ANNUAL REPORT

2005 | 06

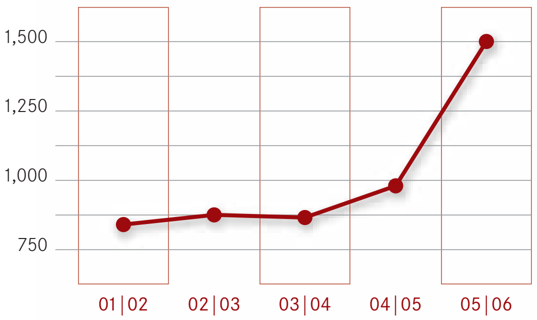
AGRANA BETEILIGUNGS-AG

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

CONTENTS

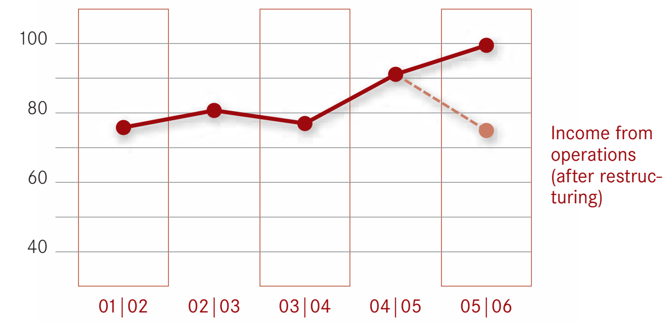
REVENUES

€mn



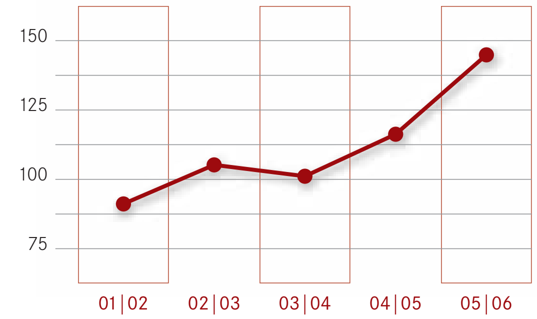
OPERATING PROFIT

€mn



NET CASH FROM PROFIT

€mn



FINANCIAL CALENDAR 2006|07

May 22, 2006	
	Press conference to present the Balance Sheet
July 13, 2006	
	Publication of results for Q1 2006|07
July 14, 2006	
	Shareholders’ Meeting
July 19, 2006	
	Dividend ex-day and dividend pay-day
October 12, 2006	
	Publication of results for H1 2006|07
January 11, 2007	
	Publication of results for Q1–Q3 2006|07

Key data
in accordance with IFRS

		2005/06	2004/05	2003/04	2002/03	2001/02
CORPORATE DATA						
Revenues	€mn	1,499.6	981.0	866.4	875.7	842.8
EBITDA	€mn	165.3	138.6	116.8	120.4	115.1
EBITDA margin	%	11.0	14.1	13.5	13.7	13.7
Operating profit	€mn	99.5	90.8	76.8	80.5	76.0
Operating margin	%	6.6	9.3	8.9	9.2	9.0
Income from operations (after restructuring)	€mn	75.0	90.8	76.8	75.1	70.3
Profit before income tax	€mn	71.7	93.2	70.7	87.2	64.1
Consolidated earnings for the year	€mn	64.7	84.3	57.5	67.3	43.6
Of which attributable to shareholders of AGRANA Beteiligungs-AG	€mn	62.7	79.9	56.5	65.4	44.3
Of which minority interests	€mn	2.0	4.4	1.0	1.9	(0.7)
Net cash from profit	€mn	144.6	115.6	100.9	105.0	90.4
Capital expenditure on tangible fixed assets[1]	€mn	91.2	52.1	28.5	34.0	29.0
Staff		8,130	4,958	3,841	3,916	4,463
ROS	%	4.8	9.5	8.2	10.0	7.6
ROCE	%	8.4	11.2	14.7	15.3	14.8
Gearing	%	34.7	14.4	4.6	(3.2)	9.3
PERFORMANCE ON THE STOCK EXCHANGE AS OF FEBRUARY 28, 2006						
Close	€	78.00	79.85	61.50	39.60	29.45
Earnings per share	€	4.42	7.18/5.62[2]	5.08	5.93	4.02
Dividend per share	€	1.95[3]	1.95	1.80	1.80	1.30
Dividend yield	%	2.5	2.4	2.9	4.6	4.4
P/E ratio		17.6	11.1	12.1	6.7	7.3
Market capitalization	€mn	1,107.8	1,134.0	678.2	436.7	44.2
BALANCE SHEET DATA						
Assets	€mn	1,855.1	1,500.4	935.2	897.1	868.6
Share capital	€mn	103.2	103.2	80.1	80.1	80.1
Fixed assets	€mn	905.0	642.3	415.5	346.3	367.2
Equity	€mn	885.8	835.9	515.8	475.0	422.9
Equity ratio	%	47.8	55.7	55.2	52.9	48.7
Net financial debt	€mn	307.4	120.1	23.6	(15.3)	39.1

[1] Includes intangible fixed assets.

[2] Earnings per share in relation to the number of shares outstanding on February 28, 2005.

[3] Proposed to the Shareholders' Meeting.

ANNUAL REPORT 2005|06

of AGRANA Beteiligungs-Aktiengesellschaft
for the financial year from March 1, 2005 through February 28, 2006

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

Mar Apr May Jun Jul Aug

3/21/2005
The AGRANA share is added to the Austrian Traded Index (ATX).

4/29/2005
The WTO rejects the EU appeal against the Panel ruling on C sugar exports and ACP sugar re-exports.

5/12/2005
AGRANA decides to build a bio-ethanol plant in Austria with an annual capacity of 200,000 cubic meters (158,000 tonnes).

7/7/2005
The Shareholders' Meeting approves the distribution of an increased dividend € 1.95 per share (compared with € 1.80 in previous year).

9/23/2005
Following successful trials, Steirerobst AG opens the new fruit preparations facility in Serpuchov, Russia.

Sep Oct Nov Dec Jan Feb

10/5/2005
Steirerobst removed from the Vienna stock exchange list.

11/24/2005
EU Council comes to an agreement on reform of the sugar CMO: Beet prices cuts by 39%, sugar reference price by 36%.

12/8/2005
German competition regulator approves AGRANA's acquisition of DSF.

12/15/2005
AGRANA's acquires remaining 37.5% of the Atys Group. Remaining 50% of Atys Austria and Atys Turkey also acquired.

1/23/2006
In response to changed conditions, AGRANA announces closure of two sugar factories. Continued use of entire EU sugar production quota.

2/3/2006
AGRANA finalizes acquisition of remaining 44% of Steirerobst AG as of the end of February 2006.

VISION AND MISSION

AGRANA is a multinational enterprise headquartered in Austria. AGRANA's Sugar and Starch divisions are active in Europe. Its Fruit Division is global. In those markets, AGRANA's goal is to be a leader in the industrial refining of agricultural raw materials.

Strategy

Growth and efficiency ensure a sustained 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 the provision of advisory services. We supply industry and trading enterprises.

Customer orientation

We offer our customers products and services that address their needs. We aim to stand out from our competitors through high quality and exceptionally high standards of service. We are creative, flexible and dedicated. Our innovative power and research and development work set trends in the market.

Organization

Our organization is decentralized and close to the market. It is founded on operating companies in the Sugar, Starch and Fruit divisions that are individually responsible for their results, and on a powerful network that ensures a constant exchange of information and expertise.

Finance

Profit constitutes the basis for the economic sustainability of our enterprise's activities. We ensure AGRANA's increasing enterprise value and ability to distribute dividends through growth and rising productivity. They are achieved by optimizing value added. We endeavor to even out risks by maintaining a balanced global portfolio.

Management and staff

We see ourselves as a multinational companies group. 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 personnel are rewarded on the basis of their performance. We promote the exchange of information, communication, training and human resources development. Flexibility and teamwork are the bedrock of our structures and internal dealings with one another.

The environment

Our actions are shaped by respect for nature and the environment. Our products are natural in origin and developed in the light of the latest ecological research. They are biodegradable and environmentally friendly. The health and safety of the workforce are especially important to us.

Product safety

The strict certified manufacturing standards to which we adhere guarantee the safety of our products. We attach especial importance to continually raising the quality and hygiene standards of the foods we make. We see it as our duty to guarantee our customers the traceability of our products back to their natural sources.

Public relations and transparency

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

PRODUCTION SITES

● SUGAR ● STARCH ● FRUIT

EUROPE: Belgium: Fruit Preparations in Herk-de-Stad. Demark: Fruit Juice Concentrates in Køge. Czech Republic: Sugar in Hrusovany, Opava. Fruit Preparations in Kaplice. France: Fruit Preparations in Mitry-Mory, Valence. Poland: Fruit Preparations in Ostroleka, Bielsk Podlaski. Fruit Juice Concentrates in Góra Kalvaria, Lipnik, Bialobrzegi. Turkey: Fruit Preparations in Altinova. Serbia: Fruit Preparations in Grdovici. Germany: Fruit Preparations in Constance. Austria: Sugar in Leopoldsdorf, Tulln. Instantproduktion in Dürnkrut. Starch in Gmünd, Aschach. Fruit Preparations and Fruit Juice Concentrates in Gleisdorf, Fruit Preparations in Kröllendorf. Russia: Fruit Preparations in Serpuchov. Ukraine: Fruit Preparations and Fruit Juice Concentrates in Vinnytsya. Hungary: Sugar 2 production sites in Petöhaza, Kaposvar. Starch in Szabadegyhaza. Fruit Juice Concentrates in Hajdusamson, Vásárosnamény, Anarcs. Romania: Sugar 2 production sites in Roman, Buzau. Starch in Tandarei. Fruit Juice Concentrates in Carei, Vaslui. Slovakia: Sugar in Sered.

WORLD-WIDE: Argentinia: Fruit Preparations in Coronda. Australia: Fruit Preparations in Central Mangrove. China: Fruit Preparations in Dachang. Fiji: Fruit Preparations in Sigatoka. South Korea: Fruit Preparations in Chung-Buk. Mexico: Fruit Preparations in Jacona, Michoacán. South Africa: Fruit Preparations in Cape Town. USA: Fruit Preparations in Bartow (Florida), Ana (Ohio), Fort Worth (Texas), Centerville (Tennessee). Morocco: Fruit Preparations 2 production sites in El Aouamra.

AGRANA'S STRATEGY

AGRANA's core area of expertise is the refining of agricultural raw materials into products for use by the manufacturing industries in the Sugar and Specialties segments.

AGRANA intends to continue to strengthen in its market position and profitability in its core business segments – which are sugar, starch and fruit – and to achieve a sustainable increase in enterprise value. This will be done by concentrating on growth and efficiency, by way of investments and acquisitions that add value, with the help of uncompromising cost control and through sustainable enterprise management. Our medium-term revenues target is € 2 billion. Strategically, AGRANA is positioned with clearly defined product segments:

- AGRANA is one of Central Europe's biggest suppliers of sugar and isoglucose.
- AGRANA's Starch Division is one of Europe's leading suppliers of specialty products.
- AGRANA's Fruit Division is the world's leader in fruit preparations and Europe's foremost manufacturer of fruit juice concentrates.

AGRANA's core area of expertise is the refining of agricultural raw materials into products for use by the manufacturing industries in the Sugar and Specialties segments. AGRANA's Specialties Segment encompasses its starch and fruit operations.

SUGAR STRATEGY: STRENGTHENING THE GROUP'S LEADERSHIP IN CENTRAL EUROPE

Sugar is AGRANA's traditional core business. It has been carrying out extensive corporate acquisitions since 1990, transforming AGRANA from a purely Austrian enterprise into one of the leading suppliers in Central Europe (Austria, Hungary, the Czech Republic, Slovakia and Romania) with a strong Eastern European focus. This has increased external revenues in the Sugar Segment from € 294 million in 1988|89 to € 754 million in the 2005|06 financial year, whereby 49 per cent of the latter total was generated by Austrian Group-members. AGRANA has set itself the goal of being the market, costs and technology leader in the Central European sugar beet processing industry. AGRANA's success is founded on the systematic tailoring of its operational activities to the needs of each of its customer segments. AGRANA manufactures numerous made-to-order sugar products for its customers in the food and beverage industries. AGRANA has created its own regional consumer sugar brand and has upgraded sugar from a commodity to a branded product.

The enactment of the reform of the EU sugar CMO by the EU Council of Agricultural Ministers in November 2005 with the aim of reducing aggregate sugar output in Europe by one third by the year 2010 materially changed the industry environment in which our Sugar Division operates. AGRANA's sugar factories are located in Europe's climatically favored growing areas. As a result, it will continue to have access to reliable sources of raw materials in the future. Consequently, AGRANA intends to maintain its sugar output at essentially the full amount of its EU quota. Far-reaching and timely rationalization and concentration that involved closing a factory in Austria and a factory in Slovakia will secure sustained and economically competitive sugar production by the AGRANA Group.

AGRANA's Specialties Segment encompasses the starch and fruit divisions.

The Starch Division's activities also include bioethanol production.

STARCH STRATEGY: GROWTH IN THE SPECIALTIES FIELD, HIGH SERVICE INTENSITY AND THE COMMENCEMENT OF BIOETHANOL PRODUCTION

AGRANA's Starch Division pursues a growth-oriented niche strategy. By stepping up its output of highly refined specialty starches, AGRANA has set itself apart from its bigger-volume competitors in Europe. Its focuses on making innovative customer-oriented products while at the same time providing the requisite applications advice, on continuous product development and on cost optimization are key to its revenue and profit growth in the Starch Segment.

Within Europe, AGRANA has established itself both as the leading supplier of organic and GM-free starches to the food industry and as a manufacturer of specialty starches for the paper, textile, cosmetic and pharmaceutical industries. Thanks to its specifically targeted product development work, AGRANA has also become an important supplier to the construction industry.

The Starch Division's activities also include bioethanol production. AGRANA has been active in this field for years by way of the alcohol manufacturing operations of its Hungarian starch subsidiary Hungrana. Against the background of the increasing use of bioethanol within the EU, Hungrana supplies ethanol to the Hungarian oil industry as a fuel admixture. In May 2005, AGRANA decided to build a bioethanol facility with an annual capacity of 200,000 cubic meters (157,000 tonnes) in Austria, signaling its presence as an industrial player in the Austrian renewable energy sector. Energy from renewable raw materials like cereals, corn and sugar beet will reduce dependence on oil, decrease environmental damage and generate new sales potential for the agricultural sector.

AGRANA's Starch Division will continue to strive for qualitative and quantitative growth in years to come by investing in bioethanol and continuing to enlarge corn starch capacities as well as with the help of the forthcoming increase of about 60 per cent in isoglucose output by AGRANA Group-member Hungrana in the wake of the reform of the sugar CMO and the development of new niche products.

FRUIT STRATEGY: GLOBAL GROWTH

AGRANA set up its Fruit Division as an additional line of business in 2003. This addition to its core business operations will secure its long-term growth. The Group's strategic focuses in the Fruit Division lie in two areas:

- Fruit Preparations for fruit yogurts: This is a global market where customers are served by nearby production facilities; thanks to growing dietary awareness, rates of growth are attractive.

- Fruit Juice Concentrates made from apples and berries: This is a growing market where production takes place locally in the parts of Europe where the raw materials are grown but concentrated juices are sold globally.

AGRANA is aiming for faster-than-market growth in both areas by pressing ahead with its organic growth and by expanding geographically into regions with attractive growth prospects.

AGRANA's prime strategic goal in the Fruit Preparations sector is to develop a global presence, enabling it to offer its globally active food industry customers on-the-spot production and services. Specifically, this will mean continuing to build on its present share of about 34 per cent of the global market in fruit preparations for the dairy industry. In the Fruit Juice Concentrates sector, it will mean opening up new raw material markets and continuing to invest in strengthening its strategic market position beyond Europe's borders.

The companies acquired over the past three years are being speedily integrated into the Group so as to rapidly realize synergetic effects in the fields, for instance, of raw materials procurement, sales, and research and development.
Production is closely tailored to the customer. Increasing product development capacities is a prerequisite if the Group is to attain its strategic goals in the Fruit Division. AGRANA's extensive know-how in the production and marketing fields is also being successfully put to work by the Fruit Division. Some fruit products are sold to the same customers in the food and beverage industries as are supplied by the sugar and starch divisions. Moreover, like the Starch Division, the Fruit Division makes industrial intermediate products from agricultural raw materials for use by the manufacturing industries, and some of its agricultural raw materials are grown under contract. Refining takes place using technologically advanced processes that are gentle on the product.

The Fruit Division encompasses the Fruit Preparations and Fruit Juice Concentrates sectors.

CAPITAL MARKETS STRATEGY: SHAREHOLDERS AS PARTNERS

AGRANA's success in achieving its growth goals will depend on a secure financial base. Since AGRANA is a capital-intensive manufacturer, having optimum equity resources plays an important part in the enterprise's risk mitigation activities. AGRANA sees its shareholders as partners in the attainment of its corporate goals. AGRANA offers its shareholders an attractive long-term return on their investment in conjunction with well-balanced risk. AGRANA's open and transparent disclosure policies are designed to promote its shareholders' trust in the enterprise.

Walter Grausam
MEMBER OF THE BOARD OF MANAGEMENT

Born in 1954.
Married, one son.
Member of the Board of Management since 1995.
Remits: Finance and Controlling, Marketing and Sales, Data Processing and Organization, Interests.

Johann Marihart
CHAIRMAN OF THE BOARD OF MANAGEMENT

Born in 1950.
Married, one daughter.
Member of the Board of Management since 1988, Chairman of the Board of Management since 1992.
Remits: Economic Policy, Raw Materials, Production, Human Resources, Communication, Research and Development.

Thomas Kölbl
MEMBER OF THE BOARD OF MANAGEMENT

Born in 1962.
Married, one daughter, one son.
Member of the Board of Management since 2005.
Remits: Internal Auditing.

PREFACE BY THE CHAIRMAN OF THE BOARD OF MANAGEMENT

DEAR SIR OR MADAM, DEAR SHAREHOLDER

The macroeconomic decisions that AGRANA had been expecting transpired during the 2005|06 financial year. They will lead to permanent structural changes affecting our companies group. The reform of the EU sugar CMO was at the center of these decisions. It aims to concentrate European sugar making in climatically favored regions and to bring the EU sugar price more closely into line with the world market price. Secondly, and in parallel, the World Trade Organization made trade policy decisions that will effectively end European sugar exports. Added to that, there was a permanent increase in global energy prices.

These important changes during the financial year ended made it clear that the markets that matter to AGRANA will be unable to escape the impact of the global economy's push toward the liberalization of world trade. Consequently, companies are being compelled to adapt their structures ever more rapidly to changing global conditions.

During the 2005|06 financial year, we made a strategic decision to invest in the industrial production of renewable energy sources from agricultural raw materials. This decision, which will involve building a modern bioethanol factory in Austria, was taken against the background of a long-term change in the energy landscape away from oil and toward renewable resources. It must therefore be seen as an important strategic building block for our Group's future growth, alongside sugar, starch and fruit.

For some time, we have been making systematic preparations for the far-reaching changes in trade policy affecting the industry environment in which our Sugar Division operates. We have largely completed the development of our internationally active Fruit Division, having already begun it three years ago. By building up our specialties business in the fruit and starch sectors, we have therefore, in good time, created the basis for balancing out the temporary declines in revenue and profit caused by the huge changes taking place within the European sugar market. However, sugar will remain one of our enterprise's cornerstones. In the Starch Division, where we have been blazing a successful growth path in recent years, we are focusing on specialty products and continuing to increase capacities.

The development of the Fruit Division produced an additional surge in internationalization at AGRANA and ushered in extensive changes in our corporate culture. In just a few years, AGRANA has developed from a regional company to a multinational with a global orientation. Consequently, most of our employees – namely 79 per cent – now work outside Austria, and our management team is an international one. AGRANA's Corporate Culture Project, which was launched during the financial year ended, is actively accompanying this transformation.

During the 2005|06 financial year, we came a big step closer to realizing our goal of becoming an international group earning stable profits despite the tougher competitive conditions that globalization is creating. For the first time, revenues in the Specialties Segment (Sugar and Fruit) matched sales in the Sugar Division. Despite the challenging economic environment, we achieved the highest operating profit (before one-off restructuring costs) since AGRANA was founded.

PROFIT IN 2005|06: CONTINUING ON OUR SUCCESSFUL GROWTH PATH

Our Group's growth increased revenues by 52.9 per cent to nearly € 1.5 billion during the 2005|06 financial year. This reflected the effects of consolidating Atys and Wink, which are members of the Fruit Division. Operating profit was 9.6 per cent up on the previous year's figure of € 90.8 million at € 99.5 million. After allowing for net restructuring expenses of € 24.5 million (comprising write-offs and social costs associated with the closure of the Hohenau and Rimavská Sobota sugar factories), income from operations came to € 75.0 million (previous year: € 90.8 million). The Specialties Segment (Starch and Fruit) was more than able to offset the fall in earnings from sugar – which dropped from € 60.7 million to € 38.7 million as a result of the changes in the market and higher energy costs – by posting operating profit before restructuring costs of € 60.8 million for the 2005|06 financial year (previous year: € 30.1 million). This was vindication of AGRANA's new strategic orientation. The Board of Management will be asking the Shareholders' Meeting to approve an unchanged dividend of € 1.95 per share.

> “During the 2005|06 financial year, we came a big step closer to realizing our goal of becoming an international group earning stable profits despite the tougher competitive conditions that globalization is creating.”

SUGAR: STILL COMPETITIVE DESPITE CHANGED CONDITIONS

Once the reform of the EU sugar CMO had been finalized in the 2005|06 financial year, AGRANA immediately decided to carry out the requisite restructuring and began systematically implementing the associated changes. Its strategic goal is to secure the Sugar Division's long-term competitiveness. Deciding to close the Hohenau sugar factory in Austria and the Rimavská Sobota facility in Slovakia was necessary and right in order to reduce costs. Thanks to economies of scale, concentrating production in Austria and Slovakia is making it possible to structure production and costs in such a way that the survival of the existing sugar factories is firmly assured within the new environment.
We see the related restructuring costs of € 24.5 million as an investment in the creation of a permanently viable Sugar Division.

STARCH: BIOETHANOL IS SHOWING THE WAY

In the future, the dynamic development of the bioethanol sector and the continuing enlargement of AGRANA's corn starch capacities will have a major impact on our rapidly growing Starch Division. Based on our experience of bioethanol production to date, namely in Hungary, we will be making about 200,000 cubic meters (158,000 tonnes) of bioethanol a year in Austria from the fall of 2007. Bioethanol production in Hungary has already begun and will gradually increase to 150.000 cubic meters a year

(115,000 tonnes). In this way, we are making a contribution to reducing dependence on oil as well as preserving jobs in the agricultural sector and helping cut CO_2 emissions.
The enlargement of capacities at Hungrana is also taking into account the increase in our isoglucose quota of about 60 per cent.

FRUIT: AGRANA HAS BECOME A GLOBAL SUPPLIER

Since entering the fruit sector in 2003, AGRANA has acquired six company groups in the fruit preparations and fruit juice concentrates industries. During the 2005|06 financial year, the complete takeover of all the companies in the Fruit Division created the basis for its wide-ranging reorganization. Operational activities in the fruit preparations sector were assigned to a newly created company called AGRANA Fruit, and operational activities in the fruit juice concentrates sector were assigned to a likewise newly created company called AGRANA Juice. This will simplify internal processes, reduce costs and optimize customer service. In addition, a structure has been created that will ready us for further expansion. Although AGRANA is already the world's leader in fruit preparations for the dairy industry and one of Europe's leading suppliers of fruit juice concentrates, we believe that there are still excellent opportunities for growth in these market segments, especially outside Europe.

OUTLOOK

The decisions taken in 2005|06 were important. We will continue to make every effort to secure our profits in the face of cost pressures during the present 2006|07 financial year. In addition, we are heading for further growth. We want to go on strengthening AGRANA's market positions in all three of its business divisions, namely Sugar, Starch and Fruit. In the medium term, we are targeting annual revenues of € 2 billion.

We thus hope to pass more, important milestones this financial year, although we will only mention a few here. In the Starch Division, they will include completing the capacity enlargements at our Austrian corn starch factory and the continuing enlargement of the Hungrana corn starch and isoglucose factory in Hungary with the goal of reinforcing our position in the Central European market. We will also be starting construction of our bioethanol plant in Austria as soon as the environmental impact assessment has been completed as well as enlarging the bioethanol facility at Hungrana in Hungary.
From the 2006|07 financial year, every company in the Fruit Division will be wholly owned by AGRANA. This is a prerequisite for the bringing together under one management structure of the members of the Fruit Division that have so far been operating independently. This will be crucial if we are to realize cost advantages and avoid unnecessary duplication of our activities.

At this point, I would like on behalf of the entire Board of Management to thank all those who do business with us for our effective work together. I would also like to thank our shareholders, whose number was greatly enlarged by the capital increase in February 2005. They gave us the fuel we need for our growth, as has, among other things, been demonstrated by our admission to the Vienna stock exchange's ATX index. I would especially like to thank all our staff. It is they who make AGRANA's successes possible in the first place.

Sincerely,

Johann Marihart

AGRANA BETEILIGUNGS-AKTIENGESELLSCHAFT

REVENUES: € 1,499.6 million

SUGAR SEGMENT

SUGAR DIVISION

REVENUES: € 753.8 million

- AGRANA ZUCKER GMBH (AT)
- MORAVSKOSLEZSKÉ CUKROVARY A.S. (CZ)
- MAGYAR CUKOR RT. (HU)
- SLOVENSKÉ CUKROVARY A.S. (SK)
- AGRANA ROMANIA S.A. (RO)
- AGRANA MARKETING- UND VERTRIEBSSERVICE GMBH (AT)
- INSTANTINA GMBH (AT)
- ÖSTERREICHISCHE RÜBENSAMENZUCHT GMBH (AT)

SPECIALTIES SEGMENT

STARCH DIVISION

REVENUES: € 204.6 million

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

FRUIT DIVISION

REVENUES: € 541.2 million

- AGRANA FRUCHT GMBH (AT)
- ATYS S.A. (FR)
- DIRAFROST N.V. (BE)
- DSF GMBH (DE)
- STEIREROBST AG (AT)

AGRANA FRUIT

FRUIT PREPARATIONS*

- STEIREROBST AG (AT)
- VALLØ SAFT A.S. (DK)
- WINK GROUP (DE)
- AGRANA FRUIT JUICE GMBH (DE)

AGRANA JUICE

FRUIT JUICE CONCENTRATES*

RESEARCH AND DEVELOPMENT

- ZUCKERFORSCHUNG TULLN GMBH (AT)

* From the middle of 2006, all companies in the Fruit Preparations sector will be allocated to a newly created company called AGRANA Fruit and all companies in the Fruit Juice Concentrates sector will be allocated to AGRANA Juice.

THE AGRANA SHARE

Financial calendar

5/22/2006
Press conference to present the Balance Sheet

7/13/2006
Publication of results for Q1 2006|07

7/14/2006
Shareholders' Meeting

7/19/2006
Dividend ex-day and dividend pay-day

10/12/2006
Publication of results for H1 2006|07

1/11/2007
Publication of results for Q1–Q3 2006|07

The AGRANA share was admitted to the Viennese stock exchange's ATX index as of March 21, 2005. In April 2006, the ATX covered the shares of 21 companies that were the most liquid and highly capitalized investments in the Prime Segment. On April 28, 2006, the AGRANA share had a weighting of about 0.5 per cent in the ATX.

Following an impressive gain of 29.8 per cent in the previous year, the AGRANA share stood at € 79.40 at the beginning of the 2005|06 financial year. It reached its high, of € 81.50, on October 4, 2005, and a low of € 69.11 on January 31, 2006. The AGRANA share's volatility was essentially the result of discussion about reform of the EU sugar CMO. It ended the financial year on February 28, 2005, at € 78.00. The company had a market capitalization of € 1,108 million on the balance-sheet date. By April 28, 2006, the share had risen to € 84.36, which was above its high of € 81.50 during the 2005|06 financial year.
Daily turnover of the AGRANA share during the 2005|06 financial year averaged 15,701 shares (single-counted), as against 6,037 shares in the previous year. The reasons for its greatly increased liquidity included a much bigger free float following the capital increase in February 2005 as well as our intensified capital market communication activities and the AGRANA share's addition to the ATX.
Besides being traded in the Prime Market segment on the Vienna stock exchange, the AGRANA share (ISIN code: AT0000603709), is also listed in the Präsenzhandel segment on the Frankfurt stock exchange as well as on the Stuttgart and Berlin-Bremen stock exchanges.

AGRANA'S SHARE DURING THE 2005|06 FINANCIAL YEAR (3/1/2003 – 4/28/2006)

INFORMATION AND DISCLOSURES

The capital increase in 2005 considerably broadened AGRANA's shareholder base in Austria and abroad. We took this into account by greatly intensifying out communication work in the investor relations und public relations fields. Regular published financial reports, ad hoc announcements and press releases are key components of AGRANA's ongoing corporate communication and investor relations activities. In addition the www.agrana.com website offers shareholders regular updates on the enterprise and its business development.

In the course of the financial year, AGRANA's Board of Management presented the enterprise and its business strategy at a number of international investor conferences. These activities were supplemented by Europe-wide road shows that centered on direct contacts with institutional investors.
Conference calls and numerous one-on-one meetings with analysts took place dealing with current topics. In addition to Raiffeisen Centrobank, the Morgan Stanley and CA IB investment houses carried out regular analyses of the AGRANA share during the 2005|06 reporting period.

Several press conferences, numerous personal meetings with journalists and continuous contact with our private shareholders rounded off AGRANA's information activities. AGRANA also had a stand at Vienna's GEWINN Fair in October 2005.

DISTRIBUTION

The Board of Management and the Supervisory Board will be asking the Shareholders' Meeting July 14, 2006, to approve the same dividend as for the previous year, namely € 1.95 per share. The distribution on 14.2 million shares would come to roughly € 27.7 million as a result. Because of restructuring, this would increase our distribution ratio to some 44 per cent, as against 35 per cent with respect to the previous year. This reflects AGRANA's continuity-oriented dividend policy.

SHAREHOLDER STRUCTURE

Z&S Zucker und Stärke Holding AG (Z&S), based in Vienna, currently holds about 75.5 per cent of the share capital of AGRANA Beteiligungs-AG. Z&S is a wholly owned subsidiary of AGRANA Zucker, Stärke und Frucht Holding AG, based in Vienna, in which Südzucker AG, Mannheim/Ochsenfurt, Mannheim, Germany (Südzucker) and Zucker-Beteiligungsgesellschaft m.b.H., Vienna (ZBG) hold stakes of about 50 per cent each. Raiffeisen-Holding Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung, Marchfelder Zuckerfabriken Gesellschaft m.b.H., Estezet Beteiligungsgesellschaft m.b.H., Rübenproduzenten Beteiligungs GesmbH and Leipnik-Lundenburger Invest Beteiligungs AG, all based in Vienna, hold stakes in ZBG. Under the syndicate agreement concluded between Südzucker and ZBG, the parties in the syndicate have, among other things, certain rights of nomination to AGRANA's boards.

ISIN code:	AT0000603709
Stock exchange segment, index:	Prime Market, ATX
Share class:	Ordinary
Number of shares:	14,202,040
Share capital:	€ 103.2 million
Market capitalization (2/28/2006):	€ 1,107.8 million
Reuters code:	AGRV.VI
Bloomberg code:	AGR AV
Stock exchange code:	AGR

CORPORATE GOVERNANCE

Strict corporate governance and transparency principles are guarantors of responsible management and control, in turn increasing the confidence of domestic and foreign investors in an enterprise's ability to create value added on a sustained basis. AGRANA sees adherence to such principles as not just an obligation but also as a matter of course.
Austria's Corporate Governance Kodex is a body of management and supervision rules that is, above all, applicable to listed stock corporations and a gauge of voluntary self-imposed commitment. It was first presented to the public on October 1, 2002.

During its meeting on February 24, 2005, the Supervisory Board of AGRANA Beteiligungs-AG unanimously voted to commit the enterprise to observing the Austrian Corporate Governance Kodex. The AGRANA Group's corporate culture has always been based on open and constructive teamwork between the Board of Management and the Supervisory Board, who together ensure that the requirements of the code are adhered to.
In view of its commitment to the Austrian Corporate Governance Kodex, it is a matter of course for AGRANA to adhere to all the rules that are designated as a Legal Requirement (L rules). Similarly, the enterprise endeavors to comply with the recommendations contained in the Comply or Explain category.

AGRANA's boards regularly address the requirements of the Corporate Governance Kodex. AGRANA will also be adopting the lion's share of the revised requirements and recommendations published in 2006. AGRANA applied the code in the version of February 22, 2005, during the 2005|06 financial year and disclosed and explained its non-compliance with points 38, 49 and 54 on its website as follows:

- Rule 38: The Satzung (articles of incorporation) does currently not provide for an age limit for the nomination of Board of Management members. AGRANA does not believe that it is necessary or would be useful or expedient to impose a special age limit for members of the Board of Management by law.
- Rule 49: Contracts and, in particular, consulting contracts with enterprises of the core shareholder of the Company that are closely related to persons elected to the Company's Supervisory Board must stand up to scrutiny in compliance with the arm's-length principle and are concluded by agreement with the Supervisory Board. For reasons of business policy and competition law, they are not published.
- Rule 54: AGRANA does not believe that a limitation on the number of supervisory board positions held by supervisory board members or an age limit for the nomination of supervisory board members would be useful and the Satzung currently does not provide for such restrictions.

GROUP MANAGEMENT REPORT 2005|06

FINANCIAL STATE AND PROFIT POSITION DURING THE 2005|06 FINANCIAL YEAR

REPORTING IN ACCORDANCE WITH IFRS: CHANGES IN THE SCOPE OF CONSOLIDATION

The Consolidated Financial Statements for the 2005|06 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS).
The Atys Group with its 26 group members was fully consolidated for the first time as of the start of the second quarter of 2005|06. Two other, new companies were consolidated as of the third quarter, namely Atys GSO N.A., Inc. and Atys Latinoamerica S. de R.L de C.V. The balance sheet of DSF GmbH was accounted for in the Consolidated Financial Statements for the first time as of the end of the 2005|06 financial year, but not its income statement.
In addition, newly founded subsidiary AGRANA bioethanol GmbH underwent first-time consolidation in the second quarter. Ruma Handelsgesellschaft m.b.H. was sold on November 2, 2005 and has therefore no longer been included in the scope of consolidation since the third quarter of 2005|06.
Unlike the AGRANA Group (financial year from March 1, 2005, through February 28, 2006), all the companies in the Fruit Division had a financial year from January 1, 2005, through December 31, 2005. However, balance-sheet dates will be harmonized in the course of the current financial year.
AGRANA's business activities are divided between two segments:

- the Sugar Segment (Sugar Division) and
- the Specialties Segment (Starch Division and Fruit Division).

CONSOLIDATED REVENUES AND PROFIT

Consolidated revenues during the 2005|06 financial year were up nearly 53 per cent at € 1,499.6 million (previous year: € 981.0 million). This was above all due to the addition of the Wink Group to the scope of consolidation as of January 1, 2005, and of the Atys Group as of the second quarter of 2005|06, but it was also partly due to an export driven increase in sales by value in the Sugar Segment.

AGRANA GROUP	2005|06 €000	2004|05 €000
Revenues: Sugar Segment	770,418	671,570
Revenues: Specialties Segment	773,716	345,499
Inter-segment consolidation	(44,532)	(36,053)
Consolidated revenues of the AGRANA Group	1,499,602	981,016
Operating profit	99,547	90,780
Net restructuring expenses	(24,534)	–
Income from operations	75,013	90,780
ROCE	8.4%	11.2%
Capital expenditure on tangible fixed assets	91,195	52,077
Capital expenditure on financial fixed assets	7,531	98,195
Staff	8,130	4,958

Despite narrower margins in the Sugar Division and an increase of about 50 per cent in energy costs, operating profit grew by 9.6 per cent to € 99.5 million (previous year: € 90.8 million). Rationalization carried out after the reform of the EU sugar CMO, which involved the closure of two of the Group's 11 sugar factories, led to the recognition of one-off restructuring costs of € 24.5 million in the Annual Financial Statements. € 13.4 million of that total was due to exceptional write-downs and € 11.1 million was caused by other expenses (which, however, were not recognized in the Income Statement for the 2005|06 financial year). The restructuring costs reduced income from operations to € 75.0 million (previous year: € 90.8 million).
Following net financial income of € 2.4 million in 2004|05, we recorded net financial expense of € 3.3 million in the 2005|06 financial year. This was above all due to acquisitions in the Fruit Division and the associated increase in interest expenses. Profit before tax thus came to € 71.7 million (previous year: € 93.2 million). Thanks to a reduction in our tax load to 9.8 per cent as a result of exceptional effects, consolidated earnings for the year came to € 64.7 million (previous year: € 84.3 million).
Consolidated earnings for the year attributable to AGRANA's shareholders came to € 62.7 million (previous year: € 79.9 million).

RESULTS IN THE SUGAR SEGMENT

The Sugar Division's revenues in the 2005|06 financial year were up 13.9 per cent at € 753.8 million (previous year: € 661.6 million), whereby the substantial increase in volumes generated by higher exports was accompanied by a fall in the market price of sugar caused by high sugar imports, above all from the Western Balkan countries. The Sugar Division still accounted for just over 50 per cent of total consolidated revenues.
Because C sugar exports will become impossible after May 22, 2006, we substantially increased our sales of sugar over and above our quotas. Fortunately, the world market price of sugar began to rise significantly in the fall of 2005, greatly improving export earnings in the period up to the end of the financial year.
Operating profit was substantially down on the previous year's record figure of € 60.7 million at € 38.7 million. This was attributable to the fall in domestic prices, the drop in export refunds as the world market price of sugar rose, hikes in EU levies and shipping costs and higher energy costs. Because of our one-off restructuring costs of € 24.5 million, the segment's income from operations came to just € 14.2 million.

RESULTS IN THE SPECIALTIES SEGMENT

Revenues in the Specialties Segment were 133.5 per cent up on the year at € 745.8 million (previous year: € 319.4 million), accounting for 49.7 per cent of AGRANA's total consolidated revenues.
The development of revenues was mainly a reflection of the full consolidation of the Wink Group as of January 1, 2005, and of the Atys Group (the world's leader in fruit preparations for the dairy industry) as of the second quarter of 2005|06.
Income from operations more than doubled on the year from € 30.1 million to € 60.8 million.

SUGAR SEGMENT	2005|06 €000	2004|05 €000
External revenues	753,793	661,578
Operating profit	38,707	60,654
Net restructuring expenses	(24,534)	–
Income from operations	14,173	60,654
Capital expenditure on tangible f.a.	13,356	17,617
Capital expenditure on financial f.a.	7,373	31,474
Staff	2,881	2,819

SPECIALTIES SEGMENT	2005|06 €000	2004|05 €000
External revenues	745,809	319,438
Operating profit/ Income from operations	60,840	30,126
Capital expenditure on tangible f.a.	77,839	34,460
Capital expenditure on financial f.a.	158	66,721
Staff	5,249	2,139


Slovakia
Romania
Czech


Republic Hungary Austria

THE SUGAR SEGMENT – SUGAR DIVISION

The Sugar Division is managed by AGRANA Zucker GmbH. AGRANA Zucker GmbH holds our interests in all of the Sugar Division's foreign subsidiaries.
Furthermore, AGRANA Zucker GmbH (directly or indirectly) holds all of the Fruit Division's interests. However, their coordination and operational management are the responsibility of AGRANA Frucht GmbH & Co KG. Besides sugar business, the Sugar Division encompasses the related operations of INSTANTINA Nahrungsmittel Entwicklungs- und Produktions Gesellschaft m.b.H., Austria, inclusive of its Hungarian subsidiary, and of RUMA Handelsges.m.b.H., Austria, as well as AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H. (AMV). Besides selling sugar and food starches, AMV carries on extensive animal feed business (selling by-products of sugar and starch extraction and trading in animal feed). AMV also handles brand management in connection with all the products made by AGRANA Zucker GmbH within Austria as well as the marketing and sale of the flour brands made by Erste Wiener Walzmühle Vonwiller Ges.m.b.H., Fritsch Mühlenbetriebsges. m.b.H. and Farina Mühlen Ges.m.b.H., in addition to which it handles sales of the catering products of Hellma Lebensmittel-Verpackungs-Ges.m.b.H. (a member of the Portion Pack Europe Group).

PREVAILING CONDITIONS

The WTO's Doha Development Round

During the WTO Ministerial Conference in Hong Kong in December 2005, the negotiating parties agreed that the export refunds should expire in 2013. The reform of the sugar CMO has taken that into account by way of the restructuring fund's quota purchasing scheme. Negotiations on cutting agricultural and industrial tariffs are to resume by the summer of 2006. The reform of the sugar CMO and the price cuts it contains are already a major advance concession.

The WTO Panel

The WTO Panel applied for by Australia, Brazil and Thailand in opposition to C sugar exports and re-exports of ACP[1] (Africa-Caribbean-Pacific) sugar has ruled against the European Union. The prior regulations will only run until Mai 22, 2006, after which allowed sugar exports will be reduced to the existing WTO export limits.

The WTO Panel

According to the International Sugar Organization (ISO), world sugar consumption will have exceeded the world sugar supply by between 1.5 and 2.0 million tones during the 2005|06 sugar marketing year.

[1] ACP sugar: raw sugar from Africa and the Caribbean and Pacific regions.

As the price of oil rose last year, Brazil stepped up bioethanol production at the expense of sugar output. In addition, the harvest in Thailand was down on the year, and sugar exports by the EU are expected to decline in the 2006|07 sugar marketing year because of the WTO Panel ruling and the reform of the sugar CMO. These factors have set off a sharp rise in the world market price of sugar. On February 28, 2005, raw sugar was still being quoted at just US$ 202.16 per tonne in New York. On the same day in 2006, it stood roughly 83 per cent higher at US$ 369.05 per tonne. In the same period, the world market price of white sugar (quoted in London) rose by about 65 per cent from US$ 262.70 a tonne to US$ 433.00 a tonne.

The EU sugar CMO

At the end of November 2005, the EU Council of Agricultural Ministers came to an agreement on reform of the sugar CMO. The reform was adopted in mid-February 2006. The key elements of the general approach agreed are as follows:

- a 36 per cent price cut on white sugar (reference price) beginning in 2006|07 and operated over four years and a cut of about 39 per cent on beet;
- decoupled compensation to beet farmers at a level slightly above 60 per cent of the price cuts in 2006 and 2007 and 64.2 per cent of the price cuts in 2008 and 2009;
- merging of A and B quota into a single production quota;
- replacement of the existing intervention price by a reference price and by a private storage mechanism; until 2010, limited intervention option for a maximum quantity of 600,000 tonnes per year of white sugar at 80 per cent of the reference price of the following year;
- introduction of a voluntary restructuring scheme – lasting 4 years – with a degressive exit payment to encourage total factory closure and the renunciation of quota to be financed by a levy on the sugar industry by way of a levy lasting three years;
- compensation for the loss of C sugar production by way of the availability of an additional amount of 1.1 million tones against a one-off payment of € 730 per tonne of sugar;
- exemption from quota regulation of sugar for use in the chemical and pharmaceutical industries and for making bioethanol;
- increase of isoglucose quota of 300,000 tonnes over three years with an increase of 100,000 tonnes each year.

SUGAR DIVISION
EXTERNAL REVENUES
€mn

CAPITAL EXPENDITURE
ON TANGIBLE FIXED ASSETS
€mn

STAFF

- option of allocations of additional isoglucose quotas totaling 103,000 tonnes to Sweden, Italy and Lithuania subject to a one-off payment of € 730 per tonne;
- option of using beet sugar facilities for refining raw sugar from 2009;
- retention of compulsory licenses for imports and exports; quantities of imports from LDC[1] countries generally unlimited from 2009 within the scope of the "Everything but Arms" Initiative; however, automatic triggering of the safeguard clause in the event of market disruptions;
- continuation of exports within the WTO limit;
- validity until 2014|15; no review clause.

The EU sugar market

Although the area under beet was unchanged at 2.1 million hectares, favorable weather conditions resulted in EU sugar output of 21.2 million tonnes in 2005|06, which was only slightly below the previous year's record figure of 21.5 million tonnes.
On October 2005, the EU decided to carry out a one-off quota cut (declassification) totaling roughly 1.9 million tonnes for the 2005|06 sugar marketing year. AGRANA's sugar quota was declassified to the tune of 58,086 tonnes or 8.6 per cent to 619,392 tonnes.

The European Union already imposed a one-year cut in the EU production quota for the 2006|07 sugar marketing year of 2.5 million tonnes or 13.7 per cent (including inulin and isoglucose) in February 2006 within the scope of the transitional measures. For AGRANA, the 2006|07 quota cut will come to 85,940 tonnes or 12.7 per cent, which, thanks to the comparatively smaller cut in its A quota, was less than the EU average (Eastern European countries only have a small proportion of B quota).

Necessary structural changes

Given the fall in sugar prices and sizable payments to the restructuring fund, the pressure of costs on the industry has increased sharply. Far-reaching rationalization and concentration are thus unavoidable. For this reason, the decision was made at the beginning of 2006 to close two of the Group's 11 sugar factories, substantially improving the use of capacities at the other factories in the countries concerned by lengthening their campaigns. The factories in Hohenau, Austria, and Rimavská Sobota, Slovakia, will no longer be processing beet during the 2006|07 campaign. These measures are designed to adapt the production and cost structures of the remaining AGRANA sugar factories to the new conditions and to secure their long-term existence.

DEVELOPMENT OF INSTITUTIONAL PRICES		to 06/2006	07/2006 to 09/2007	10/2007 to 09/2008	10/2008 to 09/2009	10/2009 to 09/2010	2010|11 to 2014|15
		€/tonne	€/tonne	€/tonne	€/tonne	€/tonne	€/tonne
Reference price of white sugar		631.9[2]	631.9	631.9	541.5	404.4	404.4
Reference price of raw sugar		523.7[2]	496.8	496.8	448.8	335.2	335.2
Restructuring levy (sugar)		–	126.4	173.8	113.3	0	0
Restructuring levy (isoglucose)		–	63.2	86.9	56.6	0	0
Restructuring aid		–	730	730	625	520	0
Production levy	A beet:	12.64	0	12	12	12	12
	B beet:	249.60					
Minimum beet price	A beet:	46.72	32.9	29.8	27.8	26.3	26.3
	B beet:	32.42					

[1] Least Developed Countries.
[2] Intervention price.

Inter-trade agreement

Reform of the sugar CMO also made it necessary to amend the national inter-trade agreement between beet growers and the sugar industry. Far-reaching changes to growing conditions were agreed between AGRANA and the growers' representatives (Die Rübenbauern) to suit the new environment.

SUGAR IN AUSTRIA

High pressure from imports and falling prices shaped the development of sales in Austria during the year under review. It proved possible to increase sales by value from € 296 million to € 316 million, whereby a big increase in quantities coincided with sometimes substantial declines in prices. Price cuts were necessary in both the industrial and the household sector because of aggressive pricing by exporters in Eastern Europe and the Western Balkans. In addition, increased quantities of cocoa-and-sugar mixtures from Croatia, intended above all for the confectionery industry, entered the market at the end of 2005. As a countermeasure, we massively intensified our "Nur Wiener Zucker ist Zucker aus Österreich (only Wiener Zucker is Austrian sugar)" marketing line. Labels bearing the Austria slogan are a firm feature of every sugar variety made in Austrian.

The pursuit of a consistent brand policy in the retail segment ("Wiener Zucker") enabled us to defend or reinforce our market shares in Austria.

Export prices, above all prices in the EU, came under severe pressure as well, and we were also forced to accept cuts in these markets. There was a welcome surge in the world market price of sugar from the fall of 2005, improving export earnings towards year-end.

We were able to increase our sales of quota sugar from 358,000 tonnes to 406,000 tonnes. However, sales in Austria fell from 309,000 tonnes to 277,000 tonnes.

We mainly exported quota sugar to Macedonia, Bosnia-Herzegovina, Romania and Syria. Because of the pressure created by exports of quota sugar from within the European Union, export license costs were extremely high (up to € 100 a tonne), greatly reducing earnings from these sales.

The good 2005 harvest boosted the available volume of C sugar, and it proved possible to increase C sugar sales from 30,300 tonnes to 95,300 tonnes. Prices of by-products (molasses, pulp) fell, especially prices of dried pulp.

Thanks to ongoing process optimization, we were able to reduce limestone use during beet processing by 7.8 per cent. Total energy consumption in relation to beet processed was 4.2 per cent down on the year. However, this only offset a small part of the rise in energy prices of about 57 per cent, substantially inflating sugar extraction costs.

Capital expenditure during 2005|06, which came to

THE AGRANA GROUP'S CAMPAIGN FIGURES FOR 2005

		Austria	Hungary	Czech Republic	Slovakia	Romania[1]	**Total**	Previous year
Number of beet growers		9,324	207	156	158	105	**9,950**	10,041
Area under beet	Hectares	44,211	23,255	13,236	9,427	3,751	**93,880**	93,040
Duration of campaign	Days	78.25	99.42	86.35	97.22	27.75	**85.44**	82.19
Daily processing throughput	Tonnes	40,055	14,611	8,281	5,542	2,846	**71,335**	62,529
Total beet processed	Tonnes	3,132,604	1,450,358	712,192	520,174	78,966	**5,894,294**	5,139,136
Beet yield	Tonnes/Hectare	70.86	62.37	53.81	55.18	21.05	**62.79**	55.24
Polarization		17.11%	15.62%	18.13%	15.49%	15.51%	**17.15%**	17.15%
Sugar extraction	Tonnes	488,932	206,191	117,473	72,261	10,505	**895,362**	796,830
Quota	Tonnes	340,799	143,028	82,781	52,784	–	**619,392**	677,477

[1] Beet sugar campaign.

€ 5.2 million, focused on infrastructure investments, hygiene, adaptations in conformity with the International Food Standards and technological improvements.

SUGAR IN HUNGARY

Domestic sales in the Hungarian sugar market totaled roughly 326,000 tonnes during the 2005|06 financial year (previous year: 310,000 tonnes). Imports amounted to 66,000 tonnes, with most of the total coming from the Western Balkan countries.
Additions to intervention stocks in June 2005 led to a small rise in Hungarian sugar prices. Sugar output during Hungary's 2005 campaign came to 491,000 tonnes, which was 102,000 tonnes above the country's declassified EU quota for 2005|06.
Magyar Cukor's share of Hungary's total sugar quota of 401,684 tonnes was 147,137 tonnes, or 37 per cent thereof. Declassification in 2005 reduced the company's sugar quota by 4,109 tonnes to 143,028 tonnes. The one-year quota cut in 2006 will affect Magyar Cukor to the tune of 13,816 tonnes, giving it a quota of 133,321 tonnes for the 2006 campaign.

Magyar Cukor Rt., Budapest

Magyar Cukor Rt. recorded revenues of € 123.2 million (previous year: € 82.1 million) during the 2005|06 financial year.
Magyar Cukor Rt.'s domestic sales came to 91,000 tonnes (which translates into an overall market share of 28 per cent and 35 per cent of total domestic production).
40,300 tonnes were sold to the intervention system, C sugar sales came to 41,700 tonnes and quota sugar exports totaled 37,700 tonnes.
The company's capital expenditure came to € 2.3 million. Most of the total was spent on reducing energy consumption at our two factories in Hungary.

SUGAR IN THE CZECH REPUBLIC

Sugar sales by volume in the Czech Republic grew by 29,200 tonnes to 345,900 tonnes during the financial year ended. Exports to other EU countries increased sharply. Because of imports from neighboring countries and high inventory levels in the region, sugar prices in the domestic marketplace came under severe pressure.
AGRANA received 86,344 tonnes or 19 per cent of the Czech sugar quota, which totaled 454,862 tonnes.
Because of declassification, AGRANA had a reduced quota of 82,781 tonnes for 2005. Following the European Union's one-year quota cut within the scope of reform of the CMO, our quota for the 2006 campaign year come to 78,082 tonnes, which represents a cut of about 10 per cent.

Moravskoslezské Cukrovary a.s., Hrusovany

Moravskoslezské Cukrovary recorded revenues of € 75.0 million (previous year: € 57.3 million) during the 2005|06 financial year. The company was able to increase its domestic sugar sales to 71,500 tonnes. Quota sugar exports to the rest of the European Union were 25 per cent up on the year. C sugar exports came to 26,700 tonnes. The company's capital expenditure of € 1.3 million focused on improving beet unloading systems and renewing the beet conveyor in Opava. New turbine process control systems and an additional juice boiler with an agitator were installed at Hrusovany.

SUGAR IN SLOVAKIA

Despite a year-on-year fall in white sugar imports, sugar imports from neighboring countries had a major impact on domestic selling prices during the 2005|06 financial year. On the other hand, the Slovakian sugar industry profited from exports to the rest of the European Union and the exploitation of export refunds for quota sugar. It proved possible to boost domestic sales by increasing volumes sold in the industrial, trading and retail segments.

Slovakia had a total sugar quota of 207,423 tonnes. Slovenské Cukrovary a.s. received 56,671 tonnes of that quota, which translates into a share 27 per cent. Declassification in 2005 reduced this quota to 52,784 tonnes. The one-year quota reduction carried out by the European Union within the scope of its reform of the sugar CMO will result in a quota of 50,057 tonnes for the 2006 campaign year, which translates into a cut of about 12 per cent.

Slovenské Cukrovary a.s., Rimavská Sobota

Slovenské Cukrovary a.s. recorded revenues of € 53.2 million during the 2005|06 financial year (previous year: € 34.0 million). The company's total sugar sales by volume came to 88,500 tonnes, 45,000 tonnes of which was sold domestically and the rest abroad.
The company's capital expenditure during the financial year came to € 0.65 million. The main purpose of its investments was to reduce energy and limestone use.

SUGAR IN ROMANIA

The EU has granted Romania production quotas of 329,600 tonnes of raw sugar and 109,200 tonnes of beet sugar for the period following the country's planned accession in January 2007. To date, these quotas have only been provisionally divided up between the individual market players.
The domestic market's volume has increased to about 550.000 tonnes from roughly 537,000 tonnes in 2004. Because of the appreciable rise in world sugar market prices, local market prices were over 20 per cent up on the year. Approximately 72,000 tonnes of white sugar (previous year: 51,300 tonnes) was extracted from 571,000 tonnes of beet in Romania during the financial year ended. In addition, 460,000 tonnes of raw sugar was refined in Romania, including above all raw sugar imported from Brazil, and white sugar was also imported from the European Union and Moldova.

Romania's system of beet subsidies was switched over from product-based subsidies to a staggered system of area-based subsidies of between € 300 and € 600 per hectare, depending on yields.

AGRANA Romania S.A., Buzau

During the 2005|06 financial year, we merged our two operational sugar companies in Romania (S.C. Zaharul Romanesc S.A., Buzau, and S.C. Danubiana Roman S.A., Roman) and our Romanian holding company (S.C. AGRANA Romania Holding and Trading Company s.r.l., Bucharest). The resulting company is called AGRANA Romania S.A.
2005|06 was a very satisfactory financial year. Sales by value grew to € 117.8 million (previous year: € 77.2 million). AGRANA Romania achieved further growth in market share. Above all, its industrial sugar division was able to sign contracts with a number of multinational beverage manufacturers.
Its two retail brands – Margaritar and Coronita – contained to grow during the 2005|06 financial year. They were the market leaders in the retail sector.
Thanks to the installation of modern warehouse facilities in Roman and Tandarei, the company's logistical systems were able to keep pace with the market's growth. The construction of a new logistical center is currently at the planning stage.
In addition to the white sugar produced during the 2005 beet campaign, roughly 282,000 tonnes of white sugar was refined from approximately 291,000 tonnes of raw sugar during the 2005|06 financial year.
The company's capital expenditure during the 2005|06 financial year came to € 2 million. This total was spent on replacement investments and saving energy.

Austria Hung


ary Romania

THE SPECIALTIES SEGMENT – STARCH DIVISION

The Starch Division is operated by AGRANA Stärke GmbH. The foreign subsidiaries in the Starch Division held by AGRANA Stärke GmbH are coordinated and managed operationally by AGRANA Internationale Verwaltungs- und Asset-Management Aktiengesellschaft & Co KG. They are the Hungrana corn starch and isoglucose factory in Szabadegyháza, Hungary, and the S.C. A.G.F.D. corn starch factory in Tandarei, Romania.

PREVAILING CONDITIONS

The EU potato starch quota

At the end of May 2005, the EU Council of Agricultural Ministers decided to extend the potato starch quota system for another two years. The total EU quota of 1.9 million tonnes remains unchanged. For Austria, this means an annual quota of 47,691 tonnes. Starch potato harvests having already been good throughout the EU in 2004, production was again well above quota in 2005. With the exception of Finland and Poland, every potato starch producing country in the EU used up or exceeded its quota.
There are no corn starch quotas.

STARCH IN AUSTRIA

Business developed as satisfactorily during the 2005|06 financial year as the year before. AGRANA Stärke GmbH reported an increase in revenues of 6 per cent to € 165.8 million. Total sales by volume (starch and starch saccharification products, baby foods, long-life potato products, goods purchased for resale and by-products) increased by 13 per cent to 395,500 tonnes. This sharp increase in sales by volume was achieved with the help of enlarged capacities and the consistent orientation of the product mix toward higher-grade specialty products. AGRANA's output of corn starch products increased by 6 per cent and sales by volume increased to 193,700 tonnes (previous year: 187,100 tonnes). The enlargement of the Aschach corn starch factory to give it a processing capacity of 1,000 tonnes of corn a day continued as planned, and this investment will be completed on schedule in June 2006. During the 2005|06 financial year, it proved possible to increase the factory's daily processing throughput to an average of 854 tonnes (previous year: 826 tonnes).
Out potato starch output from the 2005|06 harvest came to 52,595 tonnes, which above our EU quota of 47,691 tonnes. Sales of potato starch products increased from 40,200 tonnes in the previous year to 57,800 tonnes in the year under review.
In 2004, we decided to close the corn starch factory in Hörbranz, Vorarlberg, for economic reasons. The decision was put into effect in March 2005, and most of its production was moved to the Aschach factory in Upper Austria.

Raw materials and production

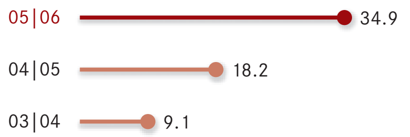
Favorable weather conditions resulted in a very good Austrian starch potato harvest. Overall, 246,000 tonnes of starch potatoes and organic starch potatoes (previous year: 204,000 tonnes) were processed into 52,595 tonnes of potato starch (previous year: 47,905 tonnes) during the 2005 campaign, which lasted 141 days (previous year: 126 days). The potatoes' starch content of 18.3 per cent was slightly below the previous year's figure of 20 per cent. 1,984 growers reported an average per-hectare yield of about 37 tonnes (previous year: 32 tonnes) on an area planted with potatoes of 6,621 hectares (previous year: 6,394 hectares). Because of the good starch potato harvest, our output came to over 110 per cent of our quota. As a result, we had to make advance use of 5 per cent of our quota for 2006. We concluded cultivation contracts for some 204,000 tonnes of starch potatoes and organic starch potatoes for the 2006 harvest.
During the 2005 campaign, we took delivery of a total of 14,600 tonnes of food potatoes and organic food potatoes (previous year: 12,400 tonnes) for making long-life potato products.
In the course of the 2005|06 financial year, the Aschach corn starch factory processed 299,000 tonnes of corn (previous year: 281,000 tonnes). Corn prices during the financial year were within a normal range.
We processed 86,000 tonnes of freshly harvested wet corn (previous year: 82,000 tonnes), which was our highest-ever throughput of undried corn.

Markets

In the NON-FOOD sector (technical starches), sales by volume came to 110,700 tonnes (previous year: 93,600 tonnes), which was 29 per cent of total Starch Division sales.
Sales to the paper industry increased by 22 per cent. We delivered a total of 54,000 tonnes of starch (previous year: 44,400 tonnes). Surplus output of potato starch in the EU put considerable pressure on prices from June 2005, and paper makers are currently paying less for potato starch than for corn starch. The market stabilized after the end of the campaign and prices recovered a little. Export sales increased by 20 per cent to 90,800 tonnes (previous year: 75,400 tonnes).
Total sales by volume to the corrugated cardboard industry grew to 21,300 tonnes (previous year: 20,000 tonnes). The Austrian market picked up again, growing by 11 per cent.
For the first time, the textile industry started showing signs of a turnaround, and sales grew slightly, increasing by 2 per cent in the 2005|06 financial year. This seems to spell the end of the downtrend, especially as the Turkish market is gradually recovering and we were able to open up new markets.

STARCH DIVISION
EXTERNAL REVENUES
€mn

CAPITAL EXPENDITURE
ON TANGIBLE FIXED ASSETS
€mn



STAFF

In the FOOD sector (starches for the food industry), sales by volume increased by 13 per cent to 98,600 tonnes. Volumes in the organic and GM-free segments were slightly up on the year, and sales of long-life potato products also increased slightly, growing by 2 per cent.

Capital expenditure

Capital expenditure totaled € 22.6 million. Its principal focus during the 2005|06 financial year was the enlargement of the Aschach starch factory. We built a new corn delivery and discharging system for truck and rail deliveries and enlarged silo capacities for starch and starch by-products as well as increasing the capacity of the wet corn starch line to a nominal daily total of 1,000 tonnes of corn.
At the Gmünd potato starch factory, we completed the construction of the new pallet warehouse, which is suitable for the storage of foodstuffs, and put it into operation. Among other things, it makes allowance for our increased output of specialty products like baby foods, long-life potato products and drum-dried products for the construction and textile industries.
In addition, we increased the capacity of the packaging line for baby foods and nearly fully automated the entire system.

STARCH IN HUNGARY

Prevailing conditions

Following the reform of the EU sugar CMO, the EU isoglucose quota is going to be increased in three successive stages of 100,000 tonnes a year from 2006|07. This will in turn increase the isoglucose quota allocated to Hungary – the entirety of which is assigned to AGRANA joint venture Hungrana (our share: 50 per cent) – from 137,627 tonnes to 218,927 tonnes in three successive annual steps of 27,100 tonnes each from 2008|09.
The one-year quota cut decided on March 3, 2006, within the scope of the transition from the old sugar CMO to the reformed one will reduce Hungrana's isoglucose quota by 12,923 tonnes.

Hungrana Keményitö- és Isocukorgyártó és Forgalmazó Kft, Szabadegyháza

Half of this company's stock is held by AGRANA Stärke GmbH and half by Szabadegyházai Szolgáltató és Vagyonkezelö Kft, which is owned by Tate & Lyle and ADM. AGRANA's 50 per cent interest in Hungrana's revenues during the 2005 financial year came to € 67.4 million (previous year: € 62.1 million). The 9 per cent increase in Hungrana's revenues was largely generated by higher sales by volume of isoglucose and bioethanol.
The good corn harvest led to a very long wet corn campaign in Hungary last year. It lasted until January 2006. Raw material prices were roughly static on the year.

Capital expenditure

Corn processing capacities were increased from 1,200 to 1,500 tonnes a day and bioethanol production from 60 cubic meters (47 tonnes) to 150 cubic meters (118 tonnes) a day. We also enlarged our crystalline dextrose capacities.

STARCH IN ROMANIA

Prevailing conditions

The Romanian starch market grew little during the financial year ended because of the closure of two big paper mills. Import duties for starch products were abolished as of August 1, 2005.
Stagnation in the food industry led to a small decline in the aggregate volume of the glucose market.

S.C. A.G.F.D. Tandarei s.r.l., Tandarei

Our Romanian corn starch factory recorded revenues of € 5.0 million during the 2005|06 financial year (previous year: € 4.9 million). This small increase was accompanied by a modest advance in volumes. We were able to continue to enlarge our market shares in both the starch and the glucose market. Above all, sales by volume of modified starch products continued to develop well.

Tandarei processed 20,400 tonnes of corn during 2005 (previous year: 16,000 tonnes). It had an average daily processing throughput of 100 tonnes.
The installation of a second starch dryer further enhanced flexibility and boosted production capacity. To ensure the ideal storage of finished products, we renovated the existing warehouses and equipped them with modern shelf systems.

BIOETHANOL

Austria

Once Austria had implemented the EU Biofuels Directive, introducing admixtures of 2.5 per cent from October 1, 2005, 4.3 per cent from October 1, 2007, and 5.75 per cent from October 1, 2008, as well as tax concessions for diesel fuel from 4.4 vol% as of October 1, 2005, and for gasoline from 4.4 vol% as of October 1, 2007, AGRANA started evaluating the economic viability of an ethanol plant in Austria and looking for suitable locations at the beginning of the 2005|06 financial year.
On May 12, 2005, the Supervisory Board of AGRANA Beteiligungs-AG gave the go-ahead for the construction of a bioethanol facility in Pischelsdorf, Lower Austria, on the Donau Chemie AG site. The plant will be dimensioned to process an annual total of about 374,000 tonnes of wheat, 99,000 tonnes of wet corn and 46,000 tonnes of concentrated sugar beet juice. It should reach its full daily capacity of 571 cubic meters (450 tonnes) of bioethanol in late fall 2007. The plant in Pischelsdorf will make 200,000 cubic meters (157,000 tonnes) of bioethanol a year for sale to the oil and petrochemical industries. One by-product of making bioethanol from cereals is a high-grade form of protein feed called DDGS (distillers dried grains with solubles) that has a protein content of over 30 per cent and will replace 150,000 tonnes of imported protein feed.
Detail engineering work started at the beginning of November 2005. We have chosen a production process that will make it possible to use various agricultural raw materials (wheat, corn, beet) to make bioethanol. 2.59 kilograms of wheat or 2.52 kilograms of corn will be needed to make one liter of ethanol.
The environmental impact assessment is still pending. As things stand at the moment, objections and official expert appraisals are unlikely to cause any serious delays to the process and construction should commence in mid-2006 as planned.
AGRANA's production of bioethanol from renewable raw materials for admixing with gasoline will combine a positive energy balance with a positive ecological balance. The use of bioethanol to replace gasoline will reduce CO_2 emissions by about two kilograms for every liter of fuel used. As a result, the AGRANA plant is expected to reduce the burden of CO_2 emissions on the environment by about 400,000 tonnes a year.

Hungary

Hungary has also introduced tax incentives to encourage the implementation of the biofuels directive. ETBE[1] and biodiesel will be totally exempt from mineral oil tax. About 1 vol% of bioethanol is currently being admixed with fuels in Hungary in the form of ETBE.
The Hungarian government has now extended its incorporation of the EU directive into national law and has made adding 4.4 vol% of biofuels to fossil fuels mandatory from July 1, 2007. Higher tax (8 per cent more) must be paid if less than this amount is added. Since the usage of ETBE in fuels is limited, the direct admixture of bioethanol to gasoline is now also allowed.
Hungrana meets about 60 per cent of the Hungarian oil industry's ethanol needs. To supply that amount, we began enlarging our existing bioethanol facility in the second quarter of 2005|06. The increase in its capacity to roughly 52,000 cubic meters a year (about 41,000 tonnes) will be completed by the beginning of May 2006.

[1] ETBE (ethyl tertiary butyl ether) contains up to 47 per cent bioethanol instead of methanol and has similar properties to MTBE.

Austria Hungary Czech
South Korea Russia USA
Belgium Morocco South
Serbia Germany Ukraine


Republic France China
Poland Australia Turkey
Africa Mexico Romania
Argentina Denmark Fiji

THE SPECIALTIES SEGMENT – FRUIT DIVISION

AGRANA Frucht GmbH & Co KG handles the strategic management of all the fruit subsidiaries. The Fruit Division is made up of the Fruit Preparations and Fruit Juice Concentrates sectors. AGRANA's Fruit Division processes agricultural raw materials into high-grade industrial intermediate products for use by the food industry. AGRANA pursues a clear business-to-business strategy that is based on making quality products for manufacturers in the food and beverage industries.

The revenues of the consolidated members of the Fruit Division grew to € 541.2 million in 2005, as against € 124.9 million the year before. The increase was mainly due to the consolidation of the Wink Group as of January 1, 2005, and the Atys Group form the second quarter of 2005|06.

In less than three years, AGRANA has built up a global Fruit Division with 37 production facilities by acquiring the Atys, Dirafrost, DSF, Steirerobst, Vallø Saft and Wink groups. The division has fruit preparations plants in Austria, Germany, France, Belgium, the Czech Republic, Poland, Romania, the Ukraine, Serbia, Turkey, Russia, Argentina, Australia, China, Fiji, South Korea, Morocco, Mexico, South Africa and the USA. There are fruit juice concentrates plants in Austria, Denmark, Poland, Hungary, the Ukraine and Romania.
AGRANA is now the world's leader in fruit preparations and Europe's largest manufacturer of fruit juice concentrates. AGRANA is thus a multinational, capable, reliable and at the same time local supplier to global customers operating on every continent.
The fruit preparations and fruit juice concentrates markets are growing worldwide as dietary awareness increases and per capita incomes rise. AGRANA's strategic goal is to exploit this development in Europe and globally to strengthen its market positions, in turn increasing market shares, and to become a leader in these growth markets.
Its systematic pursuit of this strategy continued during the 2005|06 financial year with the acquisition of 100 per cent stakes in all its fruit subsidiaries.
For instance, the free float of Steirerobst AG was squeezed out in course of a non-proportional (nicht verhältniswahrende) split and Steirerobst was withdrawn from the stock exchange list. In February 2006, AGRANA finally signed the contract for the takeover of the remaining stock of Steirerobst as of the end of February 2006 with the company's former joint shareholders (Raiffeisen-Landesbank Steiermark, Landes-Landwirtschaftskammer Steiermark and Grazer Wechselseitige Versicherung).
At the end of the 2005 calendar year, we took over the rest of the Atys Group, which is the world's leader in fruit preparations for the dairy industry. This was one year sooner than originally planned. We increased our stakes in Atys Turkey and Atys Austria from 50 per cent to 100 per cent.

In addition, the acquisition of Deutsch-Schweizerische Früchteverarbeitung GmbH (DSF) became definite. Approval by Germany's competition authority – the Kartellbehörde – was conditional upon the sale of the plant in Nauen. Now, AGRANA is once again in a position to supply the German market from a local plant of its own, located in Constance.

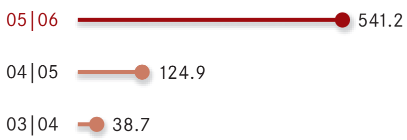
Comprehensive integration of the fruit subsidiaries has begun

The acquisition of 100 per cent stakes in the fruit subsidiaries during the 2005|06 reporting year created all the prerequisites for the reorganization of our Fruit sub-group. The organizational integration of all our fruit companies into the AGRANA Group should be completed by mid-2006. The purpose of restructuring is to integrate our fruit juice concentrate activities and our fruit preparations activities and create a subdivision for each within AGRANA's Fruit Division, allowing the development of two homogeneous and powerful organizations. This will simplify internal processes, save costs, improve customer service and make it possible to manage the division in a way that is both close to the market and close to the customer.
The marketing and sales activities of Steirerobst, Vallø Saft and Wink, which operate in the fruit juice concentrates sector, were already amalgamated under the umbrella of AGRANA Fruit Juice GmbH based in Bingen, Germany, at the beginning of May 2005, ensuring that the companies in the Group present one face to the customer.

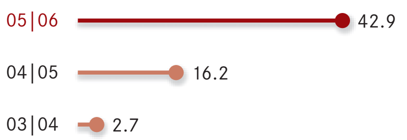
Organic growth continues

Following several months of successful pilot production, the fruit preparations plant built by Steirerobst in Serpuchov, south of Moscow, Russia, was officially opened on September 23, 2005. This new plant, which is the first of its kind in Russia, mainly supplies customers in the dairy industry. It has an annual production capacity of 15,000 tonnes of fruit preparations. Deliveries started as planned in August 2005. The plant offers dairy enterprises operating in the Russian marketplace outstanding quality combined with specialist know-how in the fruit preparations field and proximity to their production facilities. In the future, rising yogurt consumption will generate additional growth in the Russian market.

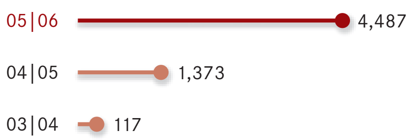
FRUIT DIVISION
EXTERNAL REVENUES
€mn



CAPITAL EXPENDITURE ON TANGIBLE FIXED ASSETS
€mn



STAFF



The Atys Group's fourth facility in the USA, in Tennessee, began operations in the first quarter of 2005. It was already running at full capacity during its first year of production. Alongside the group's existing facilities in Ohio, Texas and Florida, it will enable Atys to take better advantage of opportunities for growth in the dynamic North American market. The USA is the AGRANA Group's most important market alongside Europe.

FRUIT PREPARATIONS

Fruit preparations operations generated revenues of € 427.3 million with some 3,940 employees during the 2005 financial year.

Prevailing conditions

The world market in yogurts and chilled desserts grew by over 4 per cent from 11.4 million tonnes in 2004 to 11.9 million tonnes in the 2005 financial year. Further annual growth of 4.8 per cent is being forecast up to the year 2008 (Source: Leatherhead – Global Food Markets, International Overview).
Rising yogurt consumption will also increase the consumption of fruit yogurts and thus boost demand for fruit preparations. Because market penetration in Central and Western Europe is already high, rates of growth there are expected to be modest. However, per capita consumption in the USA is still low by Western European standards, so together with the marked increase in dietary awareness and advice to being given to consumers to buy healthy products (fruit yogurts, yogurt drinks, fresh dairy products, fruit juices), high rates of growth are being predicted outside Europe. This is particularly true of Central and Latin America, Russia and parts of Asia. The population's rising earning power will underpin the trend.

Raw materials

AGRANA meets its year-round need for a wide variety of fruits on a global basis, making use of seasonal differences in supplies in the southern and northern hemisphere and differences between sources caused by variations in climate and weather patterns. It is especially true of key fruits like strawberry that one must always monitor differing harvest periods and supplies in the world market. AGRANA also pursues a forward-looking sourcing policy, among other things to optimize chilling and freezing costs.
AGRANA likewise attaches great importance to processing nothing but natural raw materials, guaranteeing its customers their traceability back to the growing area and, in some cases, the actual plants.
The Global Sourcing Organization (GSO) created by Atys in 2004 von continued to extend its global fruit sourcing activities for the Group's European production facilities during the financial year ended. Fruit is stored in a central warehouse. Raw material quantities and qualities are optimized by the pooling of requirements. This concept is currently being extended from Europe to North America. Supplying highest-grade products and eliminating foreign bodies are the prime quality goals. Raw material prices are optimized by a combination of long-term buying contracts and short-term spot contracts. This makes it possible to react to regional fluctuations in market prices.

We have our own raw material bases in the Ukraine and Morocco. In the Ukraine, AGRANA operates a large-scale plantation to secure red fruit supplies.
Cold weather delayed the start of Dirafrost's 2005 harvest in Morocco by six weeks. However, the quality of the harvest was excellent and volumes were very satisfactory, allowing good use of production capacities.

Markets, products, customers

Sales continued to develop well during the 2005 financial year. Against the background of a growing market for fruit yogurts, sales by volume of fruit preparations were 8.4 per cent up on the year. Among other things, growth was due to increased sales volumes in traditional markets like France and high rates of growth in expanding markets like Argentina and Mexico. Particularly rapid growth was also achieved in the USA and Australia. It proved possible to increase average prices slightly by pushing innovative new products.

AGRANA's share of the world market for fruit preparations for the dairy industry was about 34 per cent in 2005. Close customer relationships made it possible to permanently cement market positions in Western Europe, the USA and Central America. At the same time, market shares increased and new markets were developed in Central and Eastern Europe. The principal reasons for our successful business development were the high quality of our products and our sustained innovativeness.

Fruit preparations are bought by the dairy industry and the baked products and ice cream industries as well as by other commercial and industrial customers. Following prior preparatory work to engineer the required applications, they are supplied with fruit preparations according to the required recipe, ensuring that the consumer gets the flavor he or she expects. Fruit preparations take local and specific national flavor preferences and habits into account. Ensuring product quality and maintaining constant quality standards are essential parts of a long-standing customer relationship.

Short innovation cycles must be taken into account when it comes to fruit yogurts, especially yogurt drinks. Fruit preparations suppliers must be quick to respond to changing consumer demand. Dietary criteria like “fat free”, “low fat”, “prebiotic” and “probiotic” are continuing to increase in importance, which in turn also boosts demand for fruit preparations.

FRUIT JUICE CONCENTRATES

Revenues from fruit juice concentrate sales during the 2005 financial year came to € 129.7 million. The concentrates sub-segment employed an average of about 540 people.

Prevailing conditions

The fruit juice concentrates market is growing globally. The world market for fruit juices and fruit nectars grew by 5.3 per cent from 43.1 billion liters in 2004 to 45.4 billion liters in 2005. Annual growth of 6.9 per cent is being forecast until 2008, and double-digit growth is expected in Eastern Europe and Asia. Particularly high rates of growth are being projected in Eastern European countries as purchasing power rises. For example, Russian per capita consumption of fruit juices and nectars, which are made mainly from fruit juice concentrates, grew from 14.8 to 16.3 liters in 2005, and it increased from 7.1 to 9.3 liters in the Ukraine.

Apple juice is a natural isotonic beverage that is well suited to a healthy and well-being oriented nutritional lifestyle. As a result, further growth is also possible in high-consumption countries like Germany. Furthermore, the trend is towards thick high-fruit high-viscosity juices. The growing range of products of this kind is also creating an ever more diverse range of products in the fruit juice concentrates industry.

Berries, including above all red berries, satisfy demand for a broader range of flavor variants (berry juices, multi-vitamin and multi-fruit drinks), and further increases in sales by volume are also expected in countries where fruit juice consumption is already high (USA, Western Europe).

Raw materials

AGRANA's concentrates plants are located in the regions of Central and Eastern Europe where the fruits are grown. The reasons for the increasing importance of the Eastern European countries as suppliers of raw materials lie not only in their low labor costs but also in their structural advantages compared with the Western European agricultural sector.

In Hungary, AGRANA has a plant breeding business in addition to its production plant. It propagates resistant apple varieties that produce consistent yields.

Processing of apples from the 2005 harvest began in August or September. Frost damage and precipitation when the trees were in blossom led to smaller harvests in European growing areas (Hungary and Poland) than had been expected. As a result, prices of apples for processing nearly doubled on the year in 2005. Concentrate prices mirrored this development.

Since it will still only be possible to make significant quantities of "sour" concentrates in the countries of Central and Eastern Europe in the future, AGRANA Fruit is ideally placed with its 11 fruit juice concentrate plants. Sour apple juice concentrates calls for top quality. Acidity of over 2 per cent is needed to give apple juice its characteristic flavor.

As "sweet" concentrates are also needed for some applications and since mixtures of sweet and sour apple juice concentrates are suitable for making them, we are currently stepping up additional purchases from "sweet" countries like China, Turkey and Iran. China is the world's biggest producer of apple juice concentrates. It mainly supplies Japan, Australia, Southeast Asia, North America and Europe.

AGRANA Fruit has two central facilities located in Bingen, Germany, and Vinnytsya, Ukraine. They mix concentrates with sweet or sour characteristics. Juices can be optimally tailored to the desired specifications by these facilities (acidity, color, cloudiness). The Bingen facility is well located to supply the Northern and Western European markets. Because of its location on the way to Russia, the Vinnytsya facility in the Ukraine is excellently located to supply Eastern and Northeastern Europe.

Because inventory stocks were low in 2005 and apple prices rose after the poor harvest, prices of apple juice concentrate, which are our main product in this sector, rose significantly. Output of apple juice concentrate products in China, which is the world's largest product of apple juice concentrates, was also substantially down on the year, likewise because of a poor harvest, and sweet concentrate prices also rose as a result.

The berry fruit harvest lived up to expectations. However, frost severely dented the sour cherry harvest. Nonetheless, the supply of raw materials to our production facilities was assured and the quality of the fruit juice concentrates they made was very high.

The 2006 harvest should be normal, so volumes available for processing in the fruit juice concentrates sector should increase by over 20 per cent.

Markets, products, customers

AGRANA is Europe's leader in apple juice concentrates with a market share of about 15 per cent. We plan to increase this market share significantly within the next two years.
AGRANA – which has concentrate plants in Denmark, Poland, Hungary, Romania and the Ukraine – is also a leading European supplier of berry juice concentrates.
Sales by volume of fruit juice concentrates during the 2005 financial year came to 105,000 tonnes.
Because the apple and sour cherry harvests were well below average, quantities were available for sale were reduced.
It proved possible to significantly increase the selling prices of apple juice concentrates in the fall of 2005, and prices of sour-cherry concentrates, "direct" juices and mashes as well as berry juice concentrates also rose considerably.
AGRANA's principal customers in the fruit juice concentrate sector are the fruit juice and beverage bottling/filling industries and commercial beverage bottlers/fillers. Most operate in the business-to-consumer (B2C) segment of the market and invest large amounts in their brands. They need high-grade and hygienically flawless fruit juice concentrates if they are to make an outstanding branded product.
As the biggest manufacturer of fruit juice concentrates, AGRANA has developed long-term collaboration concepts with leading beverage bottlers/fillers. Our strategic focus on countries in which it is primarily possible to grow high acid apple variants of correspondingly high quality, we are well placed to meet demand for this type of apple juice concentrate, which generates superior value added.

We will be allowing for the high rates of growth in fruit juice consumption in Russia and the Ukraine by stepping up our presence in those markets. The production facility in the Ukraine allows us to supply customers in the region cheaply and directly. While optimizing the structure of our production facilities in Hungary, we relocated the manufacturing plant at Gutorfölde in Western Hungary to Hajdúsámson in Eastern Hungary and increased the capacity of the latter factory accordingly.

CAPITAL EXPENDITURE IN THE FRUIT DIVISION

Roughly € 42.9 million was set aside for investments in the Fruit Division during 2005. A large part of the total was spent at the newly built fruit preparation facilities in Serpuchov, Russia, and Tennessee, USA, and on completing the R&D center of excellence in Gleisdorf. In addition, money was spent at numerous locations on making manufacturing processes more efficient, on enlarging raw material acceptance laboratory facilities, on refrigeration plant, on delivery and discharging systems for fruit preparations and on various additional investments.
In the concentrates sector, we completed the investments in Hajdúsámson, Eastern Hungary, that were involved in geographically concentrating Steirerobst's production activities in Hungary in time for the apple campaign and well as carrying out a number of replacement investments and optimizations.

ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

For AGRANA as a processor of non-meat agricultural products, sustainability means making responsible use of the available resources. Seen from this point of view, optimizing individual production processes to ensure the efficient and environmentally sound use of energy and to cut emissions is an obligation both now and for the benefit of future generations.
Food and beverage security, quality assurance and the transparency of all industrial processes as well as traceability back to the field (handling of raw materials from planting to harvest) and certification (ISO 9001, Codex Alimentarius [FAO/WHO Rome], HACCP principles, good manufacturing practices, good hygienic practices, FDA CRR 21 in the USA, kosher certificates, etc.) are regulated in AGRANA standards and thus contribute to the sustainability of products and our sustained environmentally friendly orientation.
AGRANA invests continuously in minimizing its use of resources in the transportation, energy, manufacturing and packaging fields and works constantly to improve its environmental standards.

AGRICULTURAL RAW MATERIALS

Production processes at the AGRANA factories take place within predominantly closed circuits.

AGRANA has set itself the task of providing growers with commercial and ecological advice. The gypsum absorber block method makes it possible to measure moisture in the soil near the root of the plant, thus ensuring that beet fields are irrigated at exactly the right time and no more than is necessary.

Moreover, since the mid-1970s, AGRANA has been steadily refining its electro-ultra-filtration (EUF) method, which makes it possible to measure the soil's ability to replenish nutrients and thus helps significantly reduce the use of fertilizers. The EUF method has cut the use of nitrogenous fertilizers by up to two thirds over the past 25 years.
In addition, a large part of the beet delivered to the sugar factories in Leopoldsdorf and Tulln arrives by rail, reducing damage to the environment, and about one third of the potatoes delivered to the Gmünd starch factory arrive by rail.
To ensure high quality standards and to promote sustainable farming, growers and cooperatives are offered advice on how to use pesticides in a targeted way that prevents damage to the product and the environment.

ENVIRONMENTALLY FRIENDLY MANUFACTURING METHODS

AGRANA has already been using hop extracts and natural resins as natural bio-stabilizers in sugar extraction plants for years. This can be regarded as the state of the art. This method was developed by Zuckerforschung Tulln Ges.m.b.H. International patents are pending. Production processes at the AGRANA factories take place within predominantly closed circuits. These means that we try to make the best possible use of every component of our raw materials. The by-products of food production like sugar beet pulp, potato protein, corn gluten and solid residues from the manufacture of fruit juice concentrates are sold as animal feed.
Other by-products like the so-called carbolime produced by the sugar factories and the potato run-off from the Gmünd potato starch factory as well as liquid components produced when processing fruits are used as high-grade fertilizers and soil enhancers.
Press cakes from making fruit juice concentrates are used as natural color and flavor mediums. Apple press cakes (pomace) are dried for the extraction of apple pectin.

The earth stuck to the beet is of great importance. Having been drained, it is stabilized in so-called soil cassettes. After being stabilized in this way, it can be returned to the field.

Modern and efficient multistage evaporating plants have been installed to concentrate fruit juice concentrates. As far as possible, all of the Group's sugar and starch factories as well as the fruit processing facilities use state-of-the-art closed circuits and biological sewage clarification systems to optimize water and effluent management processes.
The biggest investment in this regard took place at Wink Polska in Poland. Production process at the sugar factories in Hungary, the Czech Republic, Slovakia and Romania are also being optimized from the point of view of energy usage and adherence to environmental standards.

CO_2 EMISSIONS

Extracting sugar is an energy-intensive process. The heat and electrical energy needed to evaporate the sugar beet's water content of about 75 per cent during processing comes from combined heat and power generating plants (steam and gas turbines). This allows highly efficient use of the energy employed, reduces the consumption of fossil fuels and also cuts specific emissions. For ecological reasons, AGRANA has been using nothing but natural gas as an energy sourced in Austria since 1996, even though recent price developments make this more expensive than using cheaper energy sources. Since 1990, AGRANA's energy-saving investments have cut its specific energy consumption during beet campaigns (sugar production and pulp drying) by about 30 per cent, and its specific CO_2 emissions have fallen by 31 per cent over the same period, making a significant contribution to reducing harm to the environment. Thanks to this disproportionately big reduction, the Austrian sugar industry has already achieved the Kyoto target of a 13 per cent reduction in CO_2 emissions in Austria between 1990 and 2010.

OTHER EMISSIONS

Continuous investment in sound insulation and filter systems has reduced noise and dust pollution at all our factories during the past few years. Extensive action was taken to reduce dust, odor and noise pollution during the enlargement of the Aschach maize starch factory. Among other things, a modern biological filter system is in use. These measures have reduced odor and noise pollution by more than half.
To prevent odor nuisance from the Austrian starch factories' sewage treatment areas, we are continuously reducing the storage of effluent in storage ponds.

RESEARCH AND DEVELOPMENT

Internal and external expenditure on research and development during the 2005|06 financial year came to about € 10 million.

The research and development activities of the whole AGRANA Group are selectively concentrated at Zuckerforschung Tulln Ges.m.b.H. (ZFT). They range from agricultural R&D to food and beverage technology to sugar and starch technology to microbiology and biotechnology. The company employed an average of 55 people during the 2005|06 financial year. In addition, a new and highly modern center of excellence for the development of products for the Fruit Division was created in Gleisdorf. It is currently in the development phase.
Internal and external expenditure on research and development during the 2005|06 financial year came to about € 10 million.

THE SUGAR DIVISION

Work on the development of natural bio-stabilizers for use in the sugar industry continued successfully. Systematic tests led to the development of a mixture of resin acids and myristic acid that considerably improves stability, especially at cold temperatures. This is the key a dvantage of this new product from an application engineering point of view. The hop beta-acid based product that is already established in the marketplace, called BetaStab 10A®, was already named as the second most-used biocide after formalin during a meeting of the CITS[1] scientific committee in Copenhagen in June 2005 on the subject of combating infection in extraction systems. This underscored the industrial significance of the product, which has been globally protected by a number of patents either granted or applied for.
Besides extraction, where the use of natural bio-stabilizers can be seen as state-of-the art, increased efforts were also made to develop new fields of application. There were promising tests on the use these products during beet storage. This topic will continue to be studied within the scope of a project sponsored by Austria's Forschungs-Förderungs-Gesellschaft.
For the first time, LIMOS, which is our program for admixing lime in precisely the required quantities, was also used on a larger scale within the Südzucker Group. It made a generally acknowledged contribution to reducing limestone use and, therefore, cutting costs. There was a breakthrough in the further development of the LIMOS program for use in factories with decanters. The new system was employed at the Tulln factory during the last campaign and the results were completely satisfactory. The first use of this new development and further optimization work in the juice purification field helped the Tulln factory achieve the lowest specific consumption of limestone in the Group despite its high daily processing throughput.

[1] CITS (Commission Internationale Technique de Sucrerie).

The Alternative Fuels for Lime Kilns Project is also particularly worthy of note.
The agricultural department carried out advisory service related field tests that addressed current issues in practical beet growing. The goal was to contribute to the sustainable development of beet production. The spotlight was on reducing costs, increasing yields and minimizing application rates. The spotlight was on reducing costs, increasing yields and minimizing application rates.
As a certified testing unit, ZFT also carried out examinations within the scope of official variety testing and the testing of the biological effectiveness of plant protection chemicals for registration purposes.
Effectiveness, yield and method testing on sugar beet and potato cultures on a total of about 4,600 plots was carried out by ZFT itself or jointly with breeders, manufacturers of plant protection chemicals, public testing agencies and vocational colleges as well as within the scope of international collaborations and joint trials.
Zuckerforschung Tulln is accredited under ÖNORM EN 17025 to test sugar beet varieties and plant protection chemicals and to carry out sugar beet analysis is also authorized to test the effectiveness of unregistered plant protection chemicals used in beet growing as the "officially certified ZFT testing department" (within the meaning of the Pflanzenschutzmittelgesetz [plant protection chemicals act] of 1997).
Healthy soil and sustainable soil fertility are key prerequisites for reliable and cheap agricultural production. Trials aimed at reducing soil processing therefore attached especial importance to the planting of intermediate crops, and we made practical fertilization recommendations.
The monitoring system for the Betaexpert IT-based regionally differentiated warning service model was operated on a region-wide basis, issuing warnings to combat sugar beet leaf diseases. Betaexpert offers Austrian beet growers an objective and commercially independent source of advice on fighting leaf diseases.
Showcase plots of field crops (sugar beet, corn, potato, sunflower and cereals) were laid out over an area of eight hectares during an event called Betaexpo.

EXPENDITURE ON RESEARCH AND DEVELOPMENT
€mn

[1] Internal and external expenditure.

THE STARCH DIVISION

Rising prices of chemical synthetic products increased interest in renewable raw materials.
Our foremost goal in the R&D field is to find new areas of application for starch-based products and to customize specific products for special applications. Close cooperation with the market and intensive dialog with customers provide the basis for successfully implementing new developments.
The combined use of high-viscosity starch and cellulose derivatives as thickening agents in color systems, including above all emulsion paints, opened up a new area of application for starch products. Based on intensive application engineering trials in a specially built emulsion paint laboratory, this development is currently being introduced to prospective customers in the market.
One important area of application for starch derivatives has for many years been the construction sector. Starch ether products for use in the plaster and tile adhesive fields are well established. Because of new trends in the market, such as big tiles, different or improved starch ether properties are always in demand. Special products with specific properties are also acceptable in high price ranges. A new modified starch has been developed for use in tile adhesives for bigger and heavier tiles.

Application engineering services are the principal focus of out activities in the paper and corrugated cardboard sector. A mobile laboratory and close collaboration with Technical Sales at AGRANA Starch let us carry out analytical and applications oriented tests on the spot.
Other research focuses in the paper and corrugated cardboard field were the optimization of starch conversion technology and the optimization of adhesion when making corrugated cardboard.
By making combined use of corn starch and rice starch, we were able to develop an outstanding new product for gluing corrugated cardboard. Combining the properties of both kinds of starch gave us a corrugated cardboard adhesive that provides excellent as well as exceptionally rapid adhesion. This will not just allow the corrugated cardboard industry to reduce its consumption of adhesives. It will also significantly increase the operating speeds of corrugated cardboard machines, which will be a decisive economic advantage.
New products in the paper bag and labeling fields opened up new markets in the paper bag gluing field.
At the moment, labels are usually glued to glass packaging using casein. For reasons of economy, the packaging industry has been looking for starch-based alternatives. Now we have been able to develop a new kind of starch using extrusion technology that combines excellent adhesion with low splatter. Following successful tests, this new product is being introduced to the market.

Research in the textile, sizing and printing fields is moving in the direction of specialty starch products. We were able to develop a new modified starch in collaboration with leading members of the glass fiber finishing industry. Its specifications are far better than those of previous products. Acquisitions by AGRANA's Fruit Division created new potential uses for starch in food and beverage applications. Above all, the focus of attention is now on activities in the fruit preparations field. They have led to a quantum leap in the AGRANA Group's application engineering skills and development work. This has further intensified the development and optimization of starch derivatives, especially for use in the fruit preparations field.

THE FRUIT DIVISION

Dietary issues are increasingly the center of attention, increasing the importance of fruit preparations and their healthy ingredients. To meet the associated expectations, a center for product innovation and excellence for the entirety of AGRANA's Fruit Division has been set up at our Gleisdorf facility.
Close cooperation with the customer in the fruit preparations sector is making a continuous stream of innovative new products possible.

To meet customers' high standards when creating new flavors, we set up a product innovation center to supplement the work of the product development department. This enabled us to develop "choc-splits" and "breakfast cereals" in yogurt to the point of their being ready for the market. These products remain "cross" (crisp to bite) in the yogurt, which is what customers expect.
Short innovation cycles in the fruit yogurt market compel fruit preparation manufacturers to respond very rapidly to shifts in consumer demand and to detect or anticipate trends.
Research in the fruit juice concentrates field aims above all to improve yields and to optimize techniques for preventing darkening and discoloration during longer periods of storage.
Besides quality assurance testing to ensure high quality for our customers in the fruit juice and beverage bottling/ filling industries, we also adapt technologies and carry out tests aimed at optimizing energy usage and enhancing juice extraction.

STAFF REPORT AND SOCIAL REPORT

The AGRANA Group employed an average of 8,130 people during the 2005|06 financial year (previous year: 4,958). That total broke down as follows:

- Sugar Division 2,881 (previous year: 2,819);
- Starch Division 2,762 (previous year: 766);
- Fruit Division 4,487 (previous year: 1,373).

Staff levels in the Fruit Division increased by 3,114 employees, mainly as a result of the addition of the Atys Group (inclusive of Dirafrost). The workforce in the Sugar Division grew by 62 because of higher volumes of production and the resumption of beet campaigns in Romania. Overall, the average number of people working for the Group during the 2005|06 financial year was 3,172 up on 2004|05.

1,746 people were working for us in Austria (previous year: 1,646) and 6,384 were working at our foreign subsidiaries in the sugar, starch and fruit divisions (previous year: 3,312). The average workforce in Austria thus grew by 100 because of new jobs at the future bioethanol plant, in the R&D Division at the center for product innovation and excellence in Gleisdorf, and as a result of the inclusion of Atys Austria. The average number of people working for our foreign subsidiaries increased by 3,072, primarily as a result of additions to the scope of consolidation.

There was a special focus on the development and implementation of strategic human resources concepts within the AGRANA Group during the 2005|06 financial year.

On our reporting date (February 28, 2006), 7,396 people were working for the consolidated members of the AGRANA Group (previous year: 4,625). The increase compared with the average figure for the previous year was due to the cut in the number of seasonal workers, who are mainly employed by the sugar, starch and fruit divisions during harvests and campaigns.

Rationalization made necessary by the new sugar CMO affected the sugar factories in Hohenau, Austria, and Rimavská Sobota, Slovakia. They had a total of 259 employees. Neither factory will be processing beet any more during the 2006|07 campaign. Extensive social plans for affected employees have been agreed with employee representatives, and some employees will be offered replacement jobs at other AGRANA facilities. This will ensure that the necessary restructuring can take place without causing severe social hardship.

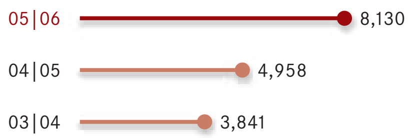
There was a special focus on the development and implementation of strategic human resources concepts within the AGRANA Group during the 2005|06 financial year.

Apprentice training is an important aspect of AGRANA's activities in Austria. Our Austrian Group-members had 72 apprentices in training during the 2005|06 financial year. The most common apprenticeship professions were mechanical engineering technician, works electrician, process control technician, lathe operator and chemical laboratory technician. The 20 apprentices affected by closure of the Hohenau factory will be able to end their apprenticeships at other AGRANA facilities.
The Austrian members of the AGRANA Group spent € 587 thousand on basic and advanced staff training during the 2005|06 financial year (previous year: € 662 thousand). The range of training included special courses for commercial and technical staff, personality development seminars, practical on-the-job training and apprentice training as well as behavioral training.
There was a special focus on the development and implementation of strategic human resources concepts within the AGRANA Group during the 2005|06 financial year, for instance in the form of the external leadership assessment of senior management.
In addition, it was necessary to review and redefine organizational and salary structures within the context of the integration of the Fruit Division.
Both projects will be completed during the 2006|07 financial year.
For the first time, internally developed institutionalized AGRANA staff interviews will be introduced as the central element of a targeted human resources development process during the current 2006|07 financial year.

INDUSTRIAL SAFETY AND STAFF HEALTH

Since 2003, AGRANA has been running programs to reduce accidents at work and to improve the general health of the workforce. We have a program called AGRANA-Fit that aims to improve and preserve the health of staff-members and increase their health-awareness. The large number of employees participating in these programs proves that our enterprise's involvement in this area can both contribute to employee satisfaction and help cut health costs.

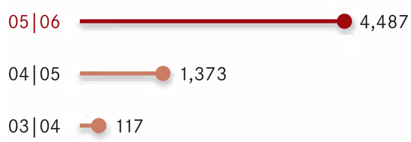
NUMBER OF STAFF



Of which
SUGAR DIVISION

STARCH DIVISION

FRUIT DIVISION



RISK REPORT

RISK MANAGEMENT WITHIN THE AGRANA GROUP

AGRANA sees the dealing responsibly with business risks and opportunities as an important component of sustainable, value oriented enterprise management.

AGRANA uses an integrated system for the early detection and monitoring of risks that are specific to the Group. Its goal when handling risks is the achievement of a balance between return and risk. The enterprise's risk culture is one of risk-aware behavior, clearly defined responsibilities, the autonomy of Risk Controlling and the implementation of internal controls.
AGRANA sees the dealing responsibly with business risks and opportunities as an important component of sustainable, value oriented enterprise management. Risk management is thus integral to all planning, management and reporting processes and is under the direction of the Board of Management. The Group and all its members employ risk management systems that are tailored to the specific operational activity in each case. They aim to systematically identify, evaluate, control and document risks.
Risk management at the AGRANA Group is based on risk control at operational level, on the strategic control of interests held for investment purposes and on an internal monitoring system applied by Group Auditing.
In addition, developmental tendencies that could threaten the AGRANA Group's portfolios are identified early, analyzed and continually reevaluated within the scope of the risk management process.
Against this background, AGRANA has begun harmonizing information systems and processes within the AGRANA Group and implementing one uniform IT platform in individual fields of business.

Strategic control of interests held for investment control and risk control at operational level

The main focus of the strategic control of interests held for investment purposes is strategic planning within segments and business divisions. Material developments that affect the course of business are captured and assessed. The opportunities and risks that form the basis for management decisions are taken into consideration on the basis of market analyses and analyses of the competition. Investment Control also monitors the attainment of business goals and steers the Group members using uniform benchmarks. It assesses investment portfolios with the goal of optimizing the structure of interests held for investment purposes and provides support during acquisitions and de-investments.
Operational risk control is handled by Operational Controlling on a continuous basis.
The Board of Management is kept continuously up-to-date by extensive reporting procedures and is also, where applicable, informed on an ad hoc basis.

Internal monitoring system, internal auditing

Internal Group Auditing performs its controlling tasks within the parent company and the companies in which interests are held for investment purposes and reports directly to the Board of Management. It audits and evaluates the security, cost-effectiveness and correctness of business processes and the effectiveness of internal systems of control.

RISKS CONNECTED WITH AGRANA'S BUSINESS ACTIVITIES

As a manufacturing enterprise within the chain of agricultural value added, AGRANA is affected by individual operational risks caused by AGRANA's specific business activities that could materially affect its financial state and profit position.

Market organization risks

The possible effects of international and national trade agreements and market regulations are analyzed at an early stage and evaluated within the scope of the risk management process.
In this connection, the reform of the EU common market organization for sugar (CMO) is of especial importance to the AGRANA Group. It was enacted by the EU Council of Agricultural Ministers on November 24, 2005, and will impact the business activities of the AGRANA Group from the 2006|07 financial year.
The new CMO is valid until September 30, 2015, and therefore offers sustainable prospects to the competitively located facilities within Europe.
We have reported in detail on the reform of the CMO within the Sugar Segment report from page 25.

AGRANA has introduced a wide-ranging package of measures to combat the effects of reform of the CMO. Opportunities to acquire new quotas are largely being seized. In addition, AGRANA will be making use of the new "industrial sugar" segment created by the CMO. This term covers above all sugar sold to the fermentation, chemical and pharmaceutical industries and to bioethanol producers who can in future be supplied with sugar outside quotas.
In addition, extensive measures to cut costs were examined for cost-effectiveness, assessed and adopted in good time. They included cost savings in the beet delivery and logistics fields. The structure of the AGRANA Group's production facilities was further optimized by closing the factories in Hohenau (Austria) and Rimavská Sobota (Slovakia). In addition, we improved cost structures at the other factories and in administrative areas.

Procurement risks

As a processor of agricultural produce, AGRANA is affected by the procurement risks that may arise from weather conditions. The supply of agricultural raw materials may be inadequate as a result. Furthermore, there may be fluctuations in the prices of raw materials that cannot be fully passed on to customers.
These risks mainly affect the Specialties Segment.
Procurement risks are less important in the Sugar Segment because of the sugar CMO. Beet growers' plans are namely directed at using their delivery rights as fully as possible.
AGRANA mitigates procurement risks by concluding delivery contracts with a large number of suppliers.
As far as possible, AGRANA mitigates energy price risks by carefully observing the market when buying energy and by continually evaluating and rapidly implementing measures to save energy.

Competition risks

Demand for the products made by the AGRANA Group in its markets is relatively stable. Signs of possible changes in consumer behavior are captured in good time within the scope of AGRANA's risk management process. Effects on our market position are evaluated and will, if necessary, result in modifications of our corporate strategy. AGRANA combats competition-related fluctuations in selling prices by continually optimizing cost structures. Its goal is cost leadership.

Product quality

Making top quality products for the benefit of the customer is one of the demands that AGRANA makes of itself. It is therefore a matter of course for AGRANA to adhere to all the relevant food and beverage standards. AGRANA therefore mitigates quality risks, for instance as a result of contaminated raw materials or processing defects, by applying the strictest internal certified quality standards. Adherence to these standards is monitored on a regular basis throughout the Group.
Other operational risks in the fields of production, logistics, research and development and information technology (IT) use are of comparatively little importance. AGRANA mitigates risks by continually monitoring and improving processes.

Legal risks

AGRANA is exposed to the risk of possible changes in the legal environment, especially in the fields of food and beverage and environmental protection law. AGRANA already captures such risks at an early stage, evaluates their effects on the Group's business activities and, if necessary, develops countermeasures.
No actions are pending against AGRANA or members of the AGRANA Group that could have material effects on the Group's financial condition.

Risks arising from derivative financial instruments

AGRANA is exposed to changes in market prices, foreign exchange rates, interest rates and equity prices. It makes limited use of derivative instruments to hedge the risks arising from operating activities and the budgeted funding needs associated with investments. The AGRANA Group mainly safeguards itself against the following risks:

- Interest rate risks: In the case of a fixed-interest investment or borrowing, the risk is that a change in the market interest rate could cause a change in market price (interest rate related price risk). In contrast, variable rate investments and borrowings are not affected by price risk because the interest rate is adjusted to the market interest rate on an almost concurrent basis. However, a change in the short-term interest rate does create a risk in respect of future interest payments (interest rate related cash flow risk).
- Currency risks: For the most part, these can arise from sugar purchases and sales in the world market that are denominated in US dollars as well as payment obligations denominated in foreign currencies.

- Product price risks: These may result from fluctuations in the world market price of sugar and in the energy sector.

Hedges are only entered into before the underlying transactions (anticipatory hedges) to a very limited extent. We only employ conventional instruments like interest rate swaps, interest rate contracts, interest futures and forward exchange contracts to hedge those risks. The use of these instruments is regulated by Group guidelines within the scope of the risk management system. The guidelines set limits that are appropriate to the underlying transactions, define authorization procedures, rule out the speculative use of derivative financial instruments, minimize credit risks and regulate internal reporting and functional firewalls. Adherence to these guidelines and the proper management and valuation of contracts are regularly monitored subject to the functional firewalls.

Future opportunities for enterprise development

Reform of the CMO has created opportunities for a sustained strengthening of our competitive position in our core business, which is making sugar in Europe. The structural changes within the European sugar industry caused by price cuts will eliminate rivals, especially in the climatically less favored regions of Europe. Because of its concentration in climatically favored growing regions, AGRANA's competitive position is outstanding. We therefore expect to be able to continue to secure our market position.

Because of a global increase in the demand for sugar combined with a declining supply, the world market price of sugar is now rising significantly. The possibility of extracting alcohol from sugar for use as a fuel is of particular importance in this regard. It will make it possible to reduce dependence on fossil fuel sources as well as CO_2 emissions. Use is already being made of this option on a nationwide basis in a number of countries like Brazil. The EU has also undertaken to use renewably energy sources within the scope of the Kyoto Protocol, its Biomass Action Plan and the EU Biofuels Strategy.

By setting up its Bioethanol Division, AGRANA has already laid the ground for playing an important role in the future as a supplier in the dynamically growing market for biogenic fuels.

In addition, the development of the Specialties Segment has given AGRANA outstanding positions in a number of growth markets.

The Fruit Division, newly created in recent financial years, is also growing significantly, and there are further attractive long-term opportunities for further growth.

OUTLOOK FOR 2006|07

During the current 2006|07 financial year, the Group will continue its strategy of value oriented growth.
Restructuring carried out within the Sugar Division during the financial year is saving costs and improving efficiency. In addition, no further burdensome restructuring is likely to be necessary.
The development of revenues and profits will depend greatly on the Specialties Segment. The key factors will be capacity enlargements in the Starch Division, whereby the focus will be on specialist starch products, the expansion of the Group's bioethanol operations in Hungary and strong organic growth in the Fruit Division. An equity ratio of about 48 per cent in 2005|06 as well as net cash from operating activities and moderate gearing are creating additional leeway for further acquisitions.
Overall, revenues are expected to continue to grow from nearly € 1.5 billion to roughly € 1.8 billion in 2006|07. Part of the increase will be due to the change in the balance-sheet dates of the fruit subsidiaries from December 31 to the last day of February.

SUGAR DIVISION

The Sugar Division's operating environment changed drastically during the 2006|07 financial year. A number of factors will continue to burden results during the 2006|07 financial year, namely reduced sales of quota sugar because of the temporary 12.7 per cent cut in AGRANA's quota, the commencement of payments to the restructuring fund, the abolition of C sugar exports and higher energy costs. On the other hand, the temporary quota cut and sales of quotas to the restructuring fund are likely to cause a recovery of sugar prices by the fall of 2007.
The changes in the environment brought about by the reform of European Union's sugar market regime will lead to adaptations in the human resources and raw materials procurement fields during the current financial year. They have for the most part already been dealt with by social plans and the inter-trade agreement.

BEET CONTRACTS	Area under beet		Number of growers		Contracted beet volume	
	2006 Hectares	2005 Hectares	2006	2005	2006 1,000s of tonnes	2005 1,000s of tonnes
Austria	39,562	44,144	8,944	9,324	2,680	2,607
Czech Republic	12,703	12,902	144	156	675	628
Hungary	19,913	22,908	198	208	941	1,082
Slovakia	6,973	9,602	139	158	294	378
Romania	8,248	4,970	243	120	250	160
Total	**87,399**	**94,526**	**9,668**	**9,966**	**4,840**	**4,855**

Raw materials

A new inter-trade agreement has been signed with Austria's beet growers for 2006. It gives beet growers the option of contracting for 40,000 tonnes of industrial sugar for use by the chemical industry outside the scope of quotas. This offer slightly cushions the necessary reduction in areas under beet.

In all, the contracted amount has been cut by 7.5 per cent, above all because of changed conditions inside the European Union. The number of growers under contract has fallen by 298. On the other hand, because of national subsidies, contracted areas in Romania will increase by over 3,000 hectares.

Capital expenditure

The sugar factories in Austria expect to invest roughly € 7 million during the current 2006|07 financial year. This money will be spent on major repairs, the overhaul of a power plant in Leopoldsdorf, the relocation of plant from Hohenau to other AGRANA factories and measures that are necessary to conform to the International Food Standards (IFS).

Investments totaling about € 8 million are planned at the sugar factories in Hungary, the Czech Republic, Slovakia and Romania. They will consist mainly of replacement investments and outlay on reducing energy consumption.

STARCH DIVISION

Thanks to high potato starch output during the 2005 campaign, potato starch stocks are satisfactory. Given good crop growth and a good 2006 harvest, we intend to produce and sell starch up to the amount of our quota during the 2006|07 financial year.

The development of starch commodity prices will depend greatly on the 2006 corn harvest. The present glut of potato starch is depressing starch product prices in general. Quantities of specialist products are expected to grow and their prices should be stable. We anticipate another rise in revenues and good profits during the 2006|07 financial year.

Capital expenditure

The Starch Division plans to invest about € 144 million during the 2006|07 financial year.

Some € 124 million of this total will be spent in Austria, and roughly € 104 million of that amount has been earmarked for the construction of the bioethanol factory in Pischelsdorf. Approximately € 20 million will be invested at the Aschach and Gmünd starch factories, with most of the total being spent on completing the enlargement of the Aschach corn starch factory. In addition, we will be putting up new corn silos and enlarging our drum drying facilities in Aschach.

Investments planned in Hungary, totaling about € 20 million (50 per cent of which will be attributable to AGRANA), will focus largely on completing the enlargement of the Hungrana corn starch and isoglucose factory to increase its capacity to 1,500 tonnes of corn a day, on beginning the next stage of its enlargement to 3,000 tonnes a day, and on enlarging the bioethanol plant. Costs will total about € 90 million, and AGRANA's share thereof in the period until 2008 will be € 45 million.

FRUIT DIVISION

The integration and restructuring of the companies in the Fruit Division will be an important focus of our work during the current 2006|07 financial year. The AGRANA Fruit Division will be managed by AGRANA Juice & Fruit Holding (currently AGRANA Frucht). Two holding companies will be created under this umbrella, namely AGRANA Fruit for fruit preparations and AGRANA Juice for fruit juice concentrates.

Fruit preparations

AGRANA expects further organic growth in the fruit preparations sector. This growth will be driven by innovative new products, by a rise in per-capita consumption where it is still relatively low, for instance in the USA, and by consumers' increasing dietary awareness. Furthermore, AGRANA plans to develop additional market positions in new markets.

Fruit juice concentrates

Revenues and profits in the fruit juice concentrates sector are expected to grow significantly this financial year. Growth will be fuelled by an increase in trading and blending activities, normal harvest yields, the increased availability of fruit juice concentrates and higher prices.

Capital expenditure

The Fruit Division is planning to invest about € 37 million during the 2006|07 financial year.
In the fruit preparations sector, we will be investing in maintenance and enlargements in the US, Mexican and Russian markets, which are growing particularly rapidly. We will mainly be spending money on replacement investments and rationalizing in Austria, France and the Ukraine.
Our fruit juice concentrates plants have adequate production capacities. We already invested in environmental protection measures, including in particular sewage clarification plants, in prior years and are now bringing those investments to a close. Capital expenditure in the fruit juice concentrates sector is focusing mainly on increasing processing efficiency in Eastern Europe. Every one of our fruit juice concentrates plants will be switching to SAP/R3 in 2006, and organizational and logistical processes will undergo further optimization.

CONSOLIDATED FINANCIAL STATEMENTS 2005|06

of the AGRANA Group prepared in accordance with IFRS

CONSOLIDATED INCOME STATEMENT FOR THE 2005|06 FINANCIAL YEAR

from March 1, 2005 through February 28, 2006

		Without restructuring €000	Restructuring €000	2005|06 €000	Previous year €000
(1)	Revenues	1,499,602		1,499,602	981,016
(2)	Change in inventories of finished and unfinished products	1,245		1,245	55,947
(2)	Own work capitalized	2,164		2,164	1,411
(3)	Other operating income	32,864		32,864	26,407
(4)	Cost of materials and other purchased inputs	(984,094)	(204)	(984,298)	(658,853)
(5)	Staff costs	(173,924)	(8,881)	(182,805)	(113,348)
(6)	Depreciation/amortization/write-downs of intangible and tangible fixed assets	(65,711)	(13,449)	(79,160)	(47,779)
(7)	Other operating expenses	(212,599)	(2,000)	(214,599)	(154,021)
(8)	**Income from operations**	**99,547**	**(24,534)**	**75,013**	**90,780**
(9)	Financial income	19,440		19,440	16,002
(10)	Financial expenses	(24,363)		(24,363)	(16,316)
(11)	Income from associates	1,608		1,608	2,726
	Net financial income (expenses)	**(3,315)**		**(3,315)**	**2,412**
	Profit before income tax	**96,232**	**(24,534)**	**71,698**	**93,192**
(12)	Income tax expense	(12,741)	5,749	(6,992)	(8,850)
	Consolidated earnings for the year	**83,491**	**(18,785)**	**64,706**	**84,342**
	Of which attributable to shareholders of AGRANA Beteiligungs-AG			[62,745]	[79,872]
	Of which minority interests			[1,961]	[4,470]
(13)	Earnings per share in accordance with IFRS (undiluted and diluted)			€ 4.42	€ 7.18
	Earnings per share in relation to the number of shares in circulation on the balance-sheet date			€ 4.42	€ 5.62

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2005|06 FINANCIAL YEAR

from March 1, 2005 through February 28, 2006

		2005|06	Previous year
		€000	€000
	Consolidated earnings for the year	64,706	84,342
	Depreciation/amortization/write-downs of fixed assets	79,355	47,784
	Write-ups of fixed assets	(6)	(1,923)
	Changes in long-term provisions	(8,044)	(7,622)
	Gains (losses) arising from investments in associates	(1,608)	(2,726)
	Gains (losses) arising from disposals of fixed assets	(783)	(861)
	Other non-cash income and expenses	10,944	(3,385)
(14)	**Net cash from profit**	**144,564**	**115,609**
	Changes in inventories	(43,075)	(64,523)
	Changes in receivables, deferred tax assets and other deferred charges	46,253	(93,675)
	Changes in other provisions	(11,648)	(7,664)
	Changes in payables and deferred income	45,975	39,990
	Effect of changes in foreign exchange rates on non-fund positions	(2,837)	1,007
	Change in working capital	**34,668**	**(124,865)**
(14)	**Net cash from (used in) operating activities**	**179,232**	**(9,256)**
	Proceeds from disposals of fixed assets	8,805	2,740
	Purchases of tangible and intangible fixed assets	(91,195)	(52,077)
	Purchases of financial fixed assets	(7,531)	(98,194)
	Changes in the scope of consolidation	(133,091)	(32,769)
(15)	**Net cash from (used in) investing activities**	**(223,012)**	**(180,300)**
	Capital increase by AGRANA Beteiligungs-AG	0	220,972
	Changes in non-current financial liabilities	49,585	68,171
	Changes in current financial liabilities	(43,869)	5,439
	Dividends paid	(30,153)	(21,611)
(16)	**Net cash from (used in) financing activities**	**(24,437)**	**272,971**
	Net increase (decrease) in cash and cash equivalents	**(68,217)**	**83,415**
	Effect of changes in foreign exchange rates on cash and cash equivalents	961	262
	Revaluations in accordance with IAS 39	(324)	109
	Cash and cash equivalents at beginning of period	180,714	96,928
	Cash and cash equivalents at end of period	**113,134**	**180,714**
	Of which short-term investments	[32,322]	[107,449]
	Of which cash on hand, checks and balances with banks	[80,812]	[73,265]

CONSOLIDATED BALANCE SHEET FEBRUARY 28, 2006

			February 28, 2006 €000	End of previous year €000
ASSETS		**A. Non-current assets**		
	(17)	Intangible fixed assets	230,857	46,093
	(18)	Tangible fixed assets	503,850	381,493
	(19)	Investments in associates	526	96,780
	(20)	Other interests and securities	169,750	117,942
	(21)	Deferred tax assets	14,490	2,920
	(22)	Receivables and other assets	4,150	2,611
			923,623	**647,839**
		B. Current assets		
	(23)	Inventories	528,018	419,199
	(22)	Receivables and other assets	283,240	238,701
		Income tax receivables	7,070	13,912
	(24)	Shares and other securities	32,322	107,449
		Cash, checks, bank balances	80,812	73,265
			931,462	**852,526**
		Total assets	**1,855,085**	**1,500,365**
EQUITY AND LIABILITIES	(25)	**A. Equity**		
		Share capital	103,210	103,210
		Capital reserves	411,362	411,362
		Retained earnings	357,622	284,792
		Attributable to equity holders of parent	872,194	799,364
		Minority interests	13,611	36,487
			885,805	**835,851**
		B. Non-current liabilities		
	(26a)	Provisions for retirement benefits	51,925	51,952
	(26b)	Deferred tax liabilities	50,273	25,172
	(26c)	Other provisions	26,577	26,854
	(27)	Financial liabilities	253,673	99,265
	(27)	Other payables	2,976	3,915
			385,424	**207,158**
		C. Current liabilities		
	(26c)	Other provisions	54,973	52,802
	(27)	Financial liabilities	166,892	201,526
	(27)	Income tax payables	10,819	13,300
	(27)	Other payables	351,172	189,728
			583,856	**457,356**
		Total equity and liabilities	**1,855,085**	**1,500,365**
	(28)	Contingent liabilities	4,427	39,219

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2005|06 FINANCIAL YEAR

	Share capital	Capital reserves	Retained earnings: Revaluation reserve	Retained earnings: Other retained earnings	Retained earnings: Translation reserve	Retained earnings: Earnings for the year	Minority interests	Total
	€000	€000	€000	€000	€000	€000	€000	€000
2005|06								
On March 1, 2005	103,210	411,362	14,318	199,084	(8,482)	79,872	36,487	835,851
Consolidated earnings for the year	0	0	0	0	0	62,745	1,961	64,706
Dividend distribution	0	0	0	0	0	(29,190)	(963)	(30,153)
Foreign exchange differences	0	0	0	0	7,151	0	1,368	8,519
Revaluations (IAS 39)	0	0	32,409	916	0	0	0	33,325
Allocated 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)
On February 28, 2006	**103,210**	**411,362**	**46,727**	**249,481**	**(1,331)**	**62,745**	**13,611**	**885,805**
			357,622					
Previous year								
On March 1, 2004	80,137	213,463	9,152	163,077	(15,920)	56,539	9,374	515,822
Consolidated earnings for the year	0	0	0	0	0	79,872	4,470	84,342
Dividend distribution	0	0	0	0	0	(19,849)	(1,762)	(21,611)
Capital increase	23,073	197,899	0	0	0	0	0	220,972
Foreign exchange differences	0	0	0	0	7,438	0	(253)	7,185
Revaluations (IAS 39)	0	0	5,166	0	0	0	0	5,166
Allocated to reserves	0	0	0	36,690	0	(36,690)	0	0
Other changes	0	0	0	(683)	0	0	24,658	23,975
On February 28, 2005	**103,210**	**411,362**	**14,318**	**199,084**	**(8,482)**	**79,872**	**36,487**	**835,851**
			284,792					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE AGRANA GROUP

SEGMENT REPORTS

Segment reporting in conformity with IAS 14 distinguishes between the Sugar and Specialties segments, reflecting the AGRANA Group's internal reporting structure. The Sugar Segment encompasses sugar extraction in Austria, Hungary, the Czech Republic, Slovakia and Romania as well as sugar-related fields of business. The Specialties Segment encompasses the Starch and Fruit divisions. The Starch Division has production facilities in Austria, Hungary and Romania. The Fruit Division encompasses the Atys Group, the Steirerobst Group, the Wink Group and the Vallø Saft Group.

Segmentation by business segment

	2005|06				2004|05			
	Sugar	Specialties	Consolidation	Total all segments	Sugar	Specialties	Consolidation	Total all segments
	€000	€000	€000	€000	€000	€000	€000	€000
Revenues	770,418	773,716	(44,532)	1,499,602	671,570	345,499	(36,053)	981,016
Inter-segment sales	(16,625)	(27,907)	44,532	0	(9,992)	(26,061)	36,053	0
External revenues	**753,793**	**745,809**	**0**	**1,499,602**	**661,578**	**319,438**	**0**	**981,016**
Operating profit	38,707	60,840	0	99,547	60,654	30,126	0	90,780
Net restructuring income (expenses)	(24,534)	–	–	(24,534)	–	–	–	–
Income from operations	14,173	60,840	0	75,013	60,654	30,126	0	90,780
Income from associates	43	1,565	0	1,608	76	2,650	0	2,726
Book value of associates	526	0	0	526	482	96,298		96,780
Segment assets	601,001	942,399	0	1,543,400	627,129	416,363	0	1,043,492
Segment liabilities	337,082	156,106	0	493,188	211,642	119,975	0	331,617
Capital expenditure								
on tangible fixed assets	13,356	77,839	0	91,195	17,617	34,460	0	52,077
on financial fixed assets	7,373	158	0	7,531	31,474	66,721	0	98,195
Depreciation/write-downs of tangible fixed assets	36,620	42,540	0	79,160	27,666	20,113	0	47,779
Staff	2,881	5,249	0	8,130	2,819	2,139	0	4,958

Figures for revenues and assets are consolidated. Capital expenditure comprises additions to intangible fixed assets (without goodwill) and tangible fixed assets. Inter-segment charges for supplies and services were based on comparable market terms and conditions.

€ 13,449 thousand of restructuring expenses was accounted for by extraordinary write-downs and € 11,085 thousand by other non-cash costs.

Reconciliation of segment assets and liabilities

Reconciliation of segment assets and liabilities	February 28, 2006 €000	February 28, 2005 €000
Balance-sheet total: assets	1,855,085	1,500,365
minus financial fixed assets	(170,276)	(214,722)
minus securities, cash, cash equivalents	(113,134)	(180,714)
minus other assets	(28,275)	(61,437)
Segment assets	**1,543,400**	**1,043,492**
Provisions and liabilities	969,279	664,514
minus financial liabilities	(418,627)	(300,791)
minus provisions for deferred taxes and income tax payables	(57,464)	(32,106)
Segment liabilities	**493,188**	**331,617**

Segmentation by geographical region

Segmentation by geographical region was based on the domicile of the company in question.

Revenues	2005|06 €000	2004|05 €000
Austria	643,459	604,435
Rest of EU	522,753	273,105
EU-25	1,166,212	877,540
Rest of Europe (Romania, Ukraine, Serbia)	144,519	95,816
Other foreign	188,871	7,660
Total	**1,499,602**	**981,016**

Segment assets	2005|06 €000	2004|05 €000
Austria	680,279	519,233
Rest of EU	542,023	422,861
EU-25	1,222,302	942,094
Rest of Europe (Romania, Ukraine, Serbia)	164,097	93,767
Other foreign	157,001	7,631
Total	**1,543,400**	**1,043,492**

Capital expenditure on tangible and intangible fixed assets	2005|06 €000	2004|05 €000
Austria	36,504	26,235
Rest of EU	24,449	15,015
EU-25	60,953	41,250
Rest of Europe (Romania, Ukraine, Serbia)	4,308	4,972
Other foreign	25,934	5,855
Total	**91,195**	**52,077**

GENERAL PRINCIPLES

Pursuant to § 245a Austrian Commercial Code, the Consolidated Financial Statements of the AGRANA Group for 2005|06 were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) and the International Financial Reporting Interpretations Committee (IFRIC) as applicable on the balance-sheet date and as adopted by the EU.

New IASB standards are applied from the time of their entry into force. Their application and changes in our accounting policies are elucidated under the relevant headings in the Notes.

As of the financial year under review, the standards revised within the scope of the Improvement Project have been applied in full. A number of standards whose application has likewise been mandatory as of the financial year under review, namely IFRS 2 (Share Based Payment), IFRS 4 (Insurance Contracts), IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) and the revised IAS 19 (Employee Benefits) and IAS 39 (Financial Instruments: Recognition and Measurement) regulate matters that do no impinge on AGRANA or are not of material effect.

Two new standards, namely IFRS 6 (Exploration for and Evaluation for Mineral Assets), valid as of the 2006|07 financial year, and IFRS 7 (Financial Instruments: Disclosure), which will replace IAS 32 (Financial Instruments: Disclosure and Presentation) with respect to statements as of the 2007|08 financial year, are not being applied ahead of time.

When preparing the Consolidated Financial Statements, we observed the principles of clarity, intelligibility and materiality. The nature of expense method was used in the presentation of the Income Statement. The annual financial statements of the fully consolidated companies accounted for in the Consolidated Financial Statements were subject to homogeneous accounting policies.

The financial statements of all the material fully consolidated Group-members in Austria and abroad were audited by independent auditors and received unqualified auditors' opinions. The auditors also attested to the proper transition between local financial statements prepared in conformity with commercial law and the IFRS-compliant individual financial statements prepared in accordance with policies applied homogeneously throughout the Group.

CONSOLIDATION POLICIES

Scope of consolidation

Besides AGRANA Beteiligungs-AG, the Consolidated Financial Statements generally include on a full consolidation basis all domestic and foreign subsidiaries over which AGRANA Beteiligungs-AG directly or indirectly had control and which were not subsidiaries of minor significance. On the balance-sheet date, 66 companies (previous year: 40 companies) besides the parent company were accounted for in the Consolidated Financial Statements on a full consolidation basis. Two companies (previous year: two companies) were accounted for by proportionate consolidation in proportion to the interest held in them by the Group.

Changes in the scope of consolidation

	Fully consolidated	Proportionate consolidation	Equity method
On March 1, 2005	40	2	27
Changes in method of consolidation	26	0	(26)
First-time consolidation	4	0	0
Merged	(2)	0	0
Deconsolidated	(2)	0	0
On February 28, 2006	**66**	**2**	**1**

Changes in method of consolidation

- Financière Atys S.A.S., Paris, France
  Activity: Holding company | Acquisition: March 2005 | Stake: 100%

- Atys S.A., Paris, France, and its 24 subsidiaries
  Activity: Fruit preparations | Acquisition: March 2005 | Stake: 100%

First-time consolidation

- DSF Deutsch Schweizerische Früchteverarbeitung GmbH, Constance, Germany
  Activity: Fruit preparations | Acquisition: December 2005 | Stake: 100%
- Atys GSO N.A., Inc., Tampa, USA
  Activity: Sourcing for fruit preparations | Acquisition: July 2005 | Stake: 100%
- Atys Latinoamerica S. de R.L de C.V, Michoacán, Mexico
  Activity: Sales of fruit preparations | Acquisition: July 2005 | Stake: 99.99%
- AGRANA Bioethanol GmbH, Vienna
  Activity: Bioethanol production | Formed: August 2005 | Stake: 100%

During the 2005|06 financial year, AGRANA increased its stake in the Atys Group from 50 per cent to 100 per cent. Consequently, the integration of the Atys Group could be completed a year earlier than originally planned. Atys with its 27 group members is the world's leader in fruit preparations for the dairy industry. Including Dirafrost, which it acquired in October 2004, and without DSF, Atys recorded revenues of € 438,934 thousand. The Atys Group was accounted for with respect to a period of nine months in the 2005|06 financial year (April 2005 to December 2005) with revenues of € 334,057 thousand.
Moreover, AGRANA acquired a 100 per cent stake in DSF Deutsch Schweizerische Früchteverarbeitung GmbH as of the end of the fourth quarter, so DSF did not make any contribution to profit for the year. Likewise in the fourth quarter, AGRANA increased its stake in Steirische Agrarbeteiligungs GmbH (Steirerobst Group) from 55.7 per cent to 100 per cent.
The Fruit Division spent € 201,695 thousand on direct and indirect acquisitions during the financial year under review.

Merger

In addition, the merger of our three Romanian sugar subsidiaries to create S.C. AGRANA Romania S.A. in the first quarter reduced the number of fully consolidated companies by two.

Deconsolidated

Deconsolidations of companies leaving the Group during the year under review resulted from the sale of Ruma Handelsges.m.b.H., Hagenbrunn, and the liquidation of Sias Foods (UK) Ltd., Corby, Northamptonshire, UK. The effects of their deconsolidation were not material.

Effects of changes in the scope of consolidation

The changes in the scope of consolidation affected the Consolidated Financial Statements as follows, expressed in terms of changes in items on the Balance Sheet and in the Income Statement (prior to consolidation):

	At time of acquisition	February 28, 2006	February 28, 2005
	€000	€000	€000
Tangible fixed assets	106,936	116,718	110,435
Inventories	65,744	74,198	59,033
Other assets	160,097	169,724	73,328
Total assets	**332,777**	**360,640**	**242,796**
Equity	109,530	134,737	84,201
Financial liabilities	114,058	112,155	106,776
Other payables	109,189	113,748	51,819
Total equity and liabilities	**332,777**	**360,640**	**242,796**

	2005|06	2004|05
	€000	€000
Revenues	334,057	95,080
Income from operations	27,637	6,988
Profit for the year	17,098	5,018

The process of purchase price allocation for the Atys Group essentially involved identifying and recognizing customer relationships and a trademark. The other goodwill was attributable to the group's good position in the world market, an excellent product portfolio, global raw materials sourcing, potential synergies resulting from the group's strategic orientation and its vertical integration.

Because we did not acquire our stake in DSF until December 2005, its first-time consolidation took place on the basis of provisional estimates of fair values. The final allocation of its cost will take place in the next financial year.

HUNGRANA Kft., which is jointly managed, and its subsidiary Hungranatrans Kft., Szabadegyháza, Hungary, in which AGRANA Stärke GmbH, Vienna, holds a 50 per cent stake, were accounted for by proportionate consolidation.

	2005|06	2004|05
	€000	€000
Tangible fixed assets	21,499	16,599
Inventories	6,056	6,106
Other assets	9,951	17,219
Total assets	**37,506**	**39,924**
Equity	22,602	19,159
Financial liabilities	350	8,046
Other payables	14,554	12,719
Total equity and liabilities	**37,506**	**39,924**

Balance-sheet date

The Group balance-sheet date for the companies in the Sugar and Starch divisions was the last day of February.

The fully consolidated companies in the Fruit Division were accounted for with a balance-sheet date of December 31, 2005. As allowed by IAS 27, interim financial statements were not prepared because their balance-sheet dates did not differ from the Group balance-sheet date by more than three months.

The acquisition of 100 per cent stakes in the Atys Group and Steirerobst AG was accompanied by extensive restructuring. Because of this restructuring, the Fruit companies will not be able to move their financial years from calendar years to the financial years of the AGRANA Group before the 2006|07 financial year. Material transactions (increase in our stake in Atys Austria GmbH from 50 per cent to 100 per cent) in the period ended on February 28 were accounted for in accordance with IAS 27.

Consolidation

▮ Capital underwent consolidation using the purchase method, offsetting costs against the Group's interest in the equity of the subsidiaries in question as at the time of their acquisition. Resulting excesses of acquisition costs over the Group's interest in the fair value of the identifiable assets and liabilities acquired were allocated to assets insofar as their fair value differed from their book value. Any remaining goodwill arising from first-consolidation was capitalized under Intangible fixed assets. Any excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost resulting from first-consolidation was recognized in the consolidated income statement.

▮ Pursuant to IFRS 3, goodwill is not amortized. Instead, it is tested for impairment at least once a year, which may lead to a write-down (impairment-only approach).

▮ Investments in associates were accounted for using the equity method (purchase method) on the basis of their most recently available annual financial statements. In accordance with IFRS 3, the excess of the enterprise's interest in a company's equity in the year of acquisition over the cost of the acquisition was recorded under Income from associates. In accordance with IFRS 3, goodwill arising from first-time valuations is not amortized. Instead, it is tested for impairment at least once a year.

▮ Intragroup sales, expenses and income as well as all receivables, payables and provisions arising within the scope of transactions between the consolidated Group-members were eliminated.

▮ Assets arising from intragroup deliveries as included in fixed assets and inventories were adjusted by the amount of intercompany results insofar as they were not of minor significance.

Foreign-currency translation

▮ The annual financial statements of foreign Group-members were translated into euros from their reporting currencies on a functional currency basis in accordance with IAS 21. The reporting currency of every Group-member was the local currency of the country in question on the grounds that foreign Group-members were trading autonomously from a financial, commercial and organizational point of view.

▮ Their fixed assets, other assets and liabilities were translated on that basis applying the middle rates of exchange ruling on the balance-sheet date. Expenses and income were translated at annual average rates of exchange.

▮ The Romanian currency was re-denominated from the ROL to the RON on July 1, 2005. The functional currency of the Romanian subsidiaries was changed from the euro to the RON.

▮ The following exchange rates were applied in the case of companies employing a balance-sheet date of February 28, 2006:

		Rate on reporting date		Average rate	
Country	Currency	2005|06	2004|05	2005|06	2004|05
		€	€	€	€
Romania	RON	3.50	–	3.60	–
Slovakia	SKK	37.08	37.87	38.44	39.66
Czech Republic	CZK	28.26	29.70	29.50	31.45
Hungary	HUF	252.83	241.73	249.08	248.69

▮ The following exchange rates were applied in the case of companies employing a balance-sheet date of December 31, 2005:

		Rate on reporting date		Average rate	
Country	Currency	2005|06	2004|05	2005|06	2004|05
		€	€	€	€
Argentina	ARS	3.59	–	3.61	–
Australia	AUD	1.61	–	1.63	–
China	CNY	9.55	–	10.21	–
Denmark	DKK	7.46	7.44	7.45	7.44
Fiji	FJD	2.07	–	2.10	–
South Korea	KRW	1,190.99	–	1,274.39	–
Morocco	MAD	10.88	–	11.02	–

		Rate on reporting date		Average rate	
Country	Currency	2005|06	2004|05	2005|06	2004|05
		€	€	€	€
Mexico	MXN	12.61	–	13.58	–
Poland	PLN	3.87	4.09	4.03	4.54
Romania	RON	3.68	–	3.62	–
Russia	RUB	33.97	37.76	35.16	35.77
Serbia	CSD	85.65	–	83.13	–
South Africa	ZAR	7.49	–	7.92	–
Czech Republic	CZK	28.99	–	29.77	–
Turkey	TRL	1.59	–	1.67	–
USA	USD	1.18	–	1.25	–
Ukraine	UAH	5.99	7.24	6.37	6.60
Hungary	HUF	252.66	245.77	248.06	251.79

Accounting policies

▮ Acquired goodwill was recorded under Intangible fixed assets. Intangible fixed assets acquired within the scope of business combinations were recorded separately from goodwill if they were separable for the purposes of the definition contained in IAS 38 or if they resulted from a contractual or legal right and if their fair value could be reliably measured.

▮ Goodwill and intangible fixed assets with an indefinite useful life are no longer amortized. Instead, they are tested for the need for an unscheduled impairment write-down at least once a year. The impairment testing procedure is described in the Notes to the Balance Sheet.

▮ Other intangible fixed assets acquired for valuable consideration were capitalized at cost and are being amortized on a straight-line basis over their expected useful lives of between five and 15 years.

▮ Tangible fixed assets were valued at cost of purchase and/or conversion less straight-line depreciation and unscheduled write-downs. Besides material and labor costs, overheads on a prorated basis were capitalized in the conversion costs of self-produced assets. Financing costs were not included.

▮ In conformity with IAS 20, public grants received for the purpose of purchasing or converting assets (capital investment grants and allowances) were recorded under Other payables (deferred income) and are subject to release in accordance with the useful lives of those assets.

▮ For the most part, depreciation of tangible fixed assets is based on the following useful lives:

Buildings	30 – 50 years
Technical plant and machinery	10 – 15 years
Office furniture and equipment	3 – 10 years

▮ Unscheduled write-downs were carried out in accordance with IAS 36 if the recoverable amount of an asset had declined below its book value. The recoverable amount was taken to be the higher of the asset's net selling price and value in use.

▮ Investments in associates, insofar as not of minor significance, were accounted for at amortized cost using the equity method.

▮ Investments in non-consolidated subsidiaries and other equity interests held for investment purposes were generally measured at fair value in accordance with IAS 39. Insofar as that fair value could not be reliably measured, they were recognized at cost. A write-down was carried out if there was evidence of a permanent impairment.

▮ Loans were recognized at nominal values. Non-interest-bearing and low-interest long-term loans were recorded at present values.

▮ Held-to-maturity securities were recognized at cost or – if a permanent impairment was to be expected – at a lower market or stock exchange price. Other securities (available-for-sale securities) were recognized at fair values, whereby changes in valuations were recognized in a separate reserve in equity.

▮ Where there was substantial evidence of impairment and if the estimated recoverable amount of a financial fixed asset was lower than its book value, an unscheduled write-down was captured in profit for the period.

▮ Inventories were recognized at the lower of cost of purchase and/or conversion and net selling price. The weighted average cost formula was used. In accordance with IAS 2, the conversion costs of unfinished and finished products included reasonable proportions of the necessary material costs and production overheads inclusive of depreciation of manufacturing plant (assuming normal usage) as well as administrative costs in addition to directly attributable unit costs. Financing costs were not taken into account. Insofar as inventories were at risk because of longer periods of storage or reduced usability, valuation markdowns were carried out.

- Receivables reported within current assets were capitalized at nominal values. Adequate valuation allowance was created to allow for the counterparty risks and other risks associated with receivables. Receivables denominated in foreign currencies were translated applying the middle rates of exchange ruling on the balance-sheet date.

- Capitalization of available-for-sale securities took place at stock-market values as at the end of the financial year in conformity with IAS 39.

- In July 2005, the IASB withdrew the interpretation IFRIC 3 on Emission Rights, which had been issued in December 2004 and was to have entered into force with respect to financial years beginning on or after March 1, 2005. Until the time of entry into force of a new standard or a new interpretation, recognition will take place in accordance with the general provisions of 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 within the meaning of IAS 38 that are assignable to current assets. They were assigned a cost of zero. From the point when emissions exceed allocated certificates, a provision for CO_2 emissions must be allocated for actual additional emissions and recognized in the Income Statement. The provision must be calculated on the basis of the fair value of emission certificates on the relevant valuation date.

- Provisions for the defined retirement, post employment and jubilee benefit obligations of the Austrian Group-members were calculated using the internationally accepted projected unit credit method in accordance with IAS 19. Expert actuarial opinions were obtained for that purpose. The measurement of such provisions was based on trend extrapolations of the future development of salaries and retirement benefits and of fluctuations and on a discounting rate of 4.50 per cent (previous year: 4.75 per cent).

- A part of promised retirement benefits was transferred to a pension fund. Retirement benefit contributions were calculated in such a way as to fully fund promised retirement benefits at the time of retirement. Should a funding gap develop, there is an obligation to top up the necessary amounts. The individual assets allocated to the pension fund are netted against the provision for retirement benefits.

- Other provisions were created at the amounts permitted by IAS 37, capturing all identifiable risks and contingent liabilities and the time of their probable occurrence.

- The risks arising from contingent liabilities were covered by adequate provisions.

▮ Deferred taxes were calculated on the basis of the differences between the IFRS-compliant Balance Sheet and the tax base with respect to valuations of assets, equity and liabilities, on the basis of consolidation entries and on the basis of realizable carryforwards of unused tax losses.

There were significant differences between the IFRS-compliant Balance Sheet and the tax base with respect to tangible fixed assets, inventories and provisions. Deferred tax assets were capitalized with respect to carryforwards of unused tax losses insofar as they were usable within five years. Deferred taxes were calculated using the internationally customary liability method (IAS 12), taking into account the pertinent national income tax rates. Consequently, with the exception of goodwill arising upon consolidation, deferred taxes were recognized for all temporary differences in recognition and measurement between the IFRS-compliant Balance Sheet and the tax base.

Deferred taxes were calculated on the basis of the future tax rates expected at the time of the realization or settlement of such differences. Future changes in tax rates were taken into account if the change in a tax rate had already been enacted in law at the time of the Balance Sheet's preparation.

Deferred tax assets were reported within non-current assets. Deferred tax liabilities were reported as provisions for deferred taxes. Deferred tax assets were offset against deferred tax liabilities in cases where income taxes were to be collected by the same tax authority.

▮ All payables were recognized at amounts repayable. Payables denominated in foreign currencies were recognized at the middle rates of exchange ruling on the balance-sheet date.

▮ Revenues from deliveries were recognized if substantially all the risks and rewards incident to the delivered item had passed to the purchaser. Operating expenses were recognized in the Income Statement upon use of the product or service or at the time they were caused.

NOTES TO THE INCOME STATEMENT

(1) Revenues

By business segment	2005|06	2004|05
	€000	€000
Revenues from the sale of finished goods	1,368,775	866,169
Revenues from the sale of goods purchased for resale	121,748	111,113
Service revenues	9,079	3,734
Total	**1,499,602**	**981,016**

See Segment reports on page 65 for a regional breakdown.

(2) Changes in inventories and own work capitalized

	2005|06	2004|05
	€000	€000
Change in inventories of finished and unfinished products	1,245	55,947
Own work capitalized	2,164	1,411

In 2004|05 the increase in inventories of finished and unfinished products of € 55,947 thousand took place in the Sugar Segment. It was mainly due to the increase in sugar production during 2004.

(3) Other operating income

	2005|06	2004|05
Income from	€000	€000
Disposals of fixed assets other than financial fixed assets	1,562	1,492
Release of provisions	4,489	4,471
Group levies (non-consolidated companies)	399	726
Services rendered to third parties	1,205	684
Insurance benefits and payments for damages	5,506	964
Leases	1,558	1,218
Foreign exchange differences	4,191	3,446
Release of valuation allowance for receivables	445	718
Marketing services	2,668	2,742
Write-ups of fixed assets other than financial fixed assets	0	1,923
Beet and pulp cleaning, transportation and handling	1,033	632
Investment grants and other subsidies	1,070	1,101
Other items	8,738	6,290
Total	**32,864**	**26,407**

(4) Cost of materials and other purchased inputs

	2005/06	2004/05
Cost of	€000	€000
Raw materials	676,528	447,368
Goods purchased for resale	152,002	103,124
Process materials and supplies	120,345	86,180
Purchased services	35,423	22,181
Total	**984,298**	**658,853**

(5) Staff costs

	2005/06	2004/05
	€000	€000
Wages and salaries	143,921	86,402
Social security taxes	34,632	23,413
Expenditure on retirement benefits	1,317	2,230
Expenditure on post employment benefits	2,935	1,303
Total	**182,805**	**113,348**

Allocations to the provisions for retirement, post employment and jubilee benefits were reported within Staff costs but without their interest component. Net interest expense arising from those items was reported within Net financial income (expenses) at the amount of € 2,946 (previous year: € 3,002 thousand).

Average number of staff employed during the financial year

	2005/06	2004/05
By employee category		
Blue-collar	6,134	3,706
White-collar	1,924	1,185
Apprentices	72	67
Total	**8,130**	**4,958**
By region		
Austria	1,746	1,646
Rest of EU	2,375	1,533
EU-25	4,121	3,179
Other Europe (Romania, Ukraine, Serbia)	1,994	1,763
Other foreign	2,015	16
Total	**8,130**	**4,958**

2,837 of the increase in staff was accounted for by the addition of the Atys Group.

(6) Depreciation/amortization/write-downs

	2005|06			2004|05		
	Total	Scheduled	Un-scheduled	Total	Scheduled	Un-scheduled
	€000	€000	€000	€000	€000	€000
Intangible fixed assets	4,078	4,077	1	954	954	0
Tangible fixed assets	61,633	61,558	75	46,825	45,503	1,322
Depreciation/amortization/ write-downs reported within operating profit	**65,711**	**65,635**	**76**	**47,779**	**46,457**	**1,322**
Restructuring	13,449	0	13,449	0	0	0
Depreciation/amortization/ write-downs reported within income from operations	**79,160**	**65,635**	**13,525**	**47,779**	**46,457**	**1,322**
Financial fixed assets	195	0	195	5	0	5
Amortization/write-downs reported within Net financial income (expenses)	**195**	**0**	**195**	**5**	**0**	**5**
Total	**79,355**	**65,635**	**13,720**	**47,784**	**46,457**	**1,327**

(7) Other operating expenses

	2005|06	2004|05
	€000	€000
Operating and administrative expenses	72,433	58,364
Selling and freight costs	75,787	44,864
Advertising expenses	10,985	10,790
Production levy and additional levy	7,081	10,717
Other taxes	6,505	3,105
Losses arising from disposals of fixed assets	778	631
Research and development	4,205	4,468
Operating expenses arising from third-party inputs	7,536	7,926
Rents	4,655	1,750
Other	24,634	11,406
Total	**214,599**	**154,021**

Internal and external R&D costs totaled € 9,961 thousand (previous year: € 4,468 thousand).

(8) Income from operations

	2005|06	2004|05
	€000	€000
Operating profit	99,547	90,780
Restructuring expenses	(24,534)	0
Total	**75,013**	**90,780**

Restructuring expenses this financial year will comprise outlay incurred because of the closure of the factories at Hohenau, Austria, and Rimavská Sobota, Slovakia, at the amount of € 24,534 thousand, in the wake of the reform of the sugar CMO.

Restructuring expenses	2005|06
	€000
Cost of materials	(204)
Staff costs	(8,881)
Depreciation/amortization/write-downs of intangible and tangible fixed assets	(13,449)
Closure costs	(2,000)
Total	**(24,534)**

The Hohenau site will continue to operate as a storage facility. Restructuring initially affected 136 employees at Hohenau. A social plan is in place for 123 employees at Rimavská Sobota.

(9) Financial income

	2005|06	2004|05
	€000	€000
Interest income	8,403	6,071
Other financial income	11,037	9,931
Of which foreign exchange gains	[5,122]	[3,631]
Of which from other equity interests held for investment purposes	[3,183]	[4,656]
Of which from subsidiaries	[1,951]	[(1,459)]
Of which from the release of negative goodwill	[203]	[2,076]
Total	**19,440**	**16,002**

(10) Financial expenses

	2005|06	2004|05
	€000	€000
Interest expenses	19,291	12,328
Other financial expenses	5,072	3,988
Of which foreign exchange losses	[3,007]	[2,229]
Of which amortization of short-term investments	[1,394]	[1,740]
Total	**24,363**	**16,316**

Interest expenses includes the interest component of allocations to the provisions for retirement, post employment and jubilee benefits at the amount of € 2,946 thousand (previous year: € 3,002 thousand).

(11) Income from associates

	2005|06	2004|05
	€000	€000
Interest in profit	1,608	2,726

Interest in profit derived primarily from the Atys Group, which was still accounted for as an associate using the equity method in the first quarter of 2005|06.

(12) Income tax expense

Actual tax expenses and income and deferred taxes pertained to Austrian and foreign income taxes and broke down as follows:

	2005|06	2004|05
	€000	€000
Actual tax expense	18,803	13,239
Of which Austrian	[606]	[5,675]
Of which foreign	[18,197]	[7,564]
Deferred taxes	(11,811)	(4,389)
Of which Austrian	[(5,306)]	[(4,782)]
Of which foreign	[(6,505)]	[393]
Total	**6,992**	**8,850**
Of which Austrian	[(4,700)]	[893]
Of which foreign	[11,692]	[7,957]

Reconciliation of tax accruals on the Balance Sheet to tax accruals in the Income Statement:

	2005|06 €000	2004|05 €000
(Decrease) increase in deferred tax assets on the Consolidated Balance Sheet	11,570	(1,141)
Of which addition to the scope of consolidation not recognized in the Income Statement	[1,622]	[375]
Of which other changes not recognized in the Income Statement	[(105)]	[106]
Of which changes recognized in the Income Statement	[10,053]	[(1,622)]
Decrease (increase) in deferred tax liabilities on the Consolidated Balance Sheet	(25,101)	479
Of which addition to the scope of consolidation not recognized in the Income Statement	[(15,003)]	[(5,493)]
Of which other changes not recognized in the Income Statement	[(11,855)]	[(39)]
Of which changes recognized in the Income Statement	[1,757]	[6,011]

Reconciliation of profit before income tax to income tax expense

	2005|06 €000	2004|05 €000
Profit before income tax	71,698	93,192
Austrian tax rate	25%	25%
Theoretical tax expense	**17,925**	**23,298**
Change compared with theoretical tax expense because of		
change in Austrian tax rate from 34% to 25%	0	(6,944)
different applicable tax rate	(2,352)	(3,891)
reduction in tax burden due to tax-exempt income	(7,810)	(6,424)
increase in tax burden due to non-tax-deductible expenses and additional tax debits	3,071	3,594
non-temporary differences arising from consolidation	(3,842)	(783)
Income tax expense	**6,992**	**8,850**
Effective tax rate	**9.8%**	**9.5%**

The theoretical tax burden was based on the application of the Austrian corporation tax rate of 25%.

The Steuerreformgesetz (tax reform act) of 2005 introduced a new concept for taxing company groups. In accordance with its provisions, the AGRANA Group has established a companies group comprising AGRANA Beteiligungs-AG as group parent and AGRANA Zucker GmbH, AGRANA Stärke GmbH, AGRANA Marketing- und Vertriebsservice GmbH and AGRANA Bio-ethanol GmbH as group members. During the financial year, a tax transfer took place between the Group members and the parent company at half the tax rate.

Deferred taxes were based on differences between valuations in the Consolidated Financial Statements and the tax bases underlying the taxation of individual companies in individual countries taking into account carryforwards of unused tax losses.

In the interests of cautious planning, deferred taxes only took into account carryforwards of unused tax losses to the extent that a taxable profit of a kind that could be expected to suffice for the realization of the deferred tax assets was foreseeable within the ensuing five years.

(13) Earnings per share

		2005|06	2004|05
Consolidated earnings for the year attributable to the shareholders of AGRANA Beteiligungs-AG	€000	62,745	79,872
Average number of shares in circulation	Units	14,202,040	11,122,725
Earnings per share in accordance with IFRS (undiluted and diluted)	€	4.42	7.18

The capital increase in the year under review necessitated a supplementary statement of earnings per share:

		2005|06	2004|05
Number of shares in circulation on the balance-sheet date	Units	14,202,040	14,202,040
Earnings per share in relation to the number of shares in circulation on the balance-sheet date	€	4.42	5.62

Assuming that the General Meeting approves the proposed appropriation of profit for the 2005|06 financial year, AGRANA Beteiligungs-AG will be distributing € 27,694 thousand (previous year: € 27,694 thousand).

NOTES TO THE CASH FLOW STATEMENT

The Cash Flow Statement prepared under the indirect method in accordance with the provisions of IAS 7 shows the change in the AGRANA Group's holdings of cash and cash-equivalents arising from day-to-day operating activities, investing activities and financing activities. Cash and cash-equivalents comprised cash, bank balances and short-term investments. Short-term payables to banks were not included. The effects of corporate acquisitions were eliminated and reported within Changes in the scope of consolidation.

With the exception of those relating to cash and cash equivalents, foreign exchange differences were already eliminated within the corresponding items on the Balance Sheet.

(14) Net cash from operating activities

Net cash from profit came to € 144,564 thousand (previous year: € 115,609 thousand), which was 9.6 per cent of revenues (previous year: 11.8 per cent). Profit distributions arising from other equity interests held for investment purposes came to € 3,183 thousand (previous year: € 3,349 thousand). After allowing for changes in working capital, net cash from operating activities amounted to € 179,232 thousand (previous year: net cash used in operating activities of minus € 9,256 thousand). Other non-cash expenses arose mainly in connection with provisions created in the course of restructuring (social plans, closure costs).

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

	2005|06	2004|05
	€000	€000
Interest received	8,252	5,405
Interest paid	16,378	9,218
Tax paid	14,617	17,958

(15) Net cash from (used in) investing activities

€ 223,012 thousand (previous year: € 180,300 thousand) was needed to finance our investing activities. Purchases of tangible and intangible fixed assets were up on the year at € 91,195 thousand (previous year: € 52,077 thousand). Proceeds from disposals of fixed assets came to € 8,805 thousand (previous year: € 2,740 thousand). Purchases of financial fixed assets totaling € 7,531 thousand (previous year: € 98,194 thousand) were recognized in the Income Statement. They resulted primarily from a capital contribution made to a subsidiary.

The change in cash and cash equivalents arising from the changes in the scope of consolidation came to € 133,091 thousand and resulted primarily from acquisitions by the Fruit Division. The outflow of € 172,177 thousand compared with a inflow of € 39,086 thousand.

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

Financial liabilities at a net total of € 5,716 thousand (previous year: € 73,608 thousand) were acquired during the 2005|06 financial year. Dividends paid resulted predominantly from the cash dividend payable to the shareholders of AGRANA Beteiligungs-AG.

NOTES TO THE BALANCE SHEET

(17) Intangible fixed assets

2005|06 financial year	Goodwill €000	Commercial privileges, licenses and similar rights €000	Total €000
Cost			
On March 1, 2005	42,968	22,963	65,931
Foreign exchange differences	0	400	400
Changes in the scope of consolidation	156,537	34,573	191,110
Additions	0	3,988	3,988
Reallocations	0	56	56
Disposals	0	(105)	(105)
Revaluations (IAS 39)	0	0	0
On February 28, 2006	**199,505**	**61,875**	**261,380**
Amortization/write-downs			
On March 1, 2005	0	19,838	19,838
Foreign exchange differences	0	260	260
Changes in the scope of consolidation	0	6,396	6,396
Additions	0	4,078	4,078
Reallocations	0	0	0
Disposals	0	(49)	(49)
Write-ups	0	0	0
On February 28, 2006	**0**	**30,523**	**30,523**
Book value on February 28, 2006	**199,505**	**31,352**	**230,857**

Previous year	Goodwill €000	Commercial privileges, licenses and similar rights €000	Total €000
Cost			
On March 1, 2004	28,315	17,571	45,886
Foreign exchange differences	51	310	361
Changes in the scope of consolidation	14,765	4,200	18,965
Additions	0	1,699	1,699
Reallocations	0	(675)	(675)
Disposals	(163)	(142)	(305)
Revaluations (IAS 39)	0	0	0
On February 28, 2005	**42,968**	**22,963**	**65,931**
Amortization/write-downs			
On March 1, 2004	29	16,478	16,507
Foreign exchange differences	38	155	193
Changes in the scope of consolidation	0	2,343	2,343
Additions	0	954	954
Reallocations	0	0	0
Disposals	(67)	(91)	(158)
Write-ups	0	(1)	(1)
On February 28, 2005	**0**	**19,838**	**19,838**
Book value on February 28, 2005	**42,968**	**3,125**	**46,093**

▮ Intangible fixed assets includes above all the goodwill arising from business combinations during and after the 1995|96 financial year, capitalized in accordance with IFRS 3, and also includes the acquired customer base of the Atys Group, computer software, industrial property rights, similar rights and prepayments.

▮ The Sugar Segment accounted for € 19,501 thousand (previous year: € 19,501 thousand) of the book value of goodwill, and the Specialties Segment accounted for € 180,004 thousand (previous year: € 23,467 thousand) thereof. The increase was due to the acquisition of the Atys Group and DSF.

▮ To satisfy the provisions of IFRS 3 in conjunction with IAS 36 and to allow the calculation of any impairments of goodwill, AGRANA has structured its cash generating units in line with its internal reporting structure. The cash generating units within the AGRANA Group have been defined as the Sugar Division, the Starch Division and the Fruit Division in line with internal management and reporting processes.

▮ To test for impairment, the book value of each cash generating unit is measured by allocating to it assets and liabilities inclusive of attributable goodwill and intangible fixed assets. Unscheduled write-downs are carried out if the recoverable amount of a cash generating unit is below its book value inclusive of goodwill. The recoverable amount is the higher of net realizable value and present value of expected future cash flows from an asset.

▮ When testing for impairment, AGRANA used a discounted cash flow procedure on the basis of the value in use of cash generating units. The measurement of cash flows from each cash-generating unit was based on validated business plans issued by Supervisory Board committees with a plan horizon of five years. Planning for the Sugar cash generating unit allowed for the detrimental effect on profit of changes in the sugar CMO (see the notes in the Risk report section of the Management Report). Constant growth of 1.0 per cent per annum due to inflation was assumed for longer planning horizons (previous year: 1.5 per cent per annum). The weighted average cost of capital (WACC) derived from the AGRANA Group's capital costs was calculated to be 7.0 per cent (previous year: 7.6 per cent).

▮ The quality of planning data is constantly checked against actual outcomes with the help of deviation analysis. The results are then taken into account during the preparation of the next annual plan. Assumptions regarding local market and volume developments in the future are key to plans' utility value. Consequently, utility is gauged on the basis of past experience and assumptions agreed with experts in our regional markets.

▮ We established that all goodwill recognized in the Consolidated Financial Statements was free from impairments. No unscheduled write-downs were needed during the 2005|06 financial year.

▮ No other intangible fixed assets with indefinite useful lives required recognition as of the balance-sheet date.

(18) Tangible fixed assets

	Land, similar rights and buildings	Technical plant and machinery	Other plant, office furniture and equipment	Plant under construction	Total
	€000	€000	€000	€000	€000
2005|06 financial year					
Cost					
On March 1, 2005	330,680	658,648	90,126	18,293	1,097,747
Foreign exchange differences	4,701	10,222	1,539	965	17,427
Changes in the scope of consolidation	67,911	134,233	53,338	5,797	261,279
Additions	18,679	28,411	14,520	25,597	87,207
Reallocations	9,134	2,286	2,419	(13,896)	(57)
Disposals	(4,437)	(8,355)	(4,002)	(3,984)	(20,778)
Revaluations (IAS 39)	0	0	0	0	0
On February 28, 2006	**426,668**	**825,445**	**157,940**	**32,772**	**1,442,825**
Depreciation/write-downs					
On March 1, 2005	168,783	481,347	65,889	235	716,254
Foreign exchange differences	1,517	4,921	1,067	2	7,507
Changes in the scope of consolidation	26,521	84,393	43,343	87	154,344
Additions	16,826	47,822	10,382	52	75,082
Reallocations	5	(537)	532	0	0
Disposals	(3,454)	(7,277)	(3,481)	0	(14,212)
Write-ups	0	0	0	0	0
On February 28, 2006	**210,198**	**610,669**	**117,732**	**376**	**938,975**
Book value on February 28, 2006	**216,470**	**214,776**	**40,208**	**32,396**	**503,850**

Previous year	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					
On March 1, 2004	264,615	559,465	60,896	4,512	889,488
Foreign exchange differences	5,092	7,321	697	115	13,225
Changes in the scope of consolidation	57,293	74,252	25,000	2,587	159,132
Additions	7,381	21,852	6,674	14,471	50,378
Reallocations	947	2,774	214	(3,260)	675
Disposals	(4,648)	(7,016)	(3,355)	(132)	(15,151)
Revaluations (IAS 39)	0	0	0	0	0
On February 28, 2005	**330,680**	**658,648**	**90,126**	**18,293**	**1,097,747**
Depreciation/write-downs					
On March 1, 2004	146,725	427,115	49,193	226	623,259
Foreign exchange differences	2,119	4,679	453	3	7,254
Changes in the scope of consolidation	14,263	27,202	13,196	0	54,661
Additions	10,041	30,604	6,166	14	46,825
Reallocations	(103)	113	(2)	(8)	0
Disposals	(4,103)	(6,606)	(3,114)	0	(13,823)
Write-ups	(159)	(1,760)	(3)	0	(1,922)
On February 28, 2005	**168,783**	**481,347**	**65,889**	**235**	**716,254**
Book value on February 28, 2005	**161,897**	**177,301**	**24,237**	**18,058**	**381,493**

▮ Additions (purchases) of intangible and tangible fixed assets:

	2005|06 €000	2004|05 €000
Sugar Segment	13,356	17,617
Specialties Segment	77,839	34,460
Total	**91,195**	**52,077**

The increase in the Specialties Segment was essentially due to investments in the Fruit Division.

▮ Foreign exchange differences are shown at the amounts arising from the differences in the values of the assets of foreign Group-members between their initial values measured applying the exchange rates ruling at the start of the year and the exchange rates ruling at year-end.

(19) Investments in associates

	2005|06	2004|05
	€000	€000
On March 1	96,780	11,601
Additions	28	66,649
Interest in profit	1,608	2,726
Reallocations	0	27,000
Changes in the scope of consolidation	(97,890)	(11,196)
On February 28	**526**	**96,780**

(20) Other interests and securities

2005|06 financial year	Investments in subsidiaries €000	Other equity interests held for investment purposes €000	Loans to companies €000	Securities classified as non-current assets €000	Prepayments for financial fixed assets €000	Total €000
Cost						
On March 1, 2005	1,591	92,749	270	25,579	0	120,189
Foreign exchange differences	0	329	14	41	0	384
Changes in the scope of consolidation	(1)	997	72	358	0	1,426
Additions	0	7,403	58	42	0	7,503
Reallocations	0	0	6	(6)	0	0
Disposals	0	(786)	(53)	(572)	0	(1,411)
Revaluations (IAS 39)	0	42,100	0	1,997	0	44,097
On February 28, 2006	**1,590**	**142,792**	**367**	**27,439**	**0**	**172,188**
Write-downs						
On March 1, 2005	44	35	270	1,898	0	2,247
Foreign exchange differences	0	0	14	0	0	14
Changes in the scope of consolidation	0	0	0	(1)	0	(1)
Additions	0	143	0	53	0	196
Reallocations	0	0	0	0	0	0
Disposals	0	0	0	(12)	0	(12)
Write-ups	0	0	0	(6)	0	(6)
On February 28, 2006	**44**	**178**	**284**	**1,932**	**0**	**2,438**
Book value on February 28, 2006	**1,546**	**142,614**	**83**	**25,507**	**0**	**169,750**

Previous year	Investments in subsidiaries €000	Other equity interests held for investment purposes €000	Loans to companies €000	Securities classified as non-current assets €000	Prepayments for financial fixed assets €000	Total €000
Cost						
On March 1, 2004	3,381	57,951	381	23,602	27,000	112,315
Foreign exchange differences	0	4	29	16	0	49
Changes in the scope of consolidation	13	0	0	986	0	999
Additions	180	31,086	0	280	0	31,546
Reallocations	0	8	0	(8)	(27,000)	(27,000)
Disposals	(1,983)	0	(140)	(262)	0	(2,385)
Revaluations (IAS 39)	0	3,700	0	965	0	4,665
On February 28, 2005	**1,591**	**92,749**	**270**	**25,579**	**0**	**120,189**
Write-downs						
On March 1, 2004	2,015	30	249	1,712	0	4,006
Foreign exchange differences	0	0	21	0	0	21
Changes in the scope of consolidation	0	0	0	197	0	197
Additions	0	5	0	0	0	5
Reallocations	0	0	0	0	0	0
Disposals	(1,971)	0	0	(11)	0	(1,982)
Write-ups	0	0	0	0	0	0
On February 28, 2005	**44**	**35**	**270**	**1,898**	**0**	**2,247**
Book value on February 28, 2005	**1,547**	**92,714**	**0**	**23,681**	**0**	**117,942**

▮ The balance-sheet entry for Investments in subsidiaries only records the book values of the companies excluded from consolidation because of their minor significance.

(21) Deferred tax assets

Deferred taxes were attributable to the following items on the Balance Sheet:

Deferred taxed assets	February 28, 2006 €000	February 28, 2005 €000
Provisions for retirement, post employment and jubilee benefits	2,027	1,948
Inventories and receivables	5,204	724
Other provisions and liabilities	3,742	1,898
Carryforwards of unused tax losses	10,495	2,097
Total deferred tax assets	**21,468**	**6,667**
Deferred tax assets net of deferred tax liabilities with respect to the same tax authority	(6,978)	(3,747)
Net deferred tax assets	**14,490**	**2,920**

The calculation of deferred tax liabilities gave net deferred tax liabilities of € 50,273 thousand (previous year: € 25,172 thousand). This item is elucidated under point (26).

(22) Receivables and other assets

	February 28, 2006 €000	February 28, 2005 €000
Trade receivables	187,637	108,531
Of which with a maturity of more than 1 year	[807]	[495]
Receivables from subsidiaries	8,198	53,697
Of which with a maturity of more than 1 year	[18]	[46]
Receivables from associates	1,013	2,191
Receivables from other companies in which the Group had equity interests held for investment purposes	1,047	1,307
VAT credits and other tax credits	52,779	37,396
Reimbursement claims under the sugar CMO	10,492	17,739
Prepaid expenses	3,527	1,323
Other assets	22,697	19,128
Of which with a maturity of more than 1 year	[3,325]	[2,070]
Total	**287,390**	**241,312**
Of which with a maturity of more than 1 year	[4,150]	[2,611]

Receivables from subsidiaries derived from accounts with excluded subsidiaries as well as parent Südzucker AG and its subsidiaries.

(23) Inventories

	February 28, 2006 €000	February 28, 2005 €000
Raw materials, process materials, supplies	115,180	44,250
Unfinished products	21,017	19,981
Finished products and goods	390,229	347,068
Prepayments	1,592	7,900
Total	**528,018**	**419,199**

The increase in inventories was largely accounted for by the companies in the Fruit Division. The book value of inventories valued at net selling prices was € 5,997 thousand (previous year: € 21,007 thousand). Revaluations totaling € 603 thousand (previous year: € 3,361 thousand) were carried out.

(24) Securities

Shares and other securities were recognized at the amount of € 32,322 thousand (previous year: € 107,449 thousand). This item consists mainly of fixed-interest securities held as a part of liquidity reserves.

(25) Equity

- The Company's share capital came to € 103,210.246 thousand on the balance-sheet date. It was subdivided into 14,202,040 ordinary voting bearer no-par shares.

- Movements in consolidated equity are detailed on page 63.

(26) Provisions

Provisions for	February 28, 2006 €000	February 28, 2005 €000
Retirement benefits	36,394	34,716
Post employment benefits	15,531	17,236
Jubilee benefits	4,184	4,750
Deferred tax liabilities	50,273	25,172
Other	77,366	74,906
Total	**183,748**	**156,780**

a) Provisions for retirement, post employment and jubilee benefits

Provisions for retirement and post employment benefits were measured using the projected unit credit method taking into account future developments on an actuarial basis. In both cases, defined benefit plans are in place.

The following assumptions were made regarding probable future increases in wages, salaries and retirement benefits with respect to the Austrian Group-members:

	February 28, 2006	February 28, 2005
	Per cent	Per cent
Wage/salary trend	2.50	2.75
Retirement benefit trend	2.00	2.00
Interest rate	4.50	4.75

Abroad, we modified our assumptions to suit the particular circumstances.

These provisions developed as follows:

2005|06 financial year	Retirement benefits €000	Post employment benefits €000	Jubilee benefits €000
Balance-sheet provision on March 1, 2005	**34,716**	**17,236**	**4,750**
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 recognized in profit for the period	2,345	(626)	(380)
Changes in the scope of consolidation	3,427	178	30
Benefits paid	(3,729)	(1,257)	(216)
Added to plan assets	(365)	0	0
Balance-sheet provision on February 28, 2006	**36,394**	**15,531**	**4,184**
Unrecognized actuarial (gain) loss	4,770	1,708	0
Fair value of plan assets	2,561	0	0
Present value on February 28, 2006	**43,725**	**17,239**	**4,184**

Previous year	Retirement benefits €000	Post employment benefits €000	Jubilee benefits €000
Balance-sheet provision on March 1, 2004	**33,740**	**16,948**	**4,886**
Service cost	242	770	230
Interest cost	1,975	772	255
Expected income from plan assets	(87)	0	0
Actuarial (gain) loss	2,371	0	(316)
Total amount recognized in profit for the period	4,501	1,542	169
Changes in the scope of consolidation	493	1,043	209
Benefits paid	(3,689)	(2,297)	(514)
Added to plan assets	(329)	0	0
Balance-sheet provision on February 28, 2005	**34,716**	**17,236**	**4,750**
Unrecognized actuarial (gain) loss	4,342	1,541	0
Fair value of plan assets	1,946	0	0
Present value on February 28, 2005	**41,004**	**18,777**	**4,750**

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

Projected unit credit value expresses staff members' benefit rights measured as the circumstances were on the balance-sheet date. It includes actuarial gains and losses resulting from differences between expected and individually occurring risks. The provision for direct benefit obligations did not take into account actuarial gains and losses within the corridor allowed by IAS 19 (±10 per cent of projected unit credit value).

The foreign Group-members had similar obligations. They were measured on an actuarial basis taking future cost trends into account.

b) Deferred tax liabilities

Deferred tax liabilities were attributable to the following items on the Balance Sheet:

Deferred tax liabilities	February 28, 2006 €000	February 28, 2005 €000
Fixed assets	31,501	7,419
Inventories and receivables	14,311	12,242
Extraordinary fiscal items in separate financial statements	8,171	7,649
Other provisions	3,268	1,609
Total deferred tax liabilities	**57,251**	**28,919**
Deferred tax assets net of deferred tax liabilities with respect to the same tax authority	(6,978)	(3,747)
Net deferred tax liabilities	**50,273**	**25,172**

The calculation of deferred tax assets gave net deferred tax assets of € 14,490 thousand (previous year: € 2,920 thousand) as elucidated under point (21).

c) Other provisions

Other provisions	March 1, 2005 €000	Foreign exchange differences €000	Changes in scope of consoli-dation €000	Released €000	Used €000	Added €000	February 28, 2006 €000
Provisions for obligations arising from the sugar CMO	23,077	(18)	0	(81)	(22,457)	6,640	7,161
Provisions for the costs of meeting recultivation obligations, clearing landfills and removing waste residues	20,130	(25)	0	(2,811)	(867)	886	17,313
Provisions for staff costs	11,930	123	1,917	(599)	(5,896)	16,742	24,217
Other items	19,769	395	3,338	(2,057)	(15,544)	22,774	28,675
Total	**74,906**	**475**	**5,255**	**(5,548)**	**(44,764)**	**47,042**	**77,366**
Of which non-current	[22,104]	–	–	–	–	–	[22,393]
Of which current	[52,802]	–	–	–	–	–	[54,973]

(27) Payables

	February 28, 2006	Of which with a maturity of: Up to 1 year	From 1 year to 5 years	From 5 years and over	February 28, 2005	Of which with a maturity of: Up to 1 year	From 1 year to 5 years	From 5 years and over
	€000	€000	€000	€000	€000	€000	€000	€000
Bonds	20,000	0	20,000	0	20,000	0	20,000	0
Payables to banks	398,627	165,904	224,030	8,693	280,791	201,526	68,844	10,421
Lease liabilities	1,938	988	950	0	0	0	0	0
Financial liabilities	**420,565**	**166,892**	**244,980**	**8,693**	**300,791**	**201,526**	**88,844**	**10,421**
Prepayments received for orders	5	5	0	0	38	38	0	0
Trade payables	229,117	229,117	0	0	127,812	127,678	99	35
Payables to subsidiaries	56,505	56,186	319	0	13,194	12,583	611	0
Deferred income	11,386	11,386	0	0	11,850	11,850	0	0
Other payables	67,954	65,297	1,847	810	54,049	50,879	2,152	1,018
Of which income tax	[10,819]	[10,819]	[0]	[0]	[13,300]	[13,300]	[0]	[0]
Of which other tax	[7,335]	[7,335]	[0]	[0]	[2,472]	[2,472]	[0]	[0]
Of which relating to social security	[5,847]	[5,847]	[0]	[0]	[2,165]	[2,165]	[0]	[0]
Other payables	**364,967**	**361,991**	**2,166**	**810**	**206,943**	**203,028**	**2,862**	**1,053**
Total	**785,532**	**528,883**	**247,146**	**9,503**	**507,734**	**404,554**	**91,706**	**11,474**

In the previous year, income tax payables were recorded under Provisions. The section on Financial instruments and derivative financial instruments contains details of payables to banks.

Payables to banks were collateralized as follows on the balance-sheet date:

	February 28, 2006	February 28, 2005
	€000	€000
Mortgage liens	16,871	10,074
Other liens	1,338	31,474
Total	**18,209**	**41,548**

Trade payables includes payables to beet growers totaling € 103,321 thousand (previous year: € 97,915 thousand).

Other payables consists mainly of tax liabilities, amounts payable to benefit schemes and payables on payroll accounts.

(28) Contingent liabilities and other financial liabilities

	February 28, 2006	February 28, 2005
	€000	€000
Bills	0	42
Sureties	2,023	36,673
Guarantees, cooperative liabilities	2,088	2,188
Letters of comfort	316	316
Contingent liabilities	**4,427**	**39,219**
Present value of lease installments due within 5 years	6,274	1,977
Order commitments (purchases of tangible fixed assets)	23,030	11,916
Other financial liabilities	**29,304**	**13,893**
Total	**33,731**	**53,112**

NOTES ON FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

To steer seasonally fluctuating cash flows, conventional investments (call-money, time-deposit and securities investments) are undertaken, funds are borrowed by way of call-money and fixed borrowings and fixed-rate loan transactions are effected within the AGRANA Group in the course of its day-to-day financial management activities. 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 (interest-rate related price risk). The interest rate on a variable-rate financial instrument is adjusted on an almost concurrent basis and to that extent corresponds roughly to the market rate.

Currency risk

Currency risk is defined as the risk that the value of an item on the Balance Sheet will fluctuate due to changes in foreign exchange rates.

Credit risk

We minimize the credit risks associated with fixed assets and securities and with receivables arising from derivative hedges by only transacting business with counterparties of the highest credit standing.

The material primary investment and borrowing instruments held on February 28, 2006 broke down as follows, by balance-sheet item:

Fixed assets: other equity interests held for investment purposes/securities	Contracted currency €000	Fair value €000	Cost €000
Stocks, Ges.m.b.H. (Ltd. Co.) shares,	EUR	147,142	88,336
shares in cooperatives	CZK	269	225
Debt instruments originated by corporations	EUR	19,333	18,616
Government bonds and other securities	EUR	1,377	1,404
Total		**168,121**	**108,581**
Previous year		(116,395)	(99,132)

Current assets: securities	Contracted currency €000	Fair value €000	Cost €000
Debt instruments issued by foreign sovereigns	HUF	98	103
Debt instruments	EUR	28,832	28,831
originated by corporations	MXN	3,392	3,392
Total		**32,322**	**32,326**
Previous year		(107,449)	(107,124)

Unrealized differences between cost and the fair values recognized on the Balance Sheet were carried to the revaluation reserve and not recognized in the Income Statement.

Payables to banks	Contracted currency	Interest rate (nominal)	Book value
		Per cent	€000
Maturity of up to 1 year	EUR	3.17	100,740
	HUF	6.08	26,602
	SKK	3.30	6,607
	RON	7.54	584
	GBP	7.32	252
	DKK	2.65	3,880
	PLN	4.07	24,892
	CHF	1.17	1,887
	KRW	6.05	420
	Various	–	40
Maturity between 1 year and 5 years	EUR	2.67	167,085
	DKK	3.01	4,155
	PLN	4.00	170
	USD	5.02	52,620
Maturity of more than 5 years	EUR	3.60	8,693
Total			**398,627**
Previous year			(280,791)

Payables were recognized at amounts repayable. In the case of payables denominated in foreign currencies, nominal values were translated into euros applying the foreign exchange rates ruling on the balance-sheet date. Consequently, fair values could be higher or lower, depending on the development of exchange rates.

Derivative financial instruments and risk management

In order to hedge part of the risks arising from its operating activities (due to movements in interest rates, foreign exchange rates and raw material prices), the AGRANA Group makes limited use of derivative financial instruments. It only employs conventional instruments that are sufficiently liquid in the market (e.g. interest-rate swaps, interest-rate options, caps, forward exchange contracts, currency options). The use of these instruments is regulated by Group guidelines within the scope of the Group's risk management system. The guidelines rule out the speculative use of derivative financial instruments, set ceilings that are appropriate to the underlying transactions, define authorization procedures, minimize credit risks and regulate internal reporting and functional firewalls. Adherence to these guidelines and the proper management and valuation of transactions are regularly monitored by an impartial internal unit.

The nominal and fair values of the derivative financial instruments held by the AGRANA Group broke down as follows:

	Nominal values		Fair values	
	February 28, 2006	February 28, 2005	February 28, 2006	February 28, 2005
	€000	€000	€000	€000
Currency derivatives	38,110	37,815	601	44
Interest-rate derivatives	47,000	28,000	(120)	(319)
Commodity derivatives	7,310	5,328	259	(5)
Total	**92,420**	**71,143**	**740**	**(280)**

Nominal values

The nominal value of a derivative financial instrument is the reference value underlying the hedge. Price movements versus that reference value, not the absolute nominal value, are the object of a hedge and the source of risk.

Fair values

Fair values were measured at quoted market prices on the balance-sheet date without offsetting any countermovements arising from the values of hedged items. The fair value is the amount that the AGRANA Group would have had to pay or would have received in the event of premature termination of the hedge.

INFORMATION REGARDING BUSINESS RELATIONSHIPS WITH COMPANIES AND INDIVIDUALS CONSIDERED TO BE RELATED PARTIES

AGRANA Zucker, Stärke und Frucht Holding AG holds 100 per cent of the ordinary shares of Z & S Holding AG, which in turn holds 75.5 per cent of the ordinary shares of AGRANA Beteiligungs-AG. Both holding companies are exempt from the obligation to prepare consolidated financial statements because they are accounted for in the consolidated financial statements of Südzucker AG, Mannheim/Ochsenfurt.

Possible related parties within the meaning of IAS 24 are Südzucker AG, Mannheim/Ochsenfurt, Germany, and Zuckerbeteiligungsges.m.b.H., Vienna, as shareholders of AGRANA Zucker, Stärke und Frucht Holding AG. AGRANA's Consolidated Financial Statements are accounted for in the consolidated financial statements of Südzucker AG, Mannheim/Ochsenfurt.

Raiffeisen-Holding Niederösterreich-Wien reg. GmbH, Vienna, and its subsidiaries are also considered to be related parties.

On the balance-sheet date, current financial liabilities to the aforesaid related companies were reported at the amount of € 53,016 thousand. They were acquired on normal market terms and conditions. There were current receivables of € 5,917 thousand resulting from deliveries of goods.

Remunerations paid to members of the Board of Management of AGRANA Beteiligungs-AG totaled € 1,596 thousand (previous year: € 1,206 thousand), comprising a fixed component of € 957 thousand and a performance-related component of € 639 thousand. Remunerations paid to members of the Supervisory Board totaled € 165 thousand (previous year: € 165 thousand). Retirement benefit obligations to the Board of Management have been transferred to an external pension fund. The excess over the accumulated savings component of € 1,246 thousand (previous year: € 1,233 thousand) was recorded under Provisions.

Vienna
May 2, 2006

The Board of Management

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

GROUP INTERESTS ON FEBRUARY 28, 2006

(interests held of at least 20 per cent of share capital)

Name of company	Location	Country	Stake in share capital Direct Per cent	Indirect Per cent
I. Subsidiaries				
Interests in fully-consolidated Group-members				
AGRANA Bioethanol GmbH	Vienna		–	100.00%
AGRANA Frucht GmbH	Vienna		100.00%	–
AGRANA Frucht GmbH & Co KG	Vienna		100.00%	–
AGRANA Internationale Verwaltungs- und Asset-Management AG	Vienna		100.00%	–
AGRANA Internationale Verwaltungs- und Asset-Management AG & Co KG	Vienna		100.00%	–
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	Vienna		100.00%	–
AGRANA Zucker GmbH	Vienna		98.91%	1.09%
AGRANA Stärke GmbH	Vienna		98.91%	1.09%
Agrofrucht, Handel mit landwirtschaftlichen Produkten Gesellschaft m.b.H.	Vienna		–	100.00%
Brüder Hernfeld Gesellschaft m.b.H.	Vienna		–	100.00%
INSTANTINA Nahrungsmittel Entwicklungs- und Produktions Gesellschaft m.b.H.	Vienna		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.	Petöhaza	Hungary	–	66.67%
Magyar Cukorgyártó és Forgalmazó Rt.	Budapest	Hungary	–	87.32%
Moravskoslezské Cukrovary a.s.	Hrusovany	Czech Republic	–	97.66%
Slovenské Cukrovary a.s.	Rimavská Sobota	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%
Vallø Saft A/S	Køge	Denmark	–	100.00%
Vallø Saft Polska Sp z o.o.	Lipnik	Poland	–	100.00%
Vallø Saft Holding A/S	Køge	Denmark	–	100.00%
Wink Service & Logistik GmbH	Bingen	Germany	–	100.00%
AGRANA Fruit Juice GmbH	Bingen	Germany	–	100.00%
Wink Romania s.r.l.	Vaslui	Romania	–	100.00%
Wink Polska Sp z o.o.	Bialobrzegi	Poland	–	100.00%
Wink A Mezógazdasagi Termeló és Kereskedelmi Kft.	Vasarosnameny	Hungary	–	100.00%

Name of company	Location	Country	Stake in share capital Direct Per cent	Stake in share capital Indirect Per cent
Wink B Mezógazdasagi Beterzési és Igazgatási Kft.	Vasarosnameny	Hungary	–	100.00%
Wink C Mezógazdasagi Szervezó és Szolgáltató Kft.	Anarcs	Hungary	–	100.00%
Steirerobst AG	Gleisdorf		–	100.00%
Steirische Agrarbeteiligungs-gesellschaft m.b.H.	Raaba		–	100.00%
Hungariaobst Kft.	Gutorfölde	Hungary	–	99.99%
Podilljaobst TOF	Vinnytsya	Ukraine	–	99.55%
Luka TOF	Vinnytsya	Ukraine	–	99.96%
Polobst Sp z o.o.	Góra Kalvaria	Poland	–	100.00%
Steirerobst o.o.o.	Serpuchov	Russia	–	100.00%
Caraobst S.R.L	Carei	Romania	–	99.99%
Financière Atys S.A.S.	Paris	France	–	100.00%
Atys S.A.	Paris	France	–	100.00%
Atys France S.A.	Paris	France	–	100.00%
Atys Midi S.A.S.	Paris	France	–	100.00%
Atys Austria GmbH	Kröllendorf		–	100.00%
Atys Bohemia s.r.o.	Kaplice	Czech Republic	–	100.00%
Atys Polska Sp z o.o.	Ostroleka	Poland	–	100.00%
Atys US, Inc	Brecksville	USA	–	100.00%
Flavors from Florida, Inc	Bartow	USA	–	100.00%
Atys México, S.A. de C.V.	Michoacán	Mexico	–	100.00%
Atys Argentina S.A.	Buenos Aires	Argentina	–	84.80%
Atys Investments South Africa (Proprietary) Limited	Cape Town	South Africa	–	100.00%
Atys South Africa (Proprietary) Limited	Cape Town	South Africa	–	100.00%
Fruimark (Proprietary) Limited	Cape Town	South Africa	–	100.00%
Atys Australia Pty Limited	Central Mangrove	Australia	–	100.00%
South Pacific Foods Pty. Ltd	Sigatoka	Fiji	–	100.00%
Atys Korea Co., Ltd	Seoul	South Korea	–	95.60%
Atys Dachang Food Ingredients Co., Ltd	Dachang	China	–	98.90%
Merko Sias Gida Sanayi Ve Ticaret Anonim Sirketi	Zincirlikuyu	Turkey	–	100.00%
Dirafrost FFI	Herk-de-Stad	Belgium	–	100.00%
Frefrost Sarl	El Aouamra	Morocco	–	100.00%
Diramar Sarl	El Aouamra	Morocco	–	100.00%

Name of company	Location	Country	Stake in share capital Direct Per cent	Indirect Per cent
Dirafrost France S.A.	St.-Genis-Laval	France	–	100.00%
Yube d.o.o.	Grdovici	Serbia	–	100.00%
Dirafrost Germany GmbH	Hof	Germany	–	100.00%
Atys GSO N.A., Inc.	Tampa	USA	–	100.00%
Atys Latinoamerica S. de R.L de C.V	Michoacán	Mexico	–	99.99%
DSF Deutsch Schweizerische Früchteverarbeitung GmbH	Constance	Germany	–	100.00%
Accounted for using the equity method				
Österreichische Rübensamenzucht Gesellschaft m.b.H.	Vienna		–	86.00%
Excluded Group-members				
Sugana Altersvorsorge-Einrichtung Gesellschaft m.b.H.	Vienna		–	100.00%
Zuckerforschung Tulln Ges.m.b.H.	Vienna		100.00%	–
Dr. Hauser Gesellschaft m.b.H.	Garmisch-Partenkirchen	Germany	–	51.00%
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%
AGRANA Stärke GmbH & Co KG	Hörbranz		–	100.00%
Caragrimex S.A.	Carei	Romania	–	99.26%
PFD-Processed Fruit Distribution Ltd.	Nicosia	Cyprus	–	100.00%
Diragri Sarl	El Aouamra	Morocco	–	100.00%
Egybe Sarl	Cairo	Egypt	–	100.00%

II. Associates

Companies accounted for by proportionate consolidation

HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	Szabadegyhaza	Hungary	–	50.00%
Hungranatrans Kft.	Szabadegyhaza	Hungary	–	50.00%

THE COMPANY'S BOARDS AND OFFICERS

Supervisory Board

Christian KONRAD, Vienna
Chairman

Rudolf MÜLLER, Ochsenfurt
Vice-Chairman

Erwin HAMESEDER, Mühldorf
Vice-Chairman

Ludwig EIDMANN, Gross-Umstadt

Hans-Jörg GEBHARD, Eppingen

Christoph KIRSCH, Weinheim/Bergstrasse

Hermann SCHULTES, Zwerndorf

Christian TEUFL, Vienna

Staff Council delegates:

Franz ENNSER, Vienna

Harald TOTH, Leopoldsdorf

Peter VYMYSLICKY, Leopoldsdorf

Erich WEISSENBÖCK, Gmünd

Board of Management

Johann MARIHART, Limberg
Chairman

Walter GRAUSAM, Vienna

Thomas KÖLBL, Mannheim
(from July 8, 2005)

Markwart KUNZ, Worms
(to July 7, 2005)

AUDITORS' REPORT AND OPINION [TRANSLATION]

We have audited the consolidated financial statements of AGRANA Beteiligungs-Aktiengesellschaft, Vienna, for the fiscal year from March 1, 2005 to February 28, 2006. The Company's management is responsible for the preparation and the content of the 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. Our responsibility is to express an opinion on these consoldiated financial statements based on our audit and to state whether the management report for the group is in accordance with the 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 plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report for the group is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the consolidated financial statements 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 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, 2006 and of the results of its operations and its cash flows for the fiscal year from March 1, 2005 to February 28, 2006 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The management report for the group is in accordance with the consolidated financial statements.

Vienna
May 2, 2006

KPMG Wirtschaftsprüfungs-
und Steuerberatungs GmbH

Dr. Walter Knirsch ppa Dkfm. Reiner Kaps
Certified Accountants and Tax Consultants

MULTICONT Revisions- und
Treuhand Gesellschaft m.b.H.

Mag. Hans Chaloupka
Certified Accountant
and Tax Consultant

Mag. Robert Breitner
Tax Consultant

PERFORMANCE INDICATORS

[FOR THE READER'S CONVENIENCE, THE ORIGINAL ABBREVIATIONS HAVE BEEN RETAINED.]

Abbreviation	Indicator Definition	2005|06 €000	Previous year €000
BFS	**Gross financial debt** + Payables to banks + Bonds + Lease liabilities	420,565	300,791
CE	**Capital employed** (SAV + IAV) + WC	1,191,355	808,929
Dividend yield	Dividend per share / share's closing price	2.5%	2.4%
EBITDA	**Earnings before interest, tax, depreciation and amortization** (Items 8 + 6 of the Income Statement) Operating profit + depreciation/amortization	165,258	138,559
EBITDA margin	EBITDA x 100 / revenues	11.0%	14.1%
EKQ	**Equity ratio** Equity / total capital	47.8%	55.7%
EPS	**Earnings per share** Consolidated earnings for the year / number of shares	€ 4.42	€ 7.18
EVS	**Equity value per share** Equity attributable to equity holders of parent / number of shares	€ 61.4	€ 56.3
FCF	**Free cash flow** Net cash from (used in) operating activities + Net cash from (used in) investing activities[1]	(43,780)	(189,556)
Gearing	NFS / (equity + minority interests) x 100	34.7%	14.4%
IAV	**Intangible fixed assets with goodwill**	230,857	46,093
KGV (Ultimo)	**P/E ratio** Closing price / EPS	17.6	11.2
NFS	**Net financial debt** Gross financial debt – (cash plus checks + other bank balances + short-term investments)	307,431	120,077
Operating profit	**Earnings before interest and tax**	99,547	90,780
Operating margin	Operating profit x 100 / revenues	6.6%	9.3%
ROCE	**Return on capital employed** Operating profit / CE	8.4%	11.2%
ROS	**Return on sales** Profit before tax x 100 / revenues	4.8%	9.5%
SAV	**Tangible fixed assets**	503,850	381,493
WC	**Working capital** Inventories + trade receivables + other assets – current provisions – short-term prepayments – trade payables – other payables	456,648	381,343

[1] In quarterly reports, net cash from operating activities – capital expenditure.

ANNUAL FINANCIAL STATEMENTS 2005|06

of AGRANA Beteiligungs-AG prepared in accordance with the Austrian Accounting Act

BALANCE SHEET DATED FEBRUARY 28, 2006

		February 28, 2006 €000	End of previous year €000
ASSETS	**A. Non-current assets**		
	I. Intangible fixed assets	38	75
	II. Tangible fixed assets	975	1,065
	III. Financial fixed assets	313,874	306,627
		314,887	**307,767**
	B. Current assets		
	I. Receivables and other assets	295,703	130,601
	II. Securities	10,456	105,607
	III. Cash, bank balances	5	31,007
		306,164	**267,215**
	Total assets	**621,051**	**574,982**
EQUITY AND LIABILITIES	**A. Equity**		
	I. Share capital	103,210	103,210
	II. Capital reserves	418,990	418,990
	III. Retained earnings	13,928	10,228
	IV. Net profit	27,734	27,696
	Of which profit carried forward: € 2 thousand (previous year: € 4 thousand)		
		563,862	**560,124**
	B. Untaxed reserves	0	0
	C. Provisions		
	I. Provisions for retirement, post employment and jubilee benefits	1,486	1,463
	II. Provision for taxes and other provisions	3,023	4,931
		4,509	**6,394**
	D. Payables		
	I. Financial liabilities	0	0
	II. Other payables	52,680	8,464
		52,680	**8,464**
	Total equity and liabilities	**621,051**	**574,982**
	Contingent liabilities	277,530	84,403

INCOME STATEMENT FOR THE 2005|06 FINANCIAL YEAR

from March 1, 2005 through February 28, 2006

	2005|06 €000	Previous year €000
1. Revenues	147	268
2. Other operating income	17,102	17,254
3. Staff costs	(9,989)	(8,915)
4. Depreciation/amortization/write-downs of intangible and tangible fixed assets	(484)	(512)
5. Other operating expenses	(9,618)	(21,585)
6. Profit (loss) from operating activities (subtotal of items 1–5)	**(2,842)**	**(13,490)**
7. Income from equity interests held for investment purposes	28,941	30,148
Of which from subsidiaries: € 28,941 thousand (previous year: € 30,148 thousand)		
8. Income from other securities classified as financial fixed assets	131	135
9. Other interest income and similar income	7,097	979
Of which from subsidiaries: € 2,497 thousand (previous year: € 255 thousand)		
10. Income from the disposal of financial fixed assets	0	0
11. Expenditure on financial fixed assets and short-term investments	(1,519)	0
12. Interest expense and similar charges	(267)	(414)
13. Net financial income (subtotal of items 7–12)	**34,383**	**30,848**
14. Profit from ordinary activities (subtotal of items 6+13)	**31,541**	**17,358**
15. Income tax expense	(109)	1,177
16. Earnings for the year	**31,432**	**18,535**
17. Released from untaxed reserves	0	7
18. Allocated to retained earnings	(3,700)	9,150
19. Profit carried forward from previous years	2	4
20. Net profit	**27,734**	**27,696**

AUDITORS' OPINION [TRANSLATION]

We have audited the financial statements of AGRANA Beteiligungs-Aktiengesellschaft, Vienna, for the fiscal year from March 1, 2005 to February 28, 2006. 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 corresponds 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 occurance of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the financial statements and underlying accounting records 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 in accordance with the financial statements.

Vienna
April 29, 2006

KPMG Wirtschaftsprüfungs-
und Steuerberatungs GmbH

Dr. Walter Knirsch ppa Dkfm. Reiner Kaps
Certified Accountants and Tax Consultants

MULTICONT Revisions- und
Treuhand Gesellschaft m.b.H.

Mag. Hans Chaloupka
Certified Accountant
and Tax Consultant

Mag. Robert Breitner
Tax Consultant

PROPOSED APPROPRIATION OF PROFIT

	2005|06 €000
The financial year from March 1, 2005 through February 28, 2006 closed with net profit of	**27,734.249**
The Board of Management recommends to the General Meeting that this net profit be appropriated as follows:	
The distribution of a dividend of € 1.95 per ordinary no-par share on 14,202,040 participating ordinary shares, that is	**27,693.978**
To be carried forward to a new account	40.271
	27,734.249

SUPERVISORY BOARD'S REPORT

During the 2005|06 financial year, the Supervisory Board kept abreast of the Company's business and financial position, the course and development of business, the Company's financial condition and investment plans and exceptional business transactions as well as corporate policy in a total of six meetings and with the help of regular reports from the Board of Management and extensive written material, and it discussed those matters with the Board of Management. Those in-depth discussions dealt in particular with corporate strategies, future opportunities for growth and the Company's equity participation activities and the financing thereof.

The Annual Financial Statements and Consolidated Financial Statements presented by the Board of Management and the Management Report on the 2005|06 financial year as well as the accounting system were examined by the auditors appointed by the General Meeting, namely KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH, Vienna, and MULTICONT Revisions- und Treuhand Gesellschaft m.b.H., Vienna, and were granted an unqualified Auditors' Opinion. The Supervisory Board has taken note of and endorses the results of that audit.

The Supervisory Board committee set up to examine the Annual Financial Statements and make preparations for their adoption examined the Annual Financial Statements and reported to the Supervisory Report in the presence of the Auditors. The Supervisory Board examined the Annual Financial Statements, the Consolidated Financial Statements and the Management Report on the 2005|06 financial year as well as the Board of Management's proposed appropriation of profit.

None of the final results of those examinations gave cause for objection.

The Supervisory Board has approved the Annual Financial Statements prepared by the Board of Management for the 2005|06 financial year, which are thus final for the purposes of § 125 Abs. 2 AktG. The Supervisory Board takes note of and approves the Management Report on the 2005|06 financial year and endorses the proposed appropriation of profit.

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

Vienna
May 2006

The Chairman of the Supervisory Board

Christian Konrad

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