



# THE COMPLETE PACKAGE: QUARTERLY RESULTS

REPORT ON  
THE FIRST HALF OF  
2011/2012



# HIGHLIGHTS OF THE FIRST HALF OF 2011|12

- Revenue: € 1,284.7 million (H1 2010|11: € 1,073.3 million)
- Operating profit before exceptional items: € 118.2 million (H1 2010|11: € 64.8 million)
- Operating margin: 9.2% (H1 2010|11: 6.0%)
- Profit for the period: € 77.7 million (H1 2010|11: € 37.4 million)
- Equity ratio: 50.6% (28 February 2011: 48.7%)
- Gearing<sup>1</sup>: 35.1% (28 February 2011: 39.4%)
- AGRANA confirms full-year forecast of growth in Group revenue and significant increase in operating profit before exceptional items

<sup>1</sup> Debt-equity gearing (ratio of net debt to total equity).

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# GROUP MANAGEMENT REPORT

## FOR THE FIRST SIX MONTHS ENDED 31 AUGUST 2011

### RESULTS FOR THE FIRST HALF OF 2011|12

#### Revenue and earnings

Key financials	H1	H1
AGRANA Group	2011 12	2010 11
Revenue	€ 1,284.7m	€ 1,073.3m
EBITDA	€ 152.2m	€ 100.2m
Operating profit before exceptional items	€ 118.2m	€ 64.8m
Operating margin	9.2%	6.0%
Exceptional items	(€ 1.5m)	€ 0.0m
Operating profit after exceptional items	€ 116.7m	€ 64.8m
Purchases of property, plant and equipment and intangibles <sup>1</sup>	€ 35.5m	€ 19.1m
Staff count	8,177	8,798

**Revenue** of the AGRANA Group increased by € 211.4 million or 19.7% in the first half of the 2011|12 financial year (1 March to 31 August 2011) to € 1,284.7 million (H1 2010|11: € 1,073.3 million). The revenue growth in all three segments reflected the positive market trends for all products, which on balance outweighed the effect of slightly lower sales volumes in the Sugar and Fruit segments.

In the first six months of 2011|12, **operating profit before exceptional items** was € 118.2 million, up 82.4% (€ 53.4 million) from the year-earlier level of € 64.8 million. This superb earnings growth was carried by all three segments, Sugar, Starch and Fruit. It reflects both the rewards of the optimization measures taken in the previous years and especially the good market conditions in the sugar, starch and fruit juice concentrate businesses during the first half of this financial year. As a result of the unwinding of the Chinese fruit juice concentrate joint ventures between AGRANA and Yantai North Andre (also see the notes to the accompanying financial statements for information on changes in the scope of consolidation), an **exceptional items** expense of about € 1.5 million was recorded. **Net financial items** in the first half of 2011|12 amounted to an expense of € 17.9 million (H1 2010|11: net expense of € 16.0 million); the year-on-year change was attributable to a marginally greater net interest expense and a decrease in other financial items. After an income tax expense of € 21.2 million, based on a tax rate of 21.4% (H1 2010|11: 23.4%), the AGRANA Group's **profit for the period** was € 77.7 million (H1 2010|11: € 37.4 million). Earnings per share attributable to AGRANA shareholders grew from € 2.57 to € 5.36.

#### Investment

In the first half of 2011|12, a total of € 35.5 million was invested in purchases of property, plant and equipment and intangibles (H1 2010|11: € 19.1 million). The Sugar seg-

ment's € 11.8 million share of this (compared with € 8.2 million in H1 2010|11) was primarily for the construction of the 70,000 tonne capacity sugar silo in Tulln, Austria. The installation of an additional beet pulp press in Opava in the Czech Republic and upgrading of the centrifuge control system at the sugar plant in Sereď, Slovakia, were completed in time before the beet campaign. The construction of a third fermenter for the biogas plant in Kaposvár, Hungary, is on schedule and its commissioning is planned to occur during the 2011|12 campaign. AGRANA invested € 7.6 million in the Starch segment (H1 2010|11: € 2.9 million), primarily in Szabadegyháza, Hungary, for the implementation of the biomass boiler and the expansion of corn processing capacity, as well as for an increase in evaporator capacity at the Austrian bioethanol plant. Approximately € 16.0 million (H1 2010|11: € 8.0 million) was invested in the Fruit segment. The new warehouse for finished product in Serpuchov, Russia, was completed and began operation in June 2011; an addition for the planned capacity expansion is currently in progress. In China in August 2011, construction began of the new fruit preparations plant in Dachang (in the course of the relocation of production). A sizeable investment was also made in the purchase of stainless steel containers for transporting fruit preparations. In the concentrate activities, investment focused especially on the optimizing of operations in Poland and Hungary.

#### Cash flow

First-half operating cash flow before change in working capital increased by 55.2% year-on-year to € 119.5 million (H1 2010|11: € 77.0 million), in step with the rise in operating profitability. With the increase (driven by raw material prices) of € 10.8 million in working capital in the first six months (H1 2010|11: reduction of € 46.0 million), net cash from operating activities amounted to € 107.7 million (H1 2010|11: € 122.9 million). Net cash used in investing activities was € 34.8 million (H1 2010|11: net cash used of € 14.5 million) on higher outflows for investment in property, plant and equipment and intangibles. Reflecting a net reduction in borrowings, net cash used in financing activities eased to € 64.7 million (H1 2010|11: net cash used of € 92.7 million).

#### Financial position

Total assets were almost unchanged from the prior year-end level of 28 February 2011, while the equity ratio rose from 48.7% to 50.6%. Current assets eased despite an increase in trade receivables, as a result largely of the campaign-induced inventory contraction in the summer months. Non-current liabilities declined as a result of reduced long-term borrowings. The biggest change in current liabilities occurred in trade and other payables, which decreased as a consequence of the payments to beet growers and the production levy. Net debt at 31 August

<sup>1</sup> Excluding goodwill.

2011 stood at € 352.2 million, down € 30.2 million from the 2010|11 financial year-end level of € 382.4 million. The gearing ratio of 35.1% at 31 August 2011 was well below the level of 28 February 2011 (39.4%).

### AGRANA in the capital market

Share data	H1
	2011 12
High (5 July 2011)	€ 86.43
Low (11 May 2011)	€ 74.97
Closing price (31 August 2011)	€ 84.24
Closing book value per share (31 August 2011)	€ 68.49
Closing market capitalisation (31 August 2011)	€ 1,196.4m

AGRANA started the 2011|12 financial year at a share price of € 80.00. With an average trading volume of slightly more than 2,400 shares per day (based on double counting, as published by the Vienna Stock Exchange), the share price increased to more than € 86 in the period after the ad-hoc announcement on 22 June 2011 of an increase in the forecast for the full 2011|12 financial year. At the beginning of August the debt crisis in Europe and the United States caused stock markets around the world to plummet. AGRANA's share price initially could not escape this broad downward movement and temporarily fell as low as under € 77. The share price subsequently regained buoyancy in this volatile equity market environment and rose back to € 84.24 by the end of the financial first half-year. From 1 March to 31 August 2011, AGRANA thus gained 5.30% while the Austrian blue-chip ATX index fell by 21.07% over the same period.

The market capitalisation at 31 August 2011 was € 1,196.4 million, with an unchanged 14,202,040 shares outstanding. The share price performance can be followed in the investor relations section of the AGRANA homepage at [www.agrana.com](http://www.agrana.com).

Since 1 September 2011 the Vienna Stock Exchange calculates and publishes four new sector indices that are designed as tradable indices and used as underlyings for structured products and standardised derivatives. AGRANA is quoted in the ATX Consumer Products & Services Index (ATX CPS), which is also intended as a representative benchmark for investors. Since its inception (on 30 December 2009 at 1,000 index points) the ATX CPS rose by 85.5%, strongly outperforming all three other new sector indices (ATX Basic Industries: +6.6%, ATX Financials: -6.5%, ATX Industrial Goods & Services: +20.9%) and clearly beating the ATX Prime (-4.8%).

## SUGAR SEGMENT

### Market environment

#### World sugar market

The 2011 calendar year has seen strong swings in sugar prices on the world market. The reason lies in recurring news reports of unfavourable weather conditions in Brazil, which have led to continual downward adjustments in sugar cane yield forecasts and consequently to greater uncertainty in the markets. In Thailand, India and Russia, on the other hand, all the signs are that harvest volumes will be greater than originally forecast.

In the first nine months of the 2011 calendar year, world market prices for sugar showed heightened volatility. From USD 645 or € 467 per tonne at the start of the financial year on 1 March 2011, raw sugar first fell to USD 451 or € 311 per tonne by May 6, then recovered to USD 654 or € 453 per tonne as of the end of the reporting period. White sugar at the beginning of the financial year quoted at around USD 733 or € 532 per tonne, declined to an interim low on 6 May (USD 582 or € 401 per tonne) and rallied by 31 August 2011 to USD 771 or € 533 per tonne.

#### EU sugar market

To ensure security of supply for the EU quota sugar market, the European Commission implemented several measures from spring 2011 onwards. These included the temporary suspension of the preferential import duties; the one-off duty-free importation of 500,000 tonnes of sugar; a standing invitation to tender for imports at reduced tariffs; and the opportunity to sell 500,000 tonnes of non-quota sugar into the quota sugar market. For the 2011|12 sugar marketing year it is not yet known which of these measures will be repeated by the European Commission in the event that imports from LDCs and ACP countries again fall short of expectations.

According to the most recent forecasts (F.O. Licht), sugar production in Europe will grow to 30.1 million tonnes in the 2011|12 sugar marketing year thanks to more favourable weather. Total production in the EU countries is forecast at 17.4 million tonnes of sugar, an increase of 2.4 million tonnes from the year before. This sugar production raises the availability of non-quota sugar for the chemical, pharmaceutical and fermentation industries in the EU, as well as for exports from the EU. Further, like in the 2010|11 sugar marketing year, part of this quantity could be used to supply the quota sugar market if the Commission decides to release non-quota sugar for sale into the EU food market.

## Business performance

Key financials	H1	H1
Sugar segment	2011 12	2010 11
Revenue	€ 435.9m	€ 366.2m
EBITDA	€ 55.7m	€ 17.5m
Operating profit before exceptional items	€ 50.6m	€ 12.3m
Operating margin	11.6%	3.4%
Purchases of property, plant and equipment and intangibles <sup>1</sup>	€ 11.8m	€ 8.2m

Key financials	Q2	Q2
Sugar segment	2011 12	2010 11
Revenue	€ 253.9m	€ 185.0m
EBITDA	€ 31.6m	€ 8.7m
Operating profit before exceptional items	€ 29.0m	€ 6.2m
Operating margin	11.4%	3.4%
Purchases of property, plant and equipment and intangibles <sup>1</sup>	€ 7.7m	€ 4.5m

Sugar segment revenue increased by 19.0% in the first half of 2010|11 to € 435.9 million. Compared to the year-earlier period, steady quota sugar sales were achieved both with resellers and the sugar-using industry. In view of the general challenging supply situation, this was accomplished only through timely buying-in and imports. The significant rise in world market prices and a tight sugar supply in the EU led to higher sugar prices in all sales segments, particularly in Eastern Europe. Despite the difficult conditions, AGRANA was able to meet all existing commitments to customers for volumes and prices. The supply shortage – especially in Hungary, as one of the deficit markets where demand could no longer be adequately met with spot quantities – stimulated additional interest from customers in medium- and long-term contracts with AGRANA. Exports of non-quota sugar to countries outside the EU fell substantially as a result of the reduced volumes of sugar available compared with the prior-year period.

The Sugar segment's operating profit of € 50.6 million before exceptional items (H1 2010|11: € 12.3 million) was dramatically improved. Notable contributing factors were timely sugar sourcing, vigorous marketing and the flexibility to seize opportunities created by changing market conditions, such as the additional scope for importation and the sales of non-quota sugar on the EU food market upon approval by the European Commission. The rise in the world market price and the dependence on the world market created by the EU's sugar policy sharply drove up prices in the EU.

## Raw materials, crops and production

The amount of area planted to sugar beet for the AGRANA Group was further expanded by about 5,000 hectares for the 2011|12 sugar marketing year to more than 91,000 hectares. In Austria about 900 hectares was reserved for organic production. In light of the weather conditions, good to very good beet yields are expected in all countries. Harvest operations in all countries began in early September, with the exception of Romania, where the campaign did not get underway until 22 September 2011.

## STARCH SEGMENT

### Market environment

The International Grains Council (IGC) is estimating the world's grain production in the 2011|12 marketing year at 1.81 billion tonnes (2010|11: 1.75 billion tonnes), an amount marginally lower than the forecast consumption of 1.82 billion tonnes. For wheat, production is forecast at 677 million tonnes (2010|11: 651 million tonnes), and the prediction for corn (maize) is 849 million tonnes (2010|11: 824 million tonnes). Worldwide consumption is estimated at 678 million tonnes for wheat and 858 million tonnes for corn. While supply and demand are thus in balance for wheat, global corn inventories are expected to decline further amid the likely undersupply. Commodity prices for wheat and corn in the past weeks have been gently easing at a high absolute level. Thus, at the end of August 2011 on the Euronext Liffe commodity derivatives exchange in Paris, wheat futures for November delivery quoted at about € 211 per tonne and corn futures at around € 215 per tonne.

The Austrian grain harvest, including grain corn (non-silage corn), is estimated by Agrarmarkt Austria (AMA) at more than 5 million tonnes, an increase from the prior year's 4.7 million tonnes. Especially wheat production is projected to be 5% to 10% higher than last year's.

## Business performance

Key financials	H1	H1
Starch segment	2011 12	2010 11
Revenue	€ 387.7m	€ 272.6m
EBITDA	€ 49.0m	€ 43.4m
Operating profit before exceptional items	€ 36.2m	€ 30.8m
Operating margin	9.3%	11.3%
Purchases of property, plant and equipment and intangibles <sup>1</sup>	€ 7.7m	€ 2.9m

<sup>1</sup> Excluding goodwill.



Key financials	Q2	Q2
Starch segment	2011 12	2010 11
Revenue	€ 194.4m	€ 137.2m
EBITDA	€ 20.0m	€ 21.9m
Operating profit before exceptional items	€ 13.7m	€ 15.5m
Operating margin	7.0%	11.3%
Purchases of property, plant and equipment and intangibles <sup>1</sup>	€ 5.4m	€ 2.1m

The revenue growth of 42.2% in the first half of 2011|12 from € 272.6 million to € 387.7 million was propelled mostly by higher sales prices in all major groups of core and by-products. The prior year's performance was also narrowly surpassed in volume terms, thanks in particular to higher sales of isoglucose, bioethanol and by-products.

Selling prices and quantities for bioethanol were up from a year ago. As well, the restricted physical supply in the sugar market had the effect of boosting sales of starch saccharification products.

The Starch segment's operating profit of € 36.2 million before exceptional items improved by € 5.4 million on the prior-year result of € 30.8 million. The higher sales prices for all core products made up for the increase in raw material prices and were the key to the EBIT growth.

#### Raw materials, crops and production

On 25 August 2011 the potato starch factory in Gmünd, Austria, began the processing of starch potatoes from the 2011 harvest. After the favourable weather during the key growing season in the form of frequent rains in June and July, a harvest of about 220,000 tonnes (including organic starch potatoes) is anticipated.

Processing of wet corn at the corn starch plant in Aschach, Austria, began on 5 September 2011. The wet corn quantity is expected to be at the prior-year level of more than 100,000 tonnes and processing should run until the beginning of December 2011. Production will then switch to the use of dry corn. In the first half of 2011|12, some 201,000 tonnes of corn was processed (H1 2010|11: 191,000 tonnes).

At Hungarian subsidiary HUNGRANA, the wet corn campaign began on 25 August 2011. The projection is for a wet corn volume of approximately 200,000 tonnes. In the first half of 2011|12 the processing volume of approximately 526,000

tonnes of corn (with AGRANA's share being 50%) was at the prior-year level. HUNGRANA has an isoglucose quota of about 220,000 tonnes.

In Romania, about 17,000 tonnes of corn were processed in the first six months of 2011|12 (H1 2010|11: 15,000 tonnes), an increase of more than 10% year-on-year. Since early September 2011, freshly harvested wet corn is used.

#### Bioethanol in Austria

As feedstock for bioethanol production in the first half of 2011|12, AGRANA used approximately equal proportions of wheat and corn. Total processing volume for the first six months of the financial year was about 270,000 tonnes (H1 2010|11: 252,000 tonnes). For the 2012 crop, farmers are again being offered cultivation contracts for ethanol grains. The processing of wet corn began in the middle of September and will reach a total quantity approximately at the prior-year level (60,000 tonnes).

#### FRUIT SEGMENT

##### Market environment

The long-term growth potential is intact, although the global fruit yoghurt market was flat in the first nine months of the 2011 calendar year. The macroeconomic environment recently affected consumer behaviour, which showed a greater trend towards purchases of lower-priced products and, in some countries, towards consumption of yoghurts without fruit content. The effect is amplified by cost-saving measures of customers in the dairy industry in response to cost increases for milk, energy and packaging. In comparison to the previous year, advertising spend and promotional activities were significantly reduced. All markets worldwide showed stagnation. In developed markets with already high per-capita consumption, such as Western and Central Europe, market demand declined by 2% to 4%. In the emerging markets of Eastern Europe, Asia and Latin America, the growth rates for fruit yoghurt fell by half, to levels of recently only about 3% to 4%. In this stagnating market setting, competitive pressure rose considerably.

In the fruit juice concentrates business, during the reporting period, the market showed steady beverage sales volumes in Western Europe and single-digit growth rates in Eastern Europe. Sales quantities in these regions are predicted to remain stable. Similarly, the trend in apple juice concentrate volumes sold in North America was satisfactory.

<sup>1</sup> Excluding goodwill.

## Business performance

Key financials	H1	H1
Fruit segment	2011 12	2010 11
Revenue	€ 461.1m	€ 434.5m
EBITDA	€ 47.4m	€ 39.3m
Operating profit before exceptional items	€ 31.4m	€ 21.7m
Operating margin	6.8%	5.0%
Purchases of property, plant and equipment and intangibles <sup>1</sup>	€ 16.0m	€ 8.0m

Key financials	Q2	Q2
Fruit segment	2011 12	2010 11
Revenue	€ 223.6m	€ 210.6m
EBITDA	€ 22.1m	€ 17.7m
Operating profit before exceptional items	€ 13.8m	€ 8.9m
Operating margin	6.2%	4.2%
Purchases of property, plant and equipment and intangibles <sup>1</sup>	€ 8.2m	€ 4.9m

Fruit segment revenue increased by 6.1% in the first half of 2011|12 to € 461.1 million. In a difficult market environment, sales volumes of fruit preparations edged somewhat lower from the year-earlier period. The chief causes were the market entry of a competitor in Russia and small volume losses due to raised prices. Growth in market shares was achieved in the USA and Germany; through price increases in all markets relative to the prior year, the reduction in volumes was largely offset. The joint venture in Egypt, AGRANA Nile Fruits Processing (SAE), began operation at the end of May 2011. The sales prices for fruit juice concentrates in the first half of the year were stable at a high absolute level, with a mild decline in volumes sold.

The operating profit of € 31.4 million before exceptional items was higher than one year earlier (H1 2010|11: € 21.7 million). While in fruit juice concentrates an attractive margin trend was witnessed (especially in the apple juice concentrate business), a combination of lower sales quantities and higher raw material prices that could not be fully recouped through revenue increases led to slightly lower profitability in fruit preparations. Overall, however, the operating margin in the Fruit segment expanded to 6.8% (H1 2010|11: 5.0%).

### Raw materials, crops and production

In the regions with spring and summer harvests, such as North America, Europe and parts of China, prices for nearly

all fruits went up enormously. The requirement for frozen fruit could not be sourced at similarly good prices as in the prior year, owing to unfavourable weather conditions and the strong demand from both the fresh market and the canning industry. The high demand at the beginning of the year in Morocco (particularly in the fresh markets) continued in Poland, Serbia, Spain and Greece, with particularly notable price increases of up to 50% for strawberry, cherry and blueberry.

A very similar situation unfolded in North and South America, where current fruit prices have reached a comparably high level as in Europe. The segment of tropical fruits exhibited significantly higher price trends than just a year ago, especially in emerging markets.

In the apple juice concentrate market, crop forecasts in China are in line with the relatively low level of the prior year, and the price of processing fruit is additionally driven by the strong fresh market demand. For the European apple crop, an average production volume is forecast. The fresh fruit warehouses were emptied in the summer and demand in the coming months is expected to be correspondingly strong. World apple juice concentrate inventories were at a historic low at the end of August. In view of the average crop prospects and lower raw material prices, prices for apple juice concentrate are projected to be lower than last year.

In Poland, AGRANA produced not-from-concentrate juice from storage apples until the middle of June. Processing of the new apple crop started at the end of July in Ukraine, the beginning of August in Poland and the end of August in Hungary, Austria and China. Berry processing in Poland, Hungary and Denmark ended in early September. Purchasing prices for the main berries – strawberry, black currant, sour cherry and elderberry – were significantly higher than in the previous year on brisk demand and partially smaller harvests.

### MANAGEMENT OF RISKS AND OPPORTUNITIES

AGRANA uses an integrated system for the early identification and monitoring of risks that are relevant to the Group. A detailed description of the Group's business risks is provided on pages 59 to 63 of the Annual Report 2010|11.

There are at present no known risks to the AGRANA Group's ability to continue in operational existence, and no future risks of this nature are currently discernible.

<sup>1</sup> Excluding goodwill.

Against the backdrop of the current crisis of confidence in the capital market, the general risk of customer/counterparty default has risen, and so has the risk regarding product prices and currencies. To control these risks, the risk management system is continually being refined.

#### EVENTS AFTER THE REPORTING DATE

In Austria at the end of September 2011, after several rounds of negotiation an agreement was concluded at the beginning of the new beet harvest between AGRANA and the Austrian beet growers association "Die Rübenbauern" for participation in the increase in sugar sales prices, from which AGRANA benefits as a result of high world market prices. Specifically, the beet growers can expect retro-active payments for beet from the 2010 harvest and higher prices for the 2011 beet crop.

On 12 October 2011 the European Commission is expected to submit proposed legislation to the Council of Agriculture Ministers and the European Parliament to extend the existing quota and price arrangements until 30 September 2016 and then phase them out. The European Parliament in June 2011 had already advocated rolling over the existing rules unchanged until at least 2020.

#### OUTLOOK

For the full 2011|12 financial year, as a result of a positive market environment and based on the strong results of the first six months, AGRANA expects an expansion in Group revenue and a significant increase in pre-exceptionals operating profit. The operating profit growth will probably be driven primarily by the Sugar and Starch segments. The profit increase is expected to be achieved, among other ways, through further process optimisation and energy efficiency gains. The raw material markets remain volatile, which makes the forecast calculations more difficult.

In the **Sugar segment**, the current market conditions point to continuing year-on-year revenue growth in the second half of 2011|12, together with a profit improvement. The supply and price situation can change rapidly as a result of the high volatility of world market prices for sugar, which because of the EU's need for imports have a growing impact on the intra-EU market as well. Forecast accuracy is therefore more uncertain than in the previous years. After the good first half of the year, in which AGRANA benefited from the market conditions (especially in Southeastern Europe),

a positive trend is also anticipated for the second half of 2011|12. Raw material prices are likely to be higher than before, but at the same time, selling prices will adjust to the tight supply situation. Buttressed by firm world market prices and good utilization at all plants, profit for the full 2011|12 financial year is projected to grow significantly from the prior year.

Given the positive developments in the first six months of 2011|12, revenue in the **Starch segment** for the year as a whole is expected to be well above the prior-year figure. In the non-food sector, in isoglucose, bioethanol and co-products, market demand is foreseen to remain high. As a result of the fact that the higher input prices are covered by the market prices for the Group's products, AGRANA is optimistic that the prior year's operating margin will be surpassed. With the current developments in the sugar market, positive earnings effects will also be achieved in the area of starch saccharification products (glucose and isoglucose).

In the **Fruit segment**, AGRANA expects a stabilisation in the fruit preparations volume trend in the second half of 2011|12. Generally, demand is not expected to rally very soon. By implementing planned projects, including the winning of new customers, AGRANA believes that, despite the lack of market vigour, volume sales in the second half will exceed those recorded in the year-earlier period. Fruit preparations revenue for the year as a whole is expected to increase modestly. In the medium and long term, the growth opportunities for fruit preparations continue to be seen as positive, as it is safe to assume that per capita consumption will keep rising. This applies particularly to those countries where AGRANA is investing in new plants and facilities (Russia, Egypt, South Africa and China), but also to North and Latin America. In the fruit juice concentrate operations, substantial earnings growth is expected for the 2011|12 financial year, as higher concentrate prices were obtained with the contracts from the 2010 campaign. On the cost side, the savings measures of the past years are being continued. For the 2011 apple processing season (the second half of AGRANA's financial year), raw material costs are projected to ease slightly. Overall for the Fruit segment, revenue is expected to increase while operating profit before exceptional items should be steady at the prior year level.

In the 2011|12 financial year, total investment in all three segments is being expanded to about € 100 million in order to provide lasting support for the Group's long-term growth trajectory.



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE FIRST SIX MONTHS ENDED 31 AUGUST 2011 (UNAUDITED)

09

	Second quarter (1 June – 31 August)		First six months (1 March – 31 August)	
CONSOLIDATED INCOME STATEMENT	2011 12 €000	2010 11 €000	2011 12 €000	2010 11 €000
Revenue	671,763	532,876	1,284,669	1,073,346
Changes in inventories of finished and unfinished goods	(61,395)	(53,540)	(125,720)	(158,779)
Own work capitalised	551	959	1,347	1,681
Other operating income	7,604	7,088	13,334	13,233
Cost of materials	(419,477)	(324,476)	(775,365)	(597,432)
Staff costs	(58,234)	(50,487)	(114,132)	(102,849)
Depreciation, amortisation and impairment losses	(17,120)	(17,897)	(33,977)	(35,491)
Other operating expenses	(68,573)	(64,046)	(133,410)	(128,958)
<b>Operating profit after exceptional items</b>	<b>55,119</b>	<b>30,477</b>	<b>116,746</b>	<b>64,751</b>
Finance income	(217)	4,073	1,982	5,822
Finance expense	(11,411)	(13,841)	(19,842)	(21,828)
<b>Net financial items</b>	<b>(11,628)</b>	<b>(9,768)</b>	<b>(17,860)</b>	<b>(16,006)</b>
<b>Profit before tax</b>	<b>43,491</b>	<b>20,709</b>	<b>98,886</b>	<b>48,745</b>
Income tax expense	(8,860)	(3,301)	(21,177)	(11,390)
<b>Profit for the period</b>	<b>34,631</b>	<b>17,408</b>	<b>77,709</b>	<b>37,355</b>
<i>Attributable to shareholders of the parent</i>	<i>34,492</i>	<i>16,877</i>	<i>76,094</i>	<i>36,559</i>
<i>Attributable to non-controlling interests</i>	<i>139</i>	<i>531</i>	<i>1,615</i>	<i>796</i>
Earnings per share under IFRS (basic and diluted)	€ 2.43	€ 1.19	€ 5.36	€ 2.57

	Second quarter (1 June – 31 August)		First six months (1 March – 31 August)	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2011 12 €000	2010 11 €000	2011 12 €000	2010 11 €000
Profit for the period	34,631	17,408	77,709	37,355
Other comprehensive (expense)/income				
– Currency translation differences	(10,335)	(9,577)	(10,719)	1,462
– Available-for-sale financial assets	(14)	168	34	268
– Cash flow hedges	(890)	160	(703)	(759)
– Tax effect of cash flow hedges	261	(14)	197	255
Other comprehensive (expense)/income for the period	(10,978)	(9,263)	(11,191)	1,226
<b>Total comprehensive income for the period</b>	<b>23,653</b>	<b>8,145</b>	<b>66,518</b>	<b>38,581</b>
<i>Attributable to shareholders of the parent</i>	<i>23,710</i>	<i>7,994</i>	<i>64,989</i>	<i>38,295</i>
<i>Attributable to non-controlling interests</i>	<i>(57)</i>	<i>151</i>	<i>1,529</i>	<i>286</i>

<b>CONSOLIDATED BALANCE SHEET</b>	<b>31 August 2011</b>	<b>28 February 2011</b>
	€000	€000
<b>ASSETS</b>		
<b>A. Non-current assets</b>		
Intangible assets	248,438	248,551
Property, plant and equipment	577,636	577,709
Securities	104,748	104,598
Investments in non-consolidated subsidiaries and outside companies, and loan receivables	6,152	6,152
Receivables and other assets	10,269	13,827
Deferred tax assets	33,601	31,000
	<b>980,844</b>	<b>981,837</b>
<b>B. Current assets</b>		
Inventories	435,303	528,241
Trade receivables and other assets	477,418	400,107
Current tax assets	10,087	7,179
Securities	22	4,411
Cash and cash equivalents	77,214	70,427
	<b>1,000,044</b>	<b>1,010,365</b>
<b>Total assets</b>	<b>1,980,888</b>	<b>1,992,202</b>
<b>EQUITY AND LIABILITIES</b>		
<b>A. Equity</b>		
Share capital	103,210	103,210
Share premium and other capital reserves	411,362	411,362
Retained earnings	458,116	427,564
Equity attributable to shareholders of the parent	972,688	942,136
Non-controlling interests	30,188	28,558
	<b>1,002,876</b>	<b>970,694</b>
<b>B. Non-current liabilities</b>		
Retirement and termination benefit obligations	41,974	41,957
Other provisions	13,012	12,971
Borrowings	224,721	267,004
Other payables	1,893	2,308
Deferred tax liabilities	18,632	19,088
	<b>300,232</b>	<b>343,328</b>
<b>C. Current liabilities</b>		
Other provisions	48,001	39,787
Borrowings	309,482	294,868
Trade and other payables	294,223	328,619
Current tax liabilities	26,074	14,906
	<b>677,780</b>	<b>678,180</b>
<b>Total equity and liabilities</b>	<b>1,980,888</b>	<b>1,992,202</b>

<b>CONDENSED CONSOLIDATED CASH FLOW STATEMENT</b>	<b>2011 12</b>	<b>2010 11</b>
for the first six months (1 March – 31 August)	€000	€000
Operating cash flow before change in working capital	119,461	76,950
Gains on disposal of non-current assets	(1,002)	(82)
Change in working capital	(10,782)	46,047
<b>Net cash from operating activities</b>	<b>107,677</b>	<b>122,915</b>
Net cash (used in) investing activities	(34,829)	(14,467)
Net cash (used in) financing activities	(64,675)	(92,678)
<b>Net increase in cash and cash equivalents</b>	<b>8,173</b>	<b>15,770</b>
Effect of movements in foreign exchange rates on cash and cash equivalents	(1,386)	1,757
Cash and cash equivalents at beginning of period	70,427	70,388
<b>Cash and cash equivalents at end of period</b>	<b>77,214</b>	<b>87,915</b>

<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>Equity attributable to shareholders of the parent</b>	<b>Non-controlling interests</b>	<b>Total</b>
for the first six months (1 March – 31 August)	€000	€000	€000
<b>2011 12</b>			
<b>At 1 March 2011</b>	<b>942,137</b>	<b>28,558</b>	<b>970,695</b>
Fair value movements under IAS 39	(474)	2	(472)
Change in equity as a result of currency translation differences	(10,631)	(88)	(10,719)
<b>Other comprehensive expense for the period</b>	<b>(11,105)</b>	<b>(86)</b>	<b>(11,191)</b>
Profit for the period	76,094	1,615	77,709
<b>Total comprehensive income for the period</b>	<b>64,989</b>	<b>1,529</b>	<b>66,518</b>
Dividends paid	(34,085)	(781)	(34,866)
Other changes	(353)	882	529
<b>At 31 August 2011</b>	<b>972,688</b>	<b>30,188</b>	<b>1,002,876</b>
<b>2010 11</b>			
<b>At 1 March 2010</b>	<b>879,229</b>	<b>25,425</b>	<b>904,654</b>
Fair value movements under IAS 39	(242)	6	(236)
Change in equity as a result of currency translation differences	1,978	(516)	1,462
<b>Other comprehensive income/(expense) for the period</b>	<b>1,736</b>	<b>(510)</b>	<b>1,226</b>
Profit for the period	36,559	796	37,355
<b>Total comprehensive income for the period</b>	<b>38,295</b>	<b>286</b>	<b>38,581</b>
Dividends paid	(27,694)	(476)	(28,170)
Other changes	(491)	315	(176)
<b>At 31 August 2010</b>	<b>889,339</b>	<b>25,550</b>	<b>914,889</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST SIX MONTHS ENDED 31 AUGUST 2011 (UNAUDITED)

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<b>SEGMENT REPORTING</b>	<b>2011 12</b>	<b>2010 11</b>	<b>2011 12</b>	<b>2010 11</b>
for the first six months (1 March – 31 August)	€000	€000	€000	€000
<b>Total revenue</b>				
Sugar	475,893	392,895		
Starch	392,260	288,826		
Fruit	461,973	434,564		
Group	1,330,126	1,116,285		
<b>Inter-segment revenue</b>				
Sugar	(40,042)	(26,656)		
Starch	(4,575)	(16,188)		
Fruit	(840)	(95)		
Group	(45,457)	(42,939)		
<b>Revenue</b>				
Sugar	435,851	366,239		
Starch	387,685	272,638		
Fruit	461,133	434,469		
Group	1,284,669	1,073,346		
<b>Operating profit</b>				
Sugar			50,619	12,283
Starch			36,195	30,794
Fruit			31,365	21,674
Group			118,179	64,751
Exceptional items			(1,433)	0
Operating profit after exceptional items			116,746	64,751
<b>Investment</b>				
Sugar			11,828	8,209
Starch			7,645	2,876
Fruit			16,006	8,007
Group			35,479	19,092
<b>Staff count</b>				
Sugar			2,051	2,082
Starch			897	878
Fruit			5,229	5,838
Group			8,177	8,798

## BASIS OF PREPARATION

The interim report of the AGRANA Group for the six months ended 31 August 2011 was prepared in accordance with the rules for interim financial reporting under IAS 34, in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). The interim consolidated financial statements at and for the period ended 31 August 2011 were not audited or reviewed. The Management Board of AGRANA Beteiligungs-AG approved these interim financial statements on 10 October 2011 for publication.

The annual report 2010|11 of the AGRANA Group is available on the Internet at [www.agrana.com](http://www.agrana.com) for online viewing or downloading.

## ACCOUNTING POLICIES

In the preparation of these interim accounts, the IFRS and interpretations which became effective in the 2011|12 financial year were applied. This did not have an impact on the presentation of the Group's financial statements or on its financial position, results of operations or cash flows. Except for these newly effective IFRS and interpretations, the same accounting methods were applied as in the preparation of the annual consolidated financial statements for the year ended 28 February 2011 (the 2010|11 financial year). The notes to those annual consolidated financial statements therefore apply mutatis mutandis to these interim accounts. Corporate income taxes were determined on the basis of country-specific income tax rates, taking into account the tax planning for the full financial year.

**SCOPE OF CONSOLIDATION**

From 31 July 2011, three previously non-consolidated Romanian companies were included in the financial statements for the first time, by full consolidation: AGRANA AGRO SRL, located in Roman, Romania (principal business activity: grain production and processing of grain legumes); AGRANA BUZAU SRL, Buzău, Romania (principal activity: sugar production); and AGRANA TANDAREI SRL, Țândărei, Romania (principal activity: sugar production).

From the end of the first half of financial 2011|12, the Ukrainian company AGRANA Juice Ukraine TOV, in Vinnytsia, Ukraine, is consolidated for the first time. This new company, in which AGRANA holds a 100% ownership interest, is fully consolidated in the Group financial statements. The Group had already been producing fruit juice concentrates in Ukraine before, but the operations had thus far been part of AGRANA Fruit Ukraine TOV, Vinnytsia.

Until recently, AGRANA together with Yantai North Andre operated two apple juice concentrate plants as 50%-owned joint ventures in China. Negotiations had been held since last year with the Chinese joint venture partner in order for AGRANA to assume full ownership of one plant and transfer its 50% interest in the other plant to the partner. These negotiations were completed in the summer. With effect from 1 August 2011 the Yongji Andre Juice Co., Ltd. joint venture in Yongji City, China, was deconsolidated and the former joint venture Xianyang Andre Juice Co., Ltd. in Xianyang City, China, was for the first time fully consolidated in the Group financial statements.

**SEASONALITY OF BUSINESS**

Most of the Group's sugar production falls into the three months from October to December. Depreciation and impairment of plant and equipment used in the campaign are therefore incurred largely in the financial third quarter. The material costs, staff costs and other operating expenses incurred before the sugar campaign in preparation for production are recognised intra-year under the respective type of expense and capitalised within inventories as unfinished goods. In the prior financial year, these expenses were recognised intra-year on an accrual basis as prepaid expenses in the items "trade receivables and other assets" and "receivables and other assets", and only in the course of the campaign was the consumption then recognised under the respective type of expense.

**NOTES TO THE CONSOLIDATED INCOME STATEMENT**

Operating profit after exceptional items in the first half of 2011|12 was € 116.7 million (H1 2010|11: € 64.8 million). This profit growth was driven by all three segments, Sugar, Starch and Fruit, with the strongest increase achieved in the Sugar segment.

Exceptional items amounted to an expense of just under € 1.5 million, resulting from the restructuring in connection with the joint venture separation of the Juice companies in China. This exceptional item is reported in the income statement within other operating expenses.

Net financial items totalled a net expense of € 17.9 million (H1 2010|11: net expense of 16.0 million) and resulted largely from the net interest expense.

After taxes, Group profit for the first half of the financial year was € 77.7 million (H1 2010|11: € 37.4 million).

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

In the six months to the end of August 2011, cash and cash equivalents grew to € 77.2 million, an increase of € 6.8 million from the beginning of the financial year.

Operating cash flow before change in working capital grew by € 42.5 million from the first half of the prior year, to € 119.5 million (H1 2010|11: € 77.0 million). The main driver of this movement was profit for the period, which improved by € 40.3 million to € 77.7 million (H1 2010|11: € 37.4 million). Working capital rose by € 10.8 million in the reporting period (H1 2010|11: reduction of € 46.0 million), also because sugar purchases meant that inventories were drawn down less strongly than in the prior year. Net cash from operating activities during the first half of 2011|12 was € 107.7 million (H1 2010|11: € 122.9 million).

Net cash used in investing activities, at € 34.8 million (H1 2010|11: net cash used of € 14.5 million), reflected the higher purchases during the first half of 2011|12 of property, plant and equipment in the Sugar segment (especially in Austria), in the Starch segment (notably in Austria and Hungary) and in the Fruit segment (above all in the USA, Poland and Hungary). It includes a payment of € 5.5 million made to the former joint venture partner as part of the joint venture separation in China to reflect the excess value of the acquired 50% stake in Xianyang Andre Juice Co., Ltd.



The reduction of € 42.3 million in non-current borrowings combined with an increase of € 14.6 million in current borrowings, together with the dividend payment of € 34.1 million by AGRANA Beteiligungs-AG (H1 2010|11: € 27.7 million), resulted in net cash use of € 64.7 million in financing activities (H1 2010|11: net cash use of € 92.7 million).

#### **NOTES TO THE CONSOLIDATED BALANCE SHEET**

The reduction of € 11.3 million in total assets since 28 February 2011 to a new total of € 1,980.9 million was driven primarily by the contraction in inventories, as in the first half of the prior year. On the liabilities side, there were decreases in borrowings and in trade and other payables. With total equity of € 1,002.9 million (28 February 2011: € 970.7 million), the equity ratio at the end of August was 50.6% (28 February 2011: 48.7%).

#### **STAFF COUNT**

In the first six months of the financial year the AGRANA Group had an average of 8,177 employees (H1 2010|11: 8,798). A reduction of about 600 positions in the Fruit segment was attributable mainly to the lower requirement for seasonal labour in Ukraine and Mexico.

#### **RELATED PARTY DISCLOSURES**

There were no material changes in related party relationships since the year-end balance sheet date of 28 February 2011. Transactions with related parties as defined in IAS 24 are conducted on arm's length terms. Details of individual related party relationships are provided in the AGRANA Annual Report for the year ended 28 February 2011.

#### **SIGNIFICANT EVENTS AFTER THE INTERIM REPORTING DATE**

Information on this is provided in the section "Events after the reporting date" on page 8.

We confirm that, to the best of our knowledge:

■ the condensed consolidated interim financial statements, which have been prepared in accordance with the applicable accounting standards, give a true and fair view of the Group's financial position, results of operations and cash flows; and

■ the Group's management report for the first six months gives a true and fair view of the financial position, results of operations and cash flows of the Group in relation to (1) the important events in the first half of the financial year and their effects on the condensed consolidated interim financial statements, (2) the principal risks and uncertainties for the remaining six months of the financial year, and (3) the reportable significant transactions with related parties.

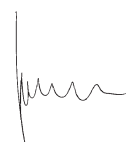
Vienna, 10 October 2011



Johann Marihart  
Chief Executive Officer



Fritz Gattermayer  
Member of the Management Board



Walter Grausam  
Member of the Management Board



Thomas Kölbl  
Member of the Management Board

## FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements, which are based on assumptions and estimates made by the Management Board of AGRANA Beteiligungs-AG. Although these assumptions, plans and projections represent the Management Board's current intentions and best knowledge, a large number of internal and external factors may cause actual future developments and results to differ materially from these assumptions and estimates. Some examples of such factors are, without limitation: negotiations concerning world trade agreements; changes in the overall economic environment, especially in macroeconomic variables such as exchange rates, inflation and interest rates; EU sugar policy; consumer behaviour; and public policy related to food and energy.

AGRANA Beteiligungs-AG does not guarantee in any way that the actual future developments and actual future results achieved will match the assumptions and estimates expressed or made in this interim report, and does not accept any liability in the event that assumptions and estimates prove to be incorrect.

To an insignificant extent, totals in this report may not add, as a result of the standard round-half-up convention used in rounding individual amounts and percentages.

No liability is assumed for misprints, typographical and similar errors.

## FINANCIAL CALENDAR

12 January 2012	Publication of results for first three quarters of 2011 12
15 May 2012	Press conference on annual results for 2011 12
2 July 2012	Annual General Meeting for 2011 12
5 July 2012	Ex-dividend date, dividend payment date
12 July 2012	Publication of results for first quarter of 2012 13
11 October 2012	Publication of results for first half of 2012 13

## FOR FURTHER INFORMATION

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This English translation of the AGRANA report is solely for readers' convenience. Only the German-language report is definitive.



Online Annual Report:  
<http://ir.agrana.com>