REPORT
ON THE
FIRST
QUARTER

AGRANA

Q1 2005|06

AGRANA
BETEILIGUNGS-
AG

SUGAR. STARCH. FRUIT.

DEAR SHAREHOLDER, DEAR SIR OR MADAM,

The General Meeting of Shareholders held on 7 July 2005 increased the dividend for the 2004|05 financial year to € 1.95 per share. That is € 0.15 more than the previous year's per-share distribution. The new shares issued during the capital increase in February 2005 will already rank for a dividend for the entirety of the 2004|05 financial year, increasing AGRANA's dividend distribution—now payable on 14.2 million shares—from € 19.9 million to € 27.7 million.

AGRANA's revenues during the first quarter of the current financial year (1 March through 31 May 2005) were 23.5 per cent up on the same period of 2004|05 at € 282.1 million. These figures do not yet include the *Atys Group* because it will only be consolidated as of the second quarter. First-quarter profit from operating activities came to € 18.4 million, which was 4.7 per cent below the previous year's excellent figure of € 19.3 million. The fall-off in profit was largely due to lower sugar prices and high but less profitable sugar exports. First-quarter consolidated earnings came to € 13.7 million (previous year: € 14.0 million). As a result, per-share earnings during the period under review were marginally below the figure of € 0.98 recorded in the first quarter of the previous financial year at € 0.97.

On 21 March 2005, AGRANA was admitted to the ATX (Austrian Traded Index), which is the index of the shares most traded in Vienna. It currently has an ATX weighting of 0.6 per cent. Daily turnover of the AGRANA share during the first quarter of 2005|06 (single-counted) averaged 18,990 units, which was 18,297 more than the previous year's first-quarter average of 693. That reflected the significant increase in our free float.

At the beginning of May 2005, the Group decided to begin bioethanol production. The decision was preceded by the incorporation of the EU Biofuels Directive into Austrian law—which will make admixtures mandatory and will provide tax relief for bioethanol from October 2007—and by intensive evaluation of possible sites and detailed evaluation of the project's cost-effectiveness. Production at AGRANA's new factory in Pischelsdorf on the Danube is planned to start in mid-2007. The factory will cost € 105 million and will have an annual production capacity of 200,000 cubic metres of bioethanol. An annual total of roughly 388,000 tonnes of wheat, 81,000 tonnes of wet maize and 48,000 tonnes of concentrated sugar beet juice will be used for bioethanol production, corresponding to about 80,000 hectares (200,000 acres) of farmed land. Austria's beet farmers plan to hold a 25.1 per cent stake in the bioethanol plant.

In the course of AGRANA's reorientation of its activities in the fruit juice concentrates sector, the marketing, distribution and sales activities of *Steirerobst*, *Vallø Saft* and *Wink* have been concentrated under the umbrella of *AGRANA Fruit Juice GmbH*, based in Bingen, Germany, since May 2005, giving those companies a shared market presence. That has optimized the exploitation of synergies between the Group's various subsidiaries. Being in Bingen strategically locates the Group's central sales and distribution company at the heart of Europe's largest fruit juice concentrates market.

Markwart Kunz resigned as a member of the Board of Management of *AGRANA Beteiligungs-AG* as of 7 July 2005. The Supervisory Board appointed Thomas Kölbl to the Board of Management in his place with effect from 8 July 2005. Thomas Kölbl's remit is internal auditing.

AGRANA ZUCKER GMBH

Conditions in the Sugar Market/ The Sugar CMO and the WTO Panel

On 29 April 2005, the WTO dismissed the European Union's appeal against the WTO Panel ruling of September 2004. As a result, exports of C sugar, which have been deemed to be cross-subsidized by the quota system, must be discontinued and the raw materials must be channelled into other commercial uses such as bioethanol production. In addition, re-exports of sugar imported into the European Union from the ACP (Africa, Caribbean, Pacific) countries, totalling 1.3 million tonnes a year, may no longer be subsidized, necessitating a corresponding cut in quotas. The EU Commission has yet to decide how it will be putting the ruling into effect.

The EU commission published its Legal Proposal for the reform of the EU sugar CMO on 22 June 2005. The concrete details of the proposal are:

- validity until 2014|15;
- a restructuring fund to encourage the voluntary cessation of white sugar production in exchange for an exit payment;
- a two-step cut totalling 42.6 per cent cut in the minimum beet price; compensation to farmers for 60 per cent of the price cut through a decoupled payment;
- a three-step cut totalling 39 per cent cut in the sugar reference price;
- the collection of a levy to finance the restructuring fund, lasting three years;
- increase of the EU isoglucose quota from about 500,000 tonnes to roughly 800,000 tonnes.

AGRANA is excellently located in the prime sugar-beet growing areas within Central Europe. As things stand at the moment, sugar extraction there will remain profitable even under the changed market conditions. Consequently, the restructuring fund should make it possible for the Group to retain most of its quotas. In addition, AGRANA will be able to offset the changes with the help of the increase in *Hungrana*'s isoglucose quota. The systematic expansion of the Group's speciality starches operations and the rapid development of its third *Fruit* division will also help ensure AGRANA's continued growth.

The Austrian Sugar Division

AGRANA concluded beet contracts with 9,300 growers for an area under beet of 44,150 hectares (109,097 acres) for the 2005 harvest. That is 1.4 per cent less than last year's total of 44,750 hectares (110,580 acres). The crop's growth is normal, so a good beet harvest of 2.7 million tonnes is expected.

We have set aside roughly € 8 million for capital expenditure at our three sugar factories in Austria during the 2005|06 financial year. Investments will focus primarily on day-to-day production, the renewal of energy systems and further improvements in hygiene standards during sugar extraction.

Aggregate sugar sales by volume during the first quarter were nearly 32 per cent up at 137,200 tonnes. That was primarily due to an increase in sugar exports, whereas intensified competitive pressures from the new members of the European Union and as a result of imports within the scope of the Western Balkans agreement reduced domestics sugar sales by 16.8 per cent. We were pleased with the increase in household sugar sales, which grew by 5 per cent to 20,500 tonnes.

The International Sugar Division

AGRANA's sugar factories in Hungary, the Czech Republic, Slovakia and Romania have concluded contracts for the cultivation of about 2 million tonnes of beet on 45,700 hectares (112,927 acres) of land. Given normal crop growth, it will be possible to extract 300,000 tonnes of sugar from that total, making use of the EU sugar quotas that we have been allocated.

Transitional stocks within the EU and relatively generous quotas are putting severe pressure on quantities and prices in the Hungarian, Czech and Slovakian sugar markets. Quota sugar exports and sales to the EU intervention system should provide the necessary relief in the marketplace. First-quarter sales in those countries were down on the year, but the expected declassification (flexible quota reduction mechanism) should balance out the decline during the second and third quarters of 2005|06.

120,000 tonnes of beet are likely to be processed into about 15,000 tonnes of sugar in Romania this year. The European Union has already granted Romania a beet sugar quota of 110,000 tonnes and a refined raw sugar quota of 325,000 tonnes. Provisionally, AGRANA's share of the Romanian beet sugar quota has been set at 22,300 tonnes or 20.3 per cent. In addition, AGRANA will be refining about 190,000 tonnes of imported raw sugar for sale in the Romanian marketplace. First-quarter sales in Romania were up on the year. Sales to manufacturers continued to develop well and exceeded expectations.

The Group's three operational sugar companies were merged to create *AGRANA Romania S.A.* as of 7 March 2005. In future, this company will handle all of the AGRANA Group's sugar operations in Romania.

€ 7 million has been set aside for capital expenditure in the sugar segment during the 2005|06 financial year. It will focus mainly on environmental protection, energy usage and quality and cost optimization.

AGRANA STÄRKE GMBH

The Austrian Starch Division

Contracts have been signed with 1,899 growers for a total of 216,700 tonnes of starch potatoes (previous year: 229,200 tonnes). If weather conditions remain favourable and given a normal starch content, we expect the resulting output of potato starch to match our EU quota. Contracts have also been concluded for 12,400 tonnes of potatoes for use by the food industry and for 7,300 tonnes of organic potatoes.

Total maize processed during the first quarter of 2005|06 was roughly 9 per cent up on the year. Maize processing during the 2005|06 financial year is expected to total about 284,000 tonnes.

Despite lower prices, optimization of the product mix and an increase in sales by volume made it possible to increase first-quarter starch revenues by about 9 per cent.

Roughly € 20 million has been set aside for capital expenditure at the Aschach maize starch factory taking place within the scope of the capacity increase to 1,000 tonnes a day.

The International Starch Division

The International Starch Division's sales by volume and value during the first quarter of 2005|06 were both roughly 11 per cent up on the same period of the previous year.

First-quarter sales by volume and value recorded by the *Hungrana* isoglucose and maize starch factory in Hungary were both up on the year. That was above all thanks to higher exports. Investment in the enlargement of bioethanol capacities will begin during the second quarter of 2005|06. *Hungrana* will have produced about 63,200 cubic metres of bioethanol for the Hungarian oil industry by the year 2007.

The enlargement of production capacities at the Tandarei starch factory in Romania continued. It has processed 13,500 tonnes of maize since the beginning of 2005. First-quarter revenues were down slightly because prices had fallen, but sales by volume were significantly up on the year. New modified starch products were successfully launched, and we began installing a drying plant for modified starches.

Capital expenditure of € 7 million is planned in the International Starch Division.

AGRANA FRUCHT GMBH & CO KG

During the first quarter of the 2005 calendar year, the AGRANA Fruit Division's fruit juice concentrates plants in Poland, the Ukraine and Hungary bought 10,763 tonnes of warehouse apples and processed them into 1,620 tonnes of apple juice concentrates.

A quantitatively and qualitatively good strawberry harvest is being forecast for this year. Strawberry is the key fruit in the fruit preparations market, and it is also used during the production of fruit juice concentrates. Sour cherries have suffered serious frost damage.

Harvests of the other fruits processed by *AGRANA Fruit* subsidiaries are expected to be normal this year, ensuring a good supply of raw materials to our production facilities.

Atys S.A.

In March 2005, AGRANA acquired another 6 per cent of *Atys S.A.*, increasing its stake to 56 per cent. *Atys* will be fully consolidated from the second quarter of the 2005|06 financial year.

The *Atys Group*'s sales by volume of fruit preparations during the first quarter of the 2005 calendar year were 9 per cent up on the same period of the previous year. The construction of the new plant in Tennessee, USA, was completed during the first quarter. The increase in capacities will make it possible for us to continue to grow with our customers in the rapidly developing North American market.

This year's cool weather in Morocco delayed the start of *Dirafrost*'s harvest by six weeks. However, the harvest yield was very satisfactory and quality was excellent, allowing good use of available plant capacities.

Vallø Saft A/S

Vallø Saft achieved a sharp increase in fruit juice concentrate sales by volume during the first quarter of the 2005 calendar year. Because of depleted concentrates inventories in Europe, we are seeing a rise in selling prices. The Køge plant is focusing on the production of "direct" juices. Rising demand for these products goes hand-in-hand with good value added.

Wink reported a substantial increase in concentrate sales during the first quarter of the 2005 calendar year. It was driven by the healthy development of *Wink*'s principal sales segments namely apple juice concentrates, pomaces, apple flavourings and purees. *Wink Handels GmbH* was renamed *AGRANA Fruit Juice GmbH*, ensuring a homogeneous, powerful, logistically optimized and customer-orientated market presence.

Steirerobst AG

This company's sales by volume of fruit juice concentrates and fruit preparations during the first quarter of the 2005 calendar year were substantially up on the same period of 2004. First-quarter sales by volume of fruit preparations increased by roughly 8 per cent.

Trial production at the Group's new fruit preparations plant in Serpuchov near Moscow began as planned. *Steirerobst o.o.o.* received a production licence from Russia's state commission at the beginning of June 2005. Production and product certification will take place over the next few weeks, allowing the first deliveries to customers to take place as scheduled at the end of July.

As part of the optimization of our production sites in Hungary, we moved plant from Gutorfölde in Western Hungary to Hajdúsámson in Eastern Hungary. Capacities at Hajdúsámson increased accordingly.

The Group's Center of Innovation and Excellence at Gleisdorf began operations during the first quarter of 2005. It is working on medium-term development projects designed to secure the Group's technological edge and lay the foundations for continued growth.

The General Meeting of Shareholders of *Steirerobst AG* held on 7 June 2005 voted to convert *Steirerobst*'s preference shares into ordinary shares. *Steirische Agrarbeteiligungsgesellschaft m.b.H.*, in which AGRANA holds a majority stake, owns over 90 per cent of *Steirerobst*'s stock. Because of the share's low liquidity, *Steirerobst*'s small free float and the company's consolidation within the AGRANA Group, *Steirerobst* is making preparations to withdraw from the stock exchange during the second half of the 2005 calendar year.

OUTLOOK

The development of revenues this year will reflect AGRANA's rapid growth, especially in the fruit sector. The *Atys Group*'s addition to the scope of consolidation as of the second quarter of 2005|06 will increase revenues to over € 1.4 billion, about 40 per cent of which will already be accounted for by fruit operations. In the sugar segment, we expect a flexible quota cut by the EU (declassification) that would reduce quota sugar volumes. Furthermore, public debate about reform of the EU sugar CMO and uncertainty regarding its enactment are making it difficult to produce accurate profit forecasts in the sugar segment. Nonetheless, AGRANA will be striving to build on last year's good results.

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CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER (1 MARCH – 31 MAY)

	2005|06 €000	Previous Year €000
1. Sales revenues	282,126	228,460
2. Change in stocks of finished and unfinished products	(97,539)	(77,860)
3. Other capitalized self-produced items	156	129
4. Other operating income	5,228	3,892
5. Cost of materials and other purchased inputs	(104,360)	(85,086)
6. Staff costs	(24,527)	(17,991)
7. Depreciation/amortization/write-downs of intangible fixed assets (without goodwill) and tangible fixed assets	(8,810)	(5,306)
8. Other operating expenses	(33,911)	(26,991)
9. Profit from operating activities (subtotal of items 1 – 8)	**18,363**	**19,247**
10. Amortization/write-downs of goodwill	0	0
11. Profit from ordinary activities (subtotal of items 1 – 10)	**18,363**	**19,247**
12. Net interest income	(2,209)	(1,051)
13. Net income from interests held for investment	1,715	(406)
14. Other profit (loss) from investing and financial activities	(121)	(583)
15. Profit (loss) from investing and financial activities (subtotal of items 12 – 14)	**(615)**	**(2,040)**
16. Profit before income tax	**17,748**	**17,207**
17. Income tax expense	(3,048)	(2,487)
18. Profit after income tax	**14,700**	**14,720**
19. Minority interests in consolidated earnings	(958)	(767)
20. Consolidated earnings	**13,742**	**13,953**
Earnings per share applying *IFRS*	€ 0.97	€ 0.98*

* Prior-year figures conform to *IAS 33.64* (adjusted to allow for the increase in the number of shareholders).

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST QUARTER (1 MARCH – 31 MAY)

	2005|06 €000	Previous Year €000
Net cash from operating activities	61,234	25,051
Net cash used in investing activities	(9,820)	(44,774)
Net cash from (used in) financing activities	(35,469)	780
Net increase (decrease) in cash and cash equivalents	**15,945**	**(18,943)**
Cash and cash equivalents at beginning of period	180,714	96,928
Cash and cash equivalents at end of period	196,659	77,985

Prior-year figures in this Interim Report do not include the *Steirerobst Group* or the *Wink Group*.

CONSOLIDATED BALANCE SHEET AS AT 31 MAY

ASSETS	As at 31 May 2005 €000	Previous Year €000
A. Non-current assets		
I. Intangible fixed assets	45,962	29,405
II. Tangible fixed assets	381,389	267,316
III. Financial fixed assets	216,770	160,237
IV. Deferred tax assets	3,139	3,719
V. Receivables and other assets	2,699	1,067
	649,959	**461,744**
B. Current assets		
I. Inventories	302,289	200,900
II. Receivables and other assets	230,369	135,095
III. Shares and other securities	150,467	57,818
IV. Cash, cheques, bank balances	46,192	20,167
	729,317	**413,980**
Total assets	**1,379,276**	**875,724**

EQUITY AND LIABILITIES	As at 31 May 2005 €000	Previous Year €000
A. Equity		
I. Share capital	103,210	80,137
II. Capital reserves	411,362	213,463
III. Retained earnings	284,207	214,934
IV. Consolidated earnings	13,742	13,953
Shareholders' interests in equity (subtotal of items I – IV)	*812,521*	*522,487*
V. Minority interests	37,600	10,315
	850,121	**532,802**
B. Non-current provisions and liabilities		
I. Provisions for retirement benefits	51,956	50,697
II. Provisions for deferred taxes	25,448	21,816
III. Other provisions	26,378	26,490
IV. Financial liabilities	98,856	8,137
V. Other payables	3,627	3,431
	206,265	**110,571**
C. Current provisions and liabilities		
I. Other provisions	46,513	54,484
II. Financial liabilities	166,681	113,023
III. Other payables	109,696	64,844
	322,890	**232,351**
Total equity and liabilities	**1,379,276**	**875,724**

SEGMENT REPORT
FOR THE FIRST QUARTER (1 MARCH – 31 MAY)

	2005|06 €000	Previous Year €000
Sales revenues		
Sugar	185,539	172,771
Specialities	105,944	62,770
Group	291,483	235,541
Inter-segment revenues		
Sugar	(2,481)	(854)
Specialities	(6,876)	(6,227)
Group	(9,357)	(7,081)
External revenues		
Sugar	183,058	171,917
Specialities	99,068	56,543
Group	282,126	228,460

	2005|06 €000	Previous Year €000
Profit from operating activities		
Sugar	9,048	13,703
Specialities	9,315	5,544
Group	18,363	19,247
Capital expenditure		
Sugar	2,226	2,689
Specialities	9,826	2,271
Group	12,052	4,960
Staff		
Sugar	2,596	2,589
Specialities	2,026	875
Group	4,622	3,464

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER (1 MARCH – 31 MAY)

	Shareholders' Interests in Equity €000	Minority Interests in Equity €000	Equity €000
On 1 March 2005	**799,364**	**36,487**	**835,851**
Earnings	13,742	958	14,700
Foreign exchange differences	(4,475)	261	(4,214)
Revaluations (*IAS 39*, *IFRIC 3*)	3,643	0	3,643
Other changes	247	(106)	141
On 31 May 2005	**812,521**	**37,600**	**850,121**
On 1 March 2004	**506,448**	**9,374**	**515,822**
Earnings	13,953	767	14,720
Foreign exchange differences	2,115	174	2,289
Revaluations (*IAS 39*)	(24)	0	(24)
Other changes	(5)	0	(5)
On 31 May 2004	**522,487**	**10,315**	**532,802**