SEMI-ANNUAL REPORT

AGRANA

Q2 2004|05

AGRANA BETEILIGUNGS-AG

SUGAR. STARCH. FRUIT.

DEAR SHAREHOLDER, DEAR SIR OR MADAM,

The 17th Ordinary General Meeting of Shareholders of *AGRANA Beteiligungs-AG* held on 2 July 2004 voted to distribute a dividend of € 1.80 per share.

The AGRANA Group continued to develop well during the second quarter of the current financial year from 1 June through 31 August 2004. Second-quarter sales revenues rose by 3.3 per cent to € 244.0 million (2003|04: € 236.1 million)—resulting in a 10 per cent increase in first-half sales revenues to € 472.4 million (2003|04: € 429.8 million)—and second-quarter consolidated earnings advanced by 22 per cent to € 17.7 million. Consolidated earnings during the first half also grew by 22 per cent, increasing per share earnings from € 2.36 to € 2.87 during the first half of the current financial year.

The Group's Fruit Division was able to acquire further interests in the period up to mid-October 2004. On 7 July 2004, *Atys S.A.* took over Belgium's *Dirafrost*, which supplies frozen fruits. On 11 October of this year—and subject to approval by the competition authorities—*Vallø Saft* took over the *Wink Group* based in Bingen, Germany.

AGRANA registered its interest in manufacturing bioethanol within the scope of Austria's national implementation of the European Union's biofuels directive.

WTO

At the end of July 2004, the members of the WTO agreed the negotiating "modalities" for market access, export facilitation and domestic support in the agricultural sector. Market access is to be substantially improved by applying a tiered formula that will progressively reduce tariffs, whereby higher tariffs will be cut by more than lower tariffs. All export subsidies inclusive of export credits and other export support will expire by an end date that has yet to be settled. The details filling out the agreed framework are to be presented by the time of the next WTO Ministerial Conference in Hong Kong planned for the end of 2005. They will also include a list of "sensitive" products, to which smaller tariff reductions will apply in conjunction with duty-free market access quotas.

AGRANA ZUCKER GMBH

AGRANA Zucker und Stärke Aktiengesellschaft was transformed into *AGRANA Zucker und Stärke Gesellschaft m.b.H.* with effect from 2 June 2004, and *AGRANA Stärke GmbH* [starch] was split off from that company as of 9 September 2004. As a result of the split, the Group's Sugar Division has been trading separately as *AGRANA Zucker GmbH* since 9 September 2004.

The Sugar Market

EU sugar regime

In the middle of July, the EU Commission published its communication for the reform of the European common market organization for the sugar sector (CMO) from 2005|06 to 2007|08. The communication's proposals include

- a 33 per cent cut in the white-sugar intervention price, to be carried out in two stages;
- a 37 per cent cut in the price of beet, with 60 per cent to be offset by decoupled direct payments to farmers;
- a 16 per cent cut in EU sugar production quotas;
- Europe-wide tradability of EU sugar quotas;
- a 300,000 metric ton rise in isoglucose quotas (increase of 60 per cent).

The majority of the member-state representatives rejected the Commission's proposals during a meeting of the Agricultural Committee on 19 July 2004. It was decided to have the reform proposals examined in detail by an expert committee. The legal text is to be presented in the spring of 2005.

WTO Panel

A WTO panel has ruled that ACP sugar re-exports and C-sugar exports are inadmissible, granting the claim by Australia, Thailand and Brazil. That implies a restriction of production in the EU. The European Commission will decide whether to appeal against the decision in November, so we can expect a final ruling in the spring of 2005.

Western Balkans Agreement

Despite initial signals to the contrary, the suspension of sugar deliveries within the scope of the Western Balkans Agreement–imposed until the beginning of August 2004–was not extended. As a result, tariff-free imports of white sugar from Serbia and Montenegro to the European Union became possible again on 8 August 2004.

The Austrian Sugar Division

Beet processing at the Tulln sugar factory began on 1 October, and Leopoldsdorf and Hohenau followed suit on 6 October 2004. The 44,750 hectares planted with beet this year (last year: 43,400 hectares) are expected to yield a harvest of roughly 2.8 million metric tons (last year: 2.5 million metric tons), which would translate into per-hectare production of 62 metric tons (last year: 57.5 metric tons). The beet's sugar content is higher than last year and will permit the extraction of roughly 450,000 metric tons of sugar (last year: 386,200 metric tons).

The European Commission has set the Austrian production quota for 2004|05 at the maximum EU sugar quota of 387,326 metric tons (2003|04: 381,550 metric tons). The 450,000 metric tons of sugar forthcoming from this year's harvest will thus exceed the quota by 62,700 metric tons or 16 per cent.

Capital outlay at AGRANA's three sugar factories in Austria–Hohenau, Leopoldsdorf and Tulln–will total roughly € 11 million this year. The principal focuses are enlargement of the cooling tower in Leopoldsdorf, improving standards of hygiene, process control systems, a palette store, a control system for the high-rack warehouse and outlay on implementing the EU directive on traceability.

Domestic sugar sales during the first half of this financial year were 5,400 metric tons up on 2003|04 at 171,700 metric tons. The increase was generated mainly by deliveries to the food and beverage industries (soft drinks industry, confectionery industry, other food and beverage producers). In the household sugar segment, first-half sales of bagged sugar were 1.1 per cent up on the year at 37,500 metric tons. Because the EU Commission was very late in issuing export licences, sugar exports to date are still substantially down on last year (H1 2004|05: 26,400 metric tons; H1 2003|04: 75,600 metric tons).

The International Sugar Division

The Group's sugar factories in Hungary, the Czech Republic and Slovakia expect to process the following quantities of beet and to produce the following amounts of sugar this year (metric tons):

	Beet harvest	Sugar extraction	EU sugar quota	Quota use
Hungary	1,100,000	160,000	147,137	109%
Czech Republic	652,000	107,000	86,344	124%
Slovakia	456,000	65,000	56,671	115%
Total	**2,208,000**	**332,000**	**290,152**	**114%**
Refinement of imported unrefined sugar in Romania		185,000		
Total (without Austria)	**2,208,000**	**517,000**		
Prior-year total	1,719,500	389,000		

Beet contracting in Romania was suspended for the 2004|05 financial year. Instead, AGRANA is restricting its sugar-making activities in Romania to refining imported unrefined sugar. Given the promise of improved support for beet growers by the Romanian government and in view of the quotas that have been negotiated with the EU, AGRANA is considering concluding beet contracts again for 2005.

Sugar sales in AGRANA's individual national markets developed as follows:

In anticipation of a hike in sugar prices to EU levels, substantial volumes of sugar were bought ahead of time in Hungary and the Czech Republic during March and April prior to EU accession. In contrast, sugar sales in May and July were braked by imports from Poland and Romania. In particular, there was a significant volume of car-trunk importing by Hungarian tourists visiting Romania. It proved possible to bring Hungarian "sugar tourism" to a halt in August 2004, since which time duty-free imports have been limited to 20 kilogrammes per person and year. There was also a substantial volume of premature buying in Slovakia ahead of EU accession.

AGRANA was able to develop its market position in Romania, and a sizeable increase in volumes was achieved. Cheap purchases of imported unrefined sugar, lower refining costs and an efficient sales network enabled us to translate those larger quantities into higher earnings.

AGRANA invested € 11 million in Central and Eastern Europe. Capital outlay focused primarily on energy use, environmental protection and product optimizations.

AGRANA STÄRKE GMBH

The Austrian Starch Division

The Gmünd factory began starch potato processing on 16 August 2004. The harvest will total about 210,000 metric tons (last year: 150,000 metric tons). Given a starch content of 19 per cent, which would be above the long-term average (last year: 18.3 per cent), the factory expects to produce 49,000 metric tons of potato starch. Consequently, we will for the first time in many years be using the entirety of the Austrian EU potato starch quota (47,691 metric tons). Alongside 210,000 metric tons of starch potatoes, AGRANA will also be processing some 16,000 metric tons of food potatoes. Those figures include a total of roughly 7,500 metric tons of organic potatoes for use in starches and foodstuffs.

The Aschach maize starch factory will be operating at full capacity this financial year and will process a total of 280,000 metric tons of maize. Aschach expects to process between 60,000 and 70,000 metric tons of freshly harvested maize (last year: 44,000 metric tons). Thanks to the good harvest outlook, maize prices have normalized this year.

The maize starch factory in Hörbranz processed approximately 9,400 metric tons of maize between March and August 2004. That represents a small increase compared with the same period of last year.

Capital expenditure by the Austrian Starch Division will total € 23 million during the 2004|05 financial year. Investment outlay is focusing primarily on the second stage of the ongoing increase in the capacity of the Aschach maize starch factory to 1,000 metric tons a day.

Sales of starch by volume and by value during the first half of 2004|05 were both up on the same period of 2003|04.

The International Starch Division

Our *Hungrana* isoglucose and maize starch factory in Hungary already began its wet maize campaign in mid-September. It expects to process 70,000 metric tons of wet maize. The cost of maize also fell sharply in Hungary. Despite the aggression of our competitors from within the EU, we stood our ground well in the Hungarian marketplace. The pressure on prices caused by sugar imports had a negative impact on isoglucose and glucose sales.

Our maize starch factory in Tandarei, Romania, also began processing wet maize as of the new harvest. Processing was glitch-free, and both output and sales have been above-plan. Maize in Romania cost less than € 100 per metric ton once the harvest had begun.

AGRANA FRUCHT GMBH & CO KG

Atys S.A.

On 28 July 2004, AGRANA and *Butler Capital Partners*, Paris, put into force the contracts for the takeover of the *Atys Group* based in Neuilly-sur-Seine, Paris, France, by signing the closing declaration.

Once approval had been obtained from the competition authorities—leaving out the *Atys Group*'s German subsidiary—the acquisition took effect. AGRANA will be taking over the entirety of *Financière Atys S.A.* by the end of 2006. The *Atys Group* is the world's leader in fruit preparations.

In August 2004, *Atys* took over *Dirafrost Frozen Fruits Industries N.V.*, Belgium. The granting of approval by the competition authorities in October 2004 put the contract of sale into force. *Dirafrost* is a supplier of frozen fruits, fruit salads and fruit purées. The company and its 320 employees recorded revenues of € 42 million in 2003. *Dirafrost* has factories in Belgium, Serbia and Morocco.

Vallø Saft A/S

On 11 October 2004, *Vallø Saft* signed the contract for the acquisition of Germany's *Wink Group* in Bingen, Germany. The takeover is subject to approval by the competition authorities. *Wink* is a leading European manufacturer of fruit juice concentrates. The *Wink Group* and its 200 employees recorded revenues of € 36 million during the 2002|03 financial year (1 September 2002 through 31 August 2003). The *Wink Group*'s factories are located in Europe's prime apple growing areas. It has one factory each in Poland and Romania and two in Hungary.

Steirerobst AG

AGRANA integrated *Steirerobst AG* into its fully consolidated companies group at the beginning of the second quarter after having taken over 54 per cent of the majority shareholder of *Steirerobst AG* in March 2004. *Steirerobst AG*'s sales by value and sales by volume in the concentrates and fruit preparations segments were both above plan and up on the previous year.

The company's major fruit preparations factory project near Moscow, Russia, is making rapid progress. The new factory will begin production as planned in mid-2005.

BUSINESS PERFORMANCE

AGRANA's sales revenues during the first half of this financial year (1 March through 31 August 2004) were 9.9 per cent up on the same period of the previous year at € 472.4 million. Profit from operating activities advanced by 5 per cent to € 40.0 million. Profit before income tax came to € 39.6 million (previous year: € 37.3 million), and consolidated earnings were 21.8 per cent up on the previous year's figure of € 26.0 million at € 31.7 million. First-half earnings per share were declared at € 2.87, which was € 0.51 up on the comparable figure for the previous year.

Consolidation took place in conformity with *IFRS*; figures for the previous year have been adjusted accordingly.

OUTLOOK

In the light of current developments, our full-year sales revenue projection remains unchanged compared with the end of Q1 2004|05 at approximately € 980 million. We expect our full-year profit from operating activities to advance by 10 per cent to roughly € 85 million.

The Board of Management of
AGRANA Beteiligungs-AG

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For further information, please contact
Brigitte GAMPE at
Group Communications/Investor Relations,
AGRANA Beteiligungs-Aktiengesellschaft
Donau-City-Strasse 9
A-1220 Vienna, Austria:

Phone: **+43-1-21 137-2930**
Fax: **+43-1-21 137-2045**
e-mail: **brigitte.gampe@agrana.at**
Internet: **www.agrana.com**

CONSOLIDATED INCOME STATEMENT	**2ND QUARTER (1 June – 31 August)**		**1ST HALF (1 March – 31 August)**	
	2004|05 €000	Previous Year €000	2004|05 €000	Previous Year €000
1. Sales revenues	243,983	236,131	472,443	429,779
2. Changes in stocks of finished and unfinished products	(74,158)	(90,200)	(152,019)	(145,044)
3. Other capitalized self-produced items	526	480	656	727
4. Other operating income	5,981	1,848	9,873	5,853
5. Expenditure on materials and purchased services	(92,115)	(74,109)	(177,201)	(154,456)
6. Expenditure on staff	(22,080)	(19,106)	(40,071)	(38,126)
7. Depreciation/amotization/write-downs of intangible non-current assets (without goodwill) and tangible non-current assets	(7,649)	(5,900)	(12,955)	(11,090)
8. Other operating expenses	(33,759)	(27,986)	(60,750)	(49,607)
9. Profit (loss) from operating activites (subtotal of items 1 – 8)	**20,729**	**21,158**	**39,976**	**38,036**
10. Amortization/write-downs of goodwill	0	0	0	0
11. Net income from restructuring	0	0	0	0
12. Profit (loss) from ordinary activities (subtotal of items 1 – 11)	**20,729**	**21,158**	**39,976**	**38,036**
13. Net interest income	(1,009)	(111)	(2,061)	(1,042)
14. Net income from interests held as investments	749	1,027	344	1,027
15. Other profit (loss) from investing and financial activities	1,881	(845)	1,298	(740)
16. Profit (loss) from investing and financial activities (subtotal of items 13 – 15)	**1,621**	**71**	**(419)**	**(755)**
17. Profit before income tax	**22,350**	**21,229**	**39,557**	**37,281**
18. Income tax expense	(3,580)	(6,315)	(6,067)	(10,587)
19. Profit after income tax	**18,770**	**14,914**	**33,490**	**26,694**
20. Minority interests in consolidated earnings	(1,037)	(382)	(1,804)	(678)
21. Consolidated earnings	**17,733**	**14,532**	**31,686**	**26,016**
Earnings per share	€ 1.61	€ 1.32	€ 2.87	€ 2.36

CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST

	2004|05 €000	Previous Year €000
ASSETS		
A. Non-current assets		
I. Intangible non-current assets	30,720	28,783
II. Tangible non-current assets	344,006	283,650
III. Financial investments	139,781	58,627
IV. Deferred tax assets	4,483	2,832
	518,990	**373,892**
B. Current assets		
I. Inventories	169,929	123,615
II. Accounts receivable and other assets	170,607	193,572
III. Shares and other securities	62,203	108,352
IV. Cash, cheques, bank balances	37,964	63,969
	440,703	**489,508**
Total assets	**959,693**	**863,400**
EQUITY AND LIABILITIES		
A. Equity		
I. Share capital	80,137	80,137
II. Capital reserves	213,463	213,463
III. Retained earnings reserves	195,332	147,912
IV. Consolidated earnings	31,686	26,016
	520,618	**467,528**
B. Minorities	**34,179**	**8,821**
C. Long-term provisions and obligations		
I. Provisions for retirement benefits	51,865	52,870
II. Provisions for deferred taxes	24,210	27,956
III. Other	24,884	20,074
IV. Long-term financial obligations	39,585	32,361
V. Other obligations	4,013	4,418
	144,557	**137,679**
D. Short-term provisions and obligations		
I. Other provisions	61,522	52,989
II. Short-term financial obligations	114,816	110,394
III. Other obligations	84,001	85,989
	260,339	**249,372**
Total equity and liabilities	**959,693**	**863,400**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST HALF (1 MARCH – 31 AUGUST)

	2004|05 €000	Previous Year €000
Net cash from operating activities	121,905	100,404
Net cash used in investing activities	(56,570)	(30,643)
Net cash used in financing activities	(62,096)	(53,967)
Net increase in cash and cash equivalents during period	**3,239**	**15,794**
Cash and cash equivalents at beginning of period	96,928	156,527
Cash and cash equivalents at end of period	100,167	172,321

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (WITHOUT MINORITIES) IN THE PERIOD ENDED 31 AUGUST

	2004|05 €000	Previous Year €000
Balance at beginning of financial year	**506,448**	**465,732**
Revaluations of available-for-sale securities	(183)	173
Currency translation differences	2,631	(4,421)
Other changes not recognized in the Income Statement	(115)	(130)
Net profit for the period	31,686	25,268
Dividends	(19,849)	(19,849)
Change in holdings of own shares	0	0
Balance at end of period	**520,618**	**466,773**

OTHER DISCLOSURES

		2004|05 €000	Previous Year €000
Capital expenditure on tangible non-current assets			
– during Q2		22,211	16,213
– during year	Planned:	62,900	51,800
Working capital		170,116	132,157
Staff		4,590	3,638