

Semi-Annual Report

of the AGRANA Group for the period ended 31 August 2002



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

At the 15th Ordinary General Meeting of Shareholders of *AGRANA Beteiligungs-AG* held 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. At their subsequent meeting, the company's preference shareholders expressed their consent to conversion by setting aside their preferred dividend rights.

The corresponding amendment to the Articles of Association was recorded in the companies register as of 1 October 2002, and the AGRANA share has been listed as an ordinary share in the Vienna stock exchange's *Prime Market* segment since 7 October 2002 under security code 60.370 (ISIN: AT0000603709).

The Group developed well during the first half of its current financial year lasting from 1 March through 31 August 2002. Revenues, EBIT, profit before tax and consolidated profit were all substantially up on the same period of last year. However, one must bear in mind that this was partly due to the relocation of the balance-sheet dates of all the subsidiaries within *AGRANA International* from 31 December to the last day of February. As a result of that change, the first half of the current financial year comprised eight months for the subsidiaries in Central and Eastern Europe (1 January through 31 August) and six months, as before, for the Group-members in Austria (1 March through 31 August 2002).

The world sugar market

In its third estimate of world sugar production for 2001/02, *F.O. Licht** reported a sizeable increase in aggregate global sugar output to 138.1 million metric tons, or substantially more than the previous year's total of 131.2 million metric tons. As a result, production again outstripped demand, leading to another increase in sugar stocks. *F.O. Licht*'s first estimate of European beet sugar production in 2002/03 was 18.5 million metric tons, or 2.5 million metric tons more than in 2001/02. Besides good planting and weather conditions, that is partly explained by an increase in total areas under beet.

AGRANA Zucker und Stärke AG

Sugar Division—Austria

Under the EU sugar market regime, now extended until 30 June 2006, AGRANA's EU sugar quota for the 2002/03 sugar marketing year has been set at 364,200 metric tons (previously 387,326 metric tons) within the scope of a variable quota cut (A quota of 295,279 metric tons, B quota of 68,921 metric tons).

Beet processing began on 27 September 2002 in the Tulln sugar factory, on 30 September 2002 in Leopoldsdorf and on 2 October 2002 in Hohenau. The harvest from this year's total of 44,600 hectares under beet is expected to come to 3.05 million metric tons, based on a 10 per cent increase in the per hectare yield to roughly 68 metric tons. A predicted 460,000 metric tons of sugar will be extracted from that harvest (last year: 423,000 metric tons). Because of the weather conditions, the beet's sugar content will be slightly down on the year. Floods destroyed approximately 300 hectares of beet, but rainfall this summer increased per hectare yields in other areas planted with beet. As a result, beet processed will be up on last year's total of 2.77 million metric tons at 3.05 million metric tons.

We will be investing roughly € 14.2 million at the three sugar factories in Hohenau, Leopoldsdorf and Tulln this year. The money will be used to renew and improve

packaging plants, pulp presses and sugar centrifuges and to instal a new plant for extracting betaine from molasses at the Tulln sugar factory.

Domestic sugar sales during the first half of this financial year were 6,300 metric tons down on 2001/02 at 161,200 metric tons. The fall-off was partly due to this year's extremely poor fruit harvest and declines in sales to the soft drinks and "other" food industries.

Sugar operations in Central and Eastern Europe

Our Hungarian sugar factories, located in Kaposvar and Petöhaza, are expected to extract 120,000 metric tons of white sugar from approximately 880,000 metric tons of beet. The harvest will be smaller than last year's total of 977,000 metric tons because of a reduction in the area planted with beet.

An increase in the area under beet in the Czech Republic will boost quantities processed by the AGRANA sugar factories in that country to 730,000 metric tons this year, compared with 636,000 metric tons in 2001/02. Sugar extraction will be up on last year's total of 91,000 metric tons at 103,000 metric tons.

Because of the weather conditions, the beet harvest in Slovakia will be down on the year at 360,000 metric tons, and sugar production is expected to fall to 47,000 metric tons (last year: 50,000 metric tons).

The sugar factory in Roman, Romania, will be processing roughly 180,000 metric tons of beet into 20,000 metric tons of white sugar during the 2002 campaign (last year: 129,000 metric tons of beet into 11,000 metric tons of white sugar), and the Buzau and Roman sugar factories will also be producing approximately 137,000 metric tons of white sugar from imported unrefined sugar.

The AGRANA Group as a whole will be extracting 753,000 metric tons of sugar from roughly 5.2 million metric tons of beet this year (Austria together with Central and Eastern Europe). Including 137,000 metric tons produced from imported unrefined sugar, white sugar output is therefore expected to total 890,000 metric tons (last year: 828,000 metric tons).

Starch operations in Austria

The potato starch factory in Gmünd began potato starch processing on 23 August 2002. The harvest will total about 200,000 metric tons. Because of the floods, that will be some five to seven per cent below the contracted total of 214,000 metric tons. Deliveries have been going well, although the amount of earth adhering to the potatoes is higher than last year. The potatoes have a starch content of 17.2 per cent, which is slightly lower than last year's figure of 17.4 per cent. The starch campaign will be over before Christmas.

We will be investing € 4 million in the Gmünd potato starch factory this year (including capital outlay on an earth removal plant at the potato delivery point and the conversion of the spraying tower in the baby foods section).

The maize starch factory in Aschach has been processing wet maize since 11 September 2002. Deliveries of freshly harvested wet maize will continue until mid-November, and Aschach will be processing dried maize during the rest of the year. Roughly 260,000 metric tons of maize will be processed in all.

All maize deliveries are tested for traces of GM admixtures.

Starch sales by volume and value were up on the first half of last year and were also higher than planned.

Economic conditions

Figures for the first half of the current financial year:

	H1 2002/03*	H1 2001/02
	€ mn	€ mn
Income statement		
Revenues	466.2	403.4
Operating profit	49.6	27.0
Profit before tax	49.6	21.9
Consolidated profit (after deduction of minority interests)	31.9	14.6
Balance sheet		
Balance-sheet total	778.4	790.9
Non-current assets	366.6	389.7
Equity	442.5	394.7
Equity in relation to total capital resources	56.8%	49.9%
Share capital	80.1	80.1
Cash flow and investments		
Net cash from operating activities	159.2	82.3
Investments in tangible non-current assets		
– during H1	18.4	18.3
– during financial year	planned: 49.7	planned: 23.0
Depreciation and amortization (total)	13.7	11.7
Staff		
	3,671	4,219
Return on capital		
Free cash flow	140.8	64.0
Working capital	77.9	116.1

* Figures include eight months in the case of companies in Central and Eastern Europe.

First-half revenues were € 63 million or 15.6 per cent up on the year. That was above all due to the addition of two extra months to the financial years of the *AGRANA International* companies, whereas revenues reported by the Austrian Group-members were static on the year. Because their exports were still developing well, the Austrian Group-members were able to record an 11 per cent increase in operating profit, and thanks to the healthy development of quantities and prices and the two months added to their financial years, our foreign subsidiaries tripled their operating result. Our profit position was made even better by substantially improved non-operating profits throughout the Group. However, the highly profitable months of July and August already fell within the second quarters of the *AGRANA International* companies this year (as opposed to their third quarters last year), so second-half results will decline slightly.

Outlook

In the light of the current figures for the first half, we expect our consolidated revenues during 2002/03 to be slightly up on last year's total of € 843 million at approximately € 855 million. Pressure on prices during the second half will make it hard to sustain the same level of profitability as was achieved during the period under review. That notwithstanding, we still expect profit for the year to be roughly 10 per cent up on 2001/02.

The Board of Management of *AGRANA Beteiligungs-AG*

Vienna
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