

Semi-Annual Report

of the AGRANA Group for the period ended 31 August 2001



**Dear Shareholder,
Dear Sir or Madam,**

Our Consolidated Financial Statements for 2000/01 were presented to you at the Ordinary General Meeting of Shareholders on 6 July 2001. Consolidated revenues during the 2000/01 financial year came to € 760.2 million, operating profit came to € 66.7 million and consolidated net profit for the year came to € 38.2 million. It was decided to distribute a dividend of 15 percent.

The current financial year

We can be satisfied with developments during the first half of the Group's current financial year, which ran from 1 March through 31 August 2001. Revenues, EBIT and consolidated profit before and after tax were all substantially up on the same period of last year.

The world sugar market

According to an initial estimate by F. O. Licht*, beet sugar production in the European Union during the 2001/02 sugar marketing year will be 2 million metric tons down on 2000/01, resulting in white sugar production of 14.6 million metric tons. In its analysis of the world sugar balance for the 2000/01 sugar marketing year (1 July 2000 through 30 June 2001), F. O. Licht has assumed that production totaled 129.1 million metric tons and sugar consumption increased to 130.3 million metric tons. Calculating-in imports and exports, world sugar stocks thus shrank from 60.5 million metric tons at year-end 1999/2000 to 58 million metric tons at year-end 2000/01. Consumption will again exceed production during the current sugar marketing year (2001/02), depleting stocks further.

* F. O. Licht is the world's leading commodities analyst.

AGRANA Zucker und Stärke AG

SUGAR Division

Austria

AGRANA was awarded a sugar production quota of 387,326 metric tons (previously 390,410 metric tons)—comprising an A sugar quota of 314,029 metric tons and a B sugar quota of 73,297 metric tons—within the scope of the EU sugar-market regime, which has now been extended to 30 June 2006.

Two of the Group's sugar factories in Austria (Tulln and Leopoldsdorf) commenced beet processing on 1 October 2001, and the Hohenau sugar factory began its campaign on 4 October 2001. Because of an increase in areas under beet of nearly 2,000 hectares to 44,700 hectares this year, we expect a harvest of 2.8 million metric tons of beet (previous year: 2.63 million metric tons). The per-hectare beet yield will come to 63 metric tons (previous year: 61 metric tons), from which we expect to extract 430,000 metric tons of sugar (previous year: 411,000 metric tons). The beet campaign will end on about 22 December 2001 after a duration of roughly 80 days.

We invested € 11 million in our three Austrian sugar factories during the period under review. Most of that outlay focused on production processes, energy usage, environmental protection and plant replacement (e.g. heat exchangers, lime kiln lining, pellet press).

Domestic sugar sales during the first half of the financial year were 15,500 metric tons down on 1999/2000 at 168,200 metric tons. However, the fall-off took place exclusively in the fermentation and chemical industries segments, where sales depend on production refunds paid to the chemical and technical sectors and starch hydrolysate can be used as a substitute. Sales of sugar through the food trade were slightly up on the year in the period ended 31 August, and the trend continued in September. Among other things, that was due to a good jam-making season in Austria. In the industrial segment, first-half sales to the soft drinks industry developed very well, increasing by 8.4 percent or 4,400 metric tons.

Sugar in Central and Eastern Europe

Thanks to good growing conditions and an increase in areas under beet, AGRANA's subsidiaries in Central and Eastern Europe are expecting a beet harvest of 2.2 million metric tons (previous year: 1.62 million metric tons). Sugar extractable from the harvest will total about 290,000 metric tons (previous year: 218,000 metric tons). That will enable AGRANA to supply enough sugar to sustain current market positions within the region. In Romania, we also import cane sugar, supplementing the extraction of sugar from beet. It is refined into 130,000 metric tons of white sugar a year at the AGRANA sugar factories in Buzau, Roman and Tandarei.

Beet processing in our two sugar factories in the Czech Republic started early, on 17 September. Processing in our other factories in Central and Eastern Europe began at the end of September or the beginning of October. The sugar campaign will be completed before Christmas in most countries, and we plan to end processing in Slovakia on 27 December 2001.

Starch in Austria

The potato starch factory in Gmünd started processing starch potatoes into potato starches and special starches on 16 August 2001. Weather conditions forced us to cut production during the first few days of the campaign, but potato supplies are now coming in steadily. This year's harvest is expected to come to between 210,000 and 215,000 metric tons, which would be roughly 95 percent of the contracted total of 222,900 metric tons. Nonetheless—and despite a slightly poorer starch content than last year—we expect to fulfil our reduced starch quota of 47,691 metric tons. The potato campaign will end around 20 December 2001 after roughly 125 days.

We increased potato unloading capacities at Gmünd this year to make the acceptance of raw material deliveries quicker and more efficient.

The Aschach maize starch factory has been processing wet maize since the middle of September. However, there were weather-related interruptions to the harvest to begin with. Deliveries of freshly harvested wet maize will last until mid-November, after which Aschach will process dried maize for the rest of the year. Following the commissioning of the newest extension to the Aschach factory in the summer, it is going to process roughly 250,000 metric tons of maize this campaign.

All maize deliveries are carefully inspected to ensure that they do not contain GM admixtures.

First-half starch sales were 5 percent up on the year, and revenues increased by more than 10 percent.

Business performance

Figures for the first half of the current financial year (€ in millions):

Income account	1st Half 2001/02	1st Half 2000/01
Revenues	403.4	360.2
EBIT	27.0	25.6
Profit before tax	21.9	14.9
Consolidated net profit for the year	13.6	9.7
Balance sheet		
Balance-sheet total	790.9	*
Fixed assets	389.7	*
Equity (<i>Eigenkapital</i>)	394.7	*
Equity in relation to total capital	49.9%	*
Share capital	80.136	80.136
Cash flow and investments		
Net cash from operating activities	82.3	*
Investments in tangible fixed assets		
during 1st Half	18.3	*
during year	23.0 (planned)	38.2 (actual)
Depreciation and amortization	11.7	*
Staff	4,219	4,471
Return on capital		
Free cash flow**	64.0	*
Working capital	116.1	*

* No prior-year comparison is provided because interim consolidation was only carried out as of the 2001/02 financial year.

** Net cash from operating activities less investments.

Sales were roughly € 40 million or 12 percent up on the year. Whereas revenues were static in AGRANA's foreign markets (Hungary, the Czech Republic, Slovakia and Romania), the Austrian Group members recorded substantial growth in both sugar and starch sales, and turnover of animal feed grew particularly rapidly. That resulted in a 5.5 percent year-on-year increase in operating profit. Furthermore, our financial result was substantially up on the year as a result of reduced refinancing volumes and lower interest rates. That increased pre-tax profit by € 7.0 million to € 21.9 million, boosting consolidated net profit for the year to € 13.6 million.

Outlook

We expect to record consolidated revenues of € 805 million during the 2001/02 financial year (2000/01: € 760.2 million). Despite a slight deterioration in economic conditions during the second half of the financial year, we are confident of being able to maintain the healthy profit levels achieved by the Group in 2000/01.

The Board of Management

AGRANA Beteiligungs-Aktiengesellschaft

Vienna

October 2001

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