AGRANA

REPORT ON THE FIRST QUARTER OF 2008|09

ADDING VALUE TO NATURE'S GIFTS.

Q1 2008|09

Dear Investor

RESULTS FOR THE FIRST QUARTER OF 2008|09

Revenue and earnings

In the first quarter of the 2008|09 financial year (1 March to 31 May 2008) AGRANA increased its revenue by 10.3% (€ 46.1 million) from the prior year's first quarter to € 495.1 million. The largest revenue contribution came from the Fruit segment, which had sales of € 209.7 million or 42.4% of Group revenue. In the Starch segment, the revenue share grew to 23.2% (from 14.6% in the year-earlier first quarter) amid the positive impact of prices above last year's levels and of the expanded capacity at the plant in Hungary. Additionally, the reorganisation of by-product sales, previously assigned to the Sugar segment, contributed about € 17 million to the Starch segment's growth. In the first quarter of 2008|09 the sales decrease originally expected in the Sugar segment was balanced for the time being by currency appreciation in the CEE countries, giving the Sugar activities a 34.5% share of Group revenue.

Operating profit before exceptional items eased to € 18.0 million (Q1 2007|08: € 28.2 million). The key reasons were the higher prices for energy and corn, coupled with strong margin pressure in the Sugar and Starch segments. In the Fruit segment, operating profit was held steady. The Group's net exceptional items consisted of an expense of € 2.3 million (Q1 2007|08: € 0.5 million) for the – expected – start-up losses at the Austrian bioethanol plant in Pischelsdorf. Net financial items in the first quarter were an expense of € –4.1 million (Q1 2007|08: € –3.2 million) as a result of the higher net debt driven by investment and payment of European Union levies. On balance, the quarter's profit before tax was € 11.6 million (Q1 2007|08: € 24.4 million). Profit for the period reached € 7.4 million (Q1 2007|08: € 18.2 million). Earnings per share on the unchanged number of shares outstanding were € 0.56 compared to € 1.26 one year earlier.

Investment

Following the investment peak in the 2007|08 financial year, this year AGRANA is implementing an investment programme below the rate of depreciation. Capital expenditures in the first quarter were € 14.4 million (Q1 2007|08: € 45.1 million). Investment in the Sugar segment amounted to € 3.2 million (Q1 2007|08: € 6.3 million). Thanks to the completion of the capacity expansion at HUNGRANA and after the construction of the bioethanol plant in Pischelsdorf, only € 6.9 million were invested in the Starch segment (Q1 2007|08: € 32.0 million). In the Fruit segment, the capital spending of € 4.3 million (Q1 2007|08: € 6.7 million) paid for capacity expansion and quality improvement measures.

Cash flow

In the first quarter of 2008|09 the sustained high outflow of € –152.7 million (Q1 2007|08: € –78.1 million) from working capital as a result of the payment of sugar market restructuring levies to the EU and the payments to beet suppliers led to net cash used in operating activities of € –129.0 million (Q1 2007|08: € –46.3 million). € –9.4 million (Q1 2007|08: € –27.5 million) of net cash was used in investing activities in the first quarter, the current investment programme being smaller in scale than in the prior year. The net cash from financing activities of € 110.6 million (Q1 2007|08: € 29.2 million) reflected an increase in current borrowings.

Financial position

Although reduced from the prior-year-end, inventories were still very high at € 591.5 million (29 February 2008: € 680.3 million) due to the elevated commodity prices and high inventory values for finished goods, as well as large amounts of stored grain. The increased receivables include expected repayments from the restructuring fund as well as higher trade receivables because of the revenue expansion. Net debt was up by € 140.7 million from the end of the prior year to € 708.4 million, reflecting the restructuring payments made under the EU sugar regime, the payments to beet farmers and the conclusion of the investment programme at HUNGRANA and at the bioethanol plant in Austria. The equity ratio as of 31 May 2008 remained high at 44.3% (29 February 2008: 41.8%).

AGRANA share

The closing price of the AGRANA share on 31 May 2008 was € 68.65, with a market capitalisation of € 975.0 million. In June 2008 Erste Bank initiated research coverage of AGRANA. The Group thus receives regular analyst coverage from investment banks Raiffeisen Centrobank, Erste Bank, Goldman Sachs, Berenberg Bank and Sal. Oppenheim. UniCredit Markets & Investment Banking suspended its rating for AGRANA until further notice due to internal reorganisation at the analyst house.

SUGAR SEGMENT

Market environment

Sugar world market

The latest projection (from March 2008) of world sugar inventories by F.O. Licht for the 2007|08 campaign year predicts production of 168.9 million tonnes and consumption of 154.6 million tonnes, with a resulting increase of 10.2 million tonnes in global inventories to 86.2 million tonnes or 56% of consumption. However, based on more recent production estimates, the inventory growth can be expected to be less than this.

After a high of USD 331 per tonne in early March, the raw sugar quotation in New York swung into a downward trend, reaching USD 210 per tonne at the beginning of June. Since then, the raw sugar price has risen again as of 30 June 2008, to USD 265 per tonne. The white sugar quotation of USD 384 per tonne on the London Stock Exchange at 30 June 2008 was slightly above the interim high reached in mid-April (USD 379 per tonne) and only about USD 13 below the all-time high of USD 397 per tonne marked at the beginning of March 2008.

Sugar regime

The reform of the European Union's sugar regime requires a cut in EU quota sugar production of about 6 million tonnes, based on steady intra-EU consumption due to eliminated export opportunities and to import obligations assumed by the EU. On 26 September 2007 the Council of Agriculture Ministers, at the proposal of the European Commission, had therefore markedly increased the incentives for beet growers and sugar producers to return quota to the restructuring fund in the 2008|09 sugar marketing year (1 October 2008 to 30 September 2009). In response, by 31 March 2008 a total of 5.6 million tonnes of quota had been surrendered to the restructuring fund with effect from the 2008|09 marketing year (and 0.1 million tonnes with effect from the 2009|10 marketing year). Achieving the Commission's target of 6 million tonnes thus requires only another 0.4 million tonnes to be returned.

By contributing approximately 117,000 tonnes to the quota return programme, AGRANA too has done its part towards largely avoiding an uncompensated final quota cut in the 2010|11 marketing year. In total to date in the European Union, 5.64 million tonnes have already been taken off the market.

In a draft regulation for the chemical industry, the European Commission has proposed to the sugar management committee the opening of a duty-free import quota of 400,000 tonnes of sugar. In the last sugar marketing year, the chemical industry made very little use of a white sugar quota of 200,000 tonnes, but this year the Commission is proposing to also permit imports of raw sugar.

Sugar exports

Concerning the WTO negotiations, the sugar industry seeks the full retention of the Special Safeguard Clause. Another WTO ministerial conference is scheduled for July.

Business performance

First-quarter revenue in the Sugar segment was € 180.0 million, or 5.3% higher than the year-earlier level of € 171.0 million. Quota sugar sales – both in trading and with the food industry – were boosted by about 55,000 tonnes to 227,000 tonnes. In the first months of the 2008|09 financial year, AGRANA also succeeded in developing new markets and strengthening its market position among international customers. Prices in the Czech Republic, Slovakia and Hungary in national currency are slightly lower than a year ago, owing to the relative strength of these countries' currencies. Prices and revenues in Euros increased correspondingly.

In Austria, growth was achieved primarily by additional sales to the beverage industry triggered by preparations for the European Soccer Championships. Prices are below last year's. In Hungary, the Czech Republic and Slovakia, sales quantities rose, but this only partially offset the decline in local-currency prices. In Romania, the volumes sold to international industrial customers were pushed up. The positive trend experienced in Bulgaria confirms AGRANA's market position. In the coming months, the first revenue flows are expected from Bosnia through the commissioning of the raw sugar refinery.

In the first quarter of 2008|09, operating profit before exceptional items was € 5.6 million, thus missing the year-earlier result of € 7.8 million despite sales volume growth. This year's figure includes additional restructuring proceeds of € 1.9 million from the further return of 9,621 tonnes of quota in Slovakia by the end of March 2008.

Raw materials, crop and production

Austrian sugar beet production in 2008 will involve a crop area of approximately 43,000 hectares. In view of the competition for crop land with cereal and oil seed crops, this year's sugar beet crop area is expected to be only about 7,000 hectares in Hungary and some 4,000 hectares in Slovakia. The beet crop area for the coming sugar marketing year in the Czech Republic is around 13,000 hectares; in Romania, it is about 7,000 hectares.

STARCH SEGMENT

Market environment

Prospects of a good world grain harvest in 2008|09, particularly in the northern hemisphere, led to a substantial drop in cereal prices during the past few months. In its estimate from 10 June 2008 the US Department of Agriculture expects an increase in world grain production (excluding rice) to 1,731 million tonnes, representing growth of 2.6%.

This would mean that world cereal production could exceed global consumption for the first time in four grain marketing years, thus permitting a modest increase in inventories. However, this estimate does not yet take into account the effects of the flooding in the USA. In the EU, cereal crop area was expanded by 4% to 5% from 55 million hectares to just under 58 million hectares. Estimates of the European Commission put the EU cereal harvest in 2008|09 at about 294 million tonnes, which would be considerably more than the previous year's 256 million tonnes. With the emerging signs of improvement in the supply situation, wheat for May 2008 delivery fell below € 200 per tonne on 24 April 2008 on MATIF, the European commodity futures exchange. By the end of May, one-month futures prices for wheat declined to about € 180 per tonne. Despite a mild upturn in inventory levels, investment by speculators in world futures markets is likely to continue, accompanied by relatively high volatility in grain prices.

In anticipation of the coming harvest, commodity prices eased until the middle of June, but more recently rose again noticeably because of the flooding in the United States. From the end of March to the end of May, the MATIF quotation for corn moved in a band between € 190 and € 200 per tonne. Reports of crop losses in the USA prompted a renewed increase to above € 200 per tonne.

Given the global rise in meat consumption, demand for feedstuff remains brisk. In the face of relatively high corn prices in the USA, protein-rich alternatives such as soybean meal and DDGS (distillers' dried grains with solubles) are gaining in importance. In comparison to grain markets, price reductions have therefore been smaller in feed markets.

Business performance

Revenue in the Starch segment for the first quarter of 2008|09 was € 123.4 million, or 59.2% higher than the year-earlier level of € 77.5 million. The increase was attributable mainly to the rising bioethanol sales in Austria and Hungary and the inclusion of feedstuff revenue (which was previously credited to the Sugar segment). The revenue growth in Hungary was based not only on the expansion of ethanol capacity, but on higher isoglucose revenue and an increase in by-product prices and quantities. Strong increases in starch selling prices triggered a small decrease in sales volumes of native and modified starches.

Lower sales quantities for products with high contribution margins, higher trading volumes with corresponding margins on this business, and particularly the sharply increased raw material costs (in Hungary they rose by 85% compared to the prior year) conspired to reduce operating profit before exceptional items to € 4.2 million (Q1 2007|08: € 12.2 million). Especially for isoglucose, the prior-year contribution margin proved well out of reach. On balance, exceptional items from the postponement of the commissioning of the bioethanol plant in Pischelsdorf, Austria, made a negative difference of € –2.3 million (Q1 2007|08: € –0.5 million) in operating profit after exceptional items.

Raw materials, crop and production

For the 2008 campaign year in the Austrian potato starch activities, AGRANA contracted with about 1,500 farmers to source 204,000 tonnes of starch potatoes. Growing conditions to date were favourable. The contracts for 12,800 tonnes of potatoes to be used in products for the food industry are at the prior-year level, and the contracted quantity of organic potatoes is about 10,700 tonnes after having been increased by around 2,000 tonnes compared to the previous year in response to demand.

Corn procurement for the starch plant in Aschach has been completed until up to the new harvest. For the 2008 production of specialty corn (organic corn, waxy corn, guaranteed non-GMO corn, and organic waxy corn), contracts were concluded for about 50,000 tonnes or approximately 8,000 hectares. As well, for the coming wet corn campaign, quantity-based supply contracts were put in place for about 4,000 hectares.

In Hungary, given good weather conditions, the corn harvest is expected to amount to 7.5 million tonnes (prior year: 4.0 million tonnes). Based on its projected total processing volume of 843,000 tonnes per year, HUNGRANA has already procured approximately two-thirds of its raw material requirement. The rest will be covered mainly with freshly harvested wet corn in September, October and November.

The area planted to corn in Romania is estimated at about 2.3 to 2.7 million hectares, a small increase from the prior year. Corn prices are currently showing a falling trend. This is explained both by the upcoming satisfactory wheat and barley harvest and the good growing conditions for corn to date.

At the Hungarian starch factory, the newly added facilities are being continually and progressively brought on stream. As a result, in May the plant reached an average processing throughput of about 85% of the nominal daily capacity of 3,000 tonnes. This also includes a bioethanol production capacity of 160,000 cubic metres per year.

Bioethanol

Currently the European parliament is discussing the "directive on the promotion of energy from renewable sources". Particularly the target of 10% biofuel content by the year 2020 under sustainability criteria is at the center of the debate. The directive is scheduled to be finalised at the beginning of 2009. A lifecycle analysis by Joanneum Research Forschungsgesellschaft of Graz, Austria, has confirmed that the bioethanol plant in Pischelsdorf, by saving about 50% of greenhouse gas emissions, far surpasses the 35% minimum requirement that is being considered for the directive.

This bioethanol plant was started up again at the end of May after being shut down for six months. Since 1 June 2008, the facility produces specification-compliant bioethanol along with Actiprot high-protein feed (DDGS) from a mix of wheat and corn. Revenue of € 17.3 million was generated by the bioethanol activities in the first quarter of 2008|09, largely with the sale of bioethanol (about 29,000 cubic metres).

Sustained demand is ensured by the biogenic fuel share requirement of 4.3% (by energy content) which took effect in Austria on 1 October 2007. The target for Austria of 10% substitution from 2010 generates high market potential.

FRUIT SEGMENT

Market environment

The market growth for fruit preparations remains good in Latin America and Russia; a slowdown in growth is detectable in the USA and Central and Western Europe, caused by consumer reactions to strong increases in prices of dairy products.

The world market for fruit juice concentrates is also growing. AGRANA's Chinese joint venture, Xianyang Andre Juice, raised its daily apple processing capacity from 1,200 to 1,800 tonnes to participate in this growth.

Business performance

The Fruit segment in the first quarter of 2008|09 recorded revenue of € 209.7 million (Q1 2007|08: € 216.8 million) and earned an operating profit of € 8.3 million (Q1 2007|08: € 8.2 million) before exceptional items. The revenue differential in comparison with the prior-year period was due to seasonal fluctuation in the fruit preparation operations in Europe and the Americas, as well as low sales of apple juice concentrate in Central Europe. On the cost side, however, improvements were achieved through reorganisation measures. Thanks to AGRANA's global procurement structures, exposure to jumps in purchasing prices in individual countries was partly avoided or reduced by shifting to other procurement markets. Shortened contract periods for selling prices, coupled with the crop-sensitive setting of selling prices (crop-to-crop contracts) are to permit increasingly variable pricing in the face of volatile costs.

Raw materials, crop and production

The fruit harvests for fruit preparations (notably individually quick-frozen fruit, and purees) were satisfactory especially in Morocco and Mexico; only Chile experienced a frost year. In combination with crop area reduction in Serbia and a doubling of demand, raspberry prices are likely to increase by up to 50% from last year.

Apple crops in Europe and China are expected to be average at best. There have been no local frosts in Europe to date, but fruit fall has been heavier than usual. In parts of the regions north of AGRANA's two Chinese joint venture concentrate plants, frost damage is predicted. Additional processing capacity in China and existing capacity in Europe will lead to sustained higher raw material prices. Given the continuing high price expectations for process fruit on the part of associations and farmers in Europe, particularly in Poland, apple juice concentrate as the principal product is apt to remain under lasting high cost pressure, while AGRANA's customers expect prices to decline to below last year's levels.

An average harvest is forecast for "red berries". Although local frosts during the sour cherry harvest, particularly in Denmark, will mean crop losses, crop expectations for strawberries and black currants are at the prior-year level. For elderberries and chokeberries (also known as aronia), the growing season to date has been satisfactory.

RISK MANAGEMENT

AGRANA uses an integrated system for the early identification and monitoring of risks that are specific to the Group. The approach to risk management is guided by the aim of balancing risks and returns. A detailed description of the Group's business risks is provided in the 2007|08 annual report on pages 65 to 69.

In comparison to the 2007|08 annual financial statements, the situation for the present 2008|09 financial year is as follows: In fruit juice concentrates, and particularly apple juice concentrates, greater price pressure has built up on the part of customers, which affects both contract and non-contract products. High initial crop expectations that now appear unlikely to prove correct have further exacerbated this trend and caused margin erosion. The trajectories of prices going forward, and thus of margins in this area, are not yet foreseeable and will ultimately be determined by the actual volumes available and the resulting prices of the next crop.

SIGNIFICANT EVENTS AFTER 31 MAY 2008

Pending approval by the competition authorities, AGRANA has taken a 50% joint venture interest in the sugar marketing activities of Austria's Vienna-based SCO Studen.The company distributes white sugar products in Slovenia, Macedonia, Croatia, Serbia and Bosnia-Herzegovina. Studen is a long-standing export partner to AGRANA and sells about 130,000 tonnes of sugar annually in the West Balkan countries outside the European Union.

AGRANA laid the foundation for the West Balkan market expansion with the completion of the raw sugar refinery in Brcko, Bosnia, in the first quarter of this financial year. Operated as a joint venture with SCO Studen, the plant has a production capacity of 150,000 tonnes of white sugar per year.

On 30 June 2008 the Fruit segment successfully closed the Yongji joint venture deal to expand apple juice concentrate production in China.

OUTLOOK

Consistent with the solid revenue trend in the first quarter, AGRANA continues to expect significant revenue growth for the Group in the full year 2008|09 to more than € 2.1 billion. Based on the developments in the Group's markets, the volatilities in raw materials and drastically increasing energy prices, it currently appears likely that operating profit before exceptional items for the full 2008|09 financial year will be about 45% to 50% lower than in the prior year. The pronounced input price swings for raw materials, the sharp rise in petroleum prices and resulting high natural gas prices will further push up both production costs at all plants and transport costs, thus exerting corresponding downward pressure on margins. Countermeasures have already been taken but will not be able to make up for the adverse cost effects in 2008|09.

In the Sugar segment, the decrease in operating profit before exceptional items for the 2008|09 financial year will depend in large part on the extent of the energy price increases, which must be contained as far as possible through cost savings, along with the lowering of beet prices under the sugar regime. An offsetting beneficial influence will be the normalisation of market conditions through the high voluntary returns of quota for the 2008|09 sugar marketing year. AGRANA will respond by seizing market opportunities in deficit markets (except in Austria) both inside and outside the EU and will expand its market shares.

In the Starch segment, raw-material-driven price increases and the rising sales of bioethanol are expected to lead to revenue growth above the Group average and a significant decrease in operating profit before exceptional items. In the 2008|09 financial year, operating profit after exceptional items will additionally reflect bioethanol start-up costs in Austria of about € 6 to 7 million. Other adverse factors arethe unsatisfactory earnings situation in Hungary, higher corn costs and expenses for the commissioning of the doubled capacity.

For the Fruit segment, AGRANA expects continuing organic growth in volumes. In the fruit juice concentrates area, the presence in China is being expanded further in order to capitalise on the cost advantages in raw materials, energy and overall expenses which the location offers. The fruit preparations side will continue to perform well and is expected to see sales above last year's level. The Fruit segment's operating profit before exceptional items will decline in 2008|09 amid the high raw material costs for apple juice concentrates and a stable trend in fruit preparations. In the medium term, the expected normal harvest in Europe in autumn 2008 should contribute to the stabilisation of the European apple juice concentrate market. The shortening of contract durations is to facilitate a more rapid adjustment of fruit preparations selling prices to reflect changes in the raw material situation.

On balance, AGRANA will steadfastly pursue the existing strategy of defending the market position in Sugar and expanding the Starch and Fruit segments. The diversification across these three pillars has proved highly appropriate, particularly in the difficult past several months. A normalisation in the market situation reflecting adjustment to new balances towards the end of this financial year, should allow AGRANA to expect to return in the 2009|10 financial year to the operating profit level of financial 2007|08.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
for the first quarter (1 March – 31 May)

	2008|09 €000	2007|08 €000
Revenue	495,111	448,974
Changes in inventories of finished and unfinished goods	(94,706)	(78,841)
Own work capitalised	616	578
Other operating income	8,941	5,091
Cost of materials	(276,394)	(230,867)
Staff costs	(48,107)	(49,006)
Depreciation, amortisation and impairment losses	(17,117)	(14,701)
Other operating expenses	(52,599)	(53,606)
Operating profit after exceptional items	**15,745**	**27,622**
Finance income	6,874	4,240
Finance expenses	(10,989)	(7,452)
Share of profit of associates	0	0
Net financial items	**(4,115)**	**(3,212)**
Profit before tax	**11,630**	**24,410**
Income tax expense	(4,202)	(6,228)
Profit for the period	**7,428**	**18,182**
Attributable to shareholders of the parent	8,016	17,902
Minority interests	(588)	280
Earnings per share under IFRS	€ 0.56	€ 1.26

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the first quarter (1 March – 31 May)

	2008|09 €000	2007|08 €000
Operating cash flow before change in working capital	24,870	33,136
Gains on disposal of non-current assets	(1,244)	(1,285)
Change in working capital	(152,653)	(78,143)
Net cash from/(used in) operating activities	**(129,027)**	**(46,292)**
Net cash from/(used in) investing activities	(9,399)	(27,541)
Net cash from/(used in) financing activities	110,597	29,158
Net increase/(decrease) in cash and cash equivalents	**(27,829)**	**(44,675)**
Cash and cash equivalents at beginning of period	86,760	132,218
Cash and cash equivalents at end of period	58,931	87,543

CONSOLIDATED BALANCE SHEET

		31 May 2008 €000	29 February 2008 €000
	ASSETS		
A.	**Non-current assets**		
	Intangible assets	252,216	252,939
	Property, plant and equipment	665,313	653,316
	Investments in associates	600	600
	Securities	18,442	18,657
	Investments in non-consolidated subsidiaries and outside companies, and loan receivables	93,160	92,852
	Receivables and other assets	47,921	42,101
	Deferred tax assets	16,764	16,710
		1,094,416	**1,077,175**
B.	**Current assets**		
	Inventories	591,489	680,271
	Trade receivables and other assets	367,421	346,050
	Current tax assets	8,901	9,370
	Securities	1,301	4,314
	Cash and cash equivalents	58,931	86,760
		1,028,043	**1,126,765**
	Total assets	**2,122,459**	**2,203,940**
	EQUITY AND LIABILITIES		
A.	**Equity**		
	Share capital	103,210	103,210
	Share premium and other capital reserve	411,362	411,362
	Retained earnings	395,965	379,187
	Equity attributable to equity holders of the parent	910,537	893,759
	Minority interests	28,753	28,306
		939,290	**922,065**
B.	**Non-current liabilities**		
	Retirement and termination benefit obligations	45,769	46,233
	Other provisions	19,574	18,784
	Borrowings	306,564	307,286
	Other payables	2,355	2,033
	Deferred tax liabilities	37,768	38,549
		412,030	**412,885**
C.	**Current liabilities**		
	Other provisions	37,140	42,097
	Borrowings	480,558	370,116
	Trade and other payables	247,599	452,616
	Current tax liabilities	5,842	4,161
		771,139	**868,990**
	Total equity and liabilities	**2,122,459**	**2,203,940**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the first quarter (1 March – 31 May)

	Equity attributable to equity holders of the parent €000	Minority interests €000	Total equity €000
At 1 March 2008	**893,759**	**28,306**	**922,065**
Change in revaluation reserve (IAS 39)	(2,012)	0	(2,012)
Change in equity as a result of currency translation	10,796	1,038	11,834
Net income/(expense) recognised directly in equity	8,784	1,038	9,822
Profit for the period	8,016	(588)	7,428
Total recognised income and expense	8,016	(588)	7,428
Dividends paid	0	0	0
Other changes	(22)	(3)	(25)
Equity at 31 May 2008	**910,537**	**28,753**	**939,290**

	Equity attributable to equity holders of the parent €000	Minority interests €000	Total equity €000
At 1 March 2007	**871,154**	**24,345**	**895,499**
Change in revaluation reserve (IAS 39)	1,364	0	1,364
Change in equity as a result of currency translation	4,953	237	5,190
Net income/(expense) recognised directly in equity	6,317	237	6,554
Profit for the period	17,902	280	18,182
Total recognised income and expense	17,902	280	18,182
Dividends paid	(287)	0	(287)
Other changes	(147)	3,848	3,701
Equity at 31 May 2007	**894,939**	**28,710**	**923,649**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

including segment reporting

SEGMENT REPORTING

for the first quarter (1 March – 31 May)

	2008|09 €000	2007|08 €000
Revenue		
Sugar	180,049	171,025
Starch	123,436	77,465
Fruit	209,749	216,829
Group	513,234	465,319
Inter-segment revenue		
Sugar	(9,425)	(4,595)
Starch	(8,687)	(11,750)
Fruit	(11)	0
Group	(18,123)	(16,345)
External revenue		
Sugar	170,624	166,430
Starch	114,749	65,715
Fruit	209,738	216,829
Group	495,111	448,974

	2008|09 €000	2007|08 €000
Operating profit		
Sugar	5,552	7,755
Starch	4,177	12,202
Fruit	8,293	8,210
Group	18,022	28,167
Exceptional item: Bioethanol	(2,277)	(545)
Operating profit after exceptional items	15,745	27,622
Investment		
Sugar	3,223	6,339
Starch	6,919	32,005
Fruit	4,289	6,706
Group	14,431	45,050
Staff count		
Sugar	2,331	2,469
Starch	843	806
Fruit	5,232	5,321
Group	8,406	8,596

Accounting policies

The interim report of the AGRANA Group for the first quarter ended 31 May 2008 was prepared in accordance with the rules for interim financial reporting under IAS 34, in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated interim financial statements at and for the period ended 31 May 2008 were not audited or reviewed.

The same accounting policies were applied as in the preparation of the consolidated financial statements for the year ended 29 February 2008 (the 2007|08 financial year). The notes to those annual consolidated financial statements therefore apply mutatis mutandis to these interim accounts. Corporate income taxes were determined on the basis of country-specific income tax rates, taking into account the tax planning for the full financial year.

The 2007|08 annual report of the AGRANA Group is available on the Internet at www.agrana.com for online viewing or downloading.

Scope of consolidation

The first quarter of 2008|09 did not bring any changes in the list of companies consolidated, as approval from competition authorities is still outstanding for the already announced acquisitions (the second 50% joint venture in China in Yongji and the purchase of 50% of the Studen distribution activities).

Seasonality of business

Most sugar production falls into the three months from October to December. Depreciation and impairment of plant and equipment used in the campaign are therefore incurred largely in the financial third quarter. The maintenance costs for the coming 2008 campaign that was accrued before the financial third quarter are recognised on an intra-year accrual basis as prepaid expenses in the items “trade receivables and other assets” and “receivables and other assets”.

Notes to the consolidated income statement

In the first quarter of 2008|09 the operating profit of € 15.7 million after exceptional items (Q1 2007|08: € 27.6 million) represented pre-exceptional operating profit of € 18.0 million (Q1 2007|08: € 28.2 million) and net expenses for exceptional items of € –2.3 million (Q1 2007|08: € –0.5 million). The exceptional items were costs for the commissioning of the bioethanol plant in Pischelsdorf.

Net financial items deteriorated by € 0.9 million to a net expense of € 4.1 million. While interest costs were up because of the higher net debt, factors on the plus side included especially currency translation gains from the appreciation of the Hungarian Forint.

After taxes, Group profit for the first quarter was € 7.4 million (Q1 2007|08: € 18.2 million).

Notes to the cash flow statement

In the three months to the end of May 2008, cash and cash equivalents decreased by € 27.8 million to € 58.9 million. Inventories were reduced by less than in the first quarter of the prior year. On the other hand, a strong reduction in trade and other payables meant that working capital decreased by € 74.5 million more than it did in the prior year’s first quarter. Net cash used in operating activities during the quarter was € –129.0 million (Q1 2007|08: € –46.3 million).

The reduced net cash used in investing activities of € –9.4 million (Q1 2007|08: € –27.5 million) reflects the significantly smaller capital investment plans for this financial year.

The assumption of new debt, particularly of current borrowings, resulted in net cash of € 110.6 million from financing activities.

Notes to the consolidated balance sheet

The reduction of € 81.5 million in total assets from the level of 29 February 2008 to a new total of € 2,122.5 million was driven primarily by the contraction in inventories. While current borrowings rose by € 110.4 million to € 480.6 million, trade and other payables fell by € 205.0 million, especially through payments made to beet growers and the restructuring fund. With total equity of € 939.3 million, the equity ratio was 44.3% at the end of May.

Staff count

In the quarter ended 31 May 2008, AGRANA had an average of 8,406 employees (Q1 2007|08: 8,596). The staff size in the Sugar segment decreased, largely as a result of the closure of the Hungarian sugar plant in Petőháza. In the Starch segment, the number of employees increased in Pischelsdorf (with the commissioning of the bioethanol plant) and in Hungary (amid the capacity expansion at HUNGRANA). The workforce reduction in the Fruit segment reflected the phased downsizing in Kaplice, Czech Republic (due to plant closure) and the reduced use of seasonal workers in Austria and Ukraine.

Management Board’s responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated financial statements give a true and fair view of the Group’s financial position and the results of its operations, and the interim management report of the Group presents a true and fair review of the course of business, the business performance and the situation of the Group, together with a description of the principal opportunities and risks associated with the expected developments in the Group for the remainder of the financial year.

Vienna, 10 July 2008

The Management Board of AGRANA Beteiligungs-AG:
Johann Marihart
Walter Grausam
Thomas Kölbl

Forward-looking statements

This interim report contains forward-looking statements, which are based on assumptions and estimates made by the Management Board of AGRANA Beteiligungs-AG. Although these assumptions, plans and projections represent the Management Board’s current intentions and best knowledge, a large number of internal and external factors may cause actual future developments and results to differ materially from these assumptions and estimates. Some examples of such factors are, without limitation: negotiations concerning world trade agreements; changes in macroeconomic conditions and in market policy, such as the EU sugar regime; consumer behaviour; and public policy related to food and energy. AGRANA Beteiligungs-AG does not guarantee in any way that the forward-looking assumptions and estimates contained in this interim report will prove correct, nor does it accept any liability for loss or damages that may result from any use of or reliance on this report.

FINANCIAL CALENDAR

15 October 2008	Publication of results for first half of 2008|09
14 January 2009	Publication of results for first three quarters of 2008|09

FOR FURTHER INFORMATION

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