

Quarterly Report

of the AGRANA Group for the period ended 31 May 2002



*Dear Shareholder,
Dear Sir or Madam,*

Following the announcement of AGRANA's excellent revenue and profit figures for the 2001/02 financial year, the General Meeting of Shareholders held on 12 July 2002 declared a dividend of € 1.30 (previous year: € 1.09).

The balance-sheet dates of all the companies within *AGRANA International* will also be moved to the end of February as of the current 2002/03 financial year. As a result, our subsidiaries in Central and Eastern Europe, which previously closed their accounts on 31 December, will be brought into our income statement with an accounting period of 14 months this financial year (i.e. including January and February 2003).

Consequently, the first quarter of this financial year consisted of five months in the case of the *AGRANA International* subsidiaries in Central and Eastern Europe (from 1 January through 31 May) and three months, as before, in the case of our subsidiaries in Austria (from 1 March through 31 May).

During the periods concerned, AGRANA recorded a 25 per cent increase in revenues to € 245.9 million, a doubling of operating profit from € 12.1 million to € 26.5 million, and a 10.9 million euro increase in consolidated profit, which came to € 17.8 million.

At the 15th Ordinary General Meeting of Shareholders on 12 July 2002, the company's ordinary shareholders voted to convert its 1,500,000 non-voting bearer preference shares into voting ordinary shares. The meeting of the company's preference shareholders expressed their consent to conversion by setting aside their preferred dividend rights. The decision will become effective upon registration of the appropriate amendment to the Articles of Association, which will probably be as of 1 October 2002.

AGRANA Zucker und Stärke AG

Because of a record sugar cane harvest in Brazil, the world market price of a metric ton of white sugar fell from US\$ 238 (monthly average in March 2002) to US\$ 227 (monthly average in May 2002) during the period under review, and it is likely to settle down at that level. At the same time, the US dollar weakened.

Sugar operations in Austria

We concluded beet contracts with nearly 10,000 growers for an area under beet of 44,600 hectares (previous year: 44,700 hectares) for the 2002 harvest. The crop has grown well, so we currently expect a beet harvest close to the previous year's total of 2.7 million metric tons. If the beet has its usual sugar content, we should be able to extract about 400,000 metric tons of sugar from that harvest.

We have earmarked some € 14.5 million for capital investments and major repairs at our three sugar factories in Hohenau, Leopoldsdorf and Tulln this year. Investments will focus primarily on packaging plants, pulp presses, sugar centrifuges and a plant for extracting betaine from molasses at the Tulln sugar factory.

Domestic sugar sales during the first quarter of 2002/03 were 2.3 per cent or 1,800 metric tons down on the previous year's total of 78,600 metric tons at 76,800 metric tons. Household sugar sales remained stable, but sales to the food and beverage industries fell to 4,200 metric tons.

Starch operations in Austria

The Starch Division concluded growing contracts for 214,000 metric tons of starch potatoes, corresponding to our EU potato starch quota of 47,691 metric tons. We doubled contract volumes in the organic potato segment to 6,600 metric tons (previous year: 3,000 metric tons).

This year, the maize starch factory in Aschach will be working to its full maize processing capacity of 260,000 metric tons of maize *per annum* or 750 metric tons of maize a day.

Starch sales during the first quarter of this financial year were up on the same period of 2001/02 in both volume and value terms.

The Starch Division will be investing € 8.5 million in 2002/03. That money will be spent within the scope of our three-year investment programme at the Aschach maize factory—which will enlarge maize processing capacities to 1,000 metric tons a day—and on new refining technologies at both Aschach and Gmünd.

AGRANA International

2.2 million metric tons of beet are currently being grown for the *AGRANA International* subsidiaries. That is slightly more beet than they processed during the 2001/02 campaign.

If the beet has the usual sugar content, the harvest will yield nearly 300,000 metric tons of white sugar. Given AGRANA's present market shares, that will ensure our ability to meet domestic demand in Hungary, the Czech Republic and Slovakia. In Romania, we also refine imported unrefined sugar.

AGRANA International will be processing the anticipated beet harvest of 2.2 million metric tons in seven sugar factories, and in addition, the Buzau sugar factory in Romania will be refining imported unrefined sugar. As a result, we will be producing white sugar in a total of eight sugar factories in Central and Eastern Europe (two in Hungary, two in the Czech Republic, two in Slovakia and two in Romania).

Tandarei (Romania) will be used as a storage and sales base for sugar and starch. Moreover, it will administer and manage the neighbouring *S.C.A.G.F.D. Tandarei* starch factory, acquired in 2001. The sugar factory in Acs, Hungary, will close after the 2001 campaign.

We will be investing € 18 million in our sugar and starch factories in Hungary, the Czech Republic, Slovakia and Romania this financial year. Investments will focus primarily on energy, environmental protection and the optimization of production costs.

Business performance

Figures for the first quarter of the current financial year:

	Q1 2002/03 € mn	Q1 2001/02 € mn
Income statement		
Revenues	245.9	196.4
Operating profit	26.5	12.1
Profit before tax	26.8	10.1
Consolidated profit	17.8	6.9
Balance sheet		
Balance-sheet total	780.7	783.0
Non-current assets	379.7	383.6
Equity, including minorities	442.1	394.5
Equity in relation to total capital	56.6%	50.4%
Share capital	80.1	80.1
Cash flow and investments		
Net cash from operating activities	43.8	1.3
Investments in tangible non-current assets		
– during Q1	8.0	6.5
– during year	planned: 49.7	planned: 23.0
Depreciation and amortization (total)	7.4	6.3
Staff	3,672	4,141
Return on capital		
Free cash flow	35.8	(5.2)
Working capital	169.5	168.8

Outlook

In the light of current developments, we expect our consolidated revenues in the 2002/03 financial year to be static at roughly € 842 million, but we hope to record profit growth of at least 8 per cent. Roughly half of that growth will be caused by the extended accounting periods of our subsidiaries in Central Eastern Europe, and the other half will be due to rationalizations carried out in Central and Eastern Europe.

The Board of Management of *AGRANA Beteiligungs-Aktiengesellschaft*

Vienna
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