forward from prior year	40	2
21. Net profit available for distribution	**27,765**	**27,734**

UNQUALIFIED AUDITOR'S REPORT [TRANSLATION]

We have audited the financial statements including the underlying accounting records of AGRANA Beteiligungs-Aktiengesellschaft, Vienna, for the fiscal year from March 1, 2006, to February 28, 2007. The maintenance of the accounting records and the preparation and contents of these financial statements including the management report in accordance with the Austrian Commercial Code are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is consistent with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether we can state that the management report is in accordance with the financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the Company as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the financial statements and underlying accounting records predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements are in accordance with legal requirements and present fairly, in all material respects the financial position and the results of its operations and its cash flows in accordance with generally accepted accounting principles in Austria. The management report is consistent with the financial statements.

Vienna, April 30, 2007

KPMG Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Rainer Hassler ppa Reiner Kaps
(Austrian Chartered Accountants)

LOGOS
Wirtschaftsprüfungs- und
Steuerberatungsges.m.b.H.

Michael Rab
(Austrian Chartered Accountant)

PROPOSED ALLOCATION OF PROFIT

	2006|07 €
The financial year to February 28, 2007 closed with the following profit available for distribution	**27,764,784**
The Management Board proposes to the Annual General Meeting to allocate this net profit available for distribution as follows:	
The distribution of a dividend of € 1.95 per ordinary no-par value share on 14,202,040 participating ordinary shares, that is, a total of	**27,693,978**
Profit to be carried forward	70,806
	27,764,784

SUPERVISORY BOARD'S REPORT

During the 2006|07 financial year the Supervisory Board, in a total of five meetings and through regular reports from the Management Board and detailed written information, kept abreast of the Company's business and financial position, course of business, business performance, financial situation, investment plans and exceptional business transactions as well as corporate strategy, and discussed these matters with the Management Board. The thorough deliberations in the meetings of the Supervisory Board and Strategy Committee centred especially on the Company's strategies, future growth opportunities, and acquisition-related activities, including acquisition financing. The Nomination and Remuneration Committee considered the personnel matters relating to the Management Board members.

As of the end of the Annual General Meeting (AGM) on July 14, 2006 Christoph Kirsch and Hermann Schultes retired from the Supervisory Board. In their stead the AGM elected Ernst Karpfinger and Theo Spettmann to the Supervisory Board. From August 1, 2006, Thomas Buder took the place of Harald Toth as the Group staff council's representative on the Supervisory Board. The Board thanks the retired members for their many years of constructive involvement.

The parent company financial statements, consolidated financial statements and management report for the 2006|07 financial year presented by the Management Board, as well as the accounting records, were audited by the independent auditors appointed by the Annual General Meeting – KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and LOGOS Wirtschaftsprüfungs- und Steuerberatungsges.m.b.H., Vienna – and received an unqualified audit opinion. The Supervisory Board has taken note of and endorses the results of this audit.

The Supervisory Board's Audit Committee – which is responsible for examining the financial statements – examined these documents and reported to the Supervisory Board in the presence of the auditors. The Supervisory Board examined the parent company financial statements, consolidated financial statements and management report for the 2006|07 financial year as well as the Management Board's proposal for the allocation of profit.

The final results of all these examinations did not give rise to objections.

The Supervisory Board has approved the parent company financial statements and consolidated financial statements prepared by the Management Board for the 2006|07 financial year, which are thus adopted for the purposes of section 125 (2) of the Austrian Stock Corporation Act. The Supervisory Board takes note of and approves the management report on the 2006|07 financial year and endorses the proposed allocation of profit.

The Supervisory Board would like to express its appreciation and thanks to the Management Board and to all staff of the Company and AGRANA Group for their effective work.

Vienna, May 2007

The Chairman of the Supervisory Board

Christian Konrad

CONTACTS

AGRANA BETEILIGUNGS-AG

Donau-City-Strasse 9, A-1220 Vienna, Austria
Phone: +43-1-211 37-0
Fax: +43-1-211 37-12998
E-Mail: info.ab@agrana.com

**Corporate Communications/
Investor Relation**

Doris Schober
Phone: +43-1-211 37-12084
Fax: +43-1-211 37-12045
E-Mail: investor.relations@agrana.com
www.agrana.com

SUBSIDIARIES

AGRANA Zucker GmbH

Headquarters:
Donau-City-Strasse 9, A-1220 Vienna, Austria
Phone: +43-1-211 37-0
Fax: +43-1-211 37-12998
Administration:
Josef-Reither-Strasse 21–23,
A-3430 Tulln, Austria
Phone: +43-2272-602-0
Fax: +43-2272-602-11225
E-Mail: info.zucker@agrana.com

AGRANA Stärke GmbH

Headquarters:
Donau-City-Strasse 9, A-1220 Vienna, Austria
Phone: +43-1-211 37-0
Fax: +43-1-211 37-12998
Administration:
Conrathstrasse 7, A-3950 Gmünd, Austria
Phone: +43-2852-503-0
Fax: +43-2852-503-19420
E-Mail: info.staerke@agrana.com

AGRANA Juice & Fruit Holding GmbH

Donau-City-Strasse 9, A-1220 Vienna, Austria
Phone: +43-1-211 37-0
Fax: +43-1-211 37-12853
E-Mail: info.juice-fruit@agrana.com

AGRANA Bioethanol GmbH

Headquarters:
Donau-City-Strasse 9, A-1220 Vienna, Austria
Phone: +43-1-211 37-0
Fax: +43-1-211 37-12998
E-Mail: info.bioethanol@agrana.com
Administration:
Industriegelände, A-3435 Pischelsdorf, Austria
Phone: +43-2277-903 03-0
Fax: +43-2277-903 03-13133
E-Mail: info.bioethanol@agrana.com

AGRANA Marketing- und Vertriebs-service Gesellschaft m.b.H.

Donau-City-Strasse 9, A-1220 Vienna, Austria
Phone: +43-1-211 77-0
Fax: +43-1-211 77-12021
E-Mail: amv@agrana.com

Imprint

Published by: AGRANA Beteiligungs-AG
Donau-City-Strasse 9, A-1220 Vienna, Austria
Corporate Communications/Investor Relation
Doris Schober
Phone: +43-1-211 37-12084, Fax: -12045
E-Mail: investor.relations@agrana.com

Design: Kreativstudio Marchesani
Concept of images: Martrix
Photography: Bernhard Angerer,
Peter Rigaud (Management Board)

WWW.**AGRANA**.COM