To most,
it is an
**integrated
annual
report.**

To AGRANA,
**it is a look
in many
directions.**

2016|17

Contents

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2016|17 at a glance

- All segments contributed to the significant improvement in operating profit
- Successful increase in share capital and free float
- Acquisition of Argentine fruit preparations manufacturer Main Process S.A.

- Revenue: € 2,561.3 million (up 3.4%; prior year: € 2,477.6 million)
- Operating profit (EBIT): € 172.4 million (up 33.6%; prior year: € 129.0 million)
- EBIT margin: 6.7% (prior year: 5.2%)
- Profit for the period: € 117.9 million (up 45.7%; prior year: € 80.9 million)
- Earnings per share: € 7.13[1] (up 22.5%; prior year: € 5.82)
- Equity ratio: 56.9% (prior year: 53.5%)
- Gearing ratio[2]: 17.0% (prior year: 33.8%)
- Proposed dividend of € 4.00 per share (prior year: € 4.00)
- Number of employees (FTE)[3]: 8,638 (up 1.5%; prior year: 8,510)

Quick facts about AGRANA

- The leading sugar manufacturer in Central, Eastern and Southeastern Europe
- Major European producer of custom starch products and bioethanol
- World market leader in the production of fruit preparations
- Largest manufacturer of fruit juice concentrates in Europe
- 55 production sites[4] in 25 countries[4] around the world

Financial calendar for 2017|18

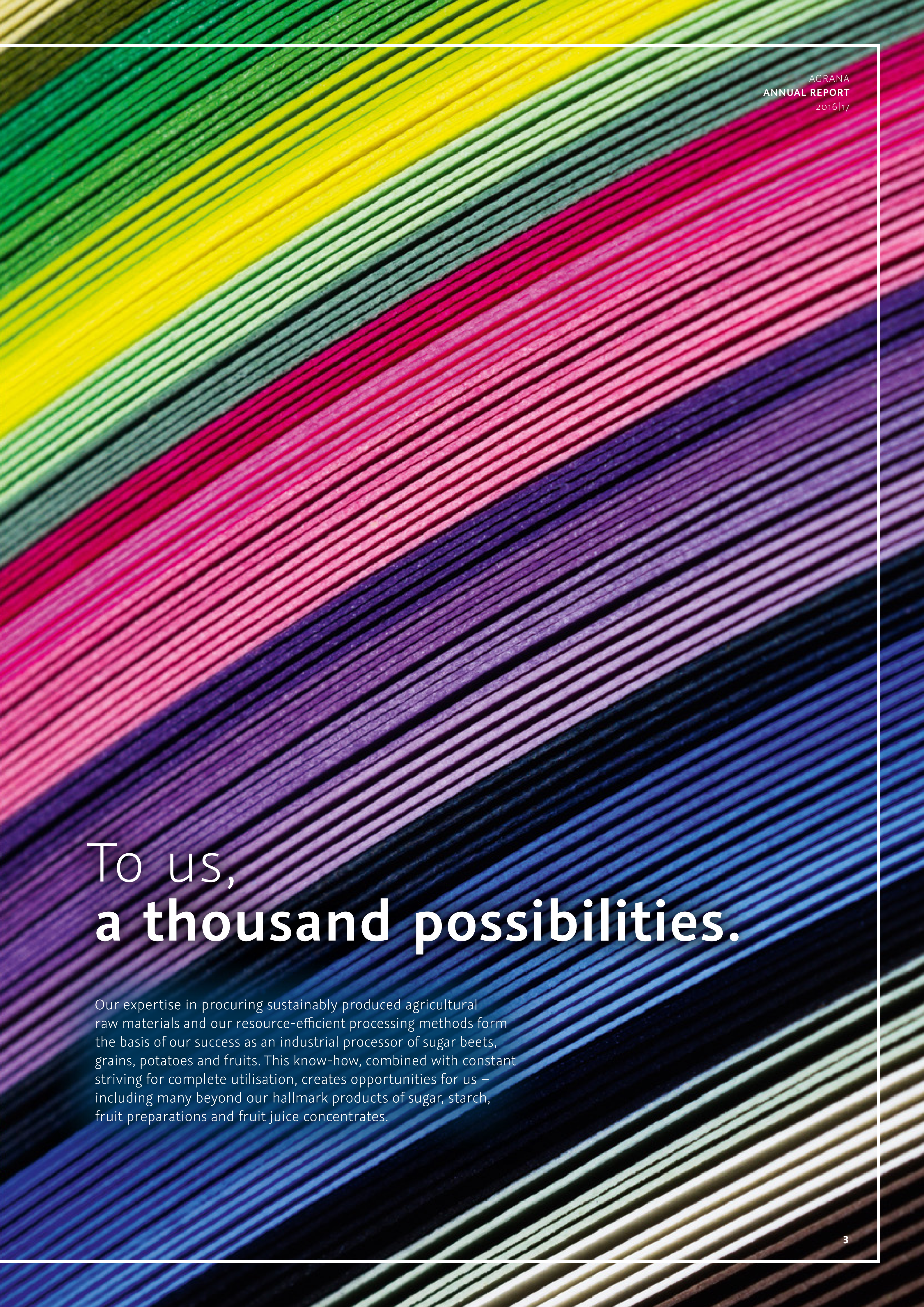
12 May 2017	Results for full year 2016|17 (annual results press conference)
27 Jun 2017	Record date for Annual General Meeting participation
7 Jul 2017	Annual General Meeting in respect of 2016|17
12 Jul 2017	Ex-dividend date
13 Jul 2017	Results for first quarter of 2017|18
14 Jul 2017	Record date for dividend
14 Jul 2017	Dividend payment date
12 Oct 2017	Results for first half of 2017|18
11 Jan 2018	Results for first three quarters of 2017|18

[1] Earnings per share based on the new total of 15,622,244 shares outstanding at 28 February 2017.
[2] Debt-equity ratio (ratio of net debt to total equity).
[3] Average number of full-time equivalents in the reporting period.
[4] From May 2017, as a result of a new site in the Fruit segment in India.

AGRANA 2016|17.

Rewarding
from
**every
perspective.**


To most, it is
a field.



To us,
a thousand possibilities.

Our expertise in procuring sustainably produced agricultural raw materials and our resource-efficient processing methods form the basis of our success as an industrial processor of sugar beets, grains, potatoes and fruits. This know-how, combined with constant striving for complete utilisation, creates opportunities for us – including many beyond our hallmark products of sugar, starch, fruit preparations and fruit juice concentrates.

To most, it is **three segments.**

To us, **important synergies.**

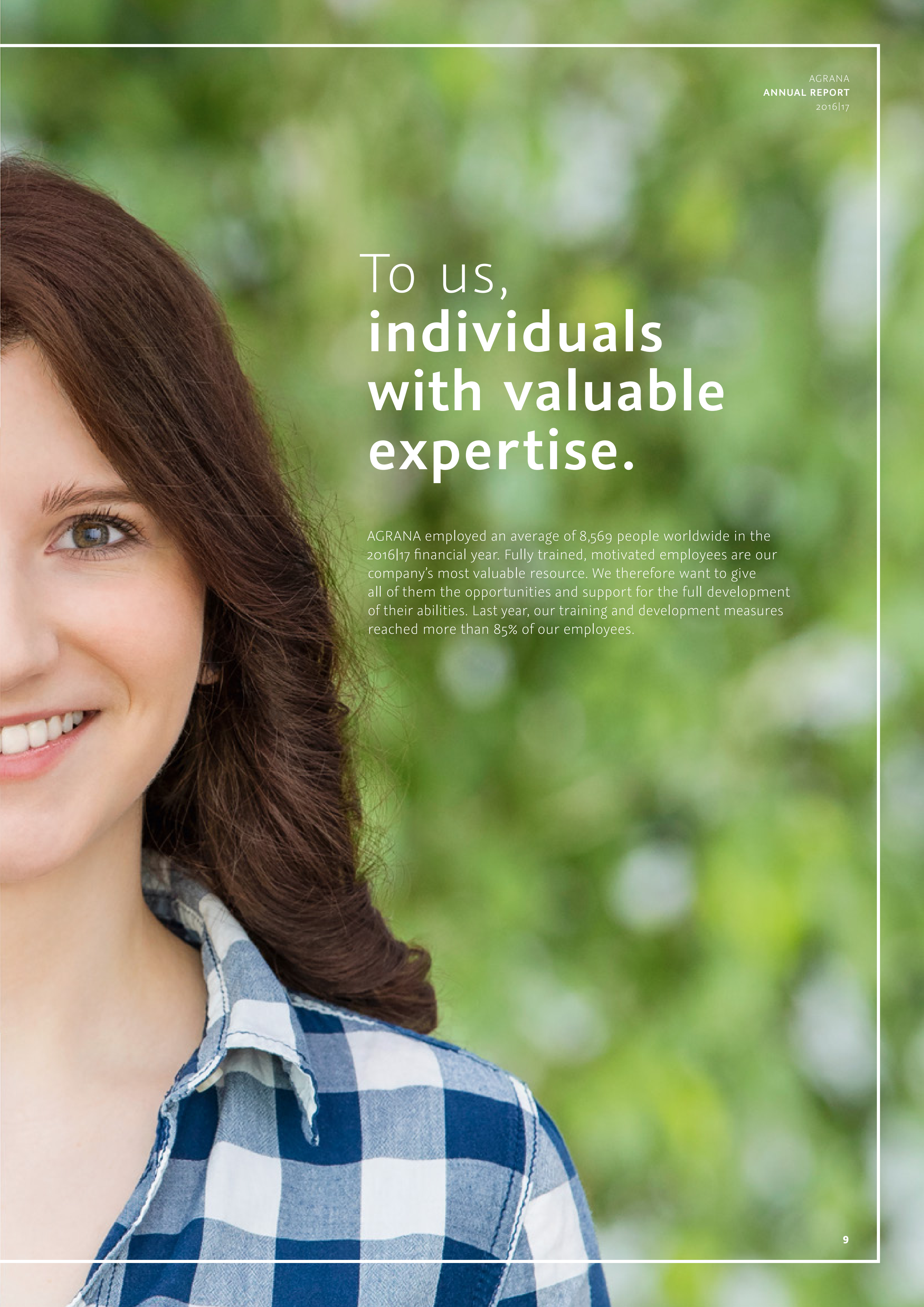
Thanks to our three business segments of Sugar, Starch and Fruit, we are able to generate synergies in procurement, production and marketing and can diversify business risks. Our customers benefit from our broad portfolio of high-quality products for a wide range of applications, both in the food and non-food sectors.

To most,
it is **a**
laboratory.

To us, **future opportunities.**

New product ideas and improved production processes are the engines of our development. With a strategic emphasis on innovation, we search for market-oriented solutions to product- and process-related challenges. At the AGRANA Research & Innovation Center (ARIC) in Tulln, Austria, teams from our three business segments are working today – often in partnership with our customers – to meet the markets' needs of tomorrow.


CLAUDIA
To most,
they are
employees.



To us, **individuals with valuable expertise.**

AGRANA employed an average of 8,569 people worldwide in the 2016|17 financial year. Fully trained, motivated employees are our company's most valuable resource. We therefore want to give all of them the opportunities and support for the full development of their abilities. Last year, our training and development measures reached more than 85% of our employees.

Key financials
under IFRS

		2016/17	2015/16	2014/15	2013/14	2012/13
Financial performance[1]						
Revenue	€m	2,561.3	2,477.6	2,493.5	2,841.7	3,065.9
EBITDA[2]	€m	235.2	192.0	181.9	214.3	318.4
Operating profit before exceptional items and results of equity-accounted joint ventures	€m	150.8	107.5	102.0	134.6	236.9
Share of results of equity-accounted joint ventures	€m	30.6	24.5	25.4	28.4	0.0
Exceptional items	€m	(9.0)	(3.1)	(5.7)	3.9	(19.0)
Operating profit [EBIT][3]	€m	172.4	129.0	121.7	166.9	217.9
EBIT margin	%	6.7	5.2	4.9	5.9	7.1
Profit before tax	€m	154.5	104.4	116.5	136.7	190.2
Profit for the period	€m	117.9	80.9	84.6	107.0	156.5
Attributable to shareholders of the parent	€m	111.3	82.7	80.9	105.2	149.4
Attributable to non-controlling interests	€m	6.6	(1.8)	3.7	1.8	7.1
Operating cash flow before changes in working capital	€m	258.0	225.9	208.1	186.1	256.3
Investment[4]	€m	114.7	116.0	91.2	130.0	149.8
Number of employees[5]		8,638	8,510	8,550	8,505	8,449
Return on sales[6]	%	6.0	4.2	4.7	4.8	6.2
Return on capital employed[7]	%	9.0	6.7	6.7	8.7	13.4
Share data at last day of February						
Closing price	€	106.00	80.50	80.51	87.70	101.50
Earnings per share	€	7.13[8]	5.82	5.70	7.40	10.52
Dividend per share	€	4.00[9]	4.00	3.60	3.60	3.60
Dividend yield	%	3.8[9]	5.0	4.5	4.1	3.5
Dividend payout ratio	%	56.1[9]	68.7	63.2	48.6	34.2
Price/earnings ratio		14.9	13.8	14.1	11.9	9.6
Market capitalisation	€m	1,656.0	1,143.3	1,143.4	1,245.5	1,441.5
Number of shares	'000	15,622.2	14,202.0	14,202.0	14,202.0	14,202.0
Financial strength						
Total assets	€m	2,481.4	2,243.2	2,406.9	2,392.2	2,578.4
Share capital	€m	113.5	103.2	103.2	103.2	103.2
Core non-current assets[10]	€m	1,113.8	1,002.2	1,093.4	1,049.7	1,045.8
Equity	€m	1,411.9	1,200.1	1,194.4	1,191.0	1,211.9
Equity ratio	%	56.9	53.5	49.6	49.8	47.0
Net debt	€m	239.9	405.8	330.3	386.8	483.7
Gearing ratio[11]	%	17.0	33.8	27.7	32.5	39.9

[1] Detailed information concerning the calculation methods of individual performance indicators can be found on page 183.
[2] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.
[3] Operating profit (EBIT) is after exceptional items and results of equity-accounted joint ventures.
[4] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.
[5] In 2016/17, 2015/16 and 2014/15: average number of full-time equivalents in the reporting period; until and including 2013/14, the numbers are headcounts.
[6] Profit before tax, divided by revenue.
[7] Operating profit before exceptional items and results of equity-accounted joint ventures, divided by capital employed.
[8] Based on the new number of shares outstanding at the balance sheet date of 28 February 2017.
[9] Based on the dividend proposal to the Annual General Meeting on 7 July 2017.
[10] Non-current assets excluding deferred tax assets and the item "receivables and other assets".
[11] Ratio of net debt to total equity.

SUGAR. STARCH. FRUIT.

Integrated Annual Report 2016|17

of AGRANA Beteiligungs-AG
for the year ended 28 February 2017

In this report on the 2016|17 financial year, the sustainability issues relevant to AGRANA's business activities under the G4 reporting standard of the Global Reporting Initiative (GRI) are covered directly in the Group's corporate governance report and management report. To make the non-financial information easier to find, a content index of all GRI G4 indicators included in the report is provided from page 179. In addition, relevant passages are marked with a green fingerprint on the respective pages.

Letter from the CEO

Dear Investor,

To most who follow AGRANA, the 2016|17 financial year was a financially positive one, with a significant improvement in operating profit (EBIT). To us it was far more than that – a year of mastered challenges and a multitude of projects in all our business segments.

All segments contributed to profit growth

We are pleased to report that all segments drove a significant improvement in AGRANA's operating profit (EBIT) to € 172.4 million (prior year: € 129.0 million) and we surpassed our targets for the year. Our Sugar segment is back in a better earnings zone, but still has upward potential. The Starch segment again topped its record operating profit of the previous year, and the recovery in the fruit juice concentrate business was an important factor in the good EBIT performance of the Fruit segment.

Future of the Sugar segment in focus

We are approaching the start of the first year after the expiration of the sugar quotas. From 1 October 2017, sugar producers in the European Union will be operating in a new environment – but AGRANA is well prepared for this market liberalisation. AGRANA has agreed a market-price-dependent beet payment model with the beet farmers, and the beet cultivation area for our processing needs remains to a large extent secured.

As the planting area is being expanded in all beet-producing countries of the EU, the result (assuming normal weather conditions) will be that greater quantities of sugar will surge onto the EU market, but depending on the world market price situation, they can also be exported without restriction. As the abolition of the minimum beet prices means that the WTO export limits will no longer apply, there will now be freedom to export.

AGRANA has a strong presence in the deficit markets of Hungary, Romania and Bulgaria, and the end of the quotas is thus significant for us. With the fall of the quotas, our Sugar segment gains more flexibility in supplying the markets. At world market prices of around € 500 per tonne for white sugar, we expect that sugar refining will be reduced in favour of more beet sugar production.

To most, starch is a white powder – to us, a product with unlimited possibilities

We will bring the new starch production capacity in Aschach, Austria, on stream by the middle of 2017. Among other benefits, this will give the Starch segment more capacity for specialty corn starches and will also enable the on-site production of maltodextrins, which previously had to be transported to the Austrian facility in Gmünd at considerable cost. The expansion of the Aschach plant thus not only enlarges the specialty capabilities but also brings significant cost savings and synergies.

In the fruit juice concentrate activities as well, we are consistently pursuing our specialties strategy. AGRANA's range of beverage bases recently already delivered a good earnings contribution and this business is to be stepped up further. We also plan to expand our expertise and presence in the area of aromas. The goal, as in the Starch segment, is a diversified product portfolio in order to reduce the exposure to commodity price swings, give the Fruit segment as a whole greater earnings stability and support a sustained improvement in profits.

Ethanol business: Volatility both in prices and EU policy

The volatility of ethanol prices makes it increasingly difficult to reliably forecast the performance of our ethanol business, which forms part of the Starch segment. For Starch EBIT this means a reduced predictability of the contribution from ethanol. Within the scope of our ethanol strategy we will continue to fully utilise our facilities as in the past; no new capacity is planned.

We see the proposal of the European Commission for the new Renewable Energy Directive (RED II), which calls for a 50% split between first- and second-generation bioethanol for the period from 2020 to 2030, as unrealistic if this second generation is to be produced from wood, straw and waste. Instead, we believe that more appropriate second-generation bioethanol solutions are ones like our combined wheat starch and bioethanol production in Pischelsdorf, Austria, where we make alcohol from so-called C-type starch, which cannot be used for food or feed.

Our social responsibility for climate protection and nutrition

Bioethanol is not just documented to save greenhouse gas emissions – it also cuts down on emissions of particulates. An alcohol content of 10% in a petrol blend is proven to reduce particulate emissions of petrol engines by about 23% compared with petrol containing only 5% ethanol.

Besides our ethanol production, as a processor of agricultural raw materials we make a significant contribution to limiting the global rise in temperatures through our ongoing investment in energy-saving and efficiency measures in our manufacturing processes. As a result of harvest-related annual fluctuation in the quantities of agricultural raw materials processed, however, our achievements in this area can only be meaningfully measured over a longer time period. For example, since 1988 we have almost halved the amount of energy used in sugar production per tonne of beet processed, achieving a reduction of 45%. We implement a number of measures along these lines every year, especially in the Sugar and Starch segments, and can thus maintain sufficient emission allowances under the Emissions Trading System with its continually shrinking supply of permits.

As a producer of sugar and sugar-containing intermediate products for the food industry, we are aware of our social responsibility for nutrition and health. Although the per-capita consumption of sugar in Austria has declined in recent years, the overall amount of calories consumed per person has remained steady. At the same time, changes in lifestyle associated with a growing lack of physical activity are frequently leading to an energy imbalance. Avoiding sugar and replacing it with other food of the same caloric value is to lose an enriching flavour experience and quality of life. We are favourably inclined towards any measures which, on the basis of sound scientific insight, promise calorie reduction without making one individual food responsible for a general social problem. But we reject the populist characterisation of sugar as a drug; in actual fact, sugar is a natural, additive-free food produced to the highest quality criteria and plays an important role in the body's metabolism. With our advertising campaign centred on culture and sports, we also try to raise consumer awareness to the effect that sugar consumption means pleasure, but that sufficient physical activity is important for a proper energy balance in order to safeguard one's long-term health.

Commitment to the equity market: Successful increase in share capital and free float

Towards the end of the 2016|17 financial year we completed a capital increase from authorised capital, resulting in an expansion of free float. About 1.42 million new shares as well as 500,000 existing AGRANA shares from the direct shareholding of Südzucker were placed with institutional investors and existing retail shareholders. With an offering price of € 100 per new share, AGRANA's gross issue proceeds from the cash capital increase were approximately € 142 million. As the major shareholders waived their subscription rights, the free float was increased significantly from 7.3% to 18.9% to improve AGRANA's capital market presence and greatly strengthen its trading liquidity.

The new AGRANA shares as well are entitled to dividends from the 2016|17 financial year. Our dividend policy will continue to be shaped with our shareholders in mind and with a particular focus on continuity.

Acquisitions: Growth opportunities in all segments

The funds from the capital increase are to be used for various acquisition projects in all our business segments. An attractive target market for this in the Sugar segment is Serbia. In the Fruit segment, with the acquisition of a fruit preparations plant in Argentina, we already executed a project in 2016|17 that is designed also to expand the non-dairy product portfolio (ice-cream, baked goods, toppings, etc.).

Thanks to the full utilisation of our fruit preparations plant in Dachang, China, newly built in 2012, additional capacity for fruit preparations is required in order to keep up with the welcome market growth. For logistical reasons as well, we are therefore evaluating constructing a further plant in China, in the greater Shanghai area. The Indian subcontinent too is an attractive market. In connection with the local market entry strategies of our customers, we have thus acquired a site in the Indian state of Maharashtra as a nucleus for our future own production.

Optimistic outlook for the new 2017|18 financial year

AGRANA is optimistic for the 2017|18 financial year now underway and expects moderate further growth in both revenue and EBIT. The profit increase is to be driven by further improvement in the Sugar and Fruit segments. A factor in the Starch segment is the partial dependence on the results of the ethanol business, which is why it is also possible the Starch segment's EBIT may ease moderately compared to 2016|17.

In the new financial year we are planning on capital expenditure of about € 140 million[1] that will continue to significantly exceed depreciation. This investment is currently intended primarily for the areas of energy savings, quality improvement and market development as well as expansions of production lines and of other capacity.

In a word, the view ahead is positive. On behalf of the whole Management Board, I would like to thank our employees for their commitment and loyalty, our commercial partners for the good business relationships, and our shareholders for their confidence and trust.

Sincerely

Johann Marihart
Chief Executive Officer

[1] In its meeting on 11 May 2017, the Supervisory Board approved an investment budget of € 140 million for the 2017|18 financial year, as opposed to a previously planned budget of € 130 million. The increase is related both to the bringing forward of capital expenditures at the Starch site in Gmünd, Austria, and to higher planned investment in the Fruit segment.

Supervisory Board’s report

In the 2016|17 financial year the AGRANA Group acquitted itself well in the challenging market environment that prevailed in all three of its business segments. A particular highlight was the successful increase in share capital in February 2017 with gross issue proceeds of about € 142 million, which significantly raised the free float (the widely held portion) of AGRANA’s shares.

In the 2016|17 financial year as in the prior years, the Supervisory Board actively oversaw AGRANA’s performance and exercised its responsibilities and powers under the law and the Articles of Association while observing the provisions of the Austrian Code of Corporate Governance. Regular key agenda items of the Supervisory Board’s deliberations were the strategic orientation and further development of the Group, the business trend in all segments and the optimisation of corporate financing. In a total of four meetings, the Supervisory Board, through the reports of the Management Board and detailed written material, informed itself about the company’s business situation and financial position and about all relevant matters concerning the business performance and exceptional business transactions. The Management Board briefed the Supervisory Board in a timely and comprehensive manner on measures requiring the approval of the Supervisory Board. All members of the Supervisory Board attended at least half of its meetings. Outside the regular meetings as well, the Chairman of the Supervisory Board had numerous conversations with the Management Board and was in frequent communication with the Chief Executive Officer to discuss ongoing developments in the Group’s environment, their impact on current business results, and the risk situation.

The members of the Supervisory Board are offered the opportunity to participate in information events on relevant topics. A seminar on current legal developments was held in 2016|17.

In its meeting on 13 May 2016, the Supervisory Board dealt with the audit of the parent company and consolidated financial statements for the year ended 29 February 2016, the nomination of the independent auditor for election for the 2016|17 financial year, and the medium-term investment planning. The independent auditor attended this meeting and reported on the audit priorities and results, which also included the accounting-related elements of the internal control system. The Supervisory Board adopted the parent company financial statements and approved the consolidated financial statements. In its meeting on 1 July 2016, the Supervisory Board discussed and approved the medium-term planning. The meeting on 25 November 2016 discussed the forecast financial results for 2016|17 and covered the subjects of corporate governance, strategic equity investment and capital expenditure projects. The Supervisory Board also dealt in principle with the prospective capital increase of AGRANA Beteiligungs-AG. The associated and necessary resolutions were taken by written ballot. In its meeting on 28 February 2017, the Supervisory Board deliberated especially on the financial planning and the capital investment projects for the 2017|18 financial year. In 2016|17 the Supervisory Board performed a check of its effectiveness, based on a self-assessment, with the aim of evaluating its organisation and procedures so as to ensure the ability to fulfil its responsibilities appropriately in the interests of the shareholders and all other stakeholders. The results of this self-assessment were presented in detail at the meeting in February 2017.

As of 10 November 2016 the Group Staff Council appointed Andreas Klamler, the chairman of the staff council of AGRANA Fruit Austria GmbH, to the Supervisory Board of AGRANA Beteiligungs-AG as an employee representative, replacing Karl Orthaber. On behalf of the Supervisory Board, I would like to thank Karl Orthaber most sincerely for his committed service to the company and his always constructive work in this position.

Audit Committee

The Audit Committee convened for two meetings in the 2016|17 financial year. With the independent auditor in attendance, the Audit Committee dealt exhaustively with the 2015|16 parent company and consolidated financial statements of AGRANA Beteiligungs-AG and discussed the Management Board's proposal for the appropriation of profit. The Committee's deliberations also covered the audit of the corporate governance report and dealt with the report from Internal Audit and with the risk management system. The Audit Committee likewise worked on the planning and priorities for the audit of the 2016|17 financial statements and discussed the subjects of anti-corruption and compliance.

The Committee chairman reported to the Supervisory Board in detail on the work of the Committee.

Parent company and consolidated financial statements

The consolidated financial statements, group management report, parent company financial statements and parent company management report of AGRANA Beteiligungs-AG ("AGRANA") for the 2016|17 financial year presented by the Management Board, as well as the accounting records, were audited by and received an unqualified audit opinion from KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, the independent auditor appointed by the Annual General Meeting. The Supervisory Board endorses the result of this audit.

The Audit Committee has reviewed the parent company annual financial statements and reported to the Supervisory Board in the presence of the independent auditor. The Supervisory Board has reviewed the consolidated financial statements, group management report, parent company financial statements and parent company management report (including the corporate governance report) of AGRANA Beteiligungs-AG for the 2016|17 financial year as well as the Management Board's proposal for the appropriation of profit. The final results of all of these reviews did not give rise to any reservations.

The Supervisory Board has approved the consolidated financial statements and parent company financial statements for the 2016|17 financial year prepared by the Management Board, which are thus adopted for the purposes of section 96 (4) Austrian Stock Corporation Act. The Supervisory Board endorses the group management report and parent company management report for the 2016|17 financial year and is in agreement with the proposal for the appropriation of profit.

In the name of the Supervisory Board, I would like to express my special thanks to all employees and the members of the Management Board for their hard work and achievements in the year.

Vienna, 11 May 2017

Erwin Hameseder
Chairman of the Supervisory Board

To most, they are the **leadership team.**

Fritz Gattermayer
Member of the Management Board

First appointed 1 January 2009
Appointed until 31 December 2018

Born 1957. Studied agricultural economics at University of Natural Resources and Applied Life Sciences, Vienna, and history and political science at University of Vienna. In 1995 was appointed head of the Group-level “Business Strategy and Raw Materials” department at AGRANA Beteiligungs-AG, with “Prokura”[1]. In 2000 became a management board member of AGRANA Zucker und Stärke AG. From 2004 to 2008 was a member of the senior management of the Starch segment and Sugar segment. In 2008 became CEO of the Sugar segment. Member of the Management Board of AGRANA Group since 2009.

Responsibilities
Sales, Raw Materials, Purchasing & Logistics

Johann Marihart
Chief Executive Officer

Chief Executive Officer since 1992
First appointed 19 September 1988
Appointed until 28 February 2021[2]

Born 1950. Studied chemical engineering at Vienna University of Technology, majoring in biotechnology and food chemistry. After professional experience in a pharmaceutical company, began his career with AGRANA in 1976 at the starch factory in Gmünd (head of research and development, plant manager, managing director of starch activities). Member of the Management Board of AGRANA Beteiligungs-AG since 1988. Appointed CEO of AGRANA Beteiligungs-AG in 1992.

Responsibilities
Business Strategy, Production, Quality Management, Human Resources, Communication (including Investor Relations), Research and Development

[1] The term Prokura means full commercial powers of attorney.
[2] The appointment of Johann Marihart as Chief Executive Officer was renewed early, in the Supervisory Board meeting on 11 May 2017.

To us, they are **people with vision and confidence.**

Stephan Büttner
Member of the Management Board

First appointed 1 November 2014
Appointed until 31 October 2019

Born 1973. After business studies at Vienna University of Economics and Business, worked in auditing and other areas. In 2001, moved to Raiffeisen Ware Austria AG and in 2004 became CEO of its subsidiary Ybbstaler Fruit Austria GmbH. Working for the AGRANA Group since 2012, most recently as CEO of AUSTRIA JUICE GmbH. Joined the Management Board of AGRANA Beteiligungs-AG on 1 November 2014. Took over the CFO responsibilities on 1 January 2015.

Responsibilities
Finance, Controlling, Treasury,
Information Technology and Organisation,
Mergers & Acquisitions,
Legal, Compliance

Thomas Kölbl
Member of the Management Board

First appointed 8 July 2005
Appointed until 7 July 2020

Born 1962. Trained in industry, then studied business administration at Mannheim University. Held various positions in the Südzucker group since 1990; was Director in charge of strategic corporate planning, group development and investments prior to his appointment to the Executive Board of Südzucker AG in 2004. Member of the Management Board of AGRANA Beteiligungs-AG since 2005.

Responsibilities
Internal Audit

Corporate governance report

This corporate governance report combines the corporate governance report of AGRANA Beteiligungs-AG and the consolidated corporate governance report of AGRANA Beteiligungs-AG pursuant to section 267a of the Austrian Commercial Code (UGB) in conjunction with section 251 UGB.

AGRANA Beteiligungs-AG is a public limited company (a stock corporation) under Austrian law and is listed on the Vienna Stock Exchange. The legal framework for corporate governance at AGRANA is provided by Austrian stock corporation law and capital market law, the regulations on employee co-determination, the Articles of Association and the terms of reference (the charters) of the Supervisory Board and Management Board of AGRANA Beteiligungs-AG. In addition, the Austrian Code of Corporate Governance (the ACCG), which can be found on the website of the Austrian Working Group for Corporate Governance at www.corporate-governance.at, provides the framework for the direction and oversight of the company with the aim of ensuring a high degree of transparency for all stakeholders.

The ACCG consists of binding so-called L rules (these are based on legal requirements); of C rules (comply-or-explain rules), which are expected to be adhered to, with deviations to be explained in order to achieve compliance with the ACCG; and of R rules (recommendations), non-compliance with which requires neither disclosure nor explanation.

Commitment to the Austrian Code of Corporate Governance

AGRANA is committed to the provisions of the Austrian Code of Corporate Governance. In the 2016|17 financial year, AGRANA applied the ACCG in the version of January 2015. At its meetings on 25 November 2016 and 28 February 2017, the Supervisory Board of AGRANA Beteiligungs-AG discussed matters of corporate governance and unanimously adopted the statement of compliance with the ACCG.

In the 2016|17 financial year, AGRANA adhered to all C rules of the ACCG except as explained below:

- **Rule 27 (Management Board compensation criteria)**
  The existing employment contracts of the Management Board members do not tie variable compensation to non-financial criteria and do not specify maximum amounts. Setting ceilings on the amount of variable compensation would reduce the flexibility to respond to unforeseeable developments and to honour special achievements. A retroactive change to existing contracts does not appear justified.

- **Rule 27a (severance pay)**
  In the event that a Management Board appointment is withdrawn, severance pay has been agreed in accordance with the provisions of the Employees Act. The Management Board contracts do not contain a ceiling on severance pay.

The approach in respect of rules 27 and 27a was adopted by the Supervisory Board and implemented by the Nomination and Remuneration Committee in the contracts of the Management Board members.

- **Rule 49 (contracts requiring approval)**
  Under section 95 (5)(12) of the Austrian Stock Corporation Act, the approval of the Supervisory Board is required for contracts with members of the Supervisory Board by which members undertake, outside their role on the Supervisory Board, to provide a service to the Company or a subsidiary for a material consideration. This also applies to contracts with companies in which a Supervisory Board member has a significant economic interest. For business policy and competition reasons, the object and terms of such contracts are not published in the Annual Report as stipulated in rule 49. This divergence was adopted by the Supervisory Board at the time of the initial commitment to the Austrian Code of Corporate Governance in 2005.

The business culture of the AGRANA Group has always been marked by open and constructive teamwork between the Management Board and Supervisory Board, which together ensure that the ACCG's requirements are fulfilled. The Management and Supervisory Boards of AGRANA, and especially their chairmen, are thus engaged in ongoing dialogue regarding the Group's performance and strategic direction, both at and between the meetings of the Supervisory Board.

To safeguard open and transparent communication with all capital market participants and the interested public, information provided to investors during conference calls and road shows is simultaneously made available to all other shareholders via the Group website at www.agrana.com/en/ir.

In accordance with rule 62 of the ACCG, every three years or more frequently, the Group has commissioned an external evaluation of compliance with the C rules. The latest of these evaluations was performed in the 2014|15 financial year by Univ.-Prof. DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH, using the questionnaire issued for this purpose by the Austrian Working Group for Corporate Governance. The results are available to the public on the AGRANA website at www.agrana.com/en/ir/corporate-governance.

AGRANA's boards

Management Board

Name	Year of birth	Date first appointed	End of term
Johann Marihart Chief Executive Officer since 1992	1950	19 Sep 1988	30 Sep 2018
Stephan Büttner	1973	1 Nov 2014	31 Oct 2019
Fritz Gattermayer	1957	1 Jan 2009	31 Dec 2018
Thomas Kölbl	1962	8 Jul 2005	7 Jul 2020

The members of the Management Board hold supervisory board or similar positions in the following domestic and foreign companies not included in the consolidated financial statements:

- **Johann Marihart**
  As a result of the syndicate agreement between Südzucker AG, Mannheim, Germany, and Zucker-Beteiligungsgesellschaft m.b.H., Vienna, Johann Marihart serves as a member of the management board of Südzucker AG, as supervisory board chairman of its subsidiary Raffinerie Tirlemontoise S.A., Brussels, Belgium, and member of the supervisory boards of the subsidiary Saint Louis Sucre S.A., Paris, France, and of Freiberger Holding GmbH, Berlin, Germany.

  In Austria he serves as supervisory board chairman of TÜV Austria Holding AG, Vienna, TÜV Austria Service GmbH, and Spanische Hofreitschule – Bundesgestüt Piber, Vienna; as vice-chairman of the supervisory boards of Bundesbeschaffung GmbH, Vienna, and Österreichische Forschungsförderungsgesellschaft m.b.H., Vienna; as member of the supervisory board of Ottakringer Getränke AG, Vienna, and member of the investment advisory board of tecnet equity NÖ Technologiebeteiligungs-Invest GmbH, St. Pölten, Austria. Johann Marihart is also chairman of the Austrian Food Industry Association (Fachverband der Nahrungs- und Genussmittelindustrie). At the European level, Johann Marihart represents the Austrian sugar industry as president of the European Association of Sugar Manufacturers (the Comité Européen des Fabricants de Sucre, or CEFS).

- **Thomas Kölbl**
  Thomas Kölbl holds the following positions: supervisory board member of Baden-Württembergische Wertpapierbörse (until 1 March 2017), of Boerse Stuttgart GmbH and of EUWAX Aktiengesellschaft, all based in Stuttgart, Germany. He also holds the following group-level positions within the Südzucker group: supervisory board member of Freiberger Holding GmbH, Berlin, Germany, of Raffinerie Tirlemontoise S.A., Brussels, Belgium, of Saint Louis Sucre S.A.S., Paris, France, and of Südzucker Polska S.A., Wrocław, Poland, vice-chairman of the supervisory board of CropEnergies AG, Mannheim, Germany, supervisory board chairman of PortionPack Europe Holding B.V., Oud-Beijerland, Netherlands, and of Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim, Germany, and member of the board of directors of ED&F MAN Holdings Limited, London, United Kingdom.

The Management Board of AGRANA Beteiligungs-AG manages the Company's business in accordance with principles of modern governance and with the legal requirements, the Articles of Association and the Management Board terms of reference (the Management Board charter). The members of the Management Board are in ongoing communication with each other and, in Management Board meetings held at least every two weeks, discuss the current course of business and make the necessary informal and formal decisions. The Group is managed on the basis of open sharing of information and of regular meetings with the segment heads and other senior segment management.

The terms of reference set out the division of responsibilities and the cooperation within the Management Board and its duties in respect of communication and reporting, and list the types of actions that require the approval of the Supervisory Board.

The remits of the Management Board members are as follows:

Name	Responsibilities
Johann Marihart	Business Strategy, Production, Quality Management, Human Resources, Communication (including Investor Relations), Research and Development
Stephan Büttner	Finance, Controlling, Treasury, Information Technology and Organisation, Mergers & Acquisitions, Legal, Compliance
Fritz Gattermayer	Sales, Raw Materials, Purchasing & Logistics
Thomas Kölbl	Internal Audit

Supervisory Board

The Supervisory Board of AGRANA Beteiligungs-AG has twelve members, of whom eight are shareholder representatives elected by the Annual General Meeting and four are employee representatives from the staff council. All Supervisory Board members elected by the Annual General Meeting are elected for a term ending at the conclusion of the General Meeting that considers the results of the 2016|17 financial year.

Name and supervisory board positions in listed domestic and foreign companies	**Year of birth**	**Date first appointed**	**End of term**
Erwin Hameseder, Mühldorf, Austria, independent Chairman of the Supervisory Board – First Vice-Chairman of the Supervisory Board of Flughafen Wien AG, Vienna – First Vice-Chairman of the Supervisory Board of Raiffeisen Bank International AG, Vienna – Vice-Chairman of the Supervisory Board of STRABAG SE, Villach, Austria – Second Vice-Chairman of the Supervisory Board of Südzucker AG, Mannheim, Germany – Second Vice-Chairman of the Supervisory Board of UNIQA Insurance Group AG, Vienna	1956	23 Mar 1994	30th AGM (2017)
Wolfgang Heer, Ludwigshafen, Germany, independent First Vice-Chairman of the Supervisory Board – Member of the Supervisory Board of CropEnergies AG, Mannheim, Germany	1956	10 Jul 2009	30th AGM (2017)
Klaus Buchleitner, Mödling, Austria, independent Second Vice-Chairman of the Supervisory Board – Vice-Chairman of the Supervisory Board of BayWa AG, Munich, Germany – Member of the Supervisory Board of Raiffeisen Bank International AG, Vienna	1964	4 Jul 2014	30th AGM (2017)
Jochen Fenner, Gelchsheim, Germany, independent Member of the Supervisory Board Member of the Supervisory Board of Südzucker AG, Mannheim, Germany	1952	1 Jul 2011	30th AGM (2017)
Hans-Jörg Gebhard, Eppingen, Germany, independent Member of the Supervisory Board – Chairman of the Supervisory Board of Südzucker AG, Mannheim, Germany – Member of the Supervisory Board of CropEnergies AG, Mannheim, Germany	1955	9 Jul 1997	30th AGM (2017)
Ernst Karpfinger, Baumgarten/March, Austria, independent Member of the Supervisory Board	1968	14 Jul 2006	30th AGM (2017)
Thomas Kirchberg, Ochsenfurt, Germany, independent Member of the Supervisory Board	1960	10 Jul 2009	30th AGM (2017)
Josef Pröll, Vienna, independent Member of the Supervisory Board	1968	2 Jul 2012	30th AGM (2017)

Employee representatives	Year of birth	Date first appointed
Thomas Buder, Tulln, Austria Chairman of the Group Staff Council and the Central Staff Council	1970	1 Aug 2006
Gerhard Glatz, Gmünd, Austria	1957	1 Jan 2010
Andreas Klamler, Gleisdorf, Austria Since 10 Nov 2016	1970	10 Nov 2016
Stephan Savic, Vienna, Austria	1970	22 Oct 2009
Karl Orthaber, Gleisdorf, Austria Until 10 Nov 2016	1967	12 Nov 2014

Supervisory Board independence

The Supervisory Board of AGRANA Beteiligungs-AG applies the guidelines for the definition of supervisory board independence as set out in Annex 1 to the Austrian Code of Corporate Governance:

- A Supervisory Board member shall not, in the past five years, have been a member of the Management Board or other management staff of the Company or a subsidiary of the Company.
- A Supervisory Board member shall not have a business relationship of a size significant to him or her with the company or a subsidiary of the company, and shall not have had such a business relationship in the past year. This also applies to business relationships with companies in which the Supervisory Board member holds a significant economic interest, but does not apply to board positions held within the Group.
- The approval of individual transactions by the Supervisory Board under L rule 48 does not automatically imply a member's designation as non-independent.
- A Supervisory Board member shall not, in the past three years, have been an external auditor of the Company or a partner or employee of the external audit firm.
- A Supervisory Board member shall not be a management board member of another company in which a member of the Company's Management Board is a supervisory board member.
- A Supervisory Board member shall not serve on the Supervisory Board for more than 15 years. This does not apply to Supervisory Board members who are shareholders with a strategic shareholding in the Company or who represent the interests of such a shareholder.
- A Supervisory Board member shall not be a close relative (direct descendant, spouse, common-law spouse, parent, uncle, aunt, sibling, nephew or niece) of a Management Board member or of persons holding any of the positions referred to in the foregoing points.

Committees and their members

Where the importance or specialist nature of a particular subject matter makes it appropriate to do so, the Supervisory Board also exercises its advisory and supervisory functions through the following three committees:

The **Nomination and Remuneration Committee** deals with the legal relationships between the Company and the members of the Management Board. The Committee is responsible for succession planning in respect of the Management Board and approves the compensation schemes for the Management Board members. The Nomination and Remuneration Committee held no meetings in the 2016|17 financial year. The Strategy Committee prepares strategic decisions of the Supervisory Board by providing decision support, and makes decisions in urgent matters. The **Strategy Committee** held no meetings in the 2016|17 financial year, but for the capital increase in February 2017 reached the necessary decisions by written communication. The **Audit Committee** prepares for transaction by the Supervisory Board all matters related to the Company's separate financial statements and to the auditing of the accounting records and of the consolidated financial statements and Group management report, including the corporate governance report. It monitors the effectiveness of the internal control system and risk management system and of the internal auditing, and verifies the independence and qualifications of the external auditors. In the 2016|17 financial year the Audit Committee met twice. Its meetings focused particularly on the audit of the 2015|16 financial statements, the preparation of the audit of the 2016|17 financial statements, and the supervision of the risk management system. The Audit Committee also dealt with the compliance report and with the report of the Group's Internal Audit function.

The Supervisory Board terms of reference include the procedures for the committees; an excerpt of the terms of reference is available on the AGRANA website at www.agrana.com/en.

Supervisory Board committees consist of the Supervisory Board Chairman or a Vice-Chairman, and of as many other members as the Supervisory Board shall determine. The only exception is the Nomination and Remuneration Committee, which consists of the Supervisory Board Chairman and two members appointed from among the Supervisory Board members elected by the Annual General Meeting. If the Supervisory Board has two Vice-Chairmen, they shall be appointed as these two other members of the Nomination and Remuneration Committee.

Name	Position on committee
Nomination and Remuneration Committee	
Erwin Hameseder	Chairman (and expert advisor on compensation)
Wolfgang Heer	Member
Klaus Buchleitner	Member
Strategy Committee	
Erwin Hameseder	Chairman
Wolfgang Heer	Member
Klaus Buchleitner	Member
Hans-Jörg Gebhard	Member
Thomas Buder	Employee representative
Gerhard Glatz	Employee representative
Audit Committee	
Klaus Buchleitner	Chairman (and expert advisor on finance)
Wolfgang Heer	Member
Thomas Buder	Employee representative

In the reporting period the Supervisory Board convened for four meetings.

Compensation report

Compensation of the Management Board

The Supervisory Board duly reviews and discusses the appropriateness of the Management Board's compensation, also taking into consideration the Group's internal compensation structure.

The total compensation of the Management Board members consists of a fixed and a variable, performance-based component. The performance-based component is contractually tied to the amount of the dividends paid over the respective last three years, in order to take into account long-term and multi-year performance criteria.

The compensation paid out in the 2016|17 financial year and the prior year to the members of the Management Board was as follows:

€	Fixed compensation, incl. non-monetary benefits	Variable compensation for prior year	Total current compensation	Other payments
2016|17				
Johann Marihart[1]	718,993	636,240	1,355,233	125,000[2]
Stephan Büttner	381,512	371,140	752,652	–
Fritz Gattermayer	513,522	487,784	1,001,306	–
Thomas Kölbl[3]	–	–	–	–
2015|16				
Johann Marihart[1]	615,038	613,500	1,228,538	–
Stephan Büttner	359,919	163,976	523,895	–
Fritz Gattermayer	470,110	470,350	940,460	–
Thomas Kölbl[3]	–	–	–	–
Walter Grausam[4]	–	489,948	489,948	–

In total, the fixed compensation of the Management Board members increased by about 11% from the prior year.

Post-employment benefits granted to the Management Board under the Company's plan are pension, disability insurance and survivor benefits. For the Management Board members Johann Marihart and Fritz Gattermayer, the following applies: The pension becomes available when the pension eligibility criteria of the Austrian public pension scheme under the General Social Insurance Act (ASVG[5]) are met. In the event of retirement before the age determined under the ASVG, the amount of the pension is reduced. The pension amount is calculated as a percentage of a contractually agreed assessment base. For the pension of Stephan Büttner, there is a defined contribution obligation, which can be claimed after the recipient has reached 55 years of age provided that the employment relationship has ended. For the 2016|17 financial year, pension fund contributions of € 354 thousand were paid (prior year: € 720 thousand).

The retirement benefit obligations in respect of the Management Board are administered by an external pension fund. In the event that a Management Board appointment is withdrawn, there are severance pay obligations in accordance with the provisions of the Employees Act (see note on rule 27a) or the Occupational Pension Plan Act (BMSVG[6]). In the balance sheet at 28 February 2017, within the item "retirement and termination benefit obligations", an amount of € 8,496 thousand was recognised for pension obligations (prior year: € 6,646 thousand) and an amount of € 2,151 thousand was recognised for termination benefit obligations (prior year: € 1,986 thousand).

[1] Chief Executive Officer.
[2] Long-service award.
[3] The Management Board member of AGRANA Beteiligungs-AG appointed to this position on the basis of the syndicate agreement between Südzucker AG, Mannheim, Germany, and Zucker-Beteiligungsgesellschaft m.b.H., Vienna, does not receive compensation for serving in this capacity.
[4] Retired from the Management Board at 31 December 2014.
[5] German name of the act: Allgemeines Sozialversicherungsgesetz.
[6] German name of the act: Betriebliches Mitarbeiter- und Selbständigenvorsorgegesetz.

No compensation agreements in the event of a public tender offer exist between the Company and its Management Board, Supervisory Board or other staff.

AGRANA maintains directors and officers liability insurance coverage for management staff. This D&O insurance covers certain personal liability risks of the individuals acting as legal representatives of the AGRANA Group. The cost is borne by AGRANA.

Transactions of members of the Management Board in financial instruments are notified to the Financial Market Authority (FMA) in accordance with article 19 (1) of Regulation (EU) No 596/2014 and published on the AGRANA website. During the reporting period there were no such transactions.

Compensation of the Supervisory Board

The Annual General Meeting on 1 July 2016 approved an annual aggregate remuneration for the Supervisory Board of € 250,000 (prior year: € 250,000) for the 2015|16 financial year and delegated to the Supervisory Board the responsibility for allocating this sum among its members. The amount paid to the individual Supervisory Board members is tied to their function on the Board. No meeting fees were paid.

The compensation of the individual members of the Supervisory Board was as follows:

€	**2016|17[1]**	**2015|16[1]**
Erwin Hameseder (Chairman of the Supervisory Board[2])	55,000	48,123
Wolfgang Heer (First Vice-Chairman of the Supervisory Board)	35,000	35,000
Klaus Buchleitner (Second Vice-Chairman of the Supervisory Board[3])	35,000	22,966
Jochen Fenner	25,000	25,000
Hans-Jörg Gebhard	25,000	25,000
Ernst Karpfinger	25,000	25,000
Thomas Kirchberg	25,000	25,000
Josef Pröll	25,000	25,000
Christian Konrad[4]	–	18,911

In accordance with section 110 (3) of the Austrian Labour Act, those Supervisory Board members who are employee representatives do not receive Supervisory Board compensation.

Compliance

For AGRANA, compliance with legal and regulatory requirements is integral to good corporate governance.

AGRANA has a dedicated Compliance Office led by the Director of Corporate Compliance, who reports directly to the Management Board member responsible and centrally looks after the compliance activities. Additionally, the CFOs of the segments and subsidiaries act as compliance officers in order to implement relevant Group requirements even more rapidly and efficiently. The most important responsibilities of the Compliance Office include the implementation and further expansion of the compliance management system in the AGRANA Group, with the aim of fulfilling the organisational and supervisory obligations of the Group's management under the law and to minimise the liability risks to the AGRANA Group and its employees and boards. Other key functions of the Compliance Office are the production and training of internal guidelines, provision of support in compliance matters, documentation of cases of non-compliance, and issuing of recommendations.

[1] Compensation for prior year
[2] Until 4 July 2014 was Second Vice-Chairman of the Supervisory Board.
[3] Since 4 July 2014.
[4] Retired from the Supervisory Board at 4 July 2014.

In addition to the Compliance Office there is a Compliance Board, which deliberates on an ongoing basis on fundamental questions in matters of compliance.

AGRANA's compliance management system comprises the following core elements and policies:

The **AGRANA Code of Conduct** forms the foundation of all business actions and decisions. The Code of Conduct is designed to give a clear and systematic understanding of the conduct which AGRANA expects from all employees, managers and directors in all activities and locations of the Group. Together with the mission statement, it guides the entire AGRANA Group, setting unambiguous standards of integrity, correct business conduct and ethical principles.

In addition to the rules on conflicts of interest set out in the Code of Conduct, a separate **Conflict-of-Interest Policy** was introduced in the year under review. In the course of business activities, it is possible for staff or board members to encounter situations where their personal or financial interests come or could come into conflict with the interests of the AGRANA Group. A reporting and documentation system was developed for this that applies for all AGRANA employees and board members.

Anticorruption laws apply worldwide and must be obeyed everywhere and at all times. In view of Austria's specific anti-corruption legislation, AGRANA has a separate **Austria Anti-Corruption Policy**, which complements the Code of Conduct. This policy sets out binding regulations and a reporting system. The policy aims to ensure legally compliant conduct and facilitate the proper handling of invitations and gifts.

The purpose of the globally applicable **Antitrust Compliance Policy** is to ensure that all employees and board members know and abide by the essential provisions of competition and antitrust law and have the awareness to recognise situations with antitrust relevance. The overarching aim of this policy is to preserve employees from violating antitrust legislation and to provide practical, real-world support in applying the relevant rules.

For AGRANA Beteiligungs-AG as a publicly traded company, it is highly important to adhere to stock exchange and capital market laws and regulations, particularly the Stock Exchange Act and the Issuer Compliance Regulation of the Financial Market Authority. Based on these pieces of legislation, AGRANA has issued its **Capital Market Compliance Policy**. It sets out the principles governing the disclosure of information and prescribes organisational measures for safeguarding confidentiality and preventing improper use or transmission of insider information.

In the 2016|17 financial year, frequent classroom trainings on capital market compliance and other special compliance subjects were delivered in Austria for an identified set of employees. In the international subsidiaries, trainings on all relevant compliance policies were likewise conducted for the identified staff. In addition to the physical classroom trainings, AGRANA rolled out electronic distance training in Austria on the Code of Conduct, anticorruption, and competition and antitrust law. In the 2016|17 financial year, 1,007 employees, 100% of those identified (i.e., all salaried employees), in Austria received a comprehensive training. The employees at the international locations were trained in two waves. In the 2016|17 financial year, 811 people, or 53% of identified employees (i.e., all salaried employees) outside Austria received physical classroom training; 945 people (or 64%) were already given training in 2015|16. The launch of the electronic training system at the locations outside Austria began at the end of 2016|17.

The Internal Audit department verifies compliance with laws, regulations and internal policies. In the 2016|17 financial year, it audited 17 of the 51 production sites/companies (i.e., 33% of sites/companies) within the GRI reporting boundaries (see the section "Integrated sustainability reporting", from page 40), including audits for corruption and fraud in selected subject areas; one of the audits covered all European sites of the fruit preparations business in this regard. No significant breaches of legal norms or of AGRANA's internal regulations regarding anticorruption were found.

Promoting equity for women

For more and more people, the ability to balance work and family life ranks high on the list of expectations for the workplace and is a major element of job satisfaction. For women, it is frequently a critical career factor. AGRANA honoured this priority in spring 2016 by joining the "Business for Family" network of the Federal Ministry for Family and Youth.

In order to be able to provide the best practicable conditions for achieving a balance between work and family responsibilities for the greatest possible number of employees, AGRANA – besides already offering flexible working hours, organising and largely funding summer holiday child care at a site in Austria, and making available a company day-care centre at the headquarters in Vienna – added further arrangements in the 2016|17 financial year: A Group-wide framework agreement for teleworking was put in place, and financial assistance was granted for the care of small children up to three years old (limited to Austria and Germany for tax reasons). As well, at the Vienna headquarters a parent-child office was set up that, for example, enables parents to supervise their children's homework in the afternoon.

Vienna, 24 April 2017

The Management Board of AGRANA Beteiligungs-AG

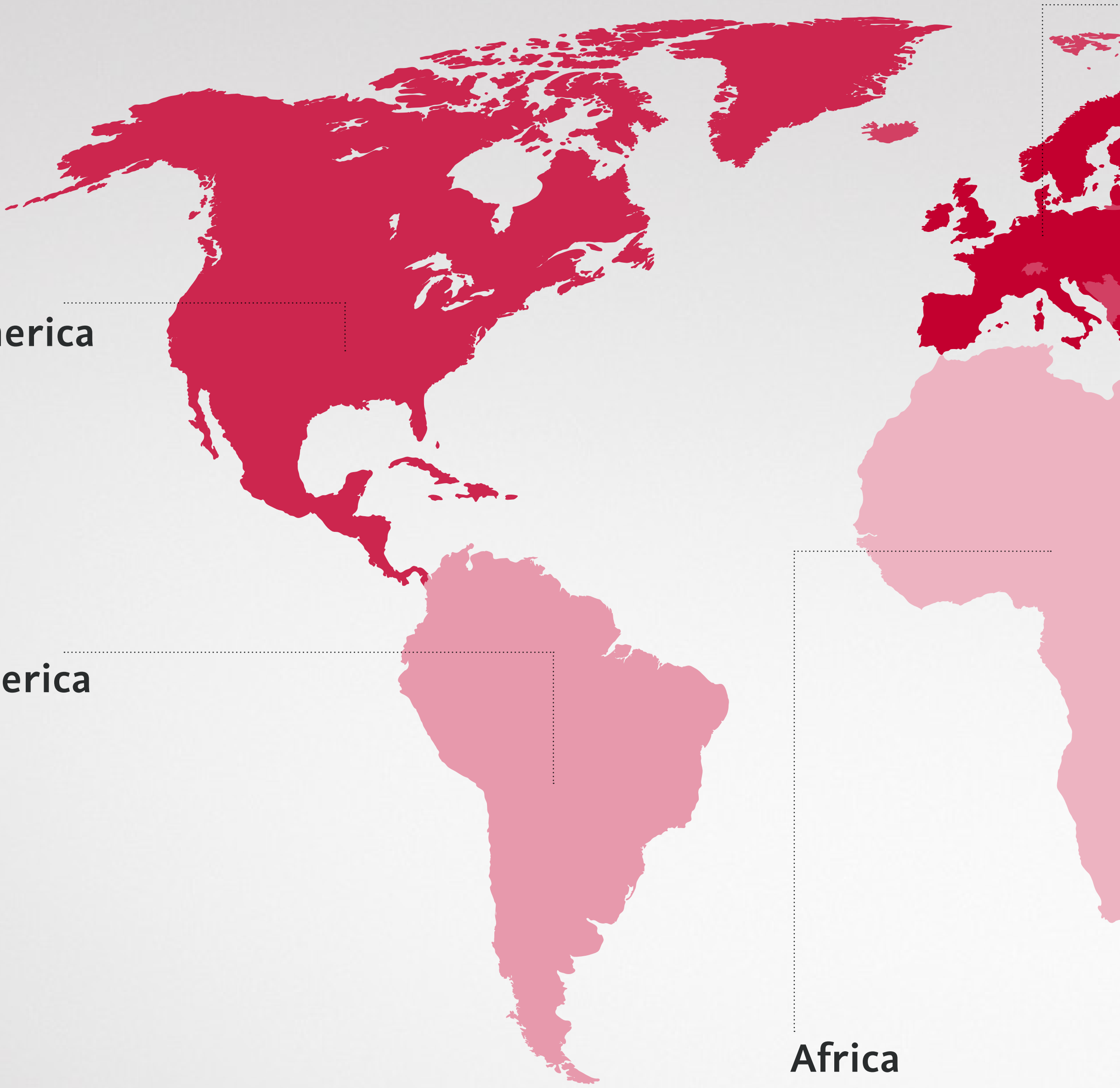
Johann Marihart
Chief Executive Officer

Stephan Büttner
Member of the Management Board

Fritz Gattermayer
Member of the Management Board

Thomas Kölbl
Member of the Management Board

To most, it is **globalisation.**



North America

5 fruit plants
USA, Mexico
Employees
764 ♂ 617 ♀
Revenue
€ 290.2 million

South America

3 fruit plants
Argentina, Brazil
Employees
233 ♂ 118 ♀
Revenue
€ 39,3 million

Africa

4 fruit plants
Egypt, Morocco, South Africa
Employees
131 ♂ 54 ♀
Revenue
€ 17.3 million

AGRANA, the processor of agricultural raw materials with the three segments Sugar, Starch and Fruit, operates **55 production sites[1]** in **25 countries[1]** and had **7,901 employees** at the end of February 2017.

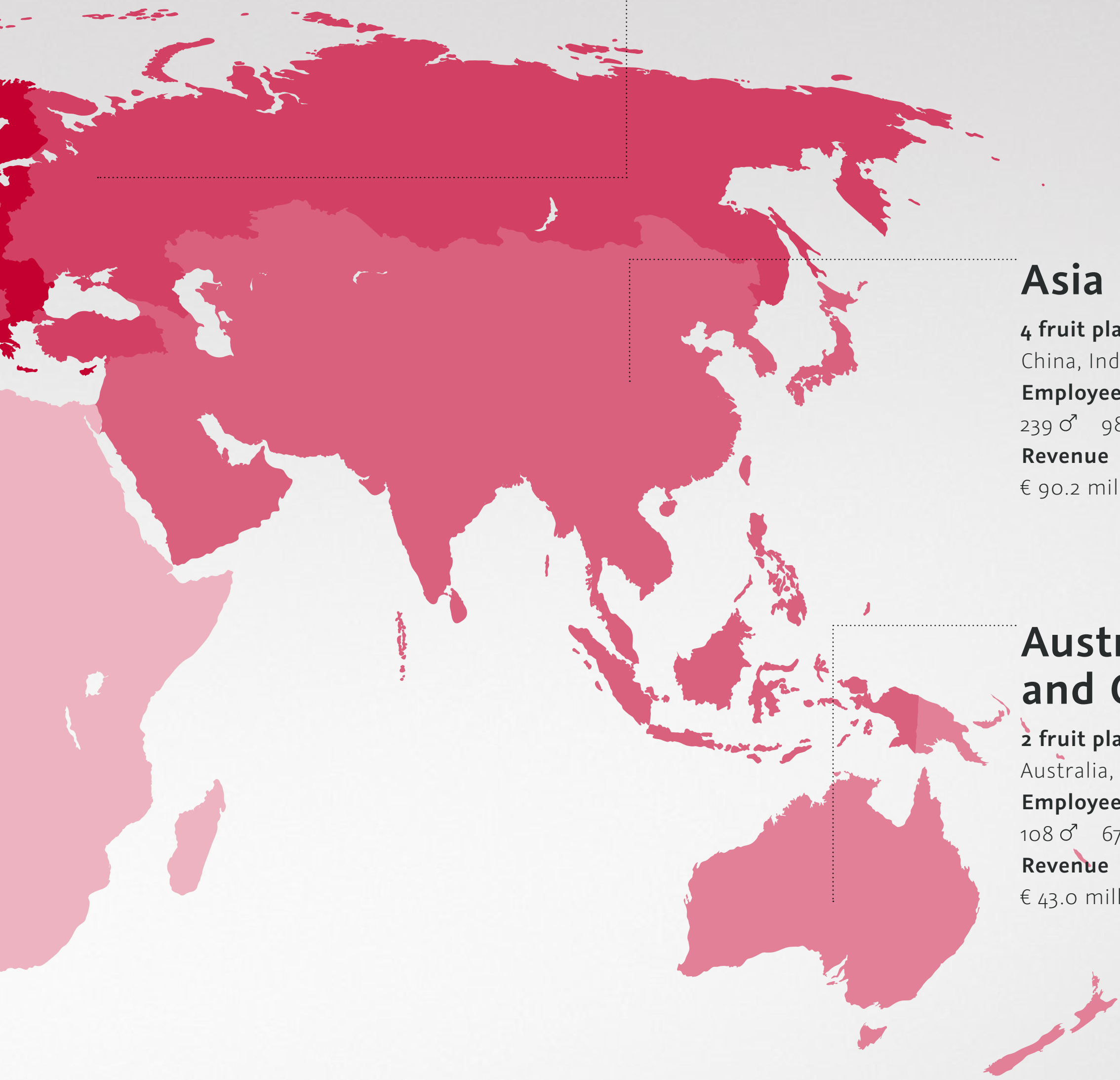
[1] From May 2017

EU-28

9 sugar plants
(incl. INSTANTINA)
5 starch plants
17 fruit plants
Austria, Czech Republic, France, Germany, Hungary, Poland, Romania, Slovakia
Employees
3,247 ♂ 1,272 ♀
Revenue
€ 1,984.5 million

Europe Non-EU

1 sugar plant
5 fruit plants
Bosnia and Herzegovina, Russia, Serbia, Turkey, Ukraine
Employees
452 ♂ 501 ♀
Revenue
€ 96.8 million



Asia

4 fruit plants
China, India[1], South Korea
Employees
239 ♂ 98 ♀
Revenue
€ 90.2 million

Australia and Oceania

2 fruit plants
Australia, Fiji
Employees
108 ♂ 67 ♀
Revenue
€ 43.0 million

To us, **a natural collaboration beyond borders.**

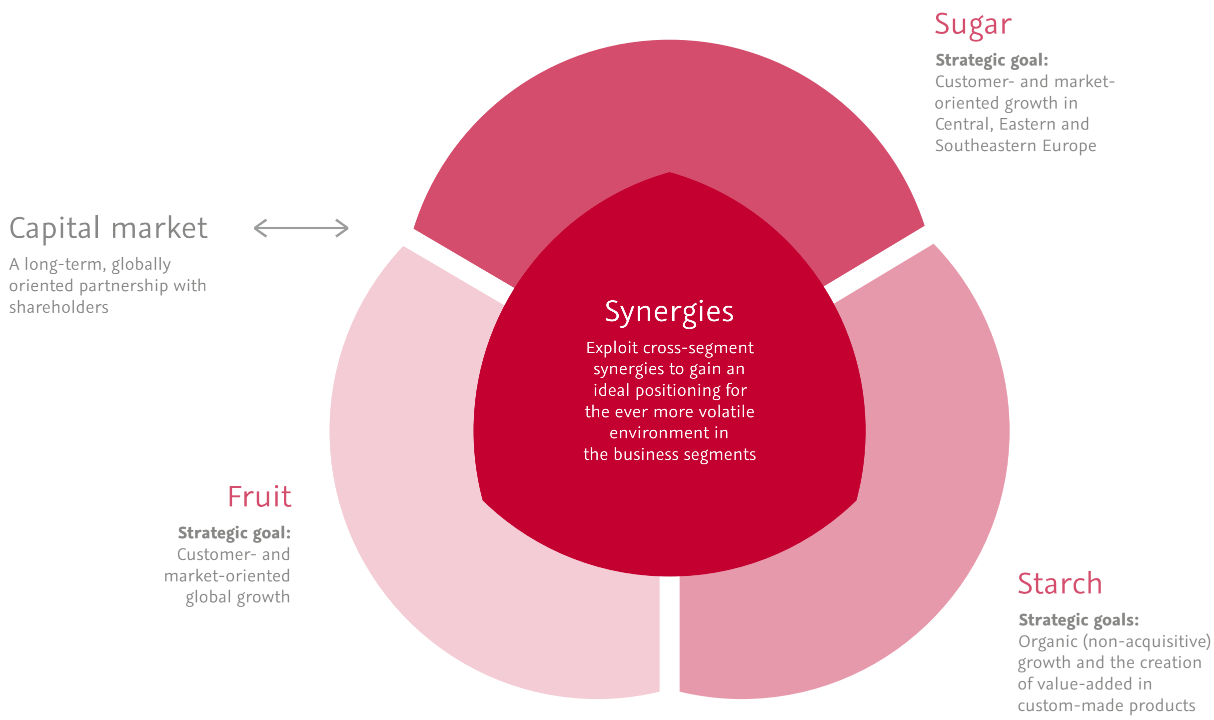
AGRANA's strategy

As an Austrian industrial group with an international focus, AGRANA's Sugar and Starch segments operate mainly in Europe and the operations of its Fruit segment are global. In these markets, AGRANA seeks or already commands a leading position in the industrial processing of agricultural raw materials. The Group pursues a growth strategy oriented to the respective local market opportunities. Long-lasting, stable customer and supplier relationships, respectful treatment of all stakeholders and continual growth in the company's value are major cornerstones of the corporate strategy, which is guided by the principles of sustainable management. AGRANA's aim is to provide both its globally operating and its regional customers worldwide with high product quality, optimum service and innovative product development ideas and expertise.

AGRANA controls and manages the product value chain from the purchase of agricultural raw materials to the production of the resulting intermediate goods for industrial customers (and end products for consumers in the case of the Sugar segment). AGRANA utilises the Group's strategic know-how across segment boundaries. This is especially true for agricultural grower contract management and raw material procurement, the knowledge of customer requirements and markets, the opportunities for the development of inter-segment products, and synergies in logistics, purchasing, sales and finance. The cross-segment application of these competencies forms the basis for a robust market position relative to competitors in all product groups, and underpins AGRANA's innovative strength and lean cost position.

In its business operations, AGRANA seeks to make the part of the value chain that it can influence as sustainable as possible. By sustainability in this context AGRANA primarily means the following three aspects, which apply to all business segments:

- Utilisation of almost 100% of the agricultural raw materials employed, and use of low-emission technologies to minimise impacts on the environment
- Respect for all stakeholders and communities where the Group operates
- Working together in long-term partnerships



Sugar segment strategy

Strategic goal: Customer- and market-oriented growth. In the Sugar segment, AGRANA is very well positioned as a supplier in the Central, Eastern and Southeastern European countries. Through high quality standards, market service, an extensive sugar product portfolio, and by building the Group's regional brands, AGRANA differentiates itself from the competition. In addition to the goal of positioning sugar as a regional brand-name product, AGRANA continues to strive for full capacity utilisation everywhere (including yield improvement) and an intensification of marketing activities in Southeastern Europe. The Group's own production of beet sugar is supplemented by the reselling and refining activities of AGRANA's Sugar segment, especially in the Southeastern European countries with beet sugar deficits.

Starch segment strategy

Strategic goals: Organic (non-acquisitive) growth and the creation of value-added in custom-made products. In the Starch segment, AGRANA focuses on highly refined specialty products. Innovative, customer-driven products supported by application advice and continuous product development, combined with cost optimisation, are the key to the segment's success. An example is the leading position in organic starches and GMO-free[1] starches for the food industry. As well, in the non-food sector, the Group is a leading supplier of specialty starches for the paper, textile, cosmetics, pharmaceutical and building materials industries.

AGRANA's essential core competency – the large-scale processing of agricultural raw materials into industrial products – is also the basis for the bioethanol business. In Austria, AGRANA is the leading vendor of this climate-friendly fuel thanks to the bioethanol plant in Pischelsdorf, Austria. AGRANA's general goal is to enhance value-added through the optimal utilisation of all residual components of agricultural raw materials as by-products.

Fruit segment strategy

Strategic goal: Customer- and market-oriented global growth. In the Fruit segment, the Group's business activities are fruit preparations (AGRANA Fruit, about 80% of the segment's revenue) and fruit juice concentrates (AUSTRIA JUICE, about 20% of segment revenue):

- AGRANA Fruit produces custom fruit preparations for the dairy, ice cream and baking industries. With local production units in close proximity to customers, AGRANA is the world leader in this global market and intends to further expand its presence, follow its internationally operating customers into new markets and grow faster than the market.

- AUSTRIA JUICE is a producer and reseller mainly of juice concentrates from apples, red fruits and berries. High quality is assured through manufacturing sites close to the crop-growing areas and by modern production facilities and frequent quality checks. The aim is to increase global sales into the beverage industry, including also the further expansion in not-from-concentrate juices and fruit wines as well as in aromas and beverage bases.

AGRANA wants to consolidate and strengthen its global market position through organic growth and with the help of acquisitions and cooperative new ventures.

Synergy strategy

Strategic goal: Raise inter-segment synergies to ensure the Group's optimum positioning amid a volatile operating environment in the business segments. The synergy strategy encompasses the strategies of the three individual segments and also includes the sustainability dimension. Specifically, AGRANA seeks to exploit synergies between the three business segments in raw material procurement, in production and in marketing. This collaboration across its businesses helps AGRANA to supply a broad portfolio of high-quality products for a wide range of applications, both in the food and non-food sectors.

Capital market strategy

Strategic goal: A long-term partnership with shareholders. The Group's sound equity base gives AGRANA strategic flexibility. For its overall financing needs, AGRANA not only has the ability to self-finance but can draw on committed credit lines and the proceeds of a Schuldscheindarlehen (a loan with bond-like characteristics, sometimes translated as "bonded loan" or "promissory note loan"). AGRANA sees its shareholders as long-term partners in realising the Group's goals and offers them an attractive long-run return on investment at a reasonable level of risk. With a policy of open and transparent communication, AGRANA aims to safeguard investors' confidence in the Group and make its business performance and its management decisions predictable and easy to understand.

[1] GMO-free or GM-free: not derived from genetically modified organisms.

AGRANA in the capital market

Key share information for AGRANA

ISIN code
AT0000603709

Market segment
Prime Market on VSE

Share class
Ordinary shares

Number of shares (at 28 Feb 2017)
15,622,244

Reuters code
AGRV.VI

Bloomberg code
AGR AV

Ticker symbol
AGR

More information about AGRANA's shares
agrana.com/en/investor/the-agrana-share

AGRANA share data		2016|17	2015|16	2014|15
Closing price at February 28/29 year-end	€	106.00	80.50	80.51
High	€	126.20	90.50	90.20
Low	€	78.80	73.00	69.00
Earnings per share	€	7.13[1]	5.82	5.70
Closing price/earnings ratio at year-end		14.87	13.83	14.12
Closing book value per share at year-end	€	86.39	80.57	79.51
Number of shares at year-end	'000	15,622.2	14,202.0	14,202.0
Closing market capitalisation at year-end	€m	1,656.0	1,143.3	1,143.4

Capital increase, and secondary placement of AGRANA shares held directly by Südzucker AG

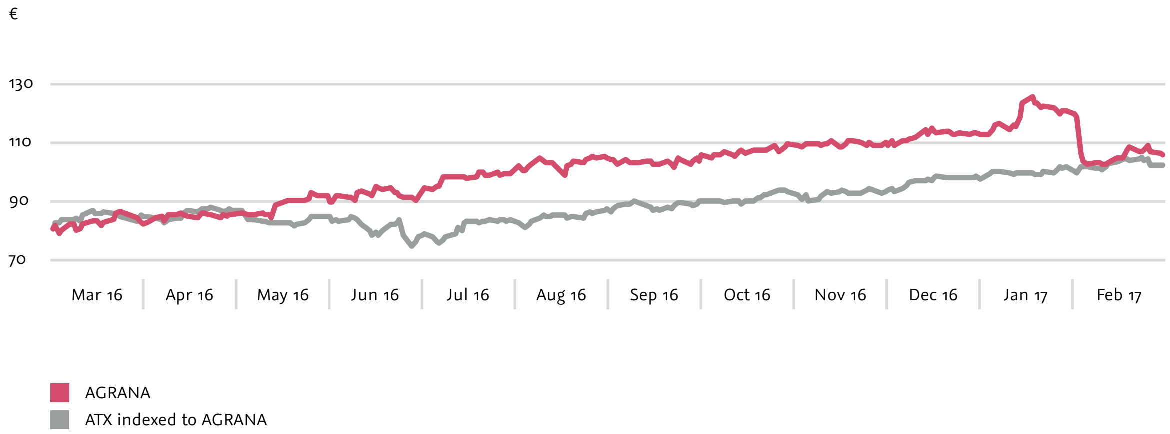
By means of a cash increase in share capital from authorised capital (also see the section "Capital, shares, voting rights and rights of control" on page 90), AGRANA Beteiligungs-AG during the period from 31 January to 17 February 2017 issued a total of 1,420,204 new shares in two tranches, including through a rights offering. The new AGRANA shares are entitled to dividends from the 2016|17 financial year.

In the first tranche, in a pre-placement on 1 February 2017 with institutional investors, 1,316,720 newly issued AGRANA shares, together with 500,000 existing AGRANA shares from the direct shareholding of Südzucker AG ("Südzucker"), were successfully placed with selected institutions. The pre-placement of the new shares was made possible by the fact that Z&S Zucker und Stärke Holding AG ("Z&S") and Südzucker waived their subscription rights arising from existing AGRANA shares.

The other 103,484 new AGRANA shares, in the second tranche of the cash capital increase, were issued both to AGRANA free-float shareholders having subscription rights, within the subscription period (from 2 to 16 February 2017), and to selected institutional investors under a further private placement (rump placement) on 17 February 2017.

With an offering price of € 100 per new share, AGRANA's gross issue proceeds from the cash capital increase were approximately € 142 million. As a result of the waiving by Z&S and Südzucker of their subscription rights, AGRANA's free float was increased from 7.3% to 18.9%.

AGRANA share performance in 2016|17



[1] Based on the new number of shares outstanding at the balance sheet date of 28 February 2017.

AGRANA share performance and stock market environment

In the equity market, the 2016 calendar year was dominated by issues such as the economic trend in China, central banks' monetary policy, Brexit and the presidential elections in the USA and was characterised by strong swings of stock indices, but brought rising prices on balance. The Vienna Stock Exchange, in step with international equity prices, had a very poor start to the year 2016: Its benchmark ATX index temporarily fell below 2,000 points and, at its low for the year in mid-February 2016, was down 18.4% from the end of 2015. In the rally which followed, the index came close to regaining its 2015 year-end level, before again retreating below 2,000 points amid the Brexit turmoil. Beginning in the middle of the year, a strong upward movement set in, propelled by favourable corporate results and a positive economic trajectory in the "extended home market" of Central and Eastern Europe. At 2,618.43 points, the ATX ended the 2016 calendar year up 9.2% from one year earlier and marked its highest year-end close since 2010.

On 1 March 2016, AGRANA (ISIN code: AT0000603709) started the 2016|17 financial year at a share price of € 80.50. Against the backdrop of the already cited volatile conditions for stock markets both worldwide and in Vienna, AGRANA shares performed well on good results for the financial quarters and an improved environment for sugar producers, in fact reaching a new interim all-time high (of € 126.20 on 16 January 2017). AGRANA's average trading volume on the Vienna Stock Exchange rose substantially to about 7,800 shares per day (based on double counting, as published by the VSE), compared with the prior year's approximately 1,400 shares per day. The closing price of AGRANA's shares of € 106.0 at the balance sheet date represented a gain of 31.7% from the opening price at the start of the financial year. The performance of the ATX index over the same period was also significantly positive (up 27.5%).

The market capitalisation at 28 February 2017, with a new total of 15,622,244 shares outstanding, was € 1,656.0 million (prior year: € 1,443.3 million and 14,202,040 shares outstanding).

AGRANA is listed in the Prime Market segment of the Vienna Stock Exchange and is also quoted in the VÖNIX, the Austrian Sustainability Index. This equity index comprises those exchange-traded Austrian companies which are leading in social and environmental performance.

Active capital market communication

AGRANA's investor relations activities are based on the key principles of providing comprehensive and timely information, transparency and ongoing communication with investors and analysts. At the press conferences presenting the annual and half-year results, the Management Board thoroughly briefed the financial and industry media on the financial and business performance. In addition, in press releases and one-on-one interviews with financial, agricultural and other trade journalists, AGRANA provided information on subjects of current relevance to its business activities. Media representatives were also invited on tours of operational sites.

At several road shows and investor conferences in Austria and abroad, the Management Board provided Austrian and international institutional investors and analysts with information on the performance and prospects of the AGRANA Group. This was supplemented by numerous individual conversations as well as by conference calls accompanying the publication of the quarterly and full-year results. For institutional investors and analysts, a Capital Markets Day was held, which included a tour of the plant in Aschach, Austria. Retail shareholders were invited on a tour of the sugar factory in Tulln, Austria, and also had the opportunity at the GEWINN trade fair in Vienna to hear directly from the Management Board about current projects and the business operations.

An additional important channel of investor relations activities is the AGRANA website (www.agrana.com/en/ir), where all financial reports, financial news items, ad-hoc announcements, voting rights notifications, directors' dealings disclosures and investor presentations are available as soon as they are published. AGRANA endeavours to make the same information available to all market participants at the same time.

In the 2016|17 financial year, Erste Group Bank resumed coverage of AGRANA. Research reports on AGRANA were thus published by Erste Group, Berenberg Bank, Goldman Sachs and Raiffeisen Centrobank. At the balance sheet date of 28 February 2017, the investment houses had one neutral, one accumulate and two buy ratings on AGRANA. A detailed overview of the research reports can be found on the Internet at www.agrana.com/en > Investor > The AGRANA Share> Research.

Steady dividend policy

	2016|17	2015|16	2014|15
Dividend per share	€ 4.00[1]	€ 4.00	€ 3.60
Earnings per share	€ 7.13[2]	€ 5.82	€ 5.70
Dividend payout ratio	56.10%[1]	68.73%	63.16%
Dividend yield[3]	3.77%[1]	4.97%	4.47%

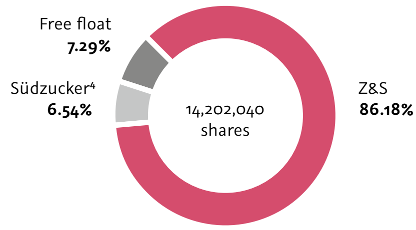
AGRANA is committed to a predictable, reliable and transparent dividend policy designed for continuity. The distributions are based not only on profit but also on the Group's cash flow and debt situation and the need to maintain a sound balance sheet structure. For the financial year under review, the Management Board will therefore propose to shareholders at the Annual General Meeting on 7 July 2017 to pay a dividend of € 4.00 per share (as in the prior year), or a total of approximately € 62.5 million, representing a dividend yield of 3.77% (prior year: 4.97%) based on the share price of € 106.0 at the end of February 2017. The dividend payment date is 14 July 2017.

Stable shareholder structure and increased free float

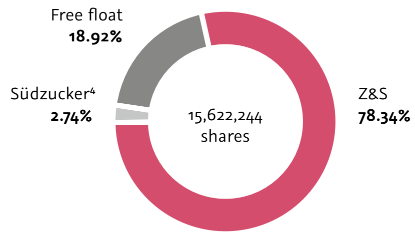
AGRANA has a long-standing, stable principal shareholder in Z&S Zucker und Stärke Holding AG ("Z&S"), Vienna, which itself is indirectly co-owned by Zucker-Beteiligungsgesellschaft m.b.H. ("ZBG"), Vienna, and Südzucker AG, Mannheim, Germany ("Südzucker"). Under a syndicate agreement between Südzucker and ZBG, the partners in the syndicate have mutual rights to appoint members of each other's management board and supervisory board.

In the 2016|17 financial year, as a result of the capital increase and the secondary placement of AGRANA shares that had been held directly by Südzucker, there were the following changes in shareholder structure:

Shareholder structure before the transaction



Shareholder structure after the transaction



The expansion in free float achieved through the capital increase and secondary placement is intended to improve AGRANA's capital market presence and strongly increase its trading liquidity.

The shareholder structure is presented in detail in the section "Capital, shares, voting rights and rights of control" on page 90.

[1] Proposal to the Annual General Meeting.
[2] Based on the new number of shares outstanding at the balance sheet date of 28 February 2017.
[3] Based on the closing share price at the balance sheet date.
[4] Directly held.

Group management report 2016|17

Organisational structure

AGRANA is a globally operating processor of agricultural raw materials, with its Sugar, Starch and Fruit segments manufacturing high-quality foods and many intermediate products for the downstream food industry as well as for non-food applications. With about 8,600 employees (in FTE[1]) at 54 production sites on six continents, the Group generated revenue of approximately € 2.6 billion in the 2016|17 financial year. AGRANA was established in 1988 and has been quoted on the Vienna Stock Exchange since 1991.

AGRANA Beteiligungs-AG
54 production sites
8,638 employees[1]
€ 2,561.3 million revenue

Sugar segment	Starch segment	Fruit segment
AGRANA Zucker GmbH 10 production sites 2,107 employees[1] € 671.9 million revenue	**AGRANA Stärke GmbH** 5 production sites 893 employees[1] € 733.9 million revenue	**AGRANA Internationale Verwaltungs- und Asset-Management GmbH** 39 production sites 5,638 employees[1] € 1,155.5 million revenue

Business segments and procurement models

In the **Sugar segment**, AGRANA processes sugar beet from contract growers and also refines raw sugar purchased worldwide. The products are sold into downstream industries for use in, for example, sweets, non-alcoholic beverages and pharmaceutical applications. Under country-specific sugar consumer brands, AGRANA also markets a wide range of sugars and sugar specialty products to consumers through food retailers. In addition, in the interest of the most complete possible utilisation of its agricultural raw materials, AGRANA produces a large number of fertilisers and animal feedstuffs. These not only help the economic bottom line but also ecologically close the material cycle by returning minerals and other nutrients to the land and the food chain.

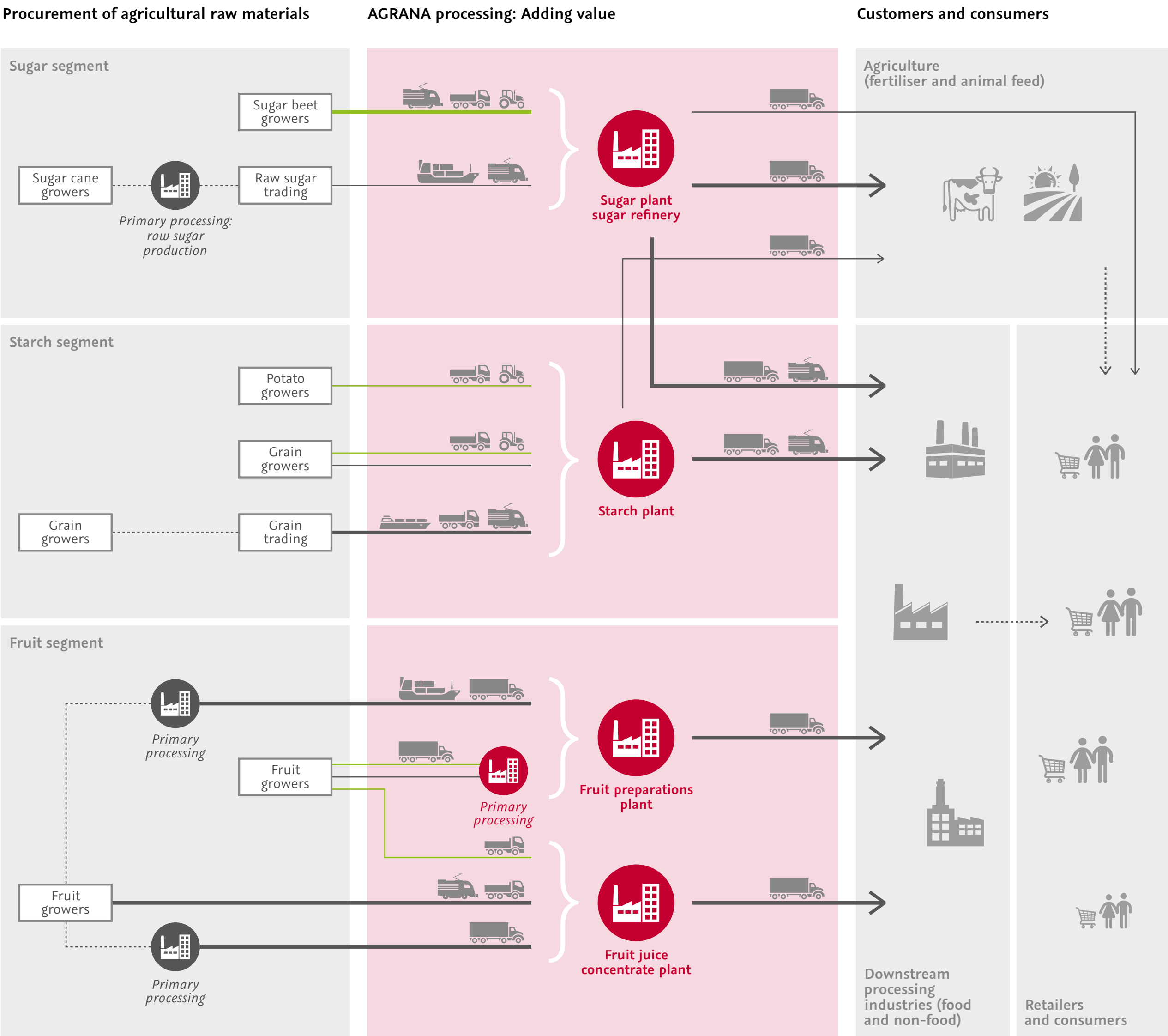
In the **Starch segment**, AGRANA processes and refines raw materials grown by contract farmers or purchased in the open market – mainly corn (maize), wheat and potatoes – into premium starch products. These products are sold into the food and beverage industry and the paper, textile, cosmetics and building materials sectors, among others. The starch operations as well produce fertilisers and high-quality animal feeds. The production of climate-friendly bioethanol for blending with petrol is also part of the Starch segment's activities.

The **Fruit segment** custom-designs and produces fruit preparations (fruit ingredients) and fruit juice concentrates. AGRANA is the world's leading manufacturer of fruit preparations for the dairy, bakery and ice-cream industries. The fruit used in the fruit preparations is sourced largely from primary processors, in frozen or aseptic form. In some countries, AGRANA operates its own primary processing plants where fresh fruit (in some cases from contract growers) is received and readied for processing into fruit preparations. In the fruit juice concentrate business, at production sites located mainly in Europe, AGRANA produces apple and berry juice concentrates, not-from-concentrate juices, fruit wines, beverage bases and aromas. In the Fruit segment too, AGRANA seeks to achieve the most sustainable and complete utilisation of raw materials possible. While fruit preparations production generates very little usable residue, the press cake from apple juice production, known as apple pomace, is utilised by the pectin industry and as a feedstuff.

[1] Average number of full-time equivalents in the financial year.

In all three business segments, AGRANA also processes raw materials from certified organic farming. The Group is one of the largest organic manufacturers in Europe.

Simplified AGRANA value chain and reported GRI indicators



Environmental and social criteria in the procurement of agricultural raw materials: EN33, LA15, HR5, HR6, HR11	**Environmental and energy aspects of AGRANA's production:** EN1, EN5, EN6, EN8, EN11, EN13, EN18, EN19, EN22, EN23, EN34 **Working conditions and human rights in respect of AGRANA employees:** LA6, LA9, LA12, HR4, HR5, HR6, HR9	**Product responsibility and sustainable products:** PR1, PR2, PR4, PR5

Compliance and business conduct:
EC2, SO3, SO4, SO5, SO7

The thickness of lines marking the business relationships represents the relative volume of flows within the respective business segment.

- Contract farming
- Direct business relationship
- No direct business relationship for AGRANA

Further information about the AGRANA value chain is provided at
www.agrana.com/en/sustainability/value-chain

Integrated sustainability reporting

The reporting of the sustainability aspects that are material to AGRANA's business activities is integrated in the annual report, with the relevant pages visually marked by a green fingerprint. This section provides an overview of AGRANA's materiality analysis, management approaches for the key aspects, and the organisational and content boundaries of the sustainability reporting.

Key sustainability aspects

In the 2016|17 financial year, AGRANA's Sugar, Starch and Fruit segments processed a worldwide total of approximately 10.6 million tonnes of agricultural raw materials and sold 5.9 million tonnes of high-quality products.

Based on its business activities, AGRANA in 2012|13 identified six issues of interest along the product value chain that have material effects on sustainability:

- Environmental and social criteria (i.e., labour practices and human rights) in the procurement of agricultural raw materials and intermediate products
- Environmental and energy aspects of AGRANA's production
- Working conditions and human rights in respect of AGRANA employees
- Product responsibility and sustainable products
- Compliance and business conduct
- Social engagement

Through a materiality analysis, the AGRANA sustainability core team assessed the economic, environmental and social significance of individual sustainability aspects for AGRANA, for its stakeholders and in terms of impacts on society at large.

This assessment was done on the basis of day-to-day work experience in the respective area of the Group and of feedback from different stakeholders through the various formats of stakeholder engagement (see from page 70). The heads of the Sugar, Starch and Fruit segments and the Management Board of AGRANA Beteiligungs-AG are in agreement with the results of the materiality analysis.

Analysing the importance of GRI G4 aspects at AGRANA

AGRANA sustainability reporting content and targets

External relevance (to customers, regulators and other stakeholders)[1] ↑ / Economic, social and organisational relevance for AGRANA →	D	C	B	A
A	ENSURE TRANSPARENCY	■ Child labour, forced or compulsory labour ■ Freedom of association ■ Human rights assessment of AGRANA sites ■ Stakeholder engagement	■ Supplier assessment for labour practices ■ Supplier environmental assessment ■ (Raw) materials used	■ Compliance ■ Consumer health and safety ■ Customer satisfaction ■ Occupational health and safety ■ Supplier assessment for human rights
B		■ Diversity and equal opportunity ■ Anti-discrimination ■ Biodiversity (relevant especially in the upstream value chain)	■ Water use (AGRANA production) ■ Waste incl. packaging waste (AGRANA production) ■ Grievance mechanisms for impacts on environment and society ■ Local community engagement	■ Energy consumption and emissions (AGRANA production) ■ Grievance mechanism for labour practices and human rights ■ Training and development CONTROL
C	■ Data protection and privacy		■ Equal remuneration for women and men ■ Marketing communications ■ Transport	■ Labour/management relations ■ (Steady) employment ■ Product labelling ■ Economic performance
D	■ Accessibility of products to people with low income ■ Indigenous rights ■ Security practices	MONITOR		MANAGE

Legend:
A = high relevance
B = reasonable relevance
C = marginal relevance
D = no relevance

Priority 1 – Control: Aspects for which targets and goals should be set based on comprehensive data transparency and which could be used for sustainability positioning

Priority 2 – Ensure transparency: Aspects for which external requirements for information should be met (and are nearly 100% fulfilled)

Priority 3 – Manage: Aspects on which there are few external queries and which could be reviewed internally for further potential for improvement

Priority 4 – Monitor: Aspects which should be monitored, but for which no further measures are currently necessary

[1] Combined analysis of two factors: relevance for stakeholders (customers, regulators and others), and AGRANA's ability to influence these aspects.

Organisational boundaries of GRI reporting

The performance data that are material to AGRANA's business activities were generated in accordance with the Global Reporting Initiative (GRI) version G4, level "Core".

The organisational boundaries for the reporting of the non-financial information on sustainability integrated in this 2016|17 annual report encompass all AGRANA Group companies worldwide and match the set of companies included in the Group's financial consolidation, with the exception of the new AGRANA fruit preparations companies in Argentina and in India, both of which were only consolidated for the first time towards the end of the 2016|17 financial year.

For 2016|17 the data of INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H., Vienna, which forms part of the Sugar segment, are for the first time included in the reporting. For organisational boundary reasons, the sustainability data continue to exclude the equity-accounted joint ventures of the AGRANA Group – the AGRANA-STUDEN group (in the Sugar segment) and the HUNGRANA group (in the Starch segment).

Management approaches for material aspects, and resulting content boundaries

AGRANA's business activities are divided into three business segments. AGRANA therefore reports all GRI G4 indicators by business segment, as the differences in business processes between these segments could reduce or distort the significance of data consolidated at Group level (for example, data on energy consumption and emissions). For ease of understanding of the reporting scope and the underlying management approaches, a more detailed demarcation in terms of content is necessary for the following aspects of particular relevance to AGRANA.

Supply chain aspects

Supplier assessment for human rights, labour practices and environmental aspects

In view of its core business of processing agricultural raw materials and of the associated high procurement volumes and costs, AGRANA limits its reporting scope for the supply chain to suppliers of agricultural raw materials and intermediate goods (such as frozen fruit pieces). AGRANA has set out its requirements for agricultural suppliers in its principles for the procurement of agricultural raw materials and intermediate products, a document which, for the social criteria, refers to and thus incorporates AGRANA's Code of Conduct. The principles for the procurement of agricultural raw materials and intermediate products are also incorporated in supply contracts and are thus binding for suppliers. Compliance with these principles is verified in different ways appropriate to the given raw material category, procurement model and business segment (also see the segment reporting, pages 53f., 60, 66ff. and 72).

Biodiversity

AGRANA as a processor of agricultural raw materials is dependent on the availability of these inputs and thus on the functioning of local ecosystems. For this reason, biodiversity is important to AGRANA especially in its upstream value chain, i.e., in the farming landscape. In this annual report, to the extent possible, biodiversity aspects of raw material procurement from contract growers are published in the respective business segment's section of the report. Additionally, once a year AGRANA evaluates the biodiversity or conservation value of the local ecosystem at its own production sites. Although none of the production sites within the GRI reporting boundaries (see page 40) are located in a nature reserve or area with high biodiversity value, AGRANA also carries out some projects at its business locations to protect or increase species diversity (see pages 56, 63 and 69).

Environmental and energy aspects of AGRANA's production

The basis for AGRANA's management of environmental and energy aspects is its environmental policy.

Energy consumption and emissions

AGRANA processes organic inputs such as sugar beet, grain, potatoes and fruit whose crop volume, sugar or starch content and quality are subject to annual fluctuation as a result of changing influences during the growing season and harvest. Product quantities at each site, along with the associated energy consumption, thus vary from one reporting season to the next. Presenting absolute totals for energy consumption and emissions would therefore not be meaningful. AGRANA consequently only reports energy intensity and emission intensity per tonne of product manufactured (core and by-products), by business segment. In the Sugar segment, as part of a harmonisation with the Südzucker reporting boundaries, carbonation lime was added to the list of by-products in 2016|17, with retroactive effect from the 2014|15 financial year. Reductions achieved as a result of energy efficiency improvement and of emission-cutting measures are reported on an absolute basis and on a percentage basis per tonne of product.

AGRANA's reporting of energy use and emissions is confined to its own production operations and to Scope 1 (direct energy consumption and emissions) and Scope 2 (indirect energy consumption and emissions). The reasons are the very limited availability of data for Scope 3, and also that Scope 3 sources are in some cases (such as business travel) negligible compared to the large contributions which the Group's manufacturing operations necessarily make to the carbon footprints of AGRANA's products.

Since as long ago as 2008, AGRANA calculates carbon footprints for a representative selection of its products. However, as the EU to date does not have a binding norm for the methodology for calculating the CO_2 footprint of foods and food ingredients such as sugar, starch, fruit preparations and fruit juice concentrates, AGRANA for credibility reasons elects not to publish results. For example, depending on the calculation method, the carbon footprint of sugar varies by plus or minus 50%. The European Association of Sugar Manufacturers (CEFS), based on its calculations, cites a footprint range of 242 to 771 grammes of CO_2-equivalent per kilogramme of beet sugar.

An exception to this policy of non-publication is the carbon footprint of bioethanol, for which the application of the EU energy allocation method is mandatory in documenting the energy consumption reductions from biogenic fuels targeted under the EU Renewable Energy Directive (2009/28/EC), which supports the use of energy from renewable resources.

Water and effluent (wastewater)

Water is one of many inputs in the production processes of the AGRANA Group. The use and discharge of water at all sites follows sustainable practices in accordance with the AGRANA environmental policy. In its processes, AGRANA frequently utilises the water contained in the agricultural raw materials.

AGRANA reports water and wastewater figures solely for its principal business, the processing of agricultural raw materials in its production plants, per tonne of product (core and by-products). Data on water use in the upstream value chain (i.e., in the production of agricultural raw materials) are not sufficiently complete or reliable for all raw materials used worldwide and are therefore not reported.

Waste

Agricultural raw materials are far too valuable for AGRANA not to utilise them to the fullest. The Group-wide principle of complete utilisation is entrenched in the environmental policy and is practiced by producing both a wide range of high-quality foods and intermediate products for downstream industries and – particularly in the Sugar and Starch segments – manufacturing a very broad portfolio of by-products, especially feedstuffs and fertilisers. These not only contribute significantly to the economic bottom line but also close nature's material cycle by returning minerals and other nutrients to the land and the food chain.

In some countries, the by-product feeds and fertilisers marketed (or in some cases given away free) by AGRANA must be declared as waste for regulatory reporting purposes, solely to comply with the local regulatory regimes. Beginning with the 2015|16 reporting period, AGRANA no longer reports these as waste in the annual report, as they are directly used as valuable feedstuffs or fertilisers in animal husbandry or crop cultivation.

Working conditions and human rights in respect of AGRANA employees

The basis for AGRANA's relationship with its employees is set out in the AGRANA Code of Conduct, which, for instance, prohibits any discrimination or harassment, forbids child labour and forced labour, addresses issues of health and safety in the workplace, and affirms the rights of free association and collective bargaining.

The employment relationships of about 75% of AGRANA employees worldwide fall under collective agreements. The interests of approximately 69% of staff are represented by a local employee council or union representative. At those sites where neither of these forms of representation exists, AGRANA maintains complaint boxes as a formal channel available to all employees for reporting grievances regarding labour practices or human rights. A process is in place for the prompt and fair handling of the complaints received.

Financial results

The consolidated financial statements for the 2016|17 financial year (the twelve months ended 28 February 2017) were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Changes in the scope of consolidation

In the 2016|17 financial year the Group saw the following changes in the scope of consolidation, among others: The purchase of the two Argentine companies Main Process S.A., Buenos Aires, and Sudinver S.A., Buenos Aires, closed on 1 December 2016. Directly and indirectly, 100% of the shares in both companies were acquired by AGRANA Fruit S.A.S., Mitry-Mory, France, and AGRANA Fruit Services S.A.S., Mitry-Mory, France. Both new subsidiaries were included in the consolidated financial statements of AGRANA Beteiligungs-AG for the first time, by full consolidation.

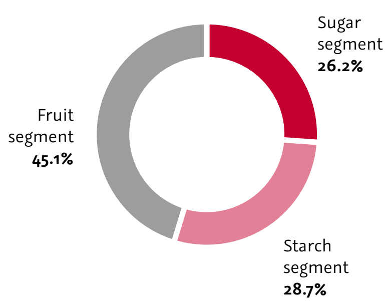
In total in the consolidated financial statements, 60 companies were fully consolidated (29 February 2016 year-end: 58 companies) and twelve companies were accounted for using the equity method (29 February 2016: twelve companies).

Revenue and earnings

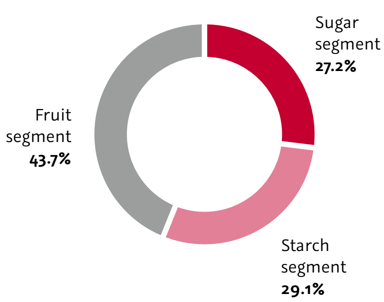
Consolidated income statement (condensed)		**2016|17**	**2015|16**	**Change** % / pp
Revenue	€000	2,561,296	2,477,647	+3.4%
EBITDA[1]	€000	235,212	191,957	+22.5%
Operating profit before exceptional items and results of equity-accounted joint ventures	€000	150,815	107,486	+40.3%
Share of results of equity-accounted joint ventures	€000	30,589	24,523	+24.7%
Exceptional items	€000	(9,037)	(3,054)	−195.9%
Operating profit [EBIT][2]	€000	172,367	128,955	+33.7%
EBIT margin	%	6.7	5.2	+1.5 pp
Net financial items	€000	(17,879)	(24,519)	+27.1%
Income tax expense	€000	(36,633)	(23,508)	−55.8%
Profit for the period	€000	117,855	80,928	+45.6%
Earnings per share[3]	€	7.13	5.82	+22.5%

The AGRANA Group's **revenue** in the 2016|17 financial year was € 2,561.3 million, up slightly from the prior year. Revenue in the Fruit segment (at € 1,155.5 million, up 6.7%) rose more significantly than in the Starch segment (€ 733.9 million, up 1.7%), mainly for volume reasons, but also as a result of prices. Sugar segment revenue was closely in line with the prior year, on higher selling prices (€ 671.9 million, down 0.1%).

Revenue by segment in 2016|17



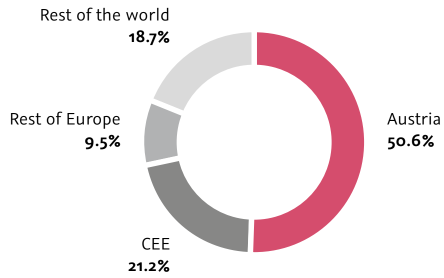
Revenue by segment in 2015|16



[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.
[2] Operating profit (EBIT) is after exceptional items and results of equity-accounted joint ventures.
[3] Based on the new number of shares outstanding at the balance sheet date of 28 February 2017.

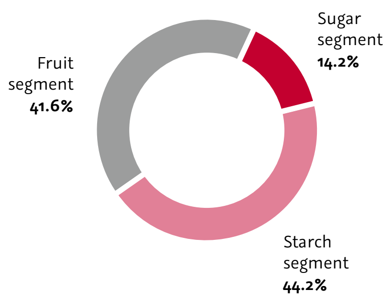
Subsidiaries based in Austria generated 50.6% of Group revenue.

Revenue by region in 2016|17

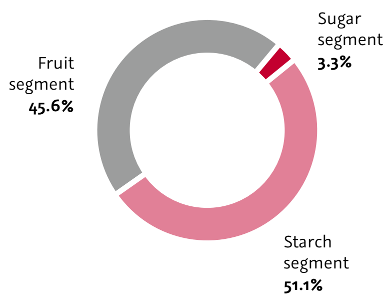


Operating profit (EBIT), at € 172.4 million, grew by a substantial 33.7% from the prior-year level. In the Sugar segment, higher spot sales prices outweighed negative one-time effects in Romania, leading to positive EBIT of € 24.4 million, a marked improvement of more than 100% from the year-earlier result. The largest EBIT contribution (of € 76.2 million) was achieved in the Starch segment, where this earnings measure once again improved significantly (by 15.6%), thanks also to a very good performance by HUNGRANA. In the Fruit segment, EBIT was pushed up by a significant 22.1% to € 71.8 million as a result mainly of a recovery in the fruit juice concentrate business. Details on the share of results of equity-accounted joint ventures and on exceptional items can be found in the segment reports and the consolidated financial statements.

EBIT by segment in 2016|17



EBIT by segment in 2015|16



Net financial items in the 2016|17 financial year amounted to a net expense of € 17.9 million (prior year: net expense of € 24.5 million); this improvement, coming despite an impairment charge of € 4.8 million on a current finance receivable in Ukraine (in the Fruit segment, within other financial items), was attributable to more favourable currency effects (an improvement of € 12.4 million). These positive currency translation effects resulted primarily from the appreciation of the Brazilian real (due to euro and US dollar financings in Brazil) and the weakening of the Egyptian pound (due to euro and US dollar credit balances in Egypt) in the 2016|17 financial year. As well, the prior, 2015|16 financial year had witnessed negative effects, such as the easing of the Argentine and Mexican peso and Russian ruble, that did not recur in 2016|17. Net interest expense increased in 2016|17 by € 1.8 million, as a slight interest expense improvement arising from optimised loan positions was outweighed by the absence of the interest income on the participation capital disposed of in February 2016.

Net financial items		2016|17	2015|16	Change
				%
Net interest (expense)	€000	(10,152)	(8,376)	–21.2%
Currency translation differences	€000	(1,160)	(13,524)	+91.4%
Share of results of non-consolidated subsidiaries and outside companies	€000	565	29	+1,848.3%
Other financial items	€000	(7,132)	(2,648)	–169.3%
Total	€000	**(17,879)**	**(24,519)**	**+27.1%**

Profit before tax increased from the prior year's € 104.4 million to € 154.5 million. After an income tax expense of € 36.6 million based on a tax rate of 23.7% (prior year: 22.5%), the Group's profit for the period was € 117.9 million (prior year: € 80.9 million). Profit for the period attributable to shareholders of AGRANA was € 111.3 million (prior year: € 82.7 million); despite the higher number of shares as a result of the capital increase, earnings per share rose to € 7.13 (prior year: € 5.82).

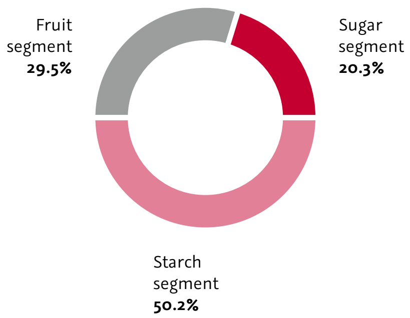
Investment

In 2016|17, AGRANA invested a total of € 114.7 million, or almost as much as in the year before. Purchases of property, plant and equipment and intangibles were 35.9% higher than depreciation (prior year: 35.8% higher), with the following distribution by business segment:

Investment[1]		2016|17	2015|16	Change
				% / pp
Sugar segment	€000	23,259	46,102	–49.5%
Starch segment	€000	57,577	28,151	+104.5%
Fruit segment	€000	33,822	41,730	–19.0%
Group	€000	**114,658**	**115,983**	**–1.1%**
Depreciation, amortisation and impairment	€000	84,397	85,381	–1.2%
Investment coverage	%	135.9	135.8	+0.1 pp

The investment in the Sugar segment focused mainly on logistics, yield improvement and energy efficiency; in the Starch segment it centred on raising the degree of refining intensity. The completion of an additional production line in France was the largest project in the Fruit segment. The key projects in the individual segments are outlined in the segment reports.

Investment by segment in 2016|17



[1] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.

Cash flow

Consolidated cash flow statement (condensed)		2016|17	2015|16	Change %
Operating cash flow before changes in working capital	€000	258,020	225,914	+14.2%
Changes in working capital	€000	31,780	(73,691)	+143.1%
Interest received and paid and income tax paid, net	€000	(34,015)	(50,310)	+32.4%
Net cash from operating activities	€000	**255,785**	**101,913**	**+151.0%**
Net cash (used in) investing activities	€000	(171,530)	(19,924)	−760.9%
Net cash from (used in) financing activities	€000	9,330	(163,613)	+105.7%
Net increase/(decrease) in cash and cash equivalents	€000	**93,585**	**(81,624)**	**+214.7%**
Effects of movements in foreign exchange rates on cash and cash equivalents	€000	230	(2,819)	+108.2%
Valuation-related other changes in cash and cash equivalents	€000	(4,761)	0	–
Cash and cash equivalents at beginning of period	€000	109,375	193,818	−43.6%
Cash and cash equivalents at end of period	€000	**198,429**	**109,375**	**+81.4%**
Free cash flow[1]	€000	84,255	81,989	+2.8%

Operating cash flow before changes in working capital was up € 32.1 million year-on-year, at a new total of € 258.0 million. After a decrease of € 31.8 million in working capital (prior year: increase of € 73.7 million) and a lower income tax expense, net cash from operating activities grew to € 255.8 million (prior year: € 101.9 million). Net cash used in investing activities was € 171.5 million, a significant increase from one year earlier as a result of outflows for the acquisition in Argentina and of the base effect of the prior year's inflows from the disposal of the participation capital (prior year: net cash use of € 19.9 million in investing activities). Net cash from financing activities of € 9.3 million (prior year: net cash use of € 163.6 million) reflected factors including lower repayments of borrowings and the capital increase of AGRANA Beteiligungs-AG. Free cash flow rose slightly by 2.8% year-on-year.

Financial position

Consolidated balance sheet (condensed)		28 Feb 2017	29 Feb 2016	Change % / pp
Non-current assets	€000	1,135,297	1,027,647	+10.5%
Current assets	€000	1,346,139	1,213,887	+10.9%
Non-current assets held for sale	€000	0	1,631	−100.0%
Total assets	€000	**2,481,436**	**2,243,165**	**+10.6%**
Equity	€000	1,411,888	1,200,124	+17.6%
Non-current liabilities	€000	296,635	378,678	−21.7%
Current liabilities	€000	772,913	664,363	+16.3%
Total equity and liabilities	€000	**2,481,436**	**2,243,165**	**+10.6%**
Net debt	€000	239,878	405,806	−40.9%
Gearing ratio[2]	%	17.0	33.8	−16.8 pp
Equity ratio	%	56.9	53.5	+3.4 pp

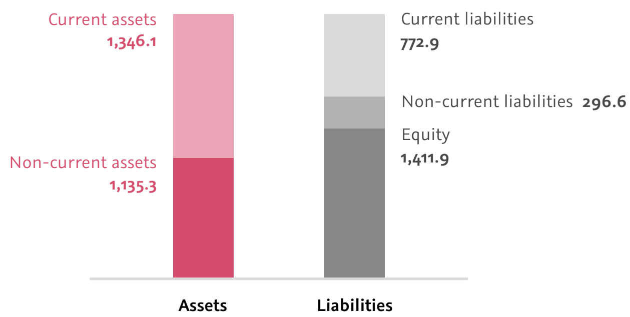
Total assets at 28 February 2017 were € 2,481.4 million, an increase of € 238.3 million from the year-earlier level.

[1] Total of net cash from operating activities and net cash used in investing activities.
[2] Ratio of net debt to total equity.

An expansion of € 107.7 million in non-current assets was driven especially by investment in excess of depreciation and by the acquisition in Argentina. Inventories rose significantly for volume and price reasons (by € 41.9 million) and cash and cash equivalents grew by a substantial € 89.1 million thanks in part to the capital increase of AGRANA Beteiligungs-AG; these factors led to a significant increase in current assets as well.

Balance sheet structure at 28 February 2017

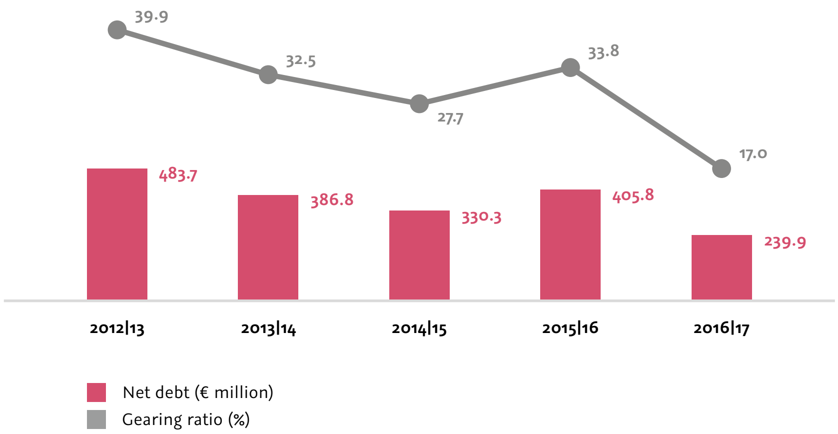
€ million



AGRANA's equity ratio of 56.9% represented an improvement of 3.4 percentage points from the year-earlier level of 53.5%. On the liabilities side of the balance sheet, non-current liabilities eased considerably as a result mainly of a € 105.5 million reduction in non-current borrowings. Current liabilities went up markedly for reasons that included higher current borrowings (which rose by € 28.9 million) and an increase of € 55.0 million in trade payables. The significant increase in equity resulted both from the higher profit for the year and the increase in share capital.

Net debt as of 28 February 2017 stood at € 239.9 million, down sharply as expected (by € 165.9 million) from the 2015|16 year-end level. This was made possible primarily by the capital increase in February 2017. The gearing ratio of 17.0% at the balance sheet date was thus much lower than on 29 February 2016, when it stood at 33.8%.

Net debt and gearing ratio

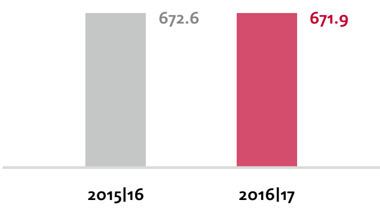


In December 2016 a long-term loan of € 85 million was obtained from Südzucker AG. The proceeds were used for the acquisition in Argentina and to refinance maturing bank loans. Additionally, in December 2016 an amortised loan with a term of up to ten years and a principal amount of € 41.5 million was procured from the European Investment Bank to finance investments eligible for support; the disbursement occurred on 1 March 2017. As part of the optimisation of borrowings, the € 72 million floating-rate portion of the Schuldscheindarlehen (a type of loan with some bond-like characteristics, also referred to as a bonded loan) of AGRANA Beteiligungs-AG was cancelled early, on 6 March 2017, and redeemed on 24 April 2017.

Segment financial results

Revenue in the Sugar segment

€ million



EBIT in the Sugar segment

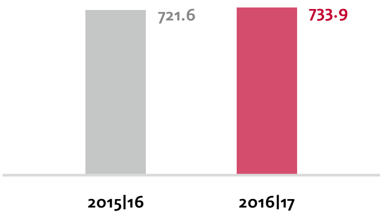
€ million

In the 2016|17 financial year, revenue in the **Sugar segment** was € 671.9 million and thus almost at the prior-year level. While increased sugar selling prices exerted a positive effect, sugar sales quantities were lower (particularly with food retailers and in non-quota sugar sold into the chemical industry) as a result of the relatively low sugar production. Revenue from by-products remained steady and that from ancillary goods (INSTANTINA products, seed, services, etc.) was pushed up. The Sugar segment accounted for 26.2% of Group revenue (prior year: 27.2%).

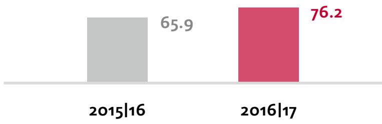
EBIT, as projected and despite negative one-off effects such as in Romania, grew strongly by € 20.1 million to € 24.4 million. The key positive driver was the significant rise in sugar selling prices compared to the prior year, with the largest price rallies occurring with resellers (wholesalers and retailers) and in exports. Sugar prices rose in all countries where AGRANA operates.

Further details on the results in the Sugar business are given in the segment report from page 50.

Revenue in the Starch segment
€ million



EBIT in the Starch segment
€ million

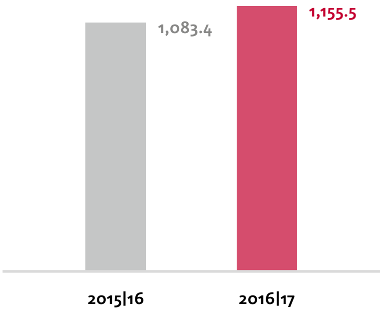


Revenue in the **Starch segment** in 2016|17 was € 733.9 million, up slightly by 1.7% from the year before. Through productivity increases, higher quantities of starches (particularly from potatoes) and of ethanol were produced and sold than in the year-ago period. The average sales price of bioethanol eased from the prior year, while prices for saccharification products remained stable. By-products generated moderately higher revenue than one year earlier. The Starch segment accounted for 28.7% of the Group's revenue (prior year: 29.1%).

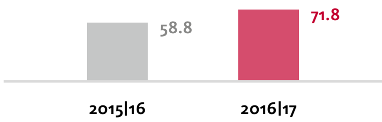
EBIT of € 76.2 million significantly surpassed the year-earlier result, by 15.6%. Savings on the cost of raw materials and energy and on administrative (non-staff) expenses had a major positive impact on EBIT earnings. Profitability in terms of EBIT margin rose from 9.1% to 10.4%. A significant earnings increase at the equity-accounted HUNGRANA group reflected the steadied prices for saccharification products and lower procurement costs for corn.

Further details on the results of the Starch business are provided in the segment report from page 57.

Revenue in the Fruit segment
€ million



EBIT in the Fruit segment
€ million



Fruit segment revenue rose by 6.7% in the 2016|17 financial year to € 1,155.5 million. In the fruit preparations business, both sales quantities and prices showed a positive trend. However, this was counteracted by foreign exchange effects (notably in Egypt, Argentina, China, Mexico, Russia and Ukraine), leading to only slight revenue growth on balance in fruit preparations. In the fruit juice concentrate business, revenue increased significantly on a rise in sales prices both for apple juice concentrates and specialty products. The Fruit segment was responsible for 45.1% of Group revenue (prior year: 43.7%).

EBIT in the Fruit segment reached € 71.8 million, a significant increase of 22.1% from the prior year. The main contributor to the good earnings growth was the fruit juice concentrate business, thanks in particular to higher apple juice concentrate and specialty prices for product from the 2015 harvest. The fruit preparations activities showed a stable earnings situation, with significant regional variation.

Further details on the results in the Fruit business are given in the segment report from page 64.

Events after the balance sheet date

No significant events occurred after the balance sheet date of 28 February 2017 that had a material effect on AGRANA's financial position, results of operations or cash flows.

Sugar segment

Basics of the Sugar segment

Marketing relationship
B2B and B2C

Products
Sugars and sugar specialty products, by-products (feedstuffs and fertilisers)

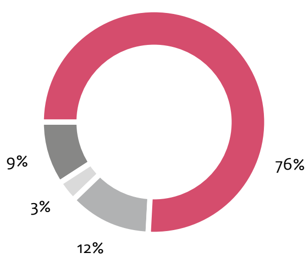
Raw materials processed
Sugar beet, and raw sugar from sugar cane

Key markets
Austria, Hungary, Romania, Czech Republic, Slovakia, Bosnia and Herzegovina (Western Balkans region), Bulgaria

Customers
Downstream manufacturers (particularly confectionery, beverage and fermentation industries), food retailers (for consumer products)

Special strengths
High product quality standards; product offering tailored to customer needs

Revenue by product group in 2016|17



Quota sugar
Non-quota sugar
By-products (molasses, beet pulp, etc.)
Others (products of INSTANTINA, seed, services, etc.)

AGRANA Zucker GmbH, Vienna, as the parent company of the Group's Sugar activities, both has direct Austrian operations and acts as the holding company for the Sugar segment's businesses in Hungary, the Czech Republic, Slovakia, Romania, Bulgaria and Bosnia and Herzegovina. Also assigned to the Sugar segment are INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H., Vienna, AGRANA Research & Innovation Center GmbH, Vienna, and the Group holding company, AGRANA Beteiligungs-AG, Vienna. Since the beginning of the 2014|15 financial year, the equity method is used to account for the joint ventures of the AGRANA-STUDEN group in the consolidated financial statements.

Revenue and earnings

Sugar segment		**2016|17**	**2015|16**	**Change** % / pp
Total revenue	€000	748,151	739,912	+1.1%
Inter-segment revenue	€000	(76,230)	(67,268)	−13.3%
Revenue	€000	671,921	672,644	−0.1%
EBITDA[1]	€000	55,188	25,397	+117.3%
Operating profit before exceptional items and results of equity-accounted joint ventures	€000	30,983	2,764	+1,020.9%
Share of results of equity-accounted joint ventures	€000	2,442	1,542	+58.4%
Exceptional items	€000	(9,037)	0	–
Operating profit [EBIT][2]	€000	24,388	4,306	+466.4%
EBIT margin	%	3.6	0.6	+3.0 pp
Investment[3]	€000	23,259	46,102	−49.5%
Number of employees (FTE)[4]		2,107	2,185	−3.6%

The sales volume of sugar products decreased significantly compared to the prior year, although with differences between markets. While the quantities of quota sugar sales to the reseller market declined, sales volumes with the beverage and food industry rose considerably. The amount of non-quota sugar sold to the chemical industry was well below the prior-year level, while sales volumes of the same commodity outside the EU eased only slightly.

Operating profit (EBIT) was driven primarily by rising sugar selling prices. The largest increase was seen in wholesaler and retailer prices (quota sugar) and export prices (non-quota sugar). Prices rose in all national markets served by AGRANA.

The result of the AGRANA-STUDEN group, which is included in the consolidated financial statements by the equity method of accounting, improved amid reasonable utilisation of the refinery in Bosnia and Herzegovina and a good purchasing strategy, and was also positive for the Sugar segment's EBIT.

[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.
[2] Operating profit (EBIT) is after exceptional items and results of equity-accounted joint ventures.
[3] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.
[4] Average number of full-time equivalents in the reporting period.

The 2016|17 net exceptional items expense of € 9.0 million represented tax liabilities of € 11.5 million in connection with a tax audit in Romania, the creation of a provision of € 1.5 million for a legal dispute in Romania, and the release of a € 4.0 million provision for a settled legal dispute in the Czech Republic.

Market environment

World sugar market

For the end of the 2016|17 sugar marketing year (SMY, October 2016 to September 2017) the analytics firm F.O. Licht in an update of 9 March 2017 on its third estimate of the world sugar balance dated 15 December 2016 is forecasting a continuing significant deficit of 5.5 million tonnes in the global supply/demand balance (end of SMY 2015|16: deficit of 8.0 million tonnes). A key reason is that global consumption is expected to keep growing and significantly exceed production. Following a period of five consecutive years of growth in global sugar stocks, this is predicted to be the second sugar marketing year in a row with a declining year-end balance.

World sugar balance[1] Million tonnes, except %	**2016|17**	**2015|16**	**2014|15**
Opening stocks	**71.9**	**80.0**	**79.0**
Production	177.6	174.8	180.8
Consumption	(180.6)	(179.6)	(178.7)
Corrections	(2.5)	(3.3)	(1.1)
Closing stocks	**66.4**	**71.9**	**80.0**
In % of consumption	36.8	40.0	44.8

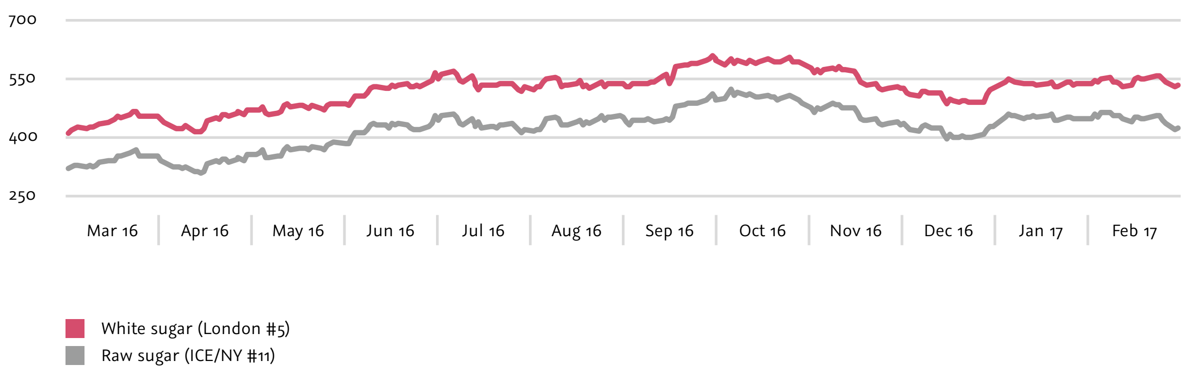
World market prices for sugar remained highly volatile in the 2016|17 financial year. Prices have recovered strongly since as long ago as September 2015, thanks largely to the deficit in the world market. Especially since April 2016 the market showed a vigorous upward price trend, reaching its peak for the year of US$ 612.0 per tonne of white sugar in September and of US$ 524.9 per tonne of raw sugar in October, followed by a downward correction in quotations. This retrenchment was attributable mostly to a very strong US dollar, particularly against the Brazilian real, and to a change in the behaviour of institutional investment funds. At the beginning of the 2017 calendar year, prices rallied, driven by import expectations for the Indian market. As of the end of February, however, these expectations were not borne out and, under pressure from a sustained strong US dollar, the market was correcting downward again. At the balance sheet date of 28 February 2017, raw sugar quoted at US$ 425.7 per tonne and the white sugar quotation was US$ 532.6 per tonne.

EU sugar market

For the European Union as a whole, given the good weather conditions during the latter part of the sugar beet growing season, sugar production is predicted to rise by 1.7 million tonnes relative to SMY 2015|16, to a new total of 16.6 million tonnes.[2]

The first tranche, or 675,000 tonnes, of the export allowance of European non-quota sugar was released by the European Commission at the beginning of October 2016. The release of the second tranche occurred in March 2017. As in the years before, the total export allowance of 1.35 million tonnes of European non-quota sugar available under the WTO limit was thus released for SMY 2016|17.

International sugar prices during AGRANA's 2016|17 financial year
US$ per tonne



[1] F.O. Licht, Update of the Third Estimate of the World Sugar Balance 2016|17, dated 9 March 2017.
[2] F.O. Licht report (Vol. 149 No. 7) dated 9 March 2017; EU sugar balance at 22 December 2016.

As in the previous sugar marketing year, sugar imports are low, as a consequence of the high world market prices and relatively low EU prices. This is also reflected in the Commission's current forecast of declining closing stocks for the end of SMY 2016|17. In its forecast from December 2016, the Commission expects closing stocks of about 509,000 tonnes, which would be very low compared to the prior years. As a result, the Commission has already cleared the September 2017 production of beet sugar for marketing in the EU. It remains unclear whether the Commission will take further exceptional measures (regarding imports) in the coming months for SMY 2016|17.

According to the official sugar price reporting of the EU, sugar prices were trending upward in the past months; while in September 2016 the EU average price was still around € 450 per tonne, in January 2017 it was € 495 per tonne.

Customers in industry and resellers

Outside the Austrian market, until the start of the 2016|17 beet processing campaign the business with resellers (wholesalers and retailers) consisted mainly of spot sales. AGRANA continued to strengthen local brands and expand its product portfolio, particularly in Eastern Europe, where volume growth and rising demand for specialties are expected in the years ahead.

AGRANA successfully marketed quantities for export to buyers outside the EU. The deliveries of non-quota sugar to destinations within the EU were in line with those of the prior years, thanks to existing contracts.

Sales volumes with industrial customers were steady across all countries as a result of medium- and longer-term agreements.

As purchasing prices both for white sugar and for raw sugar for refining are very high for market reasons, AGRANA is currently delivering mainly under existing contracts.

AGRANA responded to growing customer demand for certified organic sugar by expanding its organic production.

EU sugar policy

After the quota expiration on 30 September 2017 there will continue to be a sugar price reporting system, a master agreement between the sugar industry and beet producers (contracts between them will remain mandatory), private storage, and scope for measures against market disruptions. With the end of the quota system, the minimum beet prices and the WTO export restrictions will be abolished. The tariff protection of the EU sugar market will remain unchanged.

In the past months, work continued on the last working documents for the legal framework after the quota expiration. A focus of discussion since December 2016 has been the sugar price reporting system. That it will remain in place is beyond question, but its particular form is still under negotiation.

AGRANA believes the main consequence of the market liberalisation through the quota expiration will be that volume and price volatilities of the world market will impact the EU sugar market more strongly than before, as the utilisation of the export "safety valve" for EU surpluses will depend on world market prices. On the other hand, the Group also foresees new market opportunities, as sugar exports will no longer be limited by regulation.

Free trade agreements

The European Commission is planning further negotiations with the MERCOSUR countries and Mexico, Australia and New Zealand, Indonesia and the Philippines in the coming months towards the conclusion of free trade agreements. On 15 February 2017 the European Parliament approved CETA, the Comprehensive Economic and Trade Agreement with Canada. Before the free trade agreement can enter into force, it must inter alia be ratified by the national parliaments of the member states. The talks on TTIP, the Transatlantic Trade and Investment Partnership with the USA, have been suspended for the time being as a result of the changed political priorities in the USA.

Raw materials and production

The area of sugar beet fields harvested by AGRANA's approximately 7,700 contract beet farmers in SMY 2016|17 was about 93,200 hectares (prior SMY: about 95,000 hectares); almost 1,300 hectares of this (prior SMY: 850 hectares) was used for organic production. From the organic acreage the Group produced approximately 8,500 tonnes (prior SMY: about 4,600 tonnes) of organic beet sugar, which for the first time was also manufactured in the sugar factory in Roman, Romania.

Sustainability in the Sugar segment

Targets in the supply chain
✔ 2016|17: Use of SAI FSA for contract beet production in 5 countries

Environmental targets by 2020|21
✘ Direct energy consumption of 2.49[1] GJ per tonne of product

✔ Water consumption of 1.92[1] m^3 per tonne of product

Value chain
www.agrana.com/en/sustainability/value-chain/sugar

In AGRANA's beet-growing countries, the beet stocks developed well thanks to the comparatively plentiful rain in the months of May to August 2016 and the warm temperatures during the growing season. Harvesting was done under relatively difficult conditions as a result of intense precipitation in October. In total, despite a small decrease in acreage, the AGRANA Group processed about 6.7 million tonnes of beet, or approximately 1.3 million tonnes more than in the prior year. Owing to the weather during the growing season and in autumn, the mean sugar content of the 2016 crop was average, at 16.7% (prior year: 16.8%).

AGRANA's seven beet sugar factories processed a combined daily average of about 49,400 tonnes of beet during the campaign (prior year: 49,800 tonnes). Over an average campaign length of 136 days (prior year: 115 days), the beet was used to produce approximately 1.0 million tonnes of sugar (prior year: 812,000 tonnes). Production thus significantly exceeded AGRANA's EU beet sugar quota of 618,000 tonnes. The volumes in excess of the quota are marketed as non-quota sugar to the chemical industry or sold outside Europe. In the 2016|17 financial year AGRANA also refined approximately 263,200 tonnes of white sugar equivalent from raw sugar (prior year: 368,300 tonnes). To also assure a sustainable upstream supply chain for raw sugar as an input product, AGRANA since 2014 holds a Chain of Custody certification under the internationally recognised Bonsucro standard for all its refining facilities. The Chain of Custody certificate entitles AGRANA's customers to display the Bonsucro logo on their products. Bonsucro is accorded gold status, the highest rating, by the benchmarking tool of the Sustainable Agriculture Initiative (SAI).

Engagement in the upstream value chain

Supplier environmental and social assessment
The Sugar segment, in accordance with the AGRANA principles for the procurement of agricultural raw materials and intermediate products, which stipulate the use of good agricultural practice (GAP) and fair working conditions, continued to implement the Farm Sustainability Assessment (FSA) of the Sustainable Agriculture Initiative (SAI) for the documentation of sustainable management for its sugar beet contract growers. (For details on the SAI and FSA, see the section "Sustainability", page 72).

In the 2016|17 financial year, numerous contract growers again participated on a voluntary basis in the farm self-assessment regarding sustainable production practices; for sugar beet in Austria, about two-thirds achieved gold status and about one-third reached silver standing. In Hungary, Slovakia and the Czech Republic, about half of the participating farms attained gold status and the rest achieved silver. In Romania, all participants reached gold status. A total of 776 farms across all beet-growing countries performed this self-assessment, representing a participation rate of 11%. In the 2017|18 financial year, the previously voluntary completion of the FSA questionnaire will become mandatory for some contract suppliers. As called for by the SAI FSA Implementation Framework published in June 2016, external verification of the self-assessments is planned in the future.

Building awareness of good agricultural practice
Besides the annual BETAEXPO, which in 2016 had soil fertilising as its theme (see the section "Sustainability", page 72), in the 2016|17 financial year AGRANA again carried out many awareness-building events in the course of its "Mont Blanc" efficiency improvement programme, which aims to increase sugar yield per hectare by up to 20% by 2017. This offering included seminars on subjects such as fertilising and plant nutrition, soil cultivation and soil protection, and crop protection, which are credited for the purpose of the Austrian Agri-Environmental Programme's initiatives "Environmentally sound and biodiversity-enhancing farm management" and "Preventive protection of groundwater on cultivated land".

[1] The target level has been revised as a result of a change in the measurement basis (see content boundaries of reporting, page 40).

On fields of contract farmers In Austria and Slovakia, AGRANA took about 250 soil samples for EUF analysis[1], with the sample locations mapped by GPS, for needs-appropriate, precision fertiliser planning. At the 85 demonstration farms in the entire beet-growing region of the AGRANA Group, 145 field tours and six field days with more than 6,000 participants were held during the growing season. Strong audience interest was also shown in a one-day organic agriculture conference for all organic crops processed by AGRANA, which was organised by the Sugar and Starch segments in collaboration with BIO Austria.

Biodiversity in the supply chain

In 2016, about 5,000 hectares were greened in Austria with the catch-crop mix from Österreichische Rübensamenzucht GmbH, a not-for-profit subsidiary of AGRANA Zucker GmbH that makes GMO-free seed (largely produced in-house) available to the contract farmers. The catch-crop loosens the soil structure, mobilises nutrients, activates the soil fauna and improves field biodiversity. In addition, flowered areas of annuals and perennials were established; together, the flowering fields provide ideal forage for wild animals, offer honey plants for bees, and add to the beauty of the landscape.

Transport

Although the transport of raw materials and sugar products only represents a comparatively low 5% to 10% of the Sugar segment's carbon footprint (depending on calculation method and country), AGRANA strives to make transport as sustainable as infrastructure and economics will allow. In total across all production countries in the 2016|17 processing season, about 38% of the beet was delivered to the sugar factories by rail, with the proportion highest in Austria at about 45%.

Environmental and energy aspects of AGRANA's production

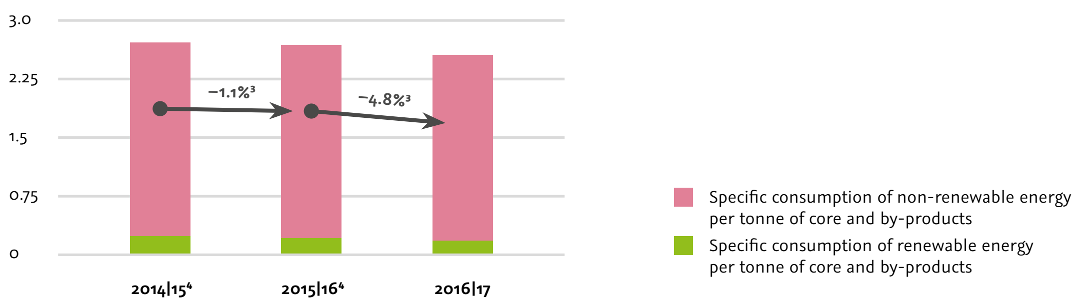
Energy use and emissions in processing

The average specific direct energy consumption per tonne of product (both core and by-products) in the Sugar segment eased by about 4.8% in the 2016|17 financial year compared to one year earlier. With a sugar content almost identical to the prior year's, the higher beet quality (i.e., internal purity of the beet) made processing easier. As well, energy efficiency was raised through various facility improvements, such as at the evaporator station in Leopoldsdorf, Austria, and in the drying of spent beet cossettes (the pressed sliced beet).

The Kaposvár sugar plant in Hungary generated about 30 million cubic metres of biogas from beet pulp in the 2016|17 financial year. This would have been sufficient for the site to cover approximately 80% of its primary

Average specific direct energy consumption in processing operations at AGRANA sugar plants[2]

In gigajoules (GJ) per tonne of core and by-products



[1] EUF analysis of soil samples: Electro ultrafiltration is a laboratory method for the analysis of soil substrates for their plant-available nutrients. The EUF method is employed for a practice-oriented fertiliser advisory system.
[2] See GRI reporting boundaries, page 40.
[3] Percentage change based on average specific direct energy consumption per tonne of core and by-products.
[4] The levels of average specific direct energy consumption reported in 2014|15 and 2015|16 have been revised as a result of a change in the measurement basis (see content boundaries of reporting, page 40).

energy requirement for the 2016|17 beet campaign, or about 60% of its total primary energy needs for beet processing and the refining of raw sugar into white sugar for the 2016|17 financial year. About 8.3 million cubic metres of the biogas produced at the facility (containing about 58.7% methane) were refined by the biogas upgrading plant installed in autumn 2015 into approximately 4.9 million cubic metres (prior year: 750,000 cubic metres) of biomethane (100% methane) for feeding into the local natural gas grid. The biomethane injected into the grid was equivalent to the annual heating requirement of about 1,950 single-family homes (prior year: 300 homes).

The average specific indirect energy consumption per tonne of product increased by about 4.4% year-on-year as a result of the lower steam requirement thanks to the efficiency measures taken and the associated lower generation of electric power in the Group's cogeneration plants.

In total, the average specific emissions from direct and indirect energy consumption per tonne of product decreased by about 4.5% from the prior year because of the energy efficiency measures implemented.

In 2016|17 the ISO 50001 certification of the energy management systems of all production sites of the Sugar segment within the GRI reporting boundaries (see page 40) was successfully completed.

Water use and discharge in processing

The water required by a sugar factory is partly obtained from the beet itself. Sugar beet has a water content of about 75%, which must be separated from the sugar during the manufacturing process. This water is used both to leach the sugar out of the beet cossettes and to transport and clean the beet. The water is continually cleaned and returned to the process cycle. In-house or municipal wastewater treatment plants at all sites ensure the environmentally responsible treatment of the effluent in compliance with local government requirements. When the cleaned wastewater is discharged into the receiving water, it thus meets the applicable environmental standards.

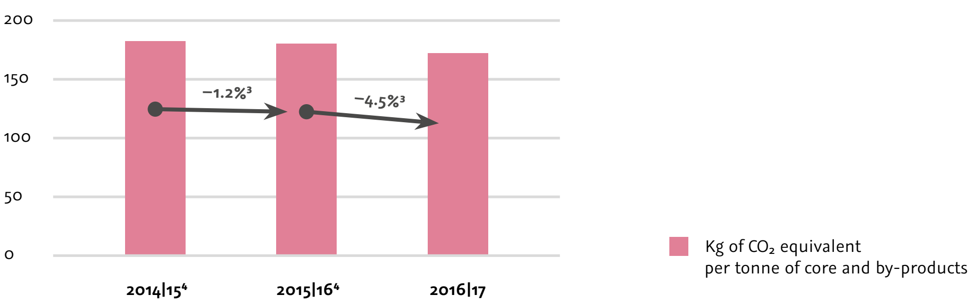
Water use and discharge in processing at AGRANA sugar plants

within the GRI reporting boundaries (see page 40)

Sugar segment In m³ per tonne of core and by-products	**2016|17**	**2015|16[1]**	**2014|15[1]**
Water consumption	1.61	1.78	1.83
Water discharge	2.78	2.81	2.73

Average specific emissions (from direct and indirect energy use) from processing operations at AGRANA sugar plants[2]

In kg of CO_2 equivalent per tonne of core and by-products



[1] The levels of specific water consumption and discharge per tonne of product output reported in 2014|15 and 2015|16 have been revised as a result of a change in the measurement basis (see content boundaries of reporting, page 40).
[2] See GRI reporting boundaries, page 40.
[3] Percentage change based on average specific emissions (from direct and indirect energy consumption) per tonne of core and by-products.
[4] The levels of average specific emissions per tonne of product output reported in 2014|15 and 2015|16 have been revised as a result of a change in the measurement basis (see content boundaries of reporting, page 40).

The reduction in average specific water consumption per tonne of product (core and by-products) of about 9.2% was attributable primarily to the lower amount of soil clinging to the beet at delivery, which also allowed the specific water discharge to be reduced by 1.1%.

Waste from processing
The reduction in the amount of waste reported resulted primarily from the new definition of waste (see content reporting boundaries, page 41), which was not fully applied until the 2016|17 financial year.

Waste from processing at AGRANA sugar plants
within the GRI reporting boundaries (see page 40)

Sugar segment Tonnes, except percent	**2016|17**	**2015|16[1]**	**2014|15[1]**
Waste disposed	75,049	163,068	166,014
Of which hazardous waste	153	170	258
Waste per tonne of product	2.8%	6.7%	5.6%
Hazardous waste per tonne of product	0.006%	0.007%	0.009%
Waste disposed by disposal method			
Composting	1,529	962	506
Energy recovery	486	442	746
Reuse	14,699	91,460	89,485
Recycling	6,126	19,781	2,973
Landfill	39,279	50,418	72,303
Other	12,930	5	1

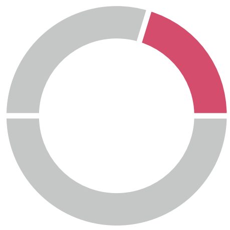
Biodiversity at (former) production sites
The settling ponds on the grounds of AGRANA's former sugar plant (closed in 2006) in Hohenau an der March, Austria, were repurposed, working together with the AURING conservationist club. Located in an area of high diversity value identified under the RAMSAR Convention on Wetlands[2], the ponds now serve as a staging area for water birds, most notably waders.

Investment

In the Sugar segment, AGRANA invested € 23.3 million (prior year: € 46.1 million) in new assets and asset replacement during the 2016|17 financial year. The most significant projects included the following:

- General overhaul of the high-bay warehouse in Tulln, Austria
- Renewal of the fresh water treatment plant in Tulln, Austria
- Construction of the pelleted dried beet bagging station in Leopoldsdorf, Austria

Share of Group investment by segment in 2016|17



[1] The amounts of waste reported in 2014|15 and 2015|16 have been partly revised according to the new definition of waste introduced for 2015|16. Complete application of the new definition only became possible for the 2016|17 financial year (see content boundaries of GRI reporting on page 41). The percentage amounts of waste per tonne of product output reported in 2014|15 and 2015|16 have been revised as a result of a change in the measurement basis (see content boundaries of reporting, page 41).
[2] See glossary.

Starch segment

Basics of the Starch segment

Marketing relationship
B2B

Products
General division into food, non-food and feed sectors; native and modified starches, saccharification products, alcohols/bio-ethanol, by-products (feedstuffs and fertilisers)

Raw materials processed
Corn (maize), wheat, potato

Key markets
Central and Eastern Europe, principally Austria and Germany; also specialty markets, e.g., in USA and UAE

Customers
Food sector: food industry; Non-food sector: paper, textile, construction chemicals, pharmaceutical, cosmetics and petroleum industries; Feed sector: feed industry

Special strengths
GMO-free and strong organic focus

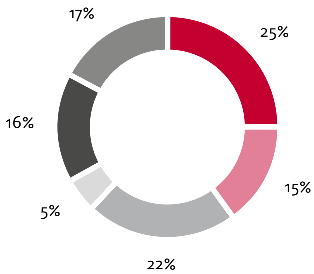
The Starch segment includes the two fully consolidated companies AGRANA Stärke GmbH, Vienna – with the three Austrian plants in Aschach (corn starch), Gmünd (potato starch) and Pischelsdorf (integrated wheat starch and bioethanol plants) – and AGRANA TANDAREI S.r.l. with a plant in Romania (corn processing). AGRANA Stärke GmbH, together with the joint venture partner Archer Daniels Midland Company, Chicago, Illinois, USA, also manages and coordinates the joint ventures of the HUNGRANA group (one plant in Hungary, manufacturing starch and saccharification products and bioethanol), which are included in the consolidated financial statements using the equity method of accounting.

Revenue and earnings

Starch segment		2016|17	2015|16	Change % / pp
Total revenue	€000	744,194	728,730	+2.1%
Inter-segment revenue	€000	(10,272)	(7,164)	−43.4%
Revenue	€000	733,922	721,566	+1.7%
EBITDA[1]	€000	70,072	64,884	+8.0%
Operating profit before exceptional items and results of equity-accounted joint ventures	€000	48,075	42,846	+12.2%
Share of results of equity-accounted joint ventures	€000	28,147	22,981	+22.5%
Operating profit [EBIT][2]	€000	76,222	65,827	+15.8%
EBIT margin	%	10.4	9.1	+1.3 pp
Investment[3]	€000	57,577	28,151	+104.5%
Number of employees (FTE)[4]		893	870	+2.6%

In the Starch segment, revenue grew by 1.7% in the 2016|17 financial year. Within this overall figure, revenue with core products was up 3.0% and by-product revenue was in line with one year earlier. The sales volume of products from the Group's own manufacturing rose by 6.9% on significantly increased productivity in all four plants. The considerable additional quantities of native starches in particular were successfully sold at stable prices. Ethanol quotations in the financial year were highly volatile and the average prices for bioethanol were thus about 9% lower than in the year before. However, revenue was held almost constant by selling greater volumes. The product group of modified starches was stable in volume and price terms. The specialty strategy in the year also brought volume- and price-driven significant revenue growth in high-margin organic products. Sugar prices in Europe have passed the bottom of the trough and firmed at a higher level than a year ago. This had a positive effect on sales prices of starch saccharification products, and revenue with these thus increased, thanks also to higher volumes. Feed revenue was down from one year earlier as a result of low grain and soy prices. Overall, by-product revenue was approximately in line with the prior year.

Revenue by product group in 2016|17



- Native and modified starches
- Saccharification products
- Alcohol and ethanol
- Other core products (dairy and instant products, long-life potato products, etc.)
- By-products (protein products, DDGS, etc.)
- Others (soy, dried beet pulp, etc.)

1 EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.
2 Operating profit (EBIT) is after exceptional items and results of equity-accounted joint ventures.
3 Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.
4 Average number of full-time equivalents in the reporting period.

Raw material prices reflected a good 2016 wheat harvest in Central and Southeastern Europe. This market situation pushed down the price of wheat almost to that of corn, so that the long-standing spread between corn and wheat prices was greatly reduced. The autumn crops, such as corn and potatoes, were also marked by good yields and quality. The savings achieved on raw material prices and energy costs were beneficial for earnings. The sweeping optimisation of internal processes which was initiated in the prior year made itself felt in higher productivity of the plants, a customer-focused and more efficient organisation and an improved cost situation.

In 2016|17, revenue of the HUNGRANA group, the joint venture in Hungary, grew by 3.6%. Moderately higher revenue from saccharification products was the result of price and volume gains. A revenue decrease for bioethanol explained by a year-on-year drop in sales prices was almost fully offset by higher volumes sold. Especially positive for earnings were the lower prices of corn from the 2016 crop, and savings also came from energy cost reductions. The earnings of the equity-accounted joint venture were thus well above the year-earlier result.

Market environment

The starch market was characterised by very stable demand overall. For potato starch, the completed processing campaign led to a very favourable supply situation, and as result the aim of the sales strategy, in addition to market share expansion in the domestic and nearby national markets, is to export to the growing markets of Latin America and Asia.

Next to the food sector, it is above all the booming paper and corrugated board industry that is driving high demand for native corn and wheat starch.

The wheat starch from Pischelsdorf, Austria, has been complementing the product portfolio of AGRANA Stärke GmbH since 2014 and, with its high purity, has won a secure place in industrial applications.

Sales volume growth in the international markets for construction starches and for adhesives is contributing to the strategic further development of the customer and market portfolio of AGRANA Stärke GmbH towards greater specialisation, and so are higher value-added starch products for food applications, including the organic sector.

Saccharification products

The environment for starch-based saccharification products was determined mainly by the sugar market and sugar price trend. Especially in the isoglucose business, this had positive effects on demand and prices.

The isoglucose quota in the final year of the volume limits under the EU sugar regime was unchanged at about 720,000 tonnes, of which HUNGRANA held the largest share at 250,000 tonnes (the amount for this equity-accounted joint venture is stated at 100% of the total). This quota will be abolished with effect from 1 October 2017 as part of the liberalisation of the EU sugar market.

Bioethanol (including economic policy environment)

The volatility of the European market for bioethanol was pronounced, with the quotations ranging from € 440 to € 660 per cubic metre FOB Rotterdam.

Swings in the supply-and-demand relationship for EU bioethanol as well as declining attractiveness for imports led to unexpected price spikes at the end of the marketing year.

In late 2016 the European Commission published a proposal for the future form of the biofuels directive (the new Renewable Energy Directive, or RED II). Under this proposal, first-generation biofuel would be threatened from 2021 onwards by a continual reduction of its share in fuel blends. The Commission proposes that the gap which this creates must be filled by so-called advanced biofuels (such as second-generation fuels). If the European Council and Parliament remain in favour of this proposal, it would mean a dramatic change for the European ethanol industry after 2020.

Raw materials and production

World grain production in the 2016|17 grain marketing year (1 July to 30 June) is estimated by the International Grains Council (IGC)[1] at 2.1 billion tonnes, which is an increase from the prior year's level and exceeds the expected consumption. Global wheat production is forecast at 752 million tonnes (prior year: 737 million tonnes), compared to expected consumption of 738 million tonnes. The world's corn production is projected at 1,049 million tonnes (prior year: 973 million tonnes), versus expected consumption of 1,035 million tonnes. In view of the good harvest, global total grain stocks are forecast to increase by about 33 million tonnes from the prior year to 508 million tonnes.

Despite the good worldwide supply situation for grains, futures prices rose over the financial year. On 28 February 2017 on the NYSE Euronext Liffe commodity derivatives exchange in Paris, wheat quoted at € 172.3 per tonne and corn at € 171.3 per tonne (prior year: € 147.3 per tonne for wheat and € 146.8 for corn). The reason, besides currency effects, lay in the relatively smaller wheat and corn harvest in France in 2016.

Potatoes

In the 2016|17 campaign the potato starch plant in Gmünd, Austria, in a campaign lasting 149 days (prior year: 104 days), processed about 238,900 tonnes of starch potatoes (prior year: about 164,400 tonnes) with an average starch content of 19.6% (prior year: 17.3%). Approximately 24,800 tonnes of food potatoes (prior year: 24,600 tonnes) were converted into about 4,400 tonnes of long-life potato products (prior year: 4,200 tonnes).

Corn and wheat

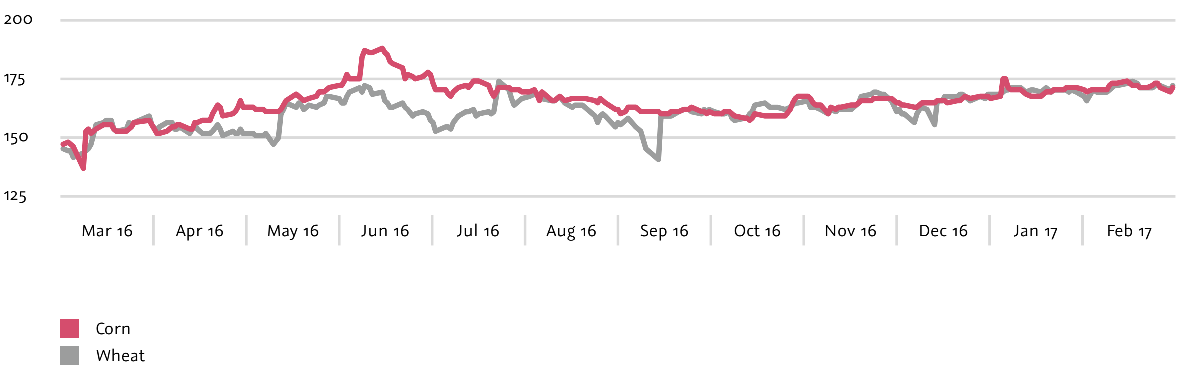
The corn processing volume of AGRANA Stärke GmbH in Austria for starch products (excluding ethanol) increased in the 2016|17 financial year to about 416,000 tonnes (prior year: about 406,000 tonnes) due to a larger volume of specialty corn types. Of this total, about 121,000[2] tonnes was wet corn (prior year: about 93,000 tonnes). The share of specialty corn processed (waxy corn, organic corn and certified non-GMO corn) increased to approximately 131,000 tonnes (prior year: about 122,000 tonnes).

At the wheat starch factory in Pischelsdorf, Austria, in 2016|17, a net raw material volume of about 198,000 tonnes of wheat was used in the production of wheat starch (prior year: 182,200 tonnes). In the attached bioethanol plant, about 637,000 tonnes (prior year: 592,000 tonnes) of grain were processed, with a ratio of about 60% wheat (including triticale) to 40% corn. Of the 2016 crop, about 70,000 tonnes of ethanol wheat and triticale were secured in advance through delivery contracts with growers. As in the prior years, cultivation contracts for ethanol grains were offered for the 2017 crop.

In Hungary, at the equity-accounted HUNGRANA facility, total corn processing in 2016|17 increased moderately to more than 1.1 million tonnes (stated at 100% of the total). The wet-corn processing here was completed at the end of December 2016, with a volume significantly higher than in the previous year. The plant in Romania processed about 67,000 tonnes more corn than in the year before.

Corn and wheat commodity prices during AGRANA's 2016|17 financial year

€ per tonne (NYSE Euronext Liffe commodity derivatives exchange in Paris)



[1] IGC estimate from 23 February 2017.
[2] Based on wet weight.

Sustainability in the Starch segment

Targets in the supply chain
✔ 2016|17: Use of SAI's FSA for contract potato growers

Environmental targets by 2020|21
✘ Cumulative savings of 50 GWh through efficiency measures in plants

Value chain
www.agrana.com/en/sustainability/value-chain/starch

Engagement in the upstream value chain

Supplier environmental and social assessment

In 2016|17 the Starch segment too, in accordance with the AGRANA principles for the procurement of agricultural raw materials and intermediate products, which stipulate the use of good agricultural practice (GAP) and fair working conditions, continued to employ the Farm Sustainability Assessment (FSA) of the Sustainable Agriculture Initiative (SAI) for the documentation of sustainable management for its contract potato farmers. (For details on the SAI and FSA, see the section "Sustainability", page 72).

Almost two-thirds of the contract growers of potatoes in Austria who in 2016|17 participated on a voluntary basis in the farm self-assessment regarding sustainable cultivation practices achieved gold status and about one-third reached silver standing. Sixteen percent of Austrian potato suppliers, or 201 operators, took part.

In the 2017|18 financial year, the previously voluntary completion of the FSA questionnaire will become mandatory for some contract suppliers. As called for by the SAI FSA Implementation Framework published in June 2016, external verification of the self-assessments is planned in the future. In addition, contract-based potato growers in the Czech Republic and corn growers in Austria are to be added to the revised documentation system.

In the sourcing of raw materials for the production of wheat starch and bioethanol, AGRANA has been relying for years on inputs carrying the International Sustainability and Carbon Certification (ISCC) and REDcert EU certification. ISCC is accorded silver status in the SAI system.

BETAEXPO – Austria's largest demonstration field for AGRANA raw material crops

In June 2016, BETAEXPO, with Austria's largest field of demonstration plantings of AGRANA farm crops, was held under the motto "Clear goals for a secure future", again serving to promote good agricultural practices, including in the cultivation of AGRANA potatoes and grains on a contract basis (for details, see page 72).

In the Starch segment as well, AGRANA maintains an intensive dialogue with contract growers, especially of starch potatoes. As in the previous years, in 2016|17 AGRANA held an event for new growers to provide information on the production of starch potatoes for industrial use, and arranged several field tours with potato and ethanol grain suppliers. AGRANA also supported a knowledge transfer conference of the Austrian Starch Potato Growers Association (VÖSK) financially and in terms of content, with presentations on crop cultivation and economic efficiency of potato production; the well-attended event drew about 300 visitors. In autumn 2016, three "farm forums" were held. These discussion forums at contract farms – one for organic farmers and two for growers of conventional crops – featured discussions directly with the management of the Starch segment on agricultural and business topics. A partners day for suppliers of industrial starch potatoes and an organic agriculture conference (see page 71) rounded out the programme for awareness-building and the communication of good agricultural practices.

Biodiversity in the supply chain

As of just three years after its launch in summer 2013, the bat conservation project in Austria's Waldviertel district (see annual report 2014|15, page 64) can be termed highly successful. Population counts in the spring and autumn of 2016 showed dense colonisation by four species of bat. Seventy percent of the individuals tallied were barbastelle bats, a species identified in the Austrian Red List of endangered mammals.

Environmental and energy aspects of AGRANA's production

Energy use and emissions in processing

The average specific direct energy consumption per tonne of product (both core and by-products) in the Starch segment eased by about 0.8% in the 2016|17 reporting period compared to one year earlier. This was attributable to the long potato campaign and high starch production volume in Gmünd, Austria. The production of native starch requires less direct energy than that of modified products. As the proportion of native starches in the product mix increased in the year, this resulted in a lower specific energy consumption.

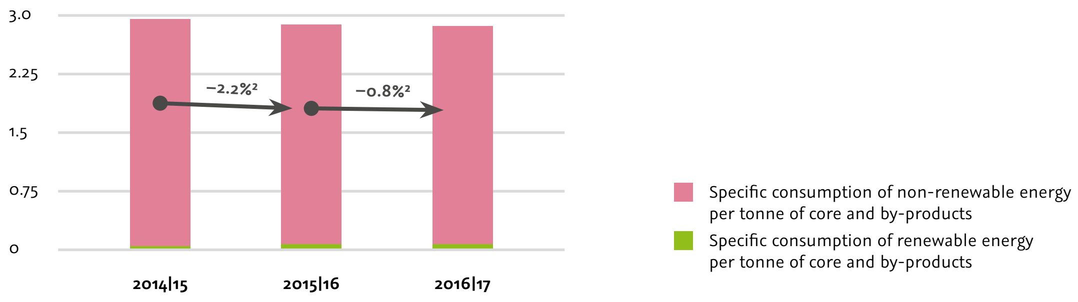
The average specific indirect energy consumption per tonne of product in the Starch segment even fell by about 5.5% from the previous year, as production growth in Pischelsdorf, Austria, led to a shift in energy use from indirect to direct consumption. Total energy consumption per tonne of product showed a reduction of 2.8%, attributable to the process optimisation of the gluten dryer and of the bioethanol plant in Pischelsdorf, Austria.

Nonetheless, the average specific emissions from direct and indirect energy consumption per tonne of product increased by about 2.5% from the prior year (see chart on page 62). The reason was that, as a result of weather conditions, the purchased electricity was associated with significantly higher emissions in the financial year.

At the three Austrian starch manufacturing sites of Aschach, Gmünd and Pischelsdorf, an energy management system was introduced in autumn 2014 and certified under ISO 50001. Aiming for continual improvement, the Starch segment is targeting site-specific efficiency gains amounting to a cumulative reduction of 50 GWh of energy use by 2020|21 through efficiency-boosting projects in individual sections of the plants. By the end of 2016|17 about 16 GWh of this reduction target was achieved, through several projects, such as the optimisation of the gluten dryer in Pischelsdorf and the insulation of the main steam pipe in Aschach.

Average specific direct energy consumption in processing operations at AGRANA starch plants[1]

In gigajoules (GJ) per tonne of core and by-products



[1] See GRI reporting boundaries, page 40.

[2] Percentage change based on average specific direct energy consumption per tonne of core and by-products.

Water use and discharge in processing

At the AGRANA starch plants, in keeping with the Group's environmental policy, water use and effluent are managed sustainably. Process water in the starch operations is repeatedly recycled and cleaned. An example is the integrated bioethanol and wheat starch production complex in Pischelsdorf, Austria.

Water use and discharge in processing at AGRANA starch plants

within the GRI reporting boundaries (see page 40)

Starch segment In m³ per tonne of core and by-products	**2016|17**	**2015|16**	**2014|15**
Water consumption	3.93	4,18[1]	4.34
Water discharge	4.65	4.35	4.92

The average specific water consumption in the Starch segment per tonne of product (core and by-products) in the 2016|17 financial year was approximately 6.0% less than one year earlier, as specific reductions were achieved through optimisation work in the Austrian starch plants in Gmünd and Pischelsdorf. The increase of about 6.8% in water discharge from the prior year was the result of high precipitation and the long potato campaign in Gmünd.

Waste from processing

The specific amount of waste from processing per tonne of product (core and by-products) was 15.6% higher in 2016|17 than the year before. This change is explained largely by an increase in the amount of composted material (sewage sludge). The increase in hazardous waste resulted from a one-time disposal of product residue from the drum drying operation at the potato starch factory in Gmünd, Austria.

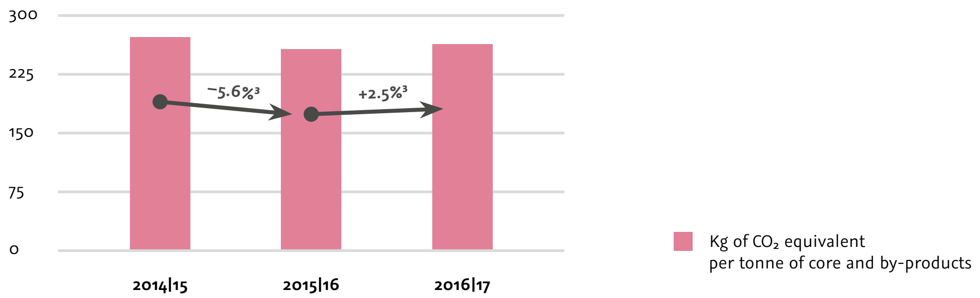
Waste from processing at AGRANA starch plants

within the GRI reporting boundaries (see page 40)

Starch segment Tonnes. except percent	**2016|17**	**2015|16**	**2014|15**
Waste disposed	22,056	17,665	14,351
Of which hazardous waste	96	21	28
Waste per tonne of product	1.8%	1.6%	1.3%
Hazardous waste per tonne of product	0.008%	0.002%	0.003%
Waste disposed by disposal method			
Composting	16,684	13,030	10,337
Energy recovery	2,316	1,490	1,120
Reuse	24	700	0
Recycling	507	377	638
Landfill	23	4	0
Other	2,502	2,064	2,256

Average specific emissions (from direct and indirect energy use) from processing operations at AGRANA starch plants[2]

In kg of CO_2 equivalent per tonne of core and by-products



[1] Value has been revised to correct a data collection error in the prior year.
[2] See GRI reporting boundaries, page 40.
[3] Percentage change based on average specific emissions (from direct and indirect energy consumption) per tonne of core and by-products.

Biodiversity at production sites
At the site of the combined wheat starch and bioethanol plant in Pischelsdorf, Austria, a project was launched in the year to return the grounds of the facility to a more natural state. Besides the planting of flowering hedges, this includes reducing the mowing of meadows to one cutting per year.

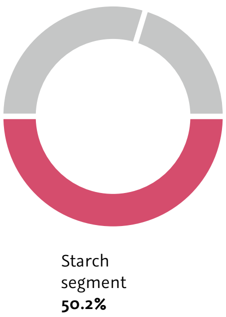
EcoVadis
In autumn 2015 AGRANA Stärke GmbH updated its sustainability data for the purposes of EcoVadis, the international supplier evaluation platform. AGRANA Stärke GmbH moved up from silver status in 2014 to a rating of gold, putting it in the top 5% of performers scored by EcoVadis.

Investment

€ 57.6 million (prior year: € 28.2 million) was invested in the Starch segment during the 2016|17 financial year: The most significant projects included the following:

- Expansion of corn processing in Aschach, Austria
- Expansion of starch saccharification facilities in Aschach
- Construction of a new maltodextrin spray drying plant in Aschach

Share of Group investment by segment in 2016|17



Additionally, € 10.8 million (prior year: € 16.8 million) was invested in 2016|17 in the HUNGRANA companies (amounts for these equity-accounted entities are stated at 100% of the total).

Fruit segment

Basics of the Fruit segment

Marketing relationship
B2B

Products
Fruit preparations, fruit juice concentrates, not-from-concentrate juices, fruit wines, natural flavours and beverage bases

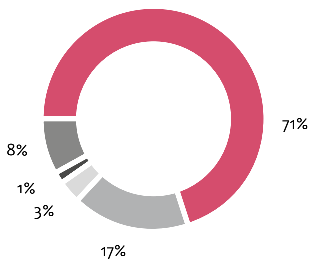
Raw materials processed
Fruits (leading raw material for fruit preparations: strawberry; raw materials for fruit juice concentrates: apples and berries)

Key markets
Marketed worldwide

Customers
Dairy, ice-cream, bakery, food service and beverage industries

Special strengths
Custom-designed, innovative products

Revenue by product group in 2016|17



- Fruit preparations (dairy and non-dairy)
- Fruit juice concentrates
- Other juice core products (NFC, fruit wine, etc.)
- Juice by-products (especially pomace)
- Other (fruit reselling, frozen fruits, etc.)

AGRANA Internationale Verwaltungs- und Asset-Management GmbH, Vienna, is the holding company for the Fruit segment. The coordination and operational management for the fruit preparations business are provided by the holding company AGRANA Fruit S.A.S., based in Mitry-Mory, France. In the fruit juice concentrate business, the operating holding company is AUSTRIA JUICE GmbH, based in Kröllendorf/Allhartsberg, Austria. At the balance sheet date the Fruit segment as a whole operated 25 production sites in 19 countries for fruit preparations, and 14 plants in seven countries for the production of apple and berry juice concentrates.

Revenue and earnings

Fruit segment		**2016|17**	**2015|16**	**Change** % / pp
Total revenue	€000	1,156,035	1,084,085	+6.6%
Inter-segment revenue	€000	(582)	(648)	+10.2%
Revenue	€000	1,155,453	1,083,437	+6.6%
EBITDA[1]	€000	109,952	101,676	+8.1%
Operating profit before exceptional items and results of equity-accounted joint ventures	€000	71,757	61,876	+16.0%
Exceptional items	€000	0	(3,054)	+100.0%
Operating profit [EBIT][2]	€000	71,757	58,822	+22.0%
EBIT margin	%	6.2	5.4	+0.8 pp
Investment[3]	€000	33,822	41,730	–19.0%
Number of employees (FTE)[4]		5,638	5,455	+3.4%

Revenue in the fruit preparations business rose by almost 5%, as a result partly of higher sales volume. Working slightly against the revenue growth were foreign currency effects in individual countries where AGRANA Fruit operates, particularly in Egypt, Argentina, China, Mexico, Russia, Turkey and Ukraine.

Sales volumes grew in all AGRANA regions except North America. In Eastern Europe as well, the volume trend remained positive despite the challenging political environment. In the EU, the most important region in revenue terms, AGRANA also succeeded in selling higher volumes, despite the market contraction.

Analysing by customer segment, the dairy industry was just one of several sectors responsible for revenue and volume growth. The diversification in fruit preparations towards an increased focus on the customer segments of food service, bakery and ice-cream also continued and volumes and revenue in these areas rose.

[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.
[2] Operating profit (EBIT) is after exceptional items and results of equity-accounted joint ventures.
[3] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.
[4] Average number of full-time equivalents in the reporting period.

Through gains in market share paralleling the growth of its global key accounts, AGRANA further improved its market position, with long-term customer contracts enabling it to outperform its competitors in this regard. As well, opportunities for sustained future growth lie in the already cited positive developments in the non-dairy product areas (for example, fruit preparations for global convenience food chains, ice-cream components for global brands, and the recent acquisition in Argentina).

In total across all regions, operating profit (EBIT) in the fruit preparations business was steady. While earnings growth was recorded in the Europe and Middle East/Africa regions, EBIT decreased especially in North America and to a lesser extent in Australia/Asia.

In the fourth financial quarter of 2016|17, the Argentine company Main Process S.A., Buenos Aires, acquired in December 2016 was consolidated for the first time.

The net exceptional items expense of € 3.1 million in the prior year was related primarily to the restructuring project of Dirafrost FFI N.V., Herk-de-Stad, Belgium.

In the 2016|17 financial year, AGRANA founded AGRANA Fruit India Private Limited, New Delhi, India. After a capital increase in February 2017, the new subsidiary acquired production facilities, land and buildings. Operational production and sales are to begin in the course of the new 2017|18 financial year.

Revenue in the fruit juice concentrate business was up significantly in 2016|17 compared to the year before. This was driven mostly by higher prices for apple juice concentrates made from the 2015 crop. AUSTRIA JUICE operates globally, with the EU as its core market. Other major geographic markets are North America, Russia, the Middle East and Far East. The apple juice concentrate made at the Chinese plant is marketed largely in Japan, the USA, Russia and Australia, as well as Europe.

In the 2016 campaign AUSTRIA JUICE saw a reduction both in raw material prices and the prices of its products. This was also true for berry juice concentrates.

The significant EBIT improvement in the fruit juice concentrate activities was attributable to better margins for apple juice concentrate produced from the 2015 crop, an improved earnings situation for the Chinese subsidiary and a stabilisation in the fruit wine business in Germany.

Market environment

The markets of the fruit preparations business outside Europe are growing significantly – especially Asia, but also North Africa and the Middle East. In saturated markets such as the EU and the USA, there is a trend towards increasing consumption of plain yoghurt (natural yoghurts). In Latin America the rate of market growth has eased somewhat, due particularly to the economic problems in Brazil. The growth in the consumer goods markets of ice-cream, food services and bakery can be expected to continue.

Health and wellness, naturalness and pleasure remained the megatrends in 2016|17, much as in the previous years. These trends are addressed in new product development, sometimes in combination: Products that promise above all a high degree of eating pleasure may be positioned to also offer the additional attraction of naturalness.

Besides clean-label products distinguished by high naturalness, there is also a boom in demand for layered fruit yoghurts. This product solution promises an intense taste experience, offers a natural look and feel (thanks to distinct individual fruit pieces), and also has wellness appeal. New flavours achieved by combining different fruit species or by using exotic fruits are another current trend, as are products with nuanced and sophisticated flavour profiles.

Dairy-free alternatives to classic fruit yoghurt remain in vogue, with the positive health image being central. Whereas in the past years it was especially soy that was popular as the new alternative to dairy yoghurts, the trend since recently has been shifting in the direction of coconut milk, almond and rice.

In the concentrate business, the trends both towards lower fruit content in beverages and towards not-from-concentrate 100% juices remain unbroken. Globally, the sales volumes of 100% juices from concentrate remain on a mild easing trend, even if relevant European markets such as Germany are showing a slight recovery or are stable. The demand in this area is significantly affected by media coverage of health topics related to obesity and sugar reduction in beverages. Particularly the North American market is under heavy pressure, which makes itself felt in the demand for concentrates.

Sustainability in the Fruit segment

Targets in the supply chain

✔ 2016|17: Determine the sustainability of fruit suppliers based on specified international certifications

✔ Use of the SAI FSA questionnaire for contract farmers

Environmental targets by 2020|21

Fruit preparations:

✘ Direct and indirect energy consumption of 1.72 GJ per tonne of product

Fruit juice concentrates:

✘ Direct and indirect energy consumption of 3.43 GJ per tonne of product

✘ Water consumption of 4.21 m³ per tonne of product

Value chain

www.agrana.com/en/sustainability/value-chain/fruit

The Middle East and Africa markets remain stable to gently growing, with Africa exhibiting a strong increase in demand for products labelled as natural.

Sales volumes in Ukraine and Russia continue to decline amid the political situation.

Prices of fruit juice concentrates trended significantly lower again in Europe compared to the prior year, as a result of the expectations for harvest volumes in the main crop production regions.

Raw materials and production

In the fruit preparations activities the 2016|17 financial year was marked by good purchasing conditions. The harvests were in some cases better than average, and raw material prices fell in the course of the year and were below the prior-year level. In countries like Russia, Turkey and Egypt, the weaker local currency was an advantage in procurement, and also in countries with primary processing, such as Ukraine and Mexico.

Since 2016|17, even subsidiaries with lower procurement volume are increasingly tied into the global purchasing activities on a mandatory basis in order to realise additional savings through the pooling of purchasing volumes, substitution of materials and enhanced coverage of purchasing needs.

In the fruit juice concentrates business, available supplies of apples in the foremost European processing regions (Poland and Hungary) were larger than in the year before. Local frosts, such as in southern and eastern Austria, western Hungary and the Balkan countries, had only an insignificant effect. The good supply situation led to in some cases significantly lower raw material prices than in the year before. The capacity utilisation of the European fruit juice concentrate plants in the 2016 campaign was good. In China the production season even surpassed the prior year.

The berry processing season was on the whole marked by good available volumes of the principal fruits. The prices for the most important raw materials (strawberry, sour cherry and black currant, though not raspberry) were below those of the prior year.

Engagement in the upstream value chain

Supplier environmental and social assessment

In the 2016|17 financial year the Fruit segment continued to advance the implementation of the AGRANA principles for the procurement of agricultural raw materials and intermediate products.

AGRANA Fruit Services GmbH (AFS), Vienna, the purchasing organisation responsible for the procurement of raw materials and intermediate products in the fruit preparations business, for the 2016|17 financial year again documented the certification status of primary processors and resellers of fruits and intermediate products under defined sustainability standards (see procurement models on page 37). In the year under review, 13% of the raw materials procured by AFS had a sustainability certification; most of these were certified organic, and the remainder were certified under another customer standard of industry-wide relevance or under the Rainforest Alliance (RA) standard. The RA standard and the customer-specific standard are accorded silver status in the benchmarking to the requirements of the Farm Sustainability Assessment (FSA) of the Sustainable Agriculture Initiative (SAI). As organic standards focus exclusively on agricultural practices and do not touch upon social areas such as worker safety, human rights, etc., organic certification alone is not enough to achieve a sufficiently high score in the SAI benchmarking. The situation is similar for GlobalGAP certification; however, the GRASP add-on module to GlobalGAP also covers social sustainability aspects. In the future, this add-on will also be available for the organic sector (for details on the FSA assessment, see page 72). To also evaluate its suppliers for their adherence to social aspects, AFS invited them in 2016|17 to participate in the Supplier Ethical Exchange Database, or SEDEX (for details on SEDEX, see page 74). Suppliers representing 78% of the procurement volume of AFS are already SEDEX members and have made their data available to AFS. For 57% of its procurement volume, AFS can view the self-assessments of its suppliers and existing audit documents.

For the procurement of fresh fruit from contract farmers for AGRANA-owned primary processing sites, in a pilot project during the year under review, the FSA questionnaire was used for the first time in Poland, Ukraine, Morocco and Mexico. While the participating contract growers in Poland (except for one farmer) and in Ukraine achieved silver status in the (not externally verified) self-assessment, 30% of the participating operations in Mexico gained silver standing, 20% attained bronze and the rest reached not-yet-bronze status. The participating farms in Morocco attained not-yet-bronze status, largely as a result of social aspects.

In the two projects (supported by the Austrian Development Agency) for the improvement of social and environmental standards with contract farmers in Mexico and Fiji, the fruit preparations business gained valuable experience that can also be used in future to improve the FSA results.

July 2016 saw the completion of a project running since August 2013 to promote the certification of strawberry and blackberry suppliers in Jacona, Mexico, to the Rainforest Alliance (RA) standard. With the support of the local AGRANA agricultural extension team, the participating supplier farms were able to improve cultivation practices, introduce water and waste management, implement safety and health measures for their more than 2,000 employees and be certified to the RA standard. The suppliers benefited not only through the higher competitiveness resulting from the certification but also by their added popularity as employers. AGRANA was pleased to be recognised for its engagement with an award as one of the best three companies in Mexico – and the best in berry processing – in the areas of agricultural practices and food safety; the distinction was awarded by Primus GFS, a global initiative for food safety.

In the South Pacific island nation of Fiji, AGRANA is supporting small farmers since 2014 by acting as the holder of a group certification for bananas, guavas and mangoes under the internationally recognised Australian Certified Organic standard (ACO). At the local AGRANA plant the fruit is processed into purees; in 2016 the fruit portfolio was expanded by the addition of passion fruit. Over the first two years of the project, the number of certified farmers was more than doubled from 130 to about 300. In February 2016 the project suffered a sharp setback under the impact of Cyclone Winston. Most of the organically managed acreage of banana plantations was destroyed and the AGRANA contract farmers were thus not able to harvest bananas for more than half a year. To be able to meet the requirement for high-quality, ideally virus-free banana seedlings for replanting, a small biological laboratory for banana propagation was set up next to the new production hall. The facility started operation in September 2016, and the planting stock is initially to be provided to the farmers free of charge.

As all procurement for custom recipes in the fruit preparations business is done to customer specifications, the future trend in the volume of certified raw materials will depend on these customer requirements.

The fruit juice concentrate business, as a result of its procurement structures, is confronted with an especially significant challenge in supply chain management, as most of the raw materials it processes are sourced from dealers. This is a consequence of legacy structures evolved nationally over time which are focused primarily on the fresh market and retail trade and on fruit exports. Fundamentally, the Group would like to purchase more raw materials directly from farmers in the future.

AUSTRIA JUICE currently maintains two projects for direct procurement from growers. In Hungary, since the year 2000, AUSTRIA JUICE has supported local farmers in growing pest-resistant apple varieties that require about 60% to 80% less pesticide than conventional cultivars. Besides financial assistance for the new planting of the trees and ongoing advice over the growing season, the fruit growers also receive purchasing guarantees and a price premium from AUSTRIA JUICE. A further project with contract growers was begun in Poland in 2007. In 2016|17 about 7% of all apples processed by AUSTRIA JUICE into apple juice concentrate worldwide came from these two projects.

In the year under review, 50% of the contract-based apple growers in Hungary completed a self-assessment in terms of environmental and social production conditions in their operations, using the FSA questionnaire; 40% of the participants reached gold standing and the others achieved silver status. The results were not externally verified to date. In the 2017|18 financial year the FSA questionnaire is also to be employed with the contract apple farmers in Poland.

Environmental and energy aspects of AGRANA's production

Energy use and emissions in processing

The average specific direct energy consumption per tonne of product (core and by-products) in the Fruit segment increased in 2016|17 by about 25.2%, as the fruit juice concentrate production site in Xianyang, China, was included in the data for the first time (see organisational boundaries of reporting boundaries on page 40).

The average specific indirect energy consumption in the Fruit segment eased by about 2.3% from the prior year, likewise due to the fruit juice concentrate business.

The average specific emissions from direct and indirect energy use per tonne of product in the Fruit segment increased by 24.1% year-on-year, owing to the use of coal as a primary energy source in Xianyang, as the site was not yet included in the reporting scope in the prior year (see chart on page 69). Excluding the Chinese fruit juice concentrate site, the average specific emissions from direct and indirect energy use in the Fruit segment would have remained constant.

Water use and discharge in processing

The fruit juice concentrate business, with a reduction in average specific water consumption and discharge per tonne of product (core and by-products), compensated for the increase on the fruit preparations side, leaving the average specific water consumption in the Fruit segment as a whole nearly constant at the year-earlier level. Average specific water discharge rose slightly, by about 2.3%.

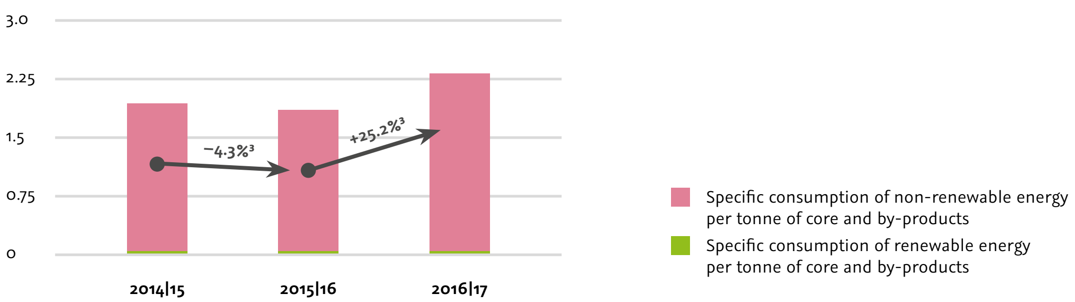
Water use and discharge in processing at AGRANA fruit plants

within the GRI reporting boundaries (see page 40)

Fruit segment In m³ per tonne of core and by-products	**2016|17**	**2015|16[1]**	**2014|15**
Water consumption	4.28	4.27	4.16
Water discharge	4.08	3.99	3.99

Average specific direct energy consumption in processing operations at AGRANA fruit plants[2]

In gigajoules (GJ) per tonne of core and by-products



[1] Specific water consumption and discharge per tonne of product output have been revised to correct a 2015|16 data collection error.
[2] See GRI reporting boundaries, page 40.
[3] Percentage change based on average specific direct energy consumption per tonne of core and by-products.

Waste from processing

The reduction of the specific waste amount in the Fruit segment from 55.9 kilogrammes per tonne of product (core and by-products) in the prior year to 26.5 kilogrammes in 2016|17 resulted primarily from the application of the new definition of waste in the fruit juice concentrate activities (see content boundaries of reporting, page 41).

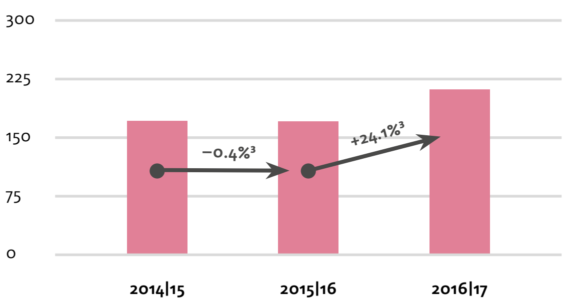
Waste from processing in AGRANA fruit plants

within the GRI reporting boundaries (see page 40)

Fruit segment Tonnes, except percent	**2016|17**	**2015|16[1]**	**2014|15[1]**
Waste disposed	23,038	45,955	45,699
Of which hazardous waste	43	37	15
Waste per tonne of product	2.7%	5.6%	5.6%
Hazardous waste per tonne of product	0.005%	0.005%	0.002%
Waste disposed by disposal method			
Composting	0	4,064	3,359
Energy recovery	899	392	341
Reuse	1,985	16,902	19,986
Recycling	9,170	14,895	14,082
Landfill	10,950	9,675	7,817
Other	33	27	114

Average specific emissions (from direct and indirect energy use) from processing operations at AGRANA fruit plants[2]

In kg of CO_2 equivalent per tonne of core and by-products



Kg of CO_2 equivalent per tonne of core and by-products

Biodiversity at production sites

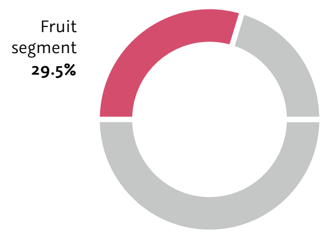
As part of its biodiversity activities, the fruit juice concentrate business at its headquarters in Krollendorf/Allhartsberg, Austria, supported a project of the "Forum for Nature and Species Conservation" aimed at the reintroduction of the little owl. This species, one of the smallest of the owls, is considered endangered as a breeding population in Austria. To survive, it needs a fine-structured landscape (ideally including orchard meadows) with cavity trees in a rural setting – conditions typically found near this AGRANA site.

Investment

The capital expenditure of € 33.8 million in the Fruit segment in 2016|17 (prior year: € 41.7 million) represented both capacity expansion projects and maintenance investment. The most significant projects included the following:

- Construction of a third production line in Lysander, New York, USA
- Installation of a bag-in-box packaging line in Botkins, Ohio, USA
- Installation of a new production line in Mitry-Mory, France

Share of Group investment by segment in 2016|17



[1] The amounts of waste reported in 2014|15 and 2015|16 have been partly revised according to the new definition of waste introduced for 2015|16. Complete application of the new definition only became possible for the 2016|17 financial year (see content boundaries of reporting on page 41).
[2] See GRI reporting boundaries, page 40.
[3] Percentage change based on average specific emissions (from direct and indirect energy consumption) per tonne of core and by-products.

Sustainability at AGRANA

Targets in the supply chain
✔ Further use of SAI's FSA to assess suppliers

Segment-specific environmental targets by 2020|21
Reductions of direct and indirect energy consumption per tonne of product

Reductions of water consumption per tonne of product

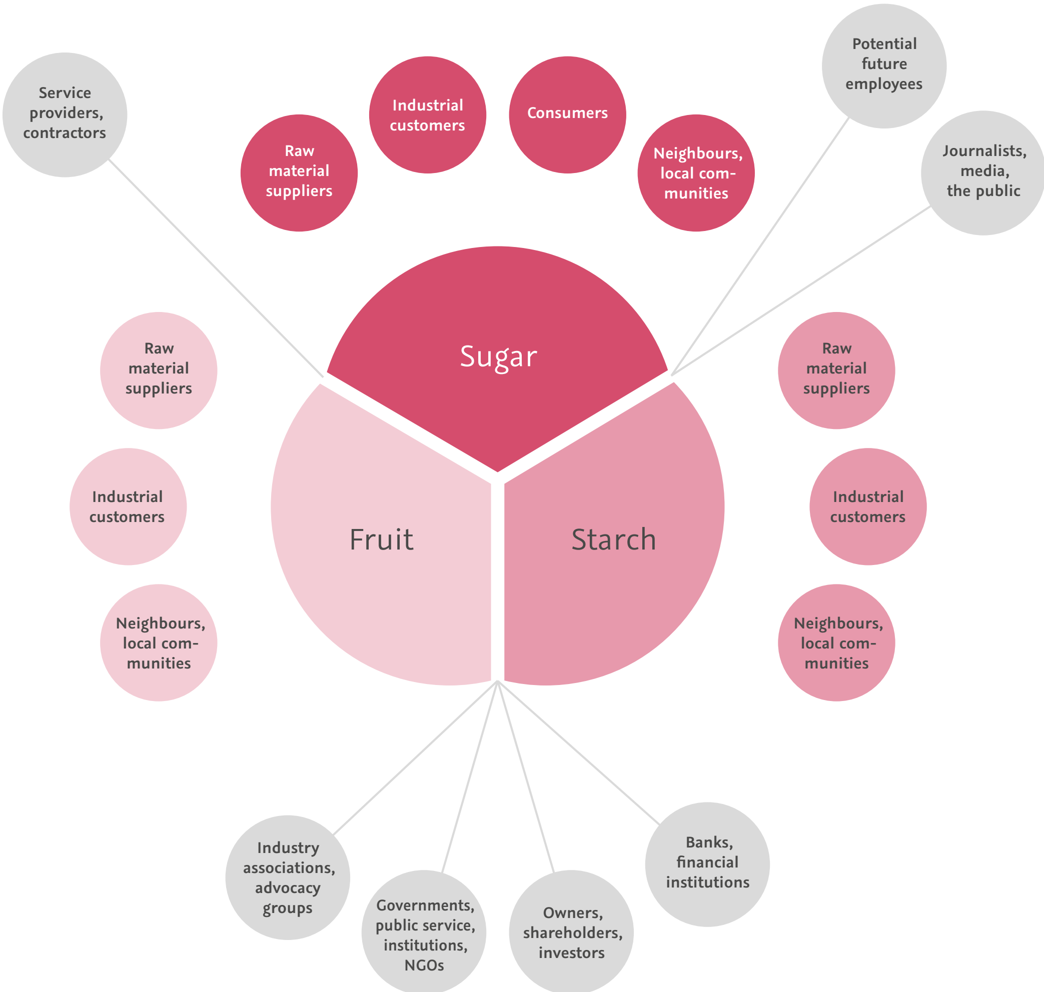
Value chain
www.agrana.com/en/sustainability/value-chain

AGRANA's understanding of sustainability

AGRANA as an industrial processor of agricultural raw materials defines sustainability in its business activities as a harmonious balance of economic, environmental and social responsibility. This understanding of sustainability is summed up by three sustainability principles, which serve management and all employees as a practical and intuitive guide to daily sustainable action:

At AGRANA we:
- Utilise almost 100% of our agricultural raw materials and use low-emission technologies to minimise impacts on the environment
- Respect all our stakeholders and the communities where we operate
- Engage in long-term partnerships with suppliers and customers

AGRANA has developed its understanding of sustainability through daily interactions with its stakeholders:



Formats of AGRANA's engagement with stakeholders in 2016|17

Focusing on suppliers

- Regular one-on-one agricultural advisory visits (with contract growers in all three segments)
- Group field visits and tours of trials during the growing season (in the Sugar and Starch segments)
- Contracting events (for contract production of sugar beet and starch potatoes)
- Winter conferences (communication events in the Sugar and Starch segments)
- Agricultural field symposium day of BETAEXPO (with Austria's largest field of demonstration plantings of AGRANA raw material crops) in Tulln, Austria
- "Mont Blanc" programme in all beet-growing countries (for efficiency improvement in sugar beet production, with much advisory and education content)
- "Potato Day" in Waidhofen an der Thaya, Austria, in cooperation with the Austrian Starch Potato Growers Association (VÖSK)
- Farm forums in the Starch segment (two discussion forums organised at contract growers' farms, attended by the AGRANA Management Board member responsible for raw material management and addressed to interested farmers/suppliers)
- Day for new contract growers of the Starch segment
- Oktoberfest at the AGRANA starch plant in Aschach, Austria
- Partners day of AGRANA Stärke GmbH for potato growers at the plant in Gmünd, Austria
- One-day organic agriculture conference for all organic crops processed by AGRANA

Focusing on customers

- Personal visits to customers
- Exhibits of the AGRANA Group at the food fairs Biofach (in Nuremberg, Germany), Djaz AGRO (Algiers, Algeria), Iran Food + Hospitality (Tehran, Iran) and Gulfood Manufacturing (Dubai, United Arab Emirates)
- Exhibits of the Starch segment at cosmetics trade shows (Paris, France; New York, USA; Munich, Germany; São Paulo, Brazil; Bangkok, Thailand; and Coventry, UK), at food fairs (Natural Products Expo East, Baltimore, USA, and HiE, Frankfurt, Germany) as well as at agricultural trade shows ("Ab Hof" in Wieselburg, Austria, and Agraria in Wels, Austria) and the 5th Central European Biomass Conference (Graz, Austria)
- Exhibits of the fruit juice concentrate business at Prowein (Düsseldorf, Germany), Brau Beviale (Nuremberg, Germany) and World Bulkwine (Amsterdam, Netherlands)
- Two customer events on the topic of AGRANA sweetener solutions
- Worldwide customer satisfaction survey (see page 74)

Focusing on local communities

- Open house at the sugar plant in Tulln, Austria
- Family day of BETAEXPO
- Personal contacts as part of local community relations

Focusing on investors, the media and general public

- Ongoing media relations and investor relations work
- Press conferences, background briefings
- Road shows, Capital Markets Day in October 2016 in Aschach, Austria, and retail investor information event in Tulln, Austria

AGRANA's sustainability activities in 2016|17

In the 2016|17 financial year as in the previous years, AGRANA worked intensively on the further integration of sustainability aspects into the operational business processes. Below, the sustainability activities along the value chain are grouped according to which of AGRANA's identified six issues they fall under:

- Environmental and social criteria (i.e., labour practices and human rights) in the procurement of agricultural raw materials and intermediate products
- Environmental and energy aspects of AGRANA's production
- Working conditions and human rights in respect of AGRANA employees
- Product responsibility and sustainable products
- Compliance and business conduct
- Social engagement

Environmental and social criteria in procurement

In 2016|17 AGRANA continued to work on the further implementation of its principles for the procurement of agricultural raw materials and intermediate products. The focus in the prior years had been especially on developing suitable documentation structures for proving the use of good agricultural practices and on early efforts of the Sugar and Starch segments devoted to introducing the Farm Sustainability Assessment (FSA) of the Sustainable Agriculture Initiative (SAI). In the year under review, AGRANA was able to make further strides in documentation in the Fruit segment. It goes without saying that in 2016|17 the Group continued to offer numerous events and training programmes for contract growers (for details, see the segment reports).

Sustainable Agriculture Initiative (SAI)
Sustainability activities around the procurement of raw materials directly from agricultural producers have long been integral to AGRANA's business operations. In order to work on and document sustainability aspects in the agricultural supply chain regardless of the procurement model in an even more structured way, AGRANA Beteiligungs-AG has since July 2014 been an active member of the Sustainable Agriculture Initiative (SAI) Platform (a food industry initiative founded in 2002) and, with its Sugar, Starch and Fruit segments, participates in all working groups and committees relevant to its raw materials.

The SAI gives processors of agricultural raw materials like AGRANA several helpful tools particularly for the evaluation and documentation of conformity with good environmental and social practices in the agricultural supply chain and for comparing the value of different documentation types and international certifications.

The underlying tool is always the Farm Sustainability Assessment (FSA) created by the SAI. This assessment is carried out using a 112-point questionnaire covering all features relevant to sustainability, such as farm management, working conditions (including questions on child labour and forced labour), soil and nutrient management and crop protection. Depending on the fulfilment of the various criteria, each farm receives a sustainability rating designated by a status of "gold", "silver", "bronze", or "not yet bronze".

For procurement sectors without direct access to the agricultural producers of the raw materials, the SAI makes available a very comprehensive benchmarking of the FSA requirements against the national legislation of many countries, against relevant international certification standards (such as Global GAP, Rainforest Alliance, Bonsucro, etc.), and even against some company-specific sustainability programmes. The verified compliance with national legal requirements, or certification to certain international or company standards, enables agricultural producers and the processing industry to capitalise on their SAI sustainability status in their marketing.

Details on the activities for the implementation of AGRANA's principles for the procurement of agricultural raw materials and intermediate products and concerning the documentation under SAI in the Sugar, Starch and Fruit segments can be found in the respective segment report (see pages 53f., 60 and 66ff.).

BETAEXPO – Austria's largest demonstration field for AGRANA raw material crops
About 3,000 visitors flocked to the BETAEXPO field symposium for AGRANA contract growers in June on the grounds of the AGRANA sugar factory in Tulln, Austria. The programme for the event, under the motto "Clear goals for a secure future", reflected the challenging agricultural markets.

Besides high-powered panel discussions on the future of agricultural markets, experts gave talks for AGRANA suppliers about the keynote subject of sustainable fertilising practices. Many BETAEXPO guests also visited the diverse machinery demonstrations on site and the presentations of AGRANA's plantings of sugar beet, grains and starch potatoes on the demonstration plots. In addition, visitors were able to get to know the products and sales activities of AGRANA's Sugar, Starch and Fruit segments, as well as the animal feed business, and learn about the research and development work of the AGRANA Research & Innovation Center.

In the lead-up to BETAEXPO in 2016, AGRANA again presented the AGRANA Sustainability Award to two contract growers, for good results in the farm FSA sustainability assessment and for achievements in erosion control, respectively. Additionally, for the first time the award was also given to two institutional suppliers/partners for their sustainability activities.

Fostering biodiversity at AGRANA sites in Austria
While biodiversity is relevant primarily in AGRANA's upstream supply chain, the Group nonetheless also strives where possible to contribute to protecting or increasing species diversity at its own sites.

In 2016|17, given the importance of honeybees for the pollination of many crop plants – about 80% of crop species depend on bees for this – AGRANA launched a project for bee conservation. As a result, beehives were placed at all of the Group's Austrian locations, workshops about the subject were offered for employees, and young Austrian beekeepers were presented with bee colonies at BETAEXPO.

Objectives for environmentally and socially responsible procurement
In its Sugar and Starch segments, AGRANA's goal for the 2017|18 financial year is to continue the implementation of the SAI farm self-assessment (FSA) for environmental and social sustainability criteria together with its contract suppliers of sugar beet and potatoes in all countries of cultivation covered by the Group's tracking system, and to obtain external assurance of the self-assessment results in accordance with SAI requirements.

Enlarging the scope of participation, Austrian contract corn growers will also take part in the FSA for the first time in 2017|18. In the Fruit segment, both the fruit preparations and the fruit juice concentrate businesses used the FSA self-assessment questionnaire in their direct sourcing of raw materials from growers and will continue this engagement in the next financial year.

Environmental and energy aspects of production

AGRANA's management approach concerning energy consumption, emissions, water use, wastewater, and waste is formalised in its environmental policy.

In the 2016|17 financial year the energy management systems of all EU sites of the Sugar segment, all Austrian locations of the Starch segment and all EU sites of the fruit juice concentrate activities were certified to ISO 50001. The other EU sites conducted energy audits.

Objectives for environmental and energy aspects of AGRANA's production operations

Two years ago, in the 2014|15 financial year, AGRANA's Sugar, Starch and Fruit segments formulated relevant energy and environmental objectives for their business activities up to the 2020|21 financial year. The progress towards goals to date is presented in the respective segment report.

Working conditions and human rights in respect of AGRANA employees

The areas of focus in 2016|17 regarding working conditions and human rights in relation to AGRANA employees are discussed in the section "AGRANA's people" (see from page 80).

Product responsibility and sustainable products

Product safety and quality

The foremost aim of the AGRANA quality policy is to produce foods and feedstuffs that meet customer requirements and are safe for consumption. Adhering to the many applicable national and international regulations for product safety at all production sites worldwide is not just a legal obligation for AGRANA but also a cornerstone of the Group's social responsibility and essential to sustainable development.

Foods manufactured at facilities within the European Union meet the requirements of the EU's General Food Law Regulation (EC) No 178/2002, as amended. This regulation lays down the general principles and requirements of food law, establishes the European Food Safety Authority and sets out procedures concerning food safety. In addition, AGRANA is guided by the international minimum standards for food safety, such as the Codex Alimentarius (the food code of the Food and Agriculture Organisation of the World Health Organisation). In the Codex Alimentarius, the General Principles of Food Hygiene introduce the so-called Hazard Analysis and Critical Control Point system. The HACCP system permits the analysis of potential hazards to human health, whether chemical, physical or microbial in nature. The principle of an HACCP system is also found, for example, as a legal requirement in the EU hygiene regulation (Reg. (EC) No 852/2005). AGRANA has already been using HACCP systems in its plants for many years, adapted to the particular production processes. The introduction and especially the regular auditing of an HACCP system ensures that only safe products leave the facility.

Animal feeds produced at facilities in the EU meet the requirements of the EU's General Food Law Regulation No 178/2002, its Regulation No 767/2009 on bringing to market and using feeds, and Regulation No 183/2005 on feed hygiene. Here too, HACCP systems are integral to ensuring product safety.

In its assurance of food and feed safety, AGRANA goes beyond the legal requirements and has implemented internationally recognised standards of product safety, under which it is externally certified.

External certifications for food and feed

The AGRANA quality management system seeks to identify and optimally fulfil the expectations and requirements of customers and other interested parties. It is based on the principles of ISO 9001, the international norm for quality management systems. AGRANA's quality management system is supplemented by numerous certifications for food safety and food defense. The most important standards in this respect globally for AGRANA are FSSC 22000 (Food Safety System Certification), ISO 22000 and IFS (International Food Standard). Depending on the country or region and customer demand, additional certifications are also offered, such as Organic, GMO-Free, Kosher (following Jewish dietary laws) and Halal (adhering to Islamic dietary laws). The key standards for feed safety are GMP Feed and the EFISC Feed Standard. Overall in the 2016|17 financial year, 100% of AGRANA's feed production sites held certifications to at least one of these standards, or the locally relevant international ones.

The hygiene and quality standards of the foods and feeds produced by AGRANA are continually raised further through external certifications, customer and supplier audits and an internal audit system. No product recalls were required in 2016|17.

Organic products
AGRANA holds the necessary certifications in its plants and supply chain to be able to fill customer needs for organically made foods, feeds and other products.

In 2016|17, AGRANA expanded its extensive organic portfolio by the fertiliser BioAgenasol®. Its special mixture of ingredients not only directly improves the nutrient supply and stimulates soil microorganisms but also mobilises nutrients like phosphorus and potassium already present in the soil that are frequently not otherwise available to plants.

As significant volume of demand for organics is limited mostly to Austria, Germany and the USA, the organic portion of AGRANA's total sales quantities is a percentage in the single digits.

SEDEX membership and SMETA audits
Since 2009, AGRANA Beteiligungs-AG is a member of the Supplier Ethical Exchange Database (SEDEX). All AGRANA production sites perform an annual SEDEX self-assessment, which focuses primarily on working conditions, workplace safety and human rights (including questions on child labour and forced labour). Underlining AGRANA's commitment to ethical trading, about 66% of the Group's production sites within the GRI reporting boundaries have already had so-called "4-Pillar SEDEX Members Ethical Trade Audits" (SMETA) or comparable social audits conducted by independent third parties to verify the self-assessments. The SMETA audit reports on the AGRANA plants are available to SEDEX members on the organisation's online platform.

Global customer satisfaction survey
In the 2016|17 financial year AGRANA carried out its second worldwide customer satisfaction survey, covering all three business segments. Building on the 2014|15 survey, and working together with an international market research firm, a questionnaire was created and interviews were conducted in the 2016|17 financial year.

The questions addressed overall satisfaction, product needs and how well they are met by AGRANA, delivery service, customer care and complaint management. Open-ended questions enabled customers to provide individualised feedback and suggestions for improvement.

About 3,000 customers around the world were contacted. The response rate across all AGRANA companies was 25%, which is excellent for a B2B survey.

The most relevant indicator of customer satisfaction is the Net Promoter Score (NPS), which is based on the question "How likely are you to recommend AGRANA to a business partner?" Attaining an average NPS of 61.7, AGRANA scored superbly on this measure, with a large number of customers identifying as promoters.

Although the NPS from the 2016|17 survey is not directly comparable with that of 2014|15 (owing to differences in scaling), the majority of customers indicated they were more satisfied with AGRANA overall than in the prior period. This may be a result of the measures already implemented by the individual AGRANA companies based on the findings of the previous survey.

Using the feedback from customers, improvement measures were once again developed together with the various sales organisations, such as expanding the offering of organic products in certain regions with high demand and making more documents available for downloading on the AGRANA website. These initiatives will be implemented in 2017|18 and the subsequent financial years in order to fully realise the potential for improvement.

AGRANA intends to perform customer satisfaction surveys regularly, at least every three years.

Memberships in major sustainability-related initiatives

Initiative	Member companies from AGRANA Group	Since	Initiative aim and other members
Sustainable Agriculture Initiative (SAI)	AGRANA Beteiligungs-AG[1]	July 2014	Aim: Develop guidelines for and implement sustainable agriculture practices; Members: Food and beverage industry
SEDEX	AGRANA Beteiligungs-AG[1]	2009	Aim: Promote sustainable social and environmental practices along the value chain; Members: About 36,000 companies worldwide
EcoVadis	AGRANA Zucker GmbH AGRANA Stärke GmbH Fruit segment: some companies	2013	Aim: Supplier assessment on environmental and social criteria along their entire value chain; Members: about 120 large global companies in a wide range of industries
Bonsucro	AGRANA Zucker GmbH	July 2014	Aim: Improve the sustainability of sugar cane production and of sugar manufacturing from cane; Members: Producers, resellers, processors
ARGE Gentechnik-frei (Platform GMO-Free)	AGRANA Beteiligungs-AG[1]	2010	Aim: Promote and safeguard Austrian GMO-free agriculture and food production; Members: Businesses along the whole food value chain, including many retailers
Initiative Donau Soja (Danube Soya Initiative)	AGRANA Stärke GmbH	April 2013	Aim: Sustainable GMO-free soya production in the Danube region (focus on animal feed); Members: entire value chain, NGOs, etc.

Memberships in industry associations and advocacy groups

Industry association or advocacy group	Member company	Geographic scope
Industriellenvereinigung (Federation of Austrian Industries)	AGRANA Beteiligungs-AG	Austria
Fachverband der Nahrungs- und Genussmittelindustrie (Austrian Food Industry Association)	AGRANA Beteiligungs-AG	Austria
AÖL – Assoziation ökologischer Lebensmittelhersteller (Association of Sustainable Food Producers)	AGRANA Stärke GmbH	Germany
CEFS – Comité Européen des Fabricants de Sucre (European Association of Sugar Producers)	AGRANA Zucker GmbH	European Union
Starch Europe	AGRANA Stärke GmbH	European Union
SGF International E.V.	AUSTRIA JUICE GmbH	Worldwide

[1] AGRANA Beteiligungs-AG, representing all or several AGRANA companies.

Compliance and business conduct

The activities in 2016|17 surrounding compliance and business conduct are presented in the compliance section (see from page 25) of the corporate governance report.

Social engagement

Beyond striving to maximise the environmental and social sustainability of its core business activities, AGRANA is also engaged as a responsible corporate citizen in its host communities.

Disseminating knowledge on nutrition and health

In the completed 2016|17 financial year, sugar encountered an increasingly negative perception in the public debate and in media reporting about nutrition and health.

The impression is created that sugar is responsible for most of the ills of our modern society, and above all for obesity. Thus, some countries have introduced a sugar tax to counteract the growing trend towards an overweight population. However, as it turned out, a sugar tax does not make people slim. Weight gain in healthy individuals is simple to explain: More calories are taken in than are expended. Whether these calories come from fat, protein, sugar or other carbohydrates makes no difference to the body's energy balance. This is also why the reformulation efforts intended to reduce the sugar content in products in favour of other ingredients will not lead to a breakthrough in the fight against obesity. The reason is that most such reformulated products – contrary to the assumption of consumers – are not significantly lower in calories.

AGRANA has therefore set itself the task of raising the level of public knowledge about nutrition in general, the importance of lifestyle to health, and the properties of sugar in particular.

In spring 2016|17 AGRANA supported initiatives that communicate knowledge on nutrition and health, such as the "Forum Ernährung heute" ("Forum for Health Today"), the symposium on "Prevention Models of Obesity and Cardiovascular Diseases" and the platform "Land schafft Leben" ("Land Grows Life").

As well, through its sponsorship of SK Rapid, a Vienna football club with a long tradition, AGRANA wants to motivate the public to adopt a healthy, active lifestyle that includes more exercise in daily life. Further activities are planned for 2017|18, like the Charity Walk of the Austrian umbrella organisation for environmental protection, which links physical exercise in nature to a donation that will benefit local biodiversity.

In parallel to this, AGRANA also helps foster its own employees' knowledge and awareness of balanced nutrition and a healthy lifestyle through many activities (see the section "AGRANA's people", from page 82).

As in the previous years, in 2016|17 the AGRANA Group continued to support a large number of social projects in the communities where its companies operate, and many cultural events in Austria.

Research and development

In a highly competitive marketplace, it is crucially important for AGRANA to identify market trends, satisfy the markets' needs through product innovations and develop customised solutions for its clientele. In close partnership with customers, AGRANA's research and development (R&D) teams are always working on new technologies, specialty products and innovative applications for existing products, true to the Group's strategic focus on lasting, sustainable success.

The AGRANA Research & Innovation Center (ARIC) in Tulln, Austria, is the Group's central research and development hub for the Sugar, Starch and Fruit businesses. A key goal of ARIC, which is structured as a separate company in the AGRANA Group and is a wholly owned subsidiary of AGRANA Beteiligungs-AG, is to develop innovative products from sugar beets, potatoes, corn (maize), waxy corn, wheat and fruits. ARIC is active nationally and internationally as an in-house R&D service provider for sugar technology, food technology, starch technology, microbiology, biotechnology and fruit preparations development. The research center also offers its specialist R&D know-how to third parties and acts as a government-accredited laboratory for sugar beet quality control.

The collaboration of R&D specialists from the different segments (Sugar, Starch and Fruit) under one roof not only drives administrative synergies but also promotes a creative exchange between different groups of researchers, particularly on subjects that cut across segment boundaries. The complementarity between the groups' experience is particularly valuable in cross-segment areas of research, such as technologies, thickeners and aromas, microbiology, product quality and safety, and organic products.

Research & development		**2016|17**	**2015|16**	**2014|15**
R&D expenditure (internal and external)	€m	15.9	14.9	14.5
R&D-to-sales ratio[1]	%	0.62	0.60	0.58
Number of employees in R&D (headcount)		221	214	216

Sugar segment

In light of the expiration of the quota under the EU sugar regime at the end of September 2017, one research priority in the 2016|17 financial year centred on optimising yield in sugar extraction. In the extraction area of the individual sugar factories, according to whether they have a beet pulp drying facility or not, R&D staff worked to adjust the – desirable – controlled microbial activity so as to achieve an optimal balance between minimising sugar losses to bacteria and allowing enough microbial action to maximise the pressability of the spent beet pulp. Thanks to the use of automated analysers for the detection and measurement of lactic acid, the microbiological activity can be monitored efficiently and disinfection measures continually adjusted in all plants.

In collaboration with Vienna's University of Natural Resources and Life Sciences, a project was launched with support from Austria's Research Promotion Agency (Österreichische Forschungsförderungsgesellschaft, or FFG). The purpose of the work is to expand existing models for sugar loss evaluation by adding cutting-edge methods drawing on molecular biology, microbiology and sophisticated analytics in order to be better able to take into account factory-specific circumstances, adjust disinfection strategies more rapidly and further optimise sugar yield.

To solve problems with microbiological infections in thin-juice softening, a UV pilot plant was tested in bypass mode. The aim was to determine the extent to which the overall microbial activity in extraction and juice purification can be minimised and problematic microorganisms inactivated. After further tests with an improved pilot plant, the positive results led to the construction of a commercial-scale ultraviolet light-based disinfection plant, which was successfully commissioned in the 2016|17 beet campaign.

[1] R&D expenditure as a share of Group revenue.

The potential of this technology is now also being evaluated for its use in the production of apple juice concentrate. Early tests showed that, with the use of a thin-film UV system, microorganisms can be controlled entirely without chemicals.

In the molasses desugaring plant, molasses is chromatographically (without the use of chemicals) separated into a sugar-rich fraction, a betaine-rich one and a fraction high in ash and colour compounds, referred to as molasses residue. A cooperative project with the Austrian Centre of Industrial Biotechnology (ACIB), supported by the COMET programme of the Austrian Research Promotion Agency (FFG), is studying the fermentative utilisation of the remaining sugar in this molasses residue. The pilot plant in Tulln, Austria, where this two-stage process is to be tested began operation and long-term trials were started. If the concept can be scaled up successfully, approximately 30% of the primary energy requirements of the molasses desugaring plant could be met from the energy contained in the residue.

Starch segment

Raw materials

The anaerobic storage of wet corn is a possible way of extending the wet corn campaign, both for bioethanol production and starch manufacturing. This method of preservation has high potential for resource conservation and cost efficiencies, as it does away with the usual need for the expensive and energy-intensive drying of the corn. In comprehensive studies, it was demonstrated that this preservation method does not have any negative effects either in bioethanol refining or in starch production, despite a storage duration of several months. Both native and modified starch, from waxy corn and yellow corn, was subjected to an extensive range of analyses and application tests, which found that anaerobic storage of several months had no detectable negative impact on starch quality, modifiability and usability.

Food applications

Drum-drying is a common technology for the manufacture of cold-water-swelling starches, also known as instant starches. AGRANA now successfully completed both the development of a new technology for the production of such cold-water soluble starches, and the pilot-scale establishment of a new process. It plans to develop a broad range of very diverse cold-swelling starches. The starches manufactured by the new process boast better solution behaviour and stronger thickening performance than drum-dried products and are used mainly in food applications. What is more, with the new process, much more stringent hygiene standards can be met than with the conventional technologies.

Non-food applications

The growing environmental consciousness and the market's demand for sustainable solutions were not only reflected in the development of new starch products for non-food uses but also led to a series of technological and process optimisations that allow the more frugal use of raw materials and energy resources.

The increasingly demanding European rules for more conscious approaches to packaging and waste management through recycling or composting are driving a growing interest in sustainable and biodegradable plastics. In this area, thermoplastic starch plays a key role in the development of biodegradable packaging with an especially high content of sustainable materials. R&D in this field is enabling numerous solutions tailored to customers' exact needs.

Working with a partner in the geothermal and oil drilling sector, new starch ethers were developed as thickeners for the drilling muds used in geotechnical engineering. By manufacturing these highly derivatized starch products, AGRANA has the opportunity to claim new ground in this market.

The development and optimisation of the production of organic wheat starch hydrolysate was an R&D focus in the year. Through the use of the right enzymes, the production process was optimised, thus making possible the economically viable manufacturing of this organic product.

In the adhesives space, it is becoming increasingly evident that the ecological advantage from using renewable starch products can only be realised on a commercial scale when it is also economically efficient. By devising a special foam application methodology for use in packaging, AGRANA succeeded in bringing an innovative new technology to market that combines functionality and cost-effectiveness in one sustainable solution. Its faster bonding and smaller quantity of application enable customers to save on logistics costs and deliver their packaging product to the market more quickly.

The development of highly specialised starch products for dry mortars, notably for use in the processing of tile adhesives and putties, forms the basis for new product creations in the building materials sector.

Bioethanol

In bioethanol production, the further improvement of yeast cultivation was one of the year's priorities. Using a number of measures, researchers were able to positively influence yeast growth and significantly improve the number of yeast cells growing. This also reduced the energy consumption required for yeast cultivation and thus contributed to a cost decrease.

A wide portfolio of by-products from AGRANA's manufacturing operations is already used as fertiliser. Distiller's dried grains with solubles, produced in the manufacturing of bioethanol by fermentation, is employed not only as animal feed but as a purely plant-based, organic and complete fertiliser marketed under the name BioAgenasol®. The properties of BioAgenasol® were further optimised and fertiliser experiments were conducted to scientifically document the improved attributes.

Fruit segment

In step with the clean label market trend, R&D efforts were devoted to isolating the outer layers of chia seeds, whose mucopolysaccharides have remarkable thickening qualities. This material was successfully used for the stabilisation of a number of foods (mayonnaise, ketchup, fruit preparations, baked goods, whipped creams). The stabiliser extracted from chia seeds, while resembling the hydrocolloid xanthan, has a much stronger thickening effect.

By optimising the pasteurisation parameters for fruits and enhancing process control, a significant improvement was achieved in the organoleptic (sensory) properties of the fruit, thus enhancing customers' reception of the fruit preparations while also satisfying the microbial quality standards. Through the use of CFD (computerised fluid dynamics) designs in a collaborative project with Vienna University of Technology, new insights were gained for the optimisation of coolers so as to reduce damage to fruit during processing.

New fruit process technologies designed to raise the fruit content in preparations to more than 80% were tested on an industrial scale for the first time.

In the financial year, AUSTRIA JUICE further expanded the beverage bases business by enlarging its development capacity. The development of the in-house production of composite aromas continued successfully.

The tapping of new market areas such as shandies (beer-based mixed drinks) and fruit-wine-based beverages also made strides. Other projects were initiated to improve the utilisation and marketing of process by-products and expand the product range, as well as to enhance and optimise process and product safety of fruit juice concentrates in microbial terms.

In aroma analytics and quality control, various new analytical instruments went into use. Responding to rising customer requirements for services, a climate-controlled cabinet for the standardised determination of products' minimum shelf life was commissioned.

Another development focus last year was on the vegan production of juice concentrates and beverage bases. In this project, a variety of products were converted to exclusively vegan production.

Sustainability at AGRANA

Targets for workplace safety

2016|17 in Sugar segment
✗ 10% reduction in number of workplace accidents vs. prior year

2016|17 in Starch segment
✗ Fewer than 12 workplace accidents in the financial year

2016|17 in fruit preparations business
✗ Injury rate[1] of 2.0
✗ Lost day rate[1] of 21
✗ Absentee rate[1] of 3,106

2016|17 in fruit juice concentrate business
✓ Standardised training of identified staff in safe handling of chemicals

In the 2016|17 financial year the AGRANA Group as a whole employed an average of 8,569 people (prior year: 8,611). Of this total, 2,152 worked in Austria (prior year: 2,120) and 6,417 were employed in other countries (prior year: 6,491).

The number of employees in each business segment was as follows:

Segment	Average number of employees (headcount) in financial year 2016|17	2015|16	Average number of FTE[2] in financial year 2016|17	2015|16	Number of employees (headcount) at balance sheet date 28 Feb 2017	29 Feb 2016
Sugar	2,130	2,203	2,107	2,185	1,966	1,984
Starch	912	887	893	870	925	881
Fruit	5,527	5,521	5,638	5,455	5,010	4,940
Group	**8,569**	**8,611**	**8,638**	**8,510**	**7,901**	**7,805**

The decrease in the employee count in the Sugar segment was attributable to shorter campaigns and further efficiency gains. Employee numbers in the Starch segment increased as a result mainly of the facility expansion in Aschach, Austria. The staff count in the Fruit segment remained steady.

The average age of permanent employees[3] on 28 February 2017 was 42 years (prior year: 42 years). Of the permanent employees, 29.4% (prior year: 28.8%) were women, and 57.1% of salaried staff had an academic degree (prior year: 58.0%). The turnover rate for permanent staff in 2016|17 was 11.5% (prior year: 12.0%).

Human resources management

AGRANA's personnel strategy follows sustainable principles and places a high value on entrepreneurial thinking and action. AGRANA strives for an interpersonal work environment marked by mutual esteem and cooperation. Mutual respect, including also for different cultures and religions, is an essential part of the corporate culture for AGRANA, especially as a global company. Dedication, integrity and social awareness are actively promoted, and employees are supported in their professional growth.

Developing the potential of its employees is highly important to AGRANA. As well, smooth cooperation and the sharing of information across geographic and segment boundaries are critical to ensuring the Group's growth in value. The personnel departments offer various programmes and

AGRANA employees within the GRI reporting boundaries[4]
at the balance sheet date of 28 February 2017

Segment	Non-permanent staff[5] Total	Female	Permanent staff Blue-collar	Female	White-collar	Female	Total	Female	Managers[6] Total	Female	Of whom executive leadership[7] Total	Female
Sugar[8]	172	26.7%	1,061	17.0%	733	40.5%	1,794	26.6%	143	26.6%	18	16.7%
Starch	54	20.4%	585	12.3%	286	45.1%	871	23.1%	50	16.0%	3	33.3%
Fruit	1,124	66.2%	2,492	23.4%	1,394	47.7%	3,886	32.1%	252	26.2%	12	8.3%
Group	**1,350**	**59.3%**	**4,138**	**20.2%**	**2,413**	**45.2%**	**6,551**	**29.4%**	**445**	**25.2%**	**33**	**15.2%**

[1] See definition on page 82.
[2] Full-time equivalents.
[3] Permanent employees of AGRANA Group companies.
[4] See GRI reporting boundaries, page 40.
[5] Almost all non-permanent positions represent seasonal local workers in the processing campaigns.
[6] Management positions at reporting levels 2 and 3.
[7] Reporting level 1 (the reporting level immediately below the Management Board of AGRANA Beteiligungs-AG; level 1 also includes the regional managing directors of the three segments).
[8] The staff of AGRANA Beteiligungs-AG is counted under the Sugar segment.

initiatives to support this process. This is done both on a local and regional level, as well as internationally through the so-called AGRANA Academy, an initiative which trains managers in strategy and leadership.

Variable compensation

The incentivising and recognition of performance is a major element of the personnel strategy and a significant factor for the Group's success. To help achieve the company's strategic and operational objectives, a Group-wide performance management system is in place for managerial staff. Next to targets related to the corporate financial position and profit, the variable compensation plan also involves personal targets to encourage and honour outstanding individual performance. In the year under review, the variable compensation system was adjusted to give additional prominence to the personal share in corporate results.

In the 2016|17 financial year, 8.5% of all employees (prior year: 7.9%) were covered by this performance-related compensation system. AGRANA will continue to employ a Group-wide performance management system in the future that will place a growing focus on personal results and the individual's contribution to corporate performance.

AGRANA HR team awarded BEST RECRUITERS seal of approval in bronze

The human resources team of AGRANA Beteiligungs-AG placed third (prior year: second) in 2016|17 in the BEST RECRUITERS[1] sector ranking for the Austrian food industry, ahead of other well-known companies, and thus again numbered among the top 100 recruiters in the overall ranking.

Staff development and training

AGRANA aims for the steady improvement of its employees' knowledge and skills. Besides numerous job skills trainings as well as personal development offerings, intensive programmes for all business segments are also available. These training courses not only heighten the Group's performance but also raise employee motivation and self-esteem.

A core training priority in the 2016|17 financial year remained the apprenticeship programme. On average over the year, AGRANA provided training to 68 apprentices in Austria and Germany in preparation for careers as, among others, mechanical engineering technicians, electrical engineering technicians, plant electricians and process control technicians, metalworking technicians, chemical lab technicians, food technicians, mechatronics technicians, industrial sales representatives and computer technicians.

As well, two trainee programmes were begun in 2016|17, in the areas of purchasing and production. The trainee programmes are conducted for the whole Group and are international in scope. The trainees are employed at various locations in Austria, Romania, Slovakia, Bosnia and Herzegovina, Hungary and the Czech Republic, spending 15 months in a series of positions in purchasing or production. The cross-functional and international experience which they gain in the process is expected to be valuable later in identifying and raising synergy potential in the Group and strengthening international cooperation.

Training hours of AGRANA employees[2]

in the 2016|17 financial year

Segment	Average training hours per employee: Total	Male	Female	Proportion of employees who received training	Training and development costs[3]
Sugar[4]	27.7	27.4	28.5	88.1%	1.7%
Starch	20.3	18.3	26.9	76.5%	0.7%
Fruit	26.7	25.6	28.9	87.3%	1.0%
Group	**26.1**	**25.1**	**28.6**	**86.1%**	**1.2%**

[1] BEST RECRUITERS is the largest recruiting study in the German-speaking countries. It annually reviews the quality of recruiting practices of the respective top 500 employers in Austria, Germany and Switzerland. The study considers 86 criteria in examining the treatment of applicants, the recruiting presence and job advertisements.
[2] Permanent staff within the GRI reporting boundaries (see page 40).
[3] Expressed as a share of pay.
[4] The staff of AGRANA Beteiligungs-AG is counted under the Sugar segment.

In ongoing employee training and development, about 25 members of staff and managers from across the Group were selected for what is the fifth iteration of the AGRANA Competencies Training (ACT) programme for prospective new managers. ACT is designed for employees seen as having high potential and exceptional motivation. The fifth cycle of the programme will again consist of three modules and will begin in the second quarter of the 2017|18 financial year.

To give new staff a comprehensive view of the Group as a whole and of their own area within it, AGRANA held events under a Group-wide onboarding programme (INCA – International Communication at AGRANA), in addition to welcome days. Employees benefit by gaining perspective and understanding and are able to participate in wide-ranging communication across the Group. AGRANA places great value on harmonious working relationships and thus regularly carries out teambuilding activities in all divisions with the aim of steadily improving communication and effectiveness in working together.

The Group's expenditure for external training and development in the 2016|17 financial year was about € 2.6 million (prior year: € 1.8 million), equivalent to 1.2% (prior year: 0.8%) of total wages and salaries.

Workplace health and safety

For AGRANA as a manufacturing company, nothing is more important than workplace safety. To facilitate the comparability and analysis of workplace accidents and enable informed corrective action, AGRANA collects fully standardised worldwide health and safety data.

AGRANA was saddened by the death of an employee in a work accident in 2016|17 at the fruit juice concentrate site in Lipník, Poland. As well, at the fruit preparations plant in Dachang, China, an accident occurred in which two employees were seriously injured. In both cases, investigations were carried out and the resulting packages of measures were implemented to prevent such accidents in the future. Thus, additional and more intensive trainings were conducted, warning signs posted, and technical precautions taken to avoid a recurrence. These measures were also extended to other, non-affected plants.

As a result of these two and some other accidents, none of the AGRANA segments met their workplace safety targets for the 2016|17 financial year.

Workplace safety data for the AGRANA Group[1]
in the 2016|17 and 2015|16 financial years

	Injury rate[2]			Lost day rate[3]			Absentee rate[4]		
Segment	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**
2016|17									
Sugar	2.9	3.3	1.7	41.4	41.1	42.4	6,514.1	6,036.2	7,798.1
Starch	2.2	2.5	1.0	24.3	28.9	7.1	7,260.7	7,526.8	6,281.5
Fruit	2.4	2.7	1.9	30.1	36.0	19.9	3,721.8	3,563.9	3,996.7
Group	**2.5**	**2.9**	**1.8**	**32.5**	**36.5**	**23.9**	**4,921.1**	**4,866.1**	**5,039.3**
2015|16									
Sugar	1.9	2.3	0.8	26.8	29.5	18.8	5,705.0	5,573.1	6,095.4
Starch	1.6	1.8	0.5	23.1	28.5	2.2	7,400.9	7,369.3	7,522.5
Fruit	2.2	2.5	1.7	25.8	30.6	18.3	3,526.0	3,553.2	3,484.4
Group	**2.0**	**2.3**	**1.4**	**25.7**	**30.0**	**17.2**	**4,578.3**	**4,709.8**	**4,315.9**

In the 2016|17 financial year, one fatal accident occurred in the AGRANA Group; there were no fatalities in 2015|16[1].

In the 2016|17 financial year there were eight accidents of AGRANA contractors. For organisational reasons, these are not included in the AGRANA workplace safety data such as the injury rate, lost day rate and absentee rate.

[1] Non-permanent (i.e., fixed-term or temporary) and permanent employees within the GRI reporting boundaries (see page 40).
[2] Injury rate = (total number of accidents[5] ÷ total paid hours worked[6]) × 200,000[7]
[3] Lost day rate = (total number of lost days[8] ÷ total paid hours worked[6]) × 200,000
[4] Absentee rate = (total number of missed hours due to accident[5] and sickness ÷ total paid hours worked[6]) × 200,000
[5] In AGRANA's workplace safety data, injuries are counted as accidents. Days are counted as lost from the first scheduled work day missed after the accident (excluding accidents on the way to or from work).
[6] Total paid hours worked are defined by AGRANA as contractual work hours plus paid overtime.
[7] Explanation of the multiplier 200,000: The multiplier is intended to make the Group's internal workplace safety data comparable with other companies. It is based on the assumption of 40 work hours per week and 50 work weeks per year, for 100 employees (40 × 50 × 100). The effect of the multiplier is thus to convert from a company's average number of accidents, lost days or absentee hours (hours missed as a result of accident or illness) per hour of work done in the company, to an annual number per 100 employees.
[8] An eight-hour work day is assumed.

Workplace safety targets for 2017|18

Sugar segment

- Reduction of 10% in the number of workplace accidents[1] (base: financial year 2015|16) through site-specific packages of measures

Starch segment

- Reduction of workplace accidents[1] to fewer than twelve in the financial year (2016|17 financial year: 20 accidents[1]) through site-specific packages of measures

Fruit segment

Fruit preparation business

- Injury rate[1]: 1.8
- Lost day rate[1]: 24
- Absentee rate[1]: 3,126

Health programmes

Under the "AGRANA Fit" programme, with the goal of maintaining and improving employees' health and wellness, AGRANA provides a company doctor at all sites, and in very many locations offers awareness building and concrete activities in the areas of nutrition and sports.

In many places, the ongoing occupational health care provided by the local company doctors is supplemented with services such as preventive health checks and vaccination programmes (for influenza, tick-borne encephalitis, etc.). At the fruit preparations site in Johannesburg, South Africa, in recognition of low medical standards, tuberculosis scans were also provided in 2016|17.

As a leading company in the food industry, AGRANA also strives to strengthen its employees' awareness regarding balanced, healthy nutrition, as the right food and drink are an important building block for wellness and good health. In many locations AGRANA therefore offered workshops on this subject, including, in the fruit preparations business, specifically for employees who work night shifts.

The message is also backed by local initiatives such as making free self-serve fresh fruit and free mineral water available at work.

Yet, it is not just the right intake of nutrients and calories that is essential to physical wellbeing, but the appropriate level of energy expenditure. Besides a multitude of sports activities on offer, like ski days, in-house football tournaments, American football, bowling, walking groups and ice skating opportunities, a great number of runners on AGRANA's staff again took part in the annual "Wien Energie Business Run" in September 2016. The total turnout, coming from all AGRANA business areas, was an impressive 56 teams of three persons each.

As well, some Group sites have individual arrangements with local fitness facilities and health care organisations.

Alongside the sports offering, the Group locations provide numerous other opportunities for employee information, sensitisation and continuing development in the areas of work-life balance, stress and burnout, and ergonomics.

AGRANA's array of health and fitness measures was recognised in 2016|17 in the fruit preparations business as a Gold-Level Fit-Friendly Worksite by the American Heart Association.

Balancing work and family

Having joined the "Business for Family" network of the Federal Ministry for Family and Youth in spring 2016, further measures were taken in the 2016|17 financial year to enhance the compatibility of work and family.

Thus, a Group-wide framework agreement for teleworking was created. Financial assistance was agreed for the care of small children, although limited for tax reasons to employees in Austria and at the fruit preparations site in Germany. Besides the existing arrangements such as flexible working hours, the provision and majority funding of summer holiday child care at a site in Austria, and making available a company day-care centre at the headquarters in Vienna, a parent-child office was set up at the head office where parents can, for example, supervise their children's homework in the afternoon. This amenity was officially opened as part of a family day that gave AGRANA employees the opportunity to get to know AGRANA as an employer.

A similar family day with sports activities was also organised at the Sugar segment's site in Hungary. The fruit preparations plant in Altınova (near Yalova) in Turkey offered employees and family members a communal Ramadan dinner. AGRANA Fruit Polska organised a company kayak tour for staff members and their families.

[1] See definition on page 82.

Risk management
and system of internal control

The Management Board of the AGRANA Group recognises the importance of active risk management. The basic aim of risk management at AGRANA is to identify risks and opportunities as early as possible and take appropriate measures to safeguard the profitability and continued existence of the Group.

The AGRANA Group uses integrated monitoring and reporting systems that permit regular, Group-wide assessment of the risk situation. For the early identification and monitoring of risks relevant to the Group, two mutually complementary control tools are in place:

- An enterprise-wide, **operational planning and reporting system** forms the basis for the monthly reporting to the appropriate decision-makers. Under this reporting process, a separate risk report is prepared for the Group and for each business segment. Its focus is on the determination of sensitivities to changing market prices for the current and next financial year. The individual risk parameters are assessed on an ongoing basis in relation to the current budget or the current forecast, so as to be able to calculate the impacts on the profit measure "operating profit before exceptional items and results of equity-accounted joint ventures". Besides these ongoing reports, the business situation and the use of risk mitigation measures is regularly discussed by the risk managers from the business areas directly with the Management Board.

- The **strategic risk management** aims to identify material individual risks and evaluate their implications for the overall profile of risks and opportunities. Twice every year, the medium- to long-term risks in the individual business areas are analysed by a designated risk management team together with the Group's central risk management function. The process involves risk identification and risk assessment by probability of occurrence and potential magnitude of risk/opportunity, the definition of early warning indicators and the taking of countermeasures. Also, the aggregate risk position of the AGRANA Group is determined for the current financial year using a Monte Carlo simulation (which is an established standard calculation in risk management). This allows a judgement to be made as to whether a combination or accumulation of individual risks could pose a threat to the ability to continue in business as a going concern. The results are reported to the Management Board and the Audit Committee of the Supervisory Board.

Risk management representatives have been designated for the business segments of the AGRANA Group who are responsible for initiating loss-minimising measures as required, subject to Management Board approval.

The design and implementation of risk management under rule 83 of the Austrian Code of Corporate Governance is evaluated annually by the independent audit firm, which submits the findings in a final report on the viability of the Group-wide risk management. The evaluation uses the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the reference model against which to compare AGRANA's risk management.

Risk policy

AGRANA sees the responsible treatment of business opportunities and risks as an essential basis for purposeful, value-driven and sustainable business management. The Group's risk policy seeks to ensure risk-aware behaviour, sets out clearly defined responsibilities and stipulates independent risk control as well as integrated internal controls.

Throughout the Group, risks may be assumed only if they arise from the core business of the AGRANA Group and if it does not make economic sense to avoid, insure or hedge them. The policy is to minimise risks to the extent reasonably possible while achieving an appropriate balance of risks and returns. The assumption of risks outside the operating business is prohibited without exception.

AGRANA Beteiligungs-AG is responsible for the Group-wide coordination and implementation of risk management arrangements determined by the Management Board. The use of hedging instruments is permitted only to hedge operating business transactions and financing activities, not for speculative purposes. The positions in hedge contracts and their current value are regularly reported to the Management Board.

Significant risks and uncertainties

The AGRANA Group is exposed to risks both from its business operations and from its national and international operating environment. As a globally operating processor of agricultural raw materials, climatic changes and their impacts on the availability of raw materials pose risks for AGRANA. Compliance with sustainable environmental and social criteria in the upstream supply chain is also increasingly gaining significance from a risk perspective. AGRANA seeks to assure this compliance by adhering to defined criteria for the procurement of agricultural raw materials and intermediate products. With its energy-intensive production activities, particularly in the Sugar and Starch segments, AGRANA is also subject to risks from energy-related and environmental legislation in the various countries. In this context AGRANA has formulated an environmental policy; compliance with the policy is to avoid or minimise risks.

Operational risks

Procurement risks

AGRANA is dependent on the availability of sufficient amounts of agricultural raw materials of the necessary quality. Beyond a possible supply shortfall of appropriate raw materials, a risk is also posed by fluctuation in the prices of these inputs (to the extent that the difference cannot be passed through to customers). Major drivers of availability, quality and price are weather conditions in the growing regions, the competitive situation, regulatory and legal requirements, and movements in the exchange rates of relevant currencies.

In the **Sugar** segment, sugar beet and raw sugar are used as raw materials. Besides weather factors, an important determinant of sugar beet availability is how profitable it is for farmers to grow beet rather than other field crops. For the refining facilities in Bosnia and Herzegovina and Romania, the basic driver of AGRANA's profitability is how much value can be added by processing the purchased raw sugar, taking into account the market prices achievable for white sugar. Next to the risk of high raw sugar purchasing prices, another procurement risk lies in the regulations on the import of white and raw sugar into the European Union. The prices for the required raw sugar are hedged with commodity derivatives where financially appropriate. Additionally, exports of non-quota sugar (white sugar) and quota sugar contracts with industrial customers are hedged using commodity derivatives. Hedging is performed in accordance with internal policies and must be reported to the Management Board.

In the **Starch** segment, sufficient supply contracts are concluded to secure the required quantities of raw materials. When economical, the hedging can also take the form of futures contracts and over-the-counter derivatives, both of which require management approval. The volume and results of these hedges are included in the monthly reporting and are reported to AGRANA's Management Board. Thanks to the utilisation of national and international procurement markets, the availability of raw materials can largely be regarded as assured.

In bioethanol production, when prices change for the grains used as input materials, the selling price of the co-product ActiProt® generally changes in the same direction. This acts as a natural hedge by partly offsetting the grain price movements. However, there remains a residual risk that rising raw material costs cannot be fully passed on to bioethanol customers.

In the **Fruit** segment, crop failures caused by unfavourable weather and by plant diseases can adversely affect the availability and purchasing prices of raw materials. In the fruit preparations business, with its worldwide presence and its knowledge of procurement markets, AGRANA is able to anticipate regional supply bottlenecks and price volatility and take appropriate action in response. Also, where possible, one-year contracts are used both with suppliers and customers.

In the fruit juice concentrate business, the risks related to raw materials, production and sales are managed supraregionally. Both foreign-currency purchases of raw materials and sales contracts in foreign currency are hedged using derivatives. In these derivatives contracts, no short or long positions are taken that exceed the amount necessary for the purpose of hedging the underlying transaction.

The production processes, especially in the Sugar and Starch segments, are energy-intensive. AGRANA therefore continually invests in improving the energy efficiency of its manufacturing facilities and designs them for the most cost-effective use of different sources of energy. The quantities and prices of the required energy are also to some extent secured, for the short and medium term.

Product quality and safety

AGRANA sees the manufacturing and marketing of high-quality, safe products as a fundamental prerequisite for long-term economic success. The Group applies rigorous quality management that is continually refined and meets the requirements of the relevant food and beverage legislation, standards and customer specifications. The quality management covers the entire process from raw material procurement, to manufacturing, to the delivery of the finished product. The compliance with legal and other quality standards is regularly verified by internal and external audits. In addition, product liability insurance is carried to cover any remaining risks.

Market risks and competitive risks

In its worldwide operations, AGRANA is exposed to intense competition from regional and supraregional competitors. The market entry of new competitors or the addition of more production capacity by existing competitors may further intensify competition in the future.

The Group's own market position is continually monitored so that any required corrective action can be rapidly initiated. In response to demand and other factors, AGRANA frequently adjusts its capacity and cost structures in order to maintain its competitiveness in the core markets. The early detection of changes in demand patterns and consumer behaviour is based on the constant analysis of sales variances. In this context, AGRANA also monitors new technological developments and production processes in the market that, in the future, could lead to a partial backward integration on the part of customers into core businesses of individual segments of the AGRANA Group.

In the financial year, AGRANA completed a significant business acquisition in the fruit preparations activities by taking over the Argentinean firm Main Process S.A. Achieving the most rapid possible organisational integration of the acquired company represents an important challenge going forward.

An escalation of the political unrest in Eastern Europe could have a negative impact on the market environment in the Fruit segment. Currently, however, the region continues to show a stable earnings situation.

Regulatory risks

Risks from sugar market regulation

As part of the risk management process, potential scenarios and their impacts are examined and assessed from an early stage. Current developments and their implications are also reported from page 51 of this report, in the section on the Sugar segment.

Sugar regime: The expiration date of the minimum beet price and of the quotas for sugar and isoglucose is 30 September 2017. Both of these sweeteners can then be produced and sold in the EU in any quantity. The coming end of the quotas in autumn 2017 already affected the European sugar market in the prior year through greater competition. With the abolition of the quotas, a partial substitution of isoglucose for granulated sugar is also expected to occur.

The quota termination is expected to lead to higher beet sugar production, especially in prime growing regions, and to a closer correlation of European market prices with prices on the world market. The new sugar market rules also do not provide minimum prices for sugar beet. However, beet prices will continue to be negotiated between the beet producers and the beet-using industry. The reform of the sugar regime does not involve a change in the system of import duties for sugar imports from outside the EU and does not change the treatment of imports from LDC/ACP countries (Least Developed Countries and African, Caribbean and Pacific Group of States) with preferential EU agreements.

Free trade agreements: The free trade agreements currently being negotiated by the European Union could have economic impacts on AGRANA. The company is following the ongoing trade talks and analysing and evaluating the individual results.

EU renewable energy directive (2009/28/EC)
In September 2015 the EU's adoption of Directive 2015/1513 amended the EU renewable energy directive. In view of the EU target of a 40% reduction in greenhouse gas emissions by 2030 (compared to 1990 levels), the rules for the share of biofuels were modified.

In November 2016 the European Commission presented a new proposal that calls for a renewable energy share of at least 27% within the EU, but does not set a specific target for the transport sector. The proposal includes a reduction of biofuels from agricultural raw materials ("first-generation", i.e. conventional, biofuels). Beginning in 2021, it would lower their share from 7% to a maximum of 3.8% in 2030. Conversely, the use of ethanol produced from straw, wood and waste ("second-generation") is to be increased incrementally from 1.5% in 2021 to 3% by 2030. As the reason for this proposal, the Commission cites moderate climate effects of first-generation biofuels. In its strategy the Commission completely disregards the fact that the European bioethanol industry, thanks to steady optimisation, now saves 70% of greenhouse gas emissions relative to petrol. The Commission also does not take into consideration the biofuel advantages of a reduction in particle emissions, of the production of GMO-free protein feed and capture of fermentation-derived carbon dioxide as by-products, or of the utilisation of surplus grain as a raw material. Moreover, the technology for producing second-generation ethanol is currently not competitive and will not be available on a commercial scale for the foreseeable future.

AGRANA is following current developments and advocating at the national and European level for a growing share of renewable fuels.

Legal risks

AGRANA continually monitors changes in the legal setting relevant to its businesses or to their employees that could lead to a risk situation, and takes risk management actions as necessary. Areas of law to which particular attention is paid are antitrust, food and environmental legislation, as well as data protection, anti-money laundering and anti-terrorism finance provisions. AGRANA maintains dedicated staff positions for matters of compliance, employment law and general areas of law.

There are currently no pending or threatened civil actions against companies of the AGRANA Group that could have a material impact on the Group's financial position, results of operations and cash flows.

As noted in previous annual reports, the Austrian Federal Competition Authority in 2010 sought a fine under an antitrust case for alleged competition-restricting arrangements with respect to Austria filed against AGRANA Zucker GmbH, Vienna, and Südzucker AG, Mannheim, Germany. To date the Cartel Court has not ruled on the case. AGRANA continues to regard the allegation as unfounded and the fine sought as unwarranted.

Financial risks

AGRANA is subject to risks from movements in exchange rates, interest rates and product prices. There are also risks related to obtaining the financing required by the Group from financial institutions and/or the capital market. The financing management of the Group is largely provided centrally by the Treasury department, which regularly reports to the Management Board on the movement in and structure of the Group's net debt, on financial risks and the amount and results of the hedging positions taken.

The AGRANA Group operates worldwide and must observe different tax regimes, levy requirements and currency regulations. Changes in provisions of various legislators and their interpretation by local authorities can have an effect on the financial results of individual Group companies.

Interest rate risks

Interest rate risks arise from fluctuation in the value of fixed interest financial instruments as a result of changes in market interest rates; this is referred to as interest rate price risk. By contrast, floating rate investments or borrowings are subject to minimal price risk, as their interest rate is adjusted to market rates very frequently. However, the fluctuation in market interest rates entails risk as to the amounts of future interest payments; this is referred to as interest rate cash flow risk. AGRANA strives to employ interest rate hedging instruments that match the amount and maturity of debt financing. In accordance with IFRS 7, the existing interest rate risks are determined by calculating Cash-Flow-at-Risk and the modified duration and are presented in detail in the notes to the consolidated financial statements.

Currency risks

Currency risks arise mainly from the purchase and sale of goods in foreign currencies and from financing in non-local currencies. For AGRANA, the principal relevant exchange rates are those between the euro and the US dollar, Hungarian forint, Polish zloty, Romanian leu, Ukrainian hryvnia, Russian ruble, Brazilian real, Mexican peso and Chinese yuan.

As part of its currency management, AGRANA, on a monthly basis for each Group company, determines the net foreign currency exposure arising from the purchasing, sales and cash and cash equivalent positions, including the hedging positions held. Open purchasing and sales contracts in foreign currencies that have not yet been settled are also taken into account. For hedging currency risks, AGRANA primarily employs forward foreign exchange contracts (also known as currency forwards). Through these, the value of cash flows denominated in foreign currencies is protected against exchange rate movements. In countries with volatile currencies, these risks are further reduced through the shortening of credit periods, indexing of selling prices to the euro or US dollar, and similar methods of risk mitigation.

Currency risk is determined using the Value-at-Risk approach and presented in the notes to the consolidated financial statements.

Liquidity risks

Liquidity risks at single-company or country level are detected early through the standardised reporting, thus allowing timely mitigative action to be taken as appropriate. The liquidity of the AGRANA Group is sufficiently assured for the long term through bilateral and syndicated credit lines.

Risks of default on receivables

Risks of default on receivables are mitigated by trade credit insurance, strict credit limits, and the ongoing monitoring of customers' credit quality. The residual risk is covered by raising appropriate amounts of provisions.

Aggregate risk

The Group's aggregate risk exposure was marked by continuing high volatility in selling prices and raw material purchasing prices, and, on balance, remained the same as in the prior year. There are currently no discernible risks to the AGRANA Group's ability to continue in business.

System of internal control and of risk management[1]

The Management Board of AGRANA is responsible for the establishment and design of an internal control system and risk management system in respect of both the accounting process and of compliance with the relevant legal requirements.

The internal control system, standardised Group-wide accounting rules and the International Financial Reporting Standards (IFRS) assure both the uniformity of accounting and the reliability of the financial reporting and externally published financial statements.

Most Group companies use SAP as the primary ERP[2] system. All AGRANA companies send the data from their separate financial statements to the central SAP consolidation module. This ensures that the reporting system operates on the basis of uniform data. The consolidated financial statements are prepared by the Group Accounting department. The department is responsible for ensuring the correct and complete transfer of financial data from Group companies, for carrying out the financial statement consolidation, performing analytical processing of the data and preparing financial reports. On a monthly basis, the Controlling and Group Accounting departments validate and assure the congruence of the internal and external reporting.

The primary control tool for AGRANA's management is the enterprise-wide, uniform planning and reporting system. The system comprises a medium-term plan with a planning horizon of five years, budget planning for the next financial year, monthly reporting including a separate monthly risk report, and, three times per year, a projection for the current financial year that incorporates the significant financial developments. In the event of material changes in the planning assumptions, this system is supplemented with ad-hoc forecasts.

The monthly financial reporting produced by Controlling portrays the performance of all Group companies. The contents of this report are standardised across the Group and include detailed sales data, the balance sheet, income statement and the financials derived from them, as well as an analysis of significant variances. This monthly report also includes a dedicated risk report both for each business segment and the whole AGRANA Group, calculating the risk potential for the current and next financial year for the key profitability factors, based on the assumption of current market prices for not yet contractually secured volumes versus budgeted prices.

A Group-wide risk management system (see "Risk management" section, from page 84) at both the operational and strategic level in which all sources and types of risk relevant to AGRANA – such as the regulatory and legal environment, raw material procurement, competitive and market risks, and financing – are analysed for risks and opportunities, enables the management to identify changes in the Group's environment at an early stage and to take timely corrective action as required.

Internal Audit monitors all operational and business processes in the Group for compliance with legal provisions and internal policies and procedures, and for the effectiveness of risk management and the systems of internal control. The unit's audit activities are guided by a Management-Board-approved annual audit plan that is based on a Group-wide risk assessment. When requested by the Management Board, Internal Audit also performs ad-hoc audits focusing on current and future risks. The audit findings are regularly reported to AGRANA's Management Board and the respective managers responsible as well as the Supervisory Board (represented by the Audit Committee). The implementation of the actions proposed by Internal Audit is assured by follow-up verifications.

As part of the audit of the financial statements, the external independent auditor annually evaluates the internal control system of the accounting process and of the information technology systems. The audit findings are reported to the Audit Committee of the Supervisory Board.

[1] Disclosures under section 243a (2) Austrian Commercial Code.
[2] Enterprise resource planning.

Capital, shares, voting rights and rights of control[1]

The share capital of AGRANA Beteiligungs-AG at the balance sheet date of 28 February 2017 was € 113.5 million (29 February 2016: € 103.2 million), divided into 15,622,244 voting ordinary no-par value bearer shares (29 February 2016: 14,202,040 such shares). There are no other classes of shares.

Z&S Zucker und Stärke Holding AG ("Z&S"), based in Vienna, is the majority shareholder, directly holding 78.34% of the share capital of AGRANA Beteiligungs-AG. Z&S is a wholly-owned subsidiary of AGRANA Zucker, Stärke und Frucht Holding AG, Vienna. In this latter company, Zucker-Beteiligungsgesellschaft m.b.H. ("ZBG"), Vienna, in turn holds 50% less one share (that share being held by AGRANA Zucker GmbH, a subsidiary of AGRANA Beteiligungs-AG) and Südzucker AG ("Südzucker"), Mannheim, Germany, holds the other 50%. The following five Vienna-based entities are shareholders of ZBG: "ALMARA" Holding GmbH (a subsidiary of 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. Under a syndicate agreement between Südzucker and ZBG, the voting rights of the syndicate partners are combined in Z&S, there are restrictions on the transfer of shares, and the partners in the syndicate have certain mutual rights to appoint members of each other's management board and supervisory board. Thus, Johann Marihart has been nominated by ZBG and appointed as a member of the management board of Südzucker AG, and Thomas Kölbl has been nominated by Südzucker and appointed as a member of the management board of AGRANA Beteiligungs-AG.

By a resolution of the Annual General Meeting on 3 July 2015, the Management Board was authorised pursuant to section 169 Austrian Stock Corporation Act, for a period of five years from the entry of the corresponding amendment to the Articles of Association in the commercial register (which entry was made on 4 September 2015), to increase the share capital, subject to the agreement of the Supervisory Board, by up to € 15,261,295.18 by issuing up to 2,100,000 new ordinary bearer shares of the Company against payment in cash or contributions in kind, in one or more tranches, and to determine, in agreement with the Supervisory Board, the issue amount (which shall not be less than the proportionate amount of the share capital), the terms of the issue and the other details of the implementation of the capital increase.

In the period from 31 January to 17 February 2017, by means of a cash increase in its share capital, AGRANA issued a total of 1,420,204 new shares in two tranches, including through a rights offering. The new AGRANA shares are entitled to dividends from the 2016|17 financial year. More details of the transaction are provided in the section "AGRANA in the capital market" (pages 32 and 34). Through the placement of 500,000 existing AGRANA shares from the direct shareholding of Südzucker and as a result of the waiving by Z&S and Südzucker of their subscription rights, AGRANA's free float was increased from 7.3% to 18.9%.

By a resolution of the Annual General Meeting on 3 July 2015, the Management Board was also authorised under section 65 (1) 8 and (1a) and (1b) Austrian Stock Corporation Act, for a period of 30 months from the date of the resolution, to buy back the Company's own shares to the extent of up to 10% of the share capital of the Company, to utilise this limit of 10% repeatedly, and to acquire the shares both on the stock exchange and over the counter, subject to the agreement of the Supervisory Board, and with or without the exclusion of the shareholders' proportional right to sell.

There are no shareholders with special rights of control. Employees who are also shareholders of AGRANA Beteiligungs-AG exercise their voting rights individually. The Management Board does not have powers to issue or repurchase shares except to the extent provided by law.

The agreements for the Schuldscheindarlehen (bonded loan) and credit lines (syndicated loans) contain change of control clauses that grant the lenders an extraordinary right to call the loans.

With this exception, there are no significant agreements that take effect, change materially, or end, in the case of a change of control resulting from a takeover offer. No compensation agreements in the event of a public tender offer exist between the Company and its Management Board, Supervisory Board or other staff.

[1] Disclosures under section 243a (1) Austrian Commercial Code.

Outlook

With its diversified business model and sound balance sheet, AGRANA regards itself as well positioned and is optimistic for the 2017|18 financial year.

AGRANA Group		**2016|17 Actual**	**2017|18 Forecast**	
Revenue	€m	2,561.3	Moderate increase	↑
Operating profit (EBIT)[1]	€m	172.4	Moderate increase	↑
Investment[2]	€m	114.7	130	

AGRANA currently expects both Group **revenue** and **operating profit (EBIT)** to increase moderately for the 2017|18 financial year.

Total **investment** across the three business segments in the financial year, at approximately € 130 million, will significantly exceed the budgeted depreciation of about € 96 million.

Sugar segment		**2016|17 Actual**	**2017|18 Forecast**	
Revenue	€m	671.9	Steady	→
Operating profit (EBIT)[1]	€m	24.4	Significant increase	↑↑
Investment[2]	€m	23.3	32	

In the **Sugar segment**, in anticipation of stable sales volumes, AGRANA expects revenue to be in line with the previous year. Improved margins and the cost reduction programme initiated in summer 2015 augur a significant increase in EBIT in 2017|18 compared to the year before.

The capital expenditures planned for the Sugar segment amount to approximately € 32 million. Besides asset replacement and maintenance investment, the spending will target especially measures to improve product quality and energy efficiency.

Starch segment		**2016|17 Actual**	**2017|18 Forecast**	
Revenue	€m	733.9	Slight increase	↗
Operating profit (EBIT)[1]	€m	76.2	Moderate reduction	↓
Investment[2]	€m	57.6	49	

In the **Starch segment**, AGRANA's projection for the 2017|18 financial year calls for slightly rising sales volumes and revenue. Start-up costs in connection with the commissioning of the plant expansion in Aschach, Austria, a conservative margin projection as a result of elevated price volatility for bioethanol, and the expectation of stable earnings in the rest of the product portfolio are predicted to lead to a moderate decrease in EBIT.

Investment of approximately € 49 million is budgeted for the Starch segment. The capital expenditures will be used to complete the capacity expansion in Aschach, and for continuing investment in product segments with a high refining intensity in order to exploit growth opportunities in high-margin areas.

Fruit segment		**2016|17 Actual**	**2017|18 Forecast**	
Revenue	€m	1,155.5	Moderate increase	↑
Operating profit (EBIT)[1]	€m	71.8	Significant increase	↑↑
Investment[2]	€m	33.8	49	

In the **Fruit segment**, AGRANA expects the 2017|18 financial year to bring moderate growth in revenue and a significant improvement in EBIT.

[1] Operating profit (EBIT) is after exceptional items and results of equity-accounted joint ventures.
[2] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.

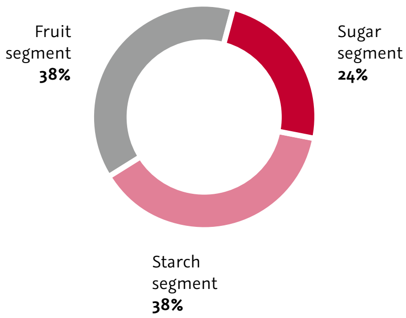
For the fruit preparations business a positive revenue trend is predicted, driven by rising sales volumes. Helped by the expected earnings contribution of the company in Argentina acquired in the fourth quarter of 2016|17, and with expected stable raw material prices, EBIT in the fruit preparations activities is forecast to increase significantly compared to the 2016|17 financial year.

In the fruit juice concentrate business, revenue is predicted to rise moderately in the new financial year. Given stable raw material prices, EBIT is also expected to increase moderately year-on-year.

The capital investment budgeted in the Fruit segment is approximately € 49 million. In the fruit preparations business, high priorities for investment are capacity increases and plant modernisation (such as in Asia); the focus in the fruit juice concentrate operations is on asset replacement and maintenance investment, product optimisation and the continual improvement of product quality.

Planned share of Group investment by segment in 2017|18

(Total: approx. € 130 million)



Sustainability outlook for 2017|18

Ensuring and documenting sustainable business practices is increasingly a sourcing criterion for AGRANA's customers, particularly in the food and beverage industry. In 2017|18 and the years to come, AGRANA will therefore continue its intensive work on the further integration of sustainability into the core business activities. To guide this process, the Group as early as 2014|15 set goals and targets for further improving environmental and social performance in its own production facilities and for its employees, and added further objectives in 2015|16, particularly regarding sustainability in its supply chain. The performance against these objectives will continue to be progressively reported in the sustainability information integrated in each annual report.

Consolidated financial statements 2016|17

Consolidated income statement
for the year ended 28 February 2017

Note	€000	2016|17	2015|16
(1)	Revenue	2,561,296	2,477,647
(2)	Changes in inventories of finished and unfinished goods	51,035	25,183
(2)	Own work capitalised	1,320	1,523
(3)	Other operating income	36,835	44,087
(4)	Cost of materials	(1,828,660)	(1,783,723)
(5)	Staff costs	(288,711)	(285,696)
(6)	Depreciation, amortisation and impairment losses	(84,397)	(85,381)
(7)	Other operating expenses	(306,940)	(289,208)
(8)	Share of results of equity-accounted joint ventures	30,589	24,523
(9)	**Operating profit [EBIT]**	**172,367**	**128,955**
(10)	Finance income	31,081	43,789
(11)	Finance expense	(48,960)	(68,308)
	Net financial items	**(17,879)**	**(24,519)**
	Profit before tax	**154,488**	**104,436**
(12)	Income tax expense	(36,633)	(23,508)
	Profit for the period	**117,855**	**80,928**
	Attributable to shareholders of the parent	111,315	82,723
	Attributable to non-controlling interests	6,540	(1,795)
(13)	Earnings per share under IFRS (basic and diluted)	€ 7.78	€ 5.78[1]
(13)	Earnings per share based on the number of shares at the balance sheet date	€ 7.13	€ 5.82

[1] The prior-year data were restated under IAS 33.64. Further information is provided on page 131.

Consolidated statement of comprehensive income

for the year ended 28 February 2017

€000	2016|17	2015|16
Profit for the period	**117,855**	**80,928**
Other comprehensive income/(expense):		
Currency translation differences	11,483	(14,655)
Available-for-sale financial assets (IAS 39) after deferred taxes	106	(1,163)
Cash flow hedges (IAS 39) after deferred taxes	939	(2,515)
Effects from equity-accounted joint ventures	753	(2,103)
Income/(expense) to be recognised in the income statement in the future	13,281	(20,436)
Change in actuarial gains and losses on defined benefit pension obligations and similar liabilities (IAS 19) after deferred taxes	(3,072)	2,820
Effects from equity-accounted joint ventures	(3)	3
(Expense)/income that will not be recognised in the income statement in the future	(3,075)	2,823
Other comprehensive income/(expense)	**10,206**	**(17,613)**
Total comprehensive income for the period	**128,061**	**63,315**
Attributable to shareholders of the parent	122,807	66,868
Attributable to non-controlling interests	5,254	(3,554)

Consolidated cash flow statement

for the year ended 28 February 2017

Note	€000	2016|17	2015|16
	Profit for the period	117,855	80,928
	Depreciation, amortisation and impairment of non-current assets	84,402	86,211
	Reversal of impairment losses on non-current assets	(5)	(821)
	Losses on disposal of non-current assets	887	1,075
	Changes in non-current provisions	(1,951)	3,106
	Share of results of equity-accounted joint ventures	(30,589)	(24,523)
	Dividends received from equity-accounted joint ventures	24,500	33,000
	Dividends received from non-consolidated subsidiaries	524	763
	Other non-cash expenses and income	62,397	46,175
	Operating cash flow before changes in working capital	**258,020**	**225,914**
	Changes in inventories	(36,236)	(42,107)
	Changes in receivables and current assets	11,561	(712)
	Changes in current provisions	6,131	(14,583)
	Changes in payables (excluding borrowings)	50,324	(16,289)
	Changes in working capital	**31,780**	**(73,691)**
	Interest received	4,525	7,684
	Interest paid	(13,195)	(16,687)
	Tax paid	(25,345)	(41,307)
(14)	**Net cash from operating activities**	**255,785**	**101,913**
	Dividends received	40	10
	Proceeds from disposal of non-current assets	1,155	3,103
	Purchases of property, plant and equipment and intangible assets, net of government grants	(123,418)	(107,720)
	Proceeds from disposal of securities	1	1
	Proceeds from disposal of participation capital	0	85,000
	Purchases of non-current financial assets	(3,841)	(318)
	Purchases of businesses	(45,467)	0
(15)	**Net cash (used in) investing activities**	**(171,530)**	**(19,924)**
	Proceeds from issue of shares (i.e., capital increase)	139,719	0
	Proceeds from/(repayment of) current borrowings from affiliated companies in the Südzucker group	85,000	(85,000)
	Outflows from bank overdrafts and cash advances	(158,111)	(21,098)
	Purchase of non-controlling interest	0	(2,558)
	Dividends paid	(57,278)	(54,957)
(16)	**Net cash from/(used in) financing activities**	**9,330**	**(163,613)**
	Net increase/(decrease) in cash and cash equivalents	**93,585**	**(81,624)**
	Effect of movements in foreign exchange rates on cash and cash equivalents	230	(2,819)
	Valuation-related other changes in cash and cash equivalents	(4,761)	0
	Cash and cash equivalents at beginning of period	109,375	193,818
	Cash and cash equivalents at end of period	**198,429**	**109,375**

Consolidated balance sheet

at 28 February 2017

Note	€000	28 Feb 2017	29 Feb 2016
	ASSETS		
	A. Non-current assets		
(17)	Intangible assets	282,319	241,961
(18)	Property, plant and equipment	738,907	679,592
(19)	Equity-accounted joint ventures	72,745	60,906
(19)	Securities	18,826	18,622
(19)	Investments in non-consolidated subsidiaries and outside companies	1,051	1,091
(20)	Receivables and other assets	7,115	10,602
(21)	Deferred tax assets	14,334	14,873
		1,135,297	**1,027,647**
	B. Current assets		
(22)	Inventories	696,032	654,172
(20)	Trade receivables and other assets	442,611	439,521
	Current tax assets	9,024	10,774
	Securities	43	45
	Cash and cash equivalents	198,429	109,375
		1,346,139	**1,213,887**
(23)	**C. Non-current assets held for sale**	**0**	**1,631**
	Total assets	**2,481,436**	**2,243,165**
	EQUITY AND LIABILITIES		
(24)	**A. Equity**		
	Share capital	113,531	103,210
	Share premium and other capital reserves	540,760	411,362
	Retained earnings	695,375	629,709
	Equity attributable to shareholders of the parent	**1,349,666**	**1,144,281**
	Non-controlling interests	62,222	55,843
		1,411,888	**1,200,124**
	B. Non-current liabilities		
(25a)	Retirement and termination benefit obligations	68,929	67,146
(25b)	Other provisions	19,898	19,999
(26)	Borrowings	180,495	286,028
(27)	Other payables	14,211	1,024
(28)	Deferred tax liabilities	13,102	4,481
		296,635	**378,678**
	C. Current liabilities		
(25b)	Other provisions	43,454	28,426
(26)	Borrowings	276,681	247,820
(27)	Trade and other payables	430,009	375,058
	Tax liabilities	22,769	13,059
		772,913	**664,363**
	Total equity and liabilities	**2,481,436**	**2,243,165**

Consolidated statement of changes in equity
for the year ended 28 February 2017

€000	Attributable to the shareholders					
			Retained			
	Share capital	Share premium and other capital reserves	Available-for-sale reserve	Cash flow hedge reserve	Reserve for actuarial gains and losses	Effects from equity-accounted joint ventures
2016|17						
At 1 March 2016	**103,210**	**411,362**	**3,131**	**(2,300)**	**(27,170)**	**(25,877)**
Fair value movements under IAS 39	0	0	131	1,252	0	0
Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities	0	0	0	0	(3,562)	(3)
Tax effects	0	0	(25)	(313)	521	1
Currency translation gain	0	0	0	0	0	749
Other comprehensive income/(expense) for the period	**0**	**0**	**106**	**939**	**(3,041)**	**747**
Profit for the period	0	0	0	0	0	0
Total comprehensive income/(expense) for the period	**0**	**0**	**106**	**939**	**(3,041)**	**747**
Capital increase	10,321	129,398	0	0	0	0
Dividends paid	0	0	0	0	0	0
Transfer to reserves	0	0	0	0	0	0
Additional contributions by other shareholders	0	0	0	0	0	0
Changes in equity interests and in scope of consolidation	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
At 28 February 2017	**113,531**	**540,760**	**3,237**	**(1,361)**	**(30,211)**	**(25,130)**
						695,375
2015|16						
At 1 March 2015	**103,210**	**411,362**	**4,294**	**215**	**(29,945)**	**(23,775)**
Fair value movements under IAS 39	0	0	(1,529)	(3,353)	0	0
Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities	0	0	0	0	3,161	3
Tax effects	0	0	366	838	(386)	(1)
Currency translation loss	0	0	0	0	0	(2,104)
Other comprehensive (expense)/income for the period	**0**	**0**	**(1,163)**	**(2,515)**	**2,775**	**(2,102)**
Profit for the period	0	0	0	0	0	0
Total comprehensive (expense)/income for the period	**0**	**0**	**(1,163)**	**(2,515)**	**2,775**	**(2,102)**
Dividends paid	0	0	0	0	0	0
Transfer to reserves	0	0	0	0	0	0
Changes in equity interests and in scope of consolidation	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
At 29 February 2016	**103,210**	**411,362**	**3,131**	**(2,300)**	**(27,170)**	**(25,877)**
						629,709

of AGRANA Beteiligungs-AG					
earnings					
Other retained earnings	Currency translation reserve	Profit for the period	Equity attributable to share-holders of the parent	Non-controlling interests	Total
680,032	**(80,830)**	**82,723**	**1,144,281**	**55,843**	**1,200,124**
0	0	0	1,383	0	1,383
0	0	0	(3,565)	(42)	(3,607)
0	0	0	184	10	194
0	12,741	0	13,490	(1,254)	12,236
0	**12,741**	**0**	**11,492**	**(1,286)**	**10,206**
0	0	111,315	111,315	6,540	117,855
0	**12,741**	**111,315**	**122,807**	**5,254**	**128,061**
0	0	0	139,719	0	139,719
0	0	(56,808)	(56,808)	(470)	(57,278)
25,915	0	(25,915)	0	0	0
0	0	0	0	1,250	1,250
(327)	0	0	(327)	327	0
(6)	0	0	(6)	18	12
705,615	**(68,089)**	**111,314**	**1,349,666**	**62,222**	**1,411,888**
650,983	**(67,981)**	**80,896**	**1,129,259**	**65,161**	**1,194,420**
0	0	0	(4,882)	0	(4,882)
0	0	0	3,164	61	3,225
0	0	0	817	(15)	802
0	(12,849)	0	(14,953)	(1,805)	(16,758)
0	**(12,849)**	**0**	**(15,854)**	**(1,759)**	**(17,613)**
0	0	82,723	82,723	(1,795)	80,928
0	**(12,849)**	**82,723**	**66,869**	**(3,554)**	**63,315**
0	0	(51,127)	(51,127)	(3,830)	(54,957)
29,769	0	(29,769)	0	0	0
(724)	0	0	(724)	(1,934)	(2,658)
4	0	0	4	0	4
680,032	**(80,830)**	**82,723**	**1,144,281**	**55,843**	**1,200,124**

Notes to the consolidated financial statements

AGRANA Beteiligungs-AG ("the Company") is the parent company of the AGRANA Group and has its registered office at Friedrich-Wilhelm-Raiffeisen-Platz 1, 1020 Vienna, Austria. The Company together with its subsidiaries constitutes an international group engaged mainly in the worldwide industrial processing of agricultural raw materials.

The consolidated financial statements of the AGRANA Group for 2016|17 were prepared in accordance with International Financial Reporting Standards (IFRS) in effect at the balance sheet date and with International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the European Union, as well as with the additional requirements of section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch, or UGB).

1. Segment information

The segment reporting, which conforms with International Financial Reporting Standard (IFRS) 8, distinguishes between three business segments – Sugar, Starch and Fruit – and thus follows the AGRANA Group's internal reporting structure.

The AGRANA Group has the three reportable segments Sugar, Starch and Fruit, which correspond to its strategic businesses. The segments differ in terms of their product portfolios, production technologies, raw material procurement, and sales strategies, and are managed separately. AGRANA Beteiligungs-Aktiengesellschaft ("AGRANA Beteiligungs-AG"), the Group's holding company, is considered part of the Sugar segment.

The internal reporting for each segment is provided monthly to the Group's chief operating decisionmaker (the CODM). The CODM is the Management Board of AGRANA Beteiligungs-AG. Information on the results of the reportable segments is found in the overviews below. Segment profitability is evaluated primarily on the basis of "operating profit before exceptional items and results of equity-accounted joint ventures", which is a key performance indicator in every internal management report.

1.1. Segmentation by business activity

€000	Sugar	Starch	Fruit	Consoli-dation	Group
2016|17					
Total revenue	748,151	744,194	1,156,035	(87,084)	2,561,296
Inter-segment revenue	(76,230)	(10,272)	(582)	87,084	0
Revenue	**671,921**	**733,922**	**1,155,453**	**0**	**2,561,296**
EBITDA	55,188	70,072	109,952	0	235,212
Depreciation, amortisation and impairment of property, plant and equipment and intangibles[1]	(24,205)	(21,997)	(38,195)	0	(84,397)
Operating profit before exceptional items and results of equity-accounted joint ventures	**30,983**	**48,075**	**71,757**	**0**	**150,815**
Exceptional items	(9,037)	0	0	0	(9,037)
Share of results of equity-accounted joint ventures	2,442	28,147	0	0	30,589
Operating profit [EBIT]	**24,388**	**76,222**	**71,757**	**0**	**172,367**
Segment assets	1,810,662	500,324	1,172,856	(1,002,406)	2,481,436
Segment equity	1,049,842	351,922	361,766	(351,642)	1,411,888
Segment liabilities	760,820	148,402	811,090	(650,764)	1,069,548
Purchases of property, plant and equipment and intangibles[1]	23,259	57,577	33,822	0	114,658
Purchases of non-current financial assets	5,000	0	91	0	5,091
Total capital expenditure	28,259	57,577	33,913	0	119,749
Carrying amount of equity-accounted joint ventures	12,758	59,987	0	0	72,745
Number of employees (average full-time equivalents)	2,107	893	5,638	0	8,638

[1] Excluding goodwill.

€000	Sugar	Starch	Fruit	Consoli-dation	Group
2015|16					
Total revenue	739,912	728,730	1,084,085	(75,080)	2,477,647
Inter-segment revenue	(67,268)	(7,164)	(648)	75,080	0
Revenue	**672,644**	**721,566**	**1,083,437**	**0**	**2,477,647**
EBITDA	25,397	64,884	101,676	0	191,957
Depreciation, amortisation and impairment of property, plant and equipment and intangibles[1]	(22,633)	(22,038)	(39,800)	0	(84,471)
Operating profit before exceptional items and results of equity-accounted joint ventures	**2,764**	**42,846**	**61,876**	**0**	**107,486**
Exceptional items	0	0	(3,054)	0	(3,054)
Share of results of equity-accounted joint ventures	1,542	22,981	0	0	24,523
Operating profit [EBIT]	**4,306**	**65,827**	**58,822**	**0**	**128,955**
Segment assets	1,619,559	474,811	1,094,648	(945,853)	2,243,165
Segment equity	906,208	318,089	312,633	(336,806)	1,200,124
Segment liabilities	713,351	156,722	782,015	(609,047)	1,043,041
Purchases of property, plant and equipment and intangibles[1]	46,102	28,151	41,730	0	115,983
Purchases of non-current financial assets	0	10	308	0	318
Total capital expenditure	46,102	28,161	42,038	0	116,301
Carrying amount of equity-accounted joint ventures	5,303	55,603	0	0	60,906
Number of employees (average full-time equivalents)	2,185	870	5,455	0	8,510

The revenue and asset data represent consolidated amounts. Intersegment charges for products and services are based on comparable market prices.

Exceptional items consisted of expenses for tax liabilities in connection with a tax audit in Romania, a provision for a legal dispute in Romania, and income arising from the settlement of a real estate lawsuit in the Czech Republic.

The items “segment assets” and “segment liabilities” match the allocation used in internal reporting. The intersegment consolidation consisted of liability and dividend consolidation of € 650,764 thousand (prior year: € 609,047 thousand) and capital consolidation of € 351,642 thousand (prior year: € 336,806 thousand).

1.2. Segmentation by region

Companies are assigned to geographic segments based on the location of their registered office.

Revenue €000	**2016|17**	**2015|16**
Austria	1,294,680	1,248,869
Hungary	94,964	89,218
Romania	169,024	178,510
Rest of EU	425,858	412,566
EU-28	1,984,526	1,929,163
Rest of Europe (Bosnia and Herzegovina, Russia, Serbia, Turkey, Ukraine)	96,730	90,496
Other foreign countries	480,040	457,988
Total	**2,561,296**	**2,477,647**

[1] Excluding goodwill.

The revenue generated by the Eastern European companies was € 543,833 thousand (prior year: € 539,571 thousand), or about 21.2% (prior year: 21.8%) of total revenue. The countries defined as Eastern Europe are Bosnia and Herzegovina, Bulgaria, Czech Republic, Hungary, Poland, Romania, Russia, Serbia, Slovakia, Turkey and Ukraine.

Purchases of property, plant and equipment and intangibles[1] €000	**2016|17**	**2015|16**
Austria	74,917	65,630
Hungary	4,846	12,650
Romania	3,487	3,577
Rest of EU	15,027	15,987
EU-28	98,277	97,844
Rest of Europe (Bosnia and Herzegovina, Russia, Serbia, Turkey, Ukraine)	3,282	2,751
Other foreign countries	13,099	15,388
Total	**114,658**	**115,983**

Carrying amount of property, plant and equipment and intangible assets[1] €000	**2016|17**	**2015|16**
Austria	378,983	344,563
Hungary	67,824	68,806
Romania	38,254	39,009
Rest of EU	110,094	113,090
EU-28	595,155	565,468
Rest of Europe (Bosnia and Herzegovina, Russia, Serbia, Turkey, Ukraine)	22,597	17,831
Other foreign countries	142,500	112,052
Total	**760,252**	**695,351**

2. Basis of preparation

Amounts in the consolidated financial statements are presented in thousands of euros (€000) unless otherwise indicated. As a result of automated calculation, rounding errors may occur in totals of rounded amounts and percentages.

Standard / Interpretation		**Issued by the IASB**	**Expected to be effective for AGRANA from financial year**	**Adopted by the EU**
IAS 7	Statement of Cash Flows (Amended)	29 Jan 2016	2017|18	Not to date
IAS 12	Income Taxes (Amended)	19 Jan 2016	2017|18	Not to date
IAS 28 (2011)	Investments in Associates and Joint Ventures (Amended)	11 Sep 2014	Postponed indefinitely	Not to date
IAS 40	Investment Property (Amended)	8 Dec 2016	2018|19	Not to date
IFRS 2	Share-based Payment (Amended)	20 Jun 2016	2018|19	Not to date

[1] Excluding goodwill.

In the presentation of the income statement, the nature of expense method was used. The separate financial statements of the fully consolidated companies represented in the consolidated financial statements are based on uniform accounting policies.

All IFRS issued by the International Accounting Standards Board (IASB) that were effective at the time of preparation of these consolidated financial statements and applied by AGRANA Beteiligungs-AG have been adopted by the European Commission for application in the EU.

In the 2016|17 financial year, the following standards became effective (i.e., their application became mandatory) for the first time. The changes had no material impacts on the presentation of AGRANA's financial position, results of operations and cash flows.

Standard / Interpretation		**Issued by the IASB**	**Adopted by the EU**
IAS 1	Presentation of Financial Statements (Amended)	18 Dec 2014	18 Dec 2015
IAS 16	Property, Plant and Equipment (Amended)	12 May 2014 and 30 Jun 2014	23 Nov 2015 and 2 Dec 2015
IAS 27 (2011)	Separate Financial Statements (Amended)	12 Aug 2014	18 Dec 2015
IAS 28 (2011)	Investments in Associates and Joint Ventures (Amended)	18 Dec 2014	22 Sep 2016
IAS 38	Intangible Assets (Amended)	12 May 2014	2 Dec 2015
IAS 41	Agriculture (Amended)	30 Jun 2014	23 Nov 2015
IFRS 10	Consolidated Financial Statements (Amended)	18 Dec 2014	22 Sep 2016
IFRS 11	Joint Arrangements (Amended)	6 May 2014	24 Nov 2015
IFRS 12	Disclosure of Interests in Other Entities (Amended)	18 Dec 2014	22 Sep 2016
Various	Annual Improvements to IFRSs 2012–2014 Cycle	25 Sep 2014	15 Dec 2015

The following standards and interpretations will become effective from the 2017|18 financial year or later. For those standards not yet adopted by the EU, the effective year for AGRANA given in the table represents the expected time of adoption. AGRANA has not early-adopted any of the new or changed standards and interpretations cited below. The information provided on the content of the standards depends on whether and to what extent they are relevant to AGRANA. Where accounting rules becoming effective in subsequent periods do not apply to AGRANA's situation, no information on their content is given.

Content and expected impacts on AGRANA
The intent of the amendment is to expand disclosures of the components of changes in liabilities arising from financing activities, as through a reconciliation.
The amendment is not relevant to AGRANA.
No impacts on the presentation of the financial position, results of operations and cash flows are expected.
The amendment is not relevant to AGRANA.
The amendment is not relevant to AGRANA.

Standard / Interpretation		Issued by the IASB	Expected to be effective for AGRANA from financial year	Adopted by the EU
IFRS 4	Insurance Contracts (Amended)	12 Sep 2016	2018|19	Not to date
IFRS 9 (2014)	Financial Instruments	24 Jul 2014	2018|19	22 Nov 2016
IFRS 10	Consolidated Financial Statements (Amended)	11 Sep 2014	Postponed indefinitely	Not to date
IFRS 14	Regulatory Deferral Accounts	30 Jan 2014	Postponed indefinitely	Not to date
IFRS 15	Revenue from Contracts with Customers	28 May 2014	2018|19	22 Sep 2016
IFRS 16	Leases	13 Jan 2016	2019{20	Not to date
Various	Annual Improvements to IFRSs 2014–2016 Cycle	8 Dec 2016	2017|18 and 2018|19	Not to date
IFRIC 22	Foreign Currency Transactions and Advance Consideration	8 Dec 2016	2018|19	Not to date

Content and expected impacts on AGRANA
The amendment is not relevant to AGRANA.
Based on an analysis of IFRS 9, AGRANA believes that its first-time application will probably not have material impacts on the financial statements. The new rules for classifying financial assets according to the business model within which they are managed will in some cases lead to changes in measurement and presentation. As a result of the new rules on impairment, in the future, expected losses will in some cases be recognised as expenses sooner. In hedge accounting, in the future, more components can in some cases be included in the risk hedged, which will then slightly increase the level of hedge effectiveness.
No impacts on the presentation of the financial position, results of operations and cash flows are expected.
The standard is not relevant to AGRANA. The European Commission has decided not to launch the endorsement process of this interim standard but to wait for the final standard.
IFRS 15 establishes the principles that an entity shall apply in reporting about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Specifically, it also establishes criteria for determining whether different performance obligations under a contract are distinct. AGRANA does not expect the application of the standard to have a material impact on the amount or timing of revenue recognition, but expects it to require expanded disclosures.
IFRS 16 establishes new rules for the recognition, measurement and presentation of leases. The standard provides only a single accounting model for the lessee, requiring the right of use to be recognised as the asset, and the obligation to be recognised as a liability, in the balance sheet. For assets with a low value and for short-term leases, AGRANA will elect not to capitalise the lease. AGRANA has evaluated the extent to which IFRS 16 applies. Based on an analysis of the current contractual relationships, an increase of about 5% in property, plant and equipment is expected.
No impacts on the presentation of the financial position, results of operations and cash flows are expected.
No impacts on the presentation of the financial position, results of operations and cash flows are expected.

3. Scope of consolidation

The consolidated financial statements include, by full consolidation, all domestic and foreign companies controlled by AGRANA Beteiligungs-AG (i.e., all subsidiaries), except where the subsidiary's effect on the Group's financial position, results of operations and cash flows is immaterial. Control exists when AGRANA Beteiligungs-AG has the power to participate in positive and negative variable returns of a company (an investee) and to affect these returns. This is usually given when AGRANA Beteiligungs-AG owns more than one-half of the voting rights of the investee.

Companies managed jointly with another entity, where control is exercised jointly and the investors have joint rights to the net assets of the investee, are joint ventures and are included in the consolidated financial statements using the equity method of accounting.

At the balance sheet date, 60 companies (prior year: 58) besides the parent were fully consolidated in the Group financial statements and 12 companies (prior year: 12) were included using the equity method.

An overview of the fully consolidated entities, equity-accounted joint ventures and other business interests is given beginning on page 159.

The number of companies that were fully consolidated or equity-accounted changed as follows in the 2016|17 financial year:

	Full consolidation	Equity method
At 1 March 2016	58	12
Initial consolidation	3	0
Deconsolidation or derecognition	(1)	0
At 28 February 2017	**60**	**12**

The purchase of the two Argentine companies Main Process S.A., Buenos Aires, Argentina, and Sudinver S.A., Buenos Aires, Argentina, closed on 1 December 2016. Directly and indirectly, 100% of the shares in both companies were acquired by AGRANA Fruit S.A.S., Mitry-Mory, France, and AGRANA Fruit Services S.A.S., Mitry-Mory, France. Both new subsidiaries are included in the consolidated financial statements of AGRANA Beteiligungs-AG by full consolidation.

Main Process S.A. is a manufacturer of fruit preparations and is located in the northeast of Argentina. With approximately 175 employees the company generated revenue of about € 19 million in its 2015 financial year. Besides fruit preparations for yoghurt and ice-cream, the company specialises in the production of syrups for beverages and of fillings for baked goods. In addition to its core business with industrial customers, there is also further sales potential in the area of quick-service restaurants (such as fast food chains) and the food service sector (for example, hotels and catering).

The acquisition is intended both to expand the market presence in South America and raise global synergies in the Fruit segment.

The net assets at initial full consolidation and the goodwill arising on acquisition were as shown below:

€000	Carrying amount at acquisition date
Non-current assets	28,951
Inventories	4,833
Receivables and other assets	5,018
Cash, cash equivalents and securities	82
Total assets	**38,884**
Less non-current liabilities	(9,688)
Less current liabilities	(7,437)
Net assets (i.e., equity)	**21,759**
Goodwill	34,777
Acquisition cost	**56,536**
Of which cash portion of purchase price	45,549

The purchase price consists of a fixed base component of € 43,286 thousand and an earn-out component of € 13,250 thousand (as measured at fair value) that is tied to the performance of the business against targets over the 2018|19 and 2019|20 financial years. Based on estimates at the balance sheet date, the undiscounted earn-out component falls within a range from € 7.2 million to € 25.3 million. No maximum amount was set for the earn-out component.

The following factors led to the recognition of goodwill at the Fruit segment level: Through the acquisition, AGRANA achieves further diversification into new product categories with growth potential. Fruit preparations for the food service sector, non-fruit-based products and small-pack applications and associated production technologies can be rolled out globally, particularly to the Asian growth markets. As well, thanks to the acquisition, new globally operating customers are won and existing customer relationships are deepened. As a result, AGRANA achieves a better supplier position overall in other countries.

By the date of the release of the consolidated financial statements for publication, the purchase price allocation was final.

From 1 December 2016 to 28 February 2017 in the financial year under review, the fully consolidated companies contributed € 6,118 thousand to Group revenue and € 808 thousand to Group profit for the period. If the acquisition had occurred at the beginning of the financial year, the revenue contribution would have been € 20,071 thousand and the contribution to profit for the period would have been € 2,630 thousand.

With effect from 1 February 2017, AGRANA FRUIT INDIA PRIVATE LIMITED, New Delhi, India, was consolidated for the first time. AGRANA Fruit S.A.S., Mitry-Mory, France, and AGRANA Fruit Services GmbH, Vienna, Austria, hold 100% of the shares of the newly founded company. The establishment cost of € 2 thousand was paid in cash. The company's business activity will comprise the processing of fruits into fruit purees, fruit juices and fruit concentrates for the food industry.

The deconsolidation was that of AGRANA Juice Denmark A/S, Køge, Denmark. The company had been in liquidation for two years and its deconsolidation therefore had no material impact on the consolidated financial statements.

Joint ventures

The information below represents the aggregated financial position and performance of the joint ventures. The joint ventures are listed on page 161.

€000	AGRANA-STUDEN group	HUNGRANA group	Total
28 February 2017			
Non-current assets	35,247	105,717	140,964
Inventories	36,172	44,310	80,482
Receivables and other assets	29,093	38,844	67,937
Cash, cash equivalents and securities	9,704	615	10,319
Current assets	74,969	83,769	158,738
Total assets	**110,216**	**189,486**	**299,702**
Equity	26,421	119,005	145,426
Borrowings	285	0	285
Other liabilities	489	2,319	2,808
Non-current liabilities	774	2,319	3,093
Borrowings	42,006	35,006	77,012
Other liabilities	41,015	33,156	74,171
Current liabilities	83,021	68,162	151,183
Total equity and liabilities	**110,216**	**189,486**	**299,702**

€000	AGRANA-STUDEN group	HUNGRANA group	Total
28 February 2017 (continued)			
Revenue	198,162	329,680	527,842
Depreciation, amortisation and impairment losses	(2,647)	(13,499)	(16,146)
Other (expense), net	(189,579)	(247,857)	(437,436)
Operating profit [EBIT]	**5,936**	**68,324**	**74,260**
Interest income	1,133	7	1,140
Interest expense	(1,612)	(660)	(2,272)
Other finance (expense), net	(203)	(63)	(266)
Profit before tax	**5,254**	**67,608**	**72,862**
Income tax (expense)	(369)	(11,316)	(11,685)
Profit for the period	**4,885**	**56,292**	**61,177**
Other comprehensive income	25	1,475	1,500
Total comprehensive income for the period	**4,910**	**57,767**	**62,677**
29 February 2016			
Non-current assets	37,213	107,445	144,658
Inventories	33,879	35,146	69,025
Receivables and other assets	28,155	40,427	68,582
Cash, cash equivalents and securities	4,292	2,215	6,507
Current assets	66,326	77,788	144,114
Total assets	**103,539**	**185,233**	**288,772**
Equity	11,510	110,237	121,747
Borrowings	166	7,488	7,654
Other liabilities	253	5,944	6,197
Non-current liabilities	419	13,432	13,851
Borrowings	45,085	34,383	79,468
Other liabilities	46,525	27,181	73,706
Current liabilities	91,610	61,564	153,174
Total equity and liabilities	**103,539**	**185,233**	**288,772**
Revenue	189,093	318,377	507,470
Depreciation, amortisation and impairment losses	(2,854)	(12,607)	(15,461)
Other (expense), net	(183,197)	(248,141)	(431,338)
Operating profit [EBIT]	**3,042**	**57,629**	**60,671**
Interest income	707	49	756
Interest expense	(1,607)	(667)	(2,274)
Other finance income, net	848	546	1,394
Profit before tax	**2,990**	**57,557**	**60,547**
Income tax benefit/(expense)	94	(11,595)	(11,501)
Profit for the period	**3,084**	**45,962**	**49,046**
Other comprehensive income/(expense)	15	(4,216)	(4,201)
Total comprehensive income for the period	**3,099**	**41,746**	**44,845**

The calculation of the carrying amounts of the investments in equity-accounted joint ventures is tabulated below:

€000	AGRANA-STUDEN group	HUNGRANA group	Total
28 February 2017			
Equity	26,421	119,005	145,426
Of which attributable to AGRANA	13,211	59,502	72,713
Goodwill	0	484	484
Impairment loss on goodwill at time of transition	(452)	0	(452)
Investments in equity-accounted joint ventures (carrying amount)	**12,759**	**59,986**	**72,745**
Dividend attributable to AGRANA	0	24,500	24,500
29 February 2016			
Equity	11,510	110,237	121,747
Of which attributable to AGRANA	5,755	55,119	60,874
Goodwill	0	484	484
Impairment loss on goodwill at time of transition	(452)	0	(452)
Investments in equity-accounted joint ventures (carrying amount)	**5,303**	**55,603**	**60,906**
Dividend attributable to AGRANA	0	45,900	45,900

Non-controlling interests

Of the non-controlling interests of € 62,222 thousand (prior year: € 55,843 thousand), most represented the co-owners of the AUSTRIA JUICE group, at € 43,377 thousand (prior year: € 39,952 thousand). AGRANA's total interests in the AUSTRIA JUICE group amounted to 50.01%. Therefore, 49.99% of the equity of the AUSTRIA JUICE group must be reported as a non-controlling interest in AGRANA's consolidated financial statements.

The following table presents the financial position and performance of the AUSTRIA JUICE group:

AUSTRIA JUICE group €000	28 Feb 2017	29 Feb 2016
Non-current assets	128,775	131,452
Current assets	208,795	228,422
Total assets	**337,570**	**359,874**
Non-current liabilities	6,304	6,668
Current liabilities	237,215	266,007
Total liabilities	**243,519**	**272,675**
Net assets	**94,051**	**87,199**
Revenue	243,634	212,082
Operating profit [EBIT]	12,830	443
Profit/(loss) before tax	7,069	(4,234)
Income tax expense	(647)	(1,746)
Profit/(loss) for the period	6,422	(5,980)
Other comprehensive income/(expense)	435	(2,917)
Total comprehensive income/(expense) for the period	6,857	(8,897)
Net cash from operating activities	46,467	57,729
Net cash (used in) investing activities	(7,501)	(7,242)
Net cash (used in) financing activities	(64,975)	(51,810)
Net (decrease) in cash and cash equivalents	**(26,009)**	**(1,323)**

The table below shows the interests of the non-controlling shareholders in the AUSTRIA JUICE group:

AUSTRIA JUICE group €000	**28 Feb 2017**	**29 Feb 2016**
Non-controlling interests in:		
Profit/(loss) for the period	3,210	(2,990)
Dividends	0	3,499
Carrying amount of net assets	47,016	43,591
Goodwill	(3,639)	(3,639)
Non-controlling interest in net assets	**43,377**	**39,952**

3.1. Balance sheet date

The balance sheet date (reporting date) of the consolidated financial statements is the last day of February. Group companies with other reporting dates prepare interim financial statements at the Group reporting date.

4. Consolidation methods

- Acquisitions of companies that are fully consolidated are accounted for using the acquisition method in accordance with IFRS 3. Where a business combination entails the possible recognition of intangible assets not previously recognised in the separate financial statements of the acquired company, such as customer relationships, these are recognised only when the requirements under IAS 38 for capitalisation are met. For acquisitions of a majority interest rather than a 100% stake in a company, IFRS 3 provides an accounting policy choice as to how to measure the resulting non-controlling interests. The non-controlling interests may be measured either at their proportionate share of the fair value of the net assets of the acquiree (partial goodwill method) or at their proportionate share of goodwill (full goodwill method). This choice is available individually for each business combination. The full goodwill method has not been applied in the AGRANA Group to date.

- The investments in joint ventures are accounted for using the equity method and are included in the consolidated financial statements from the time of acquisition, provided that the requirements for the application of IFRS 11 (Joint Arrangements) are met. Profits or losses resulting from transactions of the AGRANA Group with a joint venture are eliminated to the extent of the Group's interest in the joint venture.

- Intragroup revenues, expenses and income and all receivables and payables or provisions between the consolidated companies are eliminated. In assets that arise from intragroup flows of products or services and are included in non-current assets or in inventories, intragroup balances are eliminated.

5. Currency translation

- Financial statements of foreign Group companies are translated into euros in accordance with IAS 21. The functional currency of every Group company is its respective national currency. Assets and liabilities are translated at the ECB reference rates of exchange or other published reference rates at the balance sheet date (i.e., at period-end rates). Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the transaction date. Expenses and income are translated at annual average rates of exchange (the mean of the daily rates of the ECB or national banks), with the exception of the currency translation gains and losses from the measurement of receivables and liabilities related to Group financing.

■ Differences compared to prior-year amounts arising from the translation of balance sheet items at current balance sheet date exchange rates or arising from the use of average rates in translating expenses and income compared to the use of current balance sheet date rates are recognised in other comprehensive income. Specifically, they are presented in the statement of other comprehensive income as currency translation differences related to consolidation.

■ Foreign currency-denominated gains and losses on the measurement of foreign currency financing liabilities are translated at exchange rates at the balance sheet date if the average rate is deemed unsuitable as a result of sustained exchange rate volatility.

■ In translating the financial statements of foreign Group companies, the following exchange rates were applied:

€	Currency	Rate at reporting date		Average rate for year	
		28 Feb 2017	29 Feb 2016	2016|17	2015|16
Albania	ALL	135.08	138.24	136.98	139.43
Argentina	ARS	16.36	17.18	16.52	11.22
Australia	AUD	1.38	1.53	1.46	1.49
Bosnia and Herzegovina	BAM	1.96	1.96	1.96	1.96
Brazil	BRL	3.28	4.34	3.69	3.90
Bulgaria	BGN	1.96	1.96	1.96	1.96
China	CNY	7.28	7.14	7.37	6.98
Croatia	HRK	7.44	7.63	7.51	7.61
Czech Republic	CZK	27.02	27.06	27.03	27.17
Denmark	DKK	7.43	7.46	7.44	7.46
Egypt	EGP	16.64	8.54	12.73	8.54
Fiji	FJD	2.19	2.35	2.29	2.34
Hungary	HUF	308.25	311.26	310.83	310.04
India	INR	70.63	–	73.91	–
Macedonia	MKD	61.52	61.70	61.58	61.64
Mexico	MXN	21.08	19.80	21.00	18.11
Morocco	MAD	10.67	10.78	10.83	10.82
Poland	PLN	4.32	4.36	4.35	4.21
Romania	RON	4.52	4.48	4.49	4.45
Russia	RUB	61.76	82.64	70.57	69.79
Serbia	CSD	123.91	123.50	123.30	120.85
South Africa	ZAR	13.79	17.46	15.71	14.87
South Korea	KRW	1,194.24	1,347.54	1,268.98	1,267.46
Turkey	TRY	3.84	3.23	3.46	3.11
Ukraine	UAH	28.64	29.78	28.41	24.98
USA	USD	1.06	1.09	1.10	1.10

6. Accounting policies

6.1. Intangible assets (including goodwill) and property, plant and equipment

■ Purchased intangible assets (other than goodwill) are capitalised at cost and amortised on a straight-line basis over their expected useful lives of between 5 and 15 years. Almost all intangible assets have a determinable useful life. Those intangible assets having an indefinite useful life are not material for the Group.

■ Goodwill is not amortised but is reviewed at least annually for impairment. This review is performed regularly at 31 August, and additionally whenever there are indications of possible impairment (triggering events). Details on this impairment test are presented in the notes to the balance sheet.

■ Product development costs are capitalised at cost if they can be accurately allocated to a product and if both the technical feasibility and the marketing of the new product are assured. In addition, the development work must be sufficiently likely to generate future cash inflows. Items of property, plant and equipment are valued at cost of purchase and/or conversion, less straight-line or campaign-based depreciation and impairment losses. In the conversion costs of internally generated assets, besides materials and labour costs, prorated overheads are capitalised. Borrowing costs directly attributable to the production of an asset that are incurred during the production period are capitalised in accordance with IAS 23. All other borrowing costs are recognised as an expense in the period during which they are incurred. Maintenance costs are expensed as incurred, unless they result in an expansion or significant improvement of the asset concerned, in which case they are capitalised.

■ Where rental agreements or leases transfer all material risks and rewards of ownership to the AGRANA Group (finance leases), the assets rented or leased are recorded as an asset. The asset is initially measured at the lower of (i) its fair value at the inception of the rental period or lease and (ii) the present value of the future minimum rental or lease payments. This amount is simultaneously recorded as a liability under borrowings.

■ Depreciation of property, plant and equipment is generally based on the following useful lives:

Buildings	15 to 50 years
Plant and machinery	10 to 15 years
Office furniture and equipment	3 to 10 years

6.2. Government assistance

■ Government assistance to reimburse the Group for costs is recognised as other operating income in the period in which the related costs are incurred, unless the assistance is contingent on conditions that are not yet sufficiently likely to be met.

■ Government assistance to support capital expenditure is recognised as deferred income from the time of the binding award and deducted from the cost of the intangible assets and property, plant and equipment on a straight-line basis over the useful life of the allocated asset through profit or loss. Details are provided on page 128.

6.3. Financial instruments

■ The AGRANA Group distinguishes the following classes of financial instruments:

Financial assets
- Securities, and investments in non-consolidated subsidiaries and outside companies
- Trade receivables
- Other financial assets
- Cash and cash equivalents

Financial liabilities
- Bank loans and overdrafts, and other loans from non-Group entities
- Borrowings from affiliated companies in the Südzucker group
- Finance lease liabilities
- Trade payables
- Financial other payables

Derivative financial instruments
- Interest-rate derivatives
- Currency derivatives
- Commodity derivatives

■ Investments in non-consolidated subsidiaries and outside companies, as well as securities, are classified to the available-for-sale category and are initially measured at fair value in the case of securities, and at cost in the case of investments in non-consolidated subsidiaries and outside companies, including any transaction costs. Subsequent measurement is at fair value. Changes in value are recognised outside profit or loss (after income tax) in a separate reserve item in equity. Only after the cumulative changes in fair value are realised by selling the asset are they recognised in the income statement. Available-for-sale non-material investments in non-consolidated subsidiaries and outside companies are measured at cost.

■ Financial assets are recognised at the settlement date.

■ Cash and cash equivalents include cash on hand and bank deposits having a remaining term to maturity of up to three months at the time of investment. Cash and cash equivalents in foreign currency are measured at the exchange rates at the balance sheet date.

Derivative financial instruments

■ Derivative financial instruments are used to hedge risks from changes in interest rates, exchange rates and commodity prices. Derivatives are carried as an asset or liability and, irrespective of their purpose, are measured at fair value. Changes in their fair value are recognised through profit or loss in other operating income/expenses (for commodity derivatives and currency derivatives related to purchase and sales transactions) or in net financial items (for interest rate derivatives and currency derivatives related to financings), unless the derivatives are used to hedge an underlying transaction (cash flow hedges). Where the conditions for cash flow hedge accounting under IAS 39 are met, the unrealised effective changes in fair value are recognised directly in equity. They are reclassified from equity to profit or loss in the period in which the underlying hedged transaction affects profit or loss. Ineffective portions of the valuation gains or losses on cash flow hedges are recognised in the income statement immediately. Derivatives are classified as held for trading, except for derivatives in a hedging relationship with a hedged item that qualify for cash flow hedge accounting. More information on derivative financial instruments is provided from page 141.

Receivables

■ Receivables are initially recognised at fair value and subsequently measured at amortised cost. Non-interest-bearing receivables with a remaining maturity of more than one year are recognised at their present value using the effective interest method. For default risks or other risks contained in receivables, sufficient impairment provisions are individually allowed. Receivables that are individually immaterial, and receivables with similar default risk, are grouped together and impairment is recognised on the basis of historical experience. The face amounts of the receivables net of necessary impairment provisions represent the fair values. Irrecoverable receivables are derecognised on an individual case-by-case basis. If the reasons for an impairment provision cease to apply, the impairment loss is reversed, to no more than the asset's historical cost.

■ Foreign currency receivables are measured at the exchange rates at the balance sheet date.

Payables

■ Borrowings are initially measured at their actual proceeds. Premiums, discounts or other differences between the proceeds and the repayment amount are realised over the term of the instrument by the effective interest method and recognised in net financial items (at amortised cost).

■ Trade payables are initially measured (at inception of the liability) at the fair value of the goods or services received. Subsequently these payables are measured at amortised cost. Other payables not resulting from the receipt of goods or services are measured at their payable amount.

■ Payables denominated in foreign currencies are recognised at the exchange rates at the balance sheet date.

6.4. Inventories

■ Inventories are measured at the lower of cost of purchase and/or conversion and net selling price. The weighted average cost formula is used. In accordance with IAS 2, the conversion costs of unfinished and finished products include – in addition to directly at-tributable unit costs – reasonable proportions of the necessary material costs and production overheads inclusive of depreciation of manufacturing plant (based on the assumption of normal capacity utilisation) as well as production-related administrative costs. Financing costs are not taken into account. To the extent that inventories are at risk as a result of prolonged storage or reduced saleability, a write-down is recognised.

6.5. Emission allowances

■ Emission rights are accounted for in accordance with 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 allowances are issued for a given calendar year and are intangible assets for the purposes of IAS 38 that, except as noted below, are to be classified as current assets. They are assigned a cost of zero. From the point when emissions exceed allocated allowances (one allowance represents one tonne of carbon dioxide), a provision for CO_2 emissions must be established for actual additional emissions and recognised in the income statement. The provision is calculated by taking into account the cost incurred for purchased emission allowances or any excess of their market value at the measurement date over their cost. CO_2 emission allowances that have already been purchased for use in a subsequent trading period are recorded in non-current assets.

6.6. Impairment

■ Assets (other than inventories and deferred tax assets) are tested at every balance sheet date for evidence of impairment. Goodwill and other intangible assets with an indefinite useful life are reviewed for impairment annually at 31 August regardless of whether there is indication of possible impairment.

■ The impairment test involves determining the asset's recoverable amount. The recoverable amount is the higher of an asset's value in use and its net selling price. If the asset's recoverable amount is less than its carrying amount, the difference is expensed as an impairment loss in the income statement.

■ An asset's value in use is the present value of the estimated future cash flows from the asset's continuing use and from its disposal at the end of its useful life. The discount rate used in determining present value is a pretax market rate adjusted for the specific risks of the asset concerned. Where no largely independent cash inflows can be determined, value in use is determined for the next-larger unit (the cash-generating unit) to which the asset belongs and for which largely independent cash inflows can be determined.

■ Where an impairment loss later decreases or is eliminated, the amount of the reversal of the impairment loss (except in the case of goodwill and equity-like securities classified as available-for-sale) is recognised as income in the income statement up to the lower of amortised original cost and value in use. Impairment losses on goodwill are not reversed.

6.7. Employee benefit obligations

■ The AGRANA Group maintains both defined contribution and defined benefit plans for pensions and termination benefits. Under the defined contribution pension and termination benefit arrangements, AGRANA has no further obligation after paying the agreed premium. Contributions to defined contribution plans are recognised as an expense when they fall due, and are reported in staff costs. Contributions paid to government plans are treated in the same manner as those paid to defined contribution plans. As the Group has no payment obligations beyond making the contributions, no provision is maintained.

■ The provisions for defined benefit pension, termination and long-service obligations are calculated using the projected unit credit method in accordance with IAS 19 (Employee Benefits), based on actuarial valuations. This involves determining the present value of the defined benefit obligation and comparing it to the fair value of plan assets at the balance sheet date. In the case of a deficit, a provision is recorded; in the case of a surplus, an asset (other receivable) is recorded. The defined benefit obligation is measured by the projected unit credit method. Under this method, the future payments determined on the basis of realistic assumptions are accumulated over the period during which the respective beneficiaries acquire the entitlement to these benefits.

■ Service cost is recognised in staff costs. Besides the current service cost for the benefits newly earned by staff every year, it may also include past service cost arising from plan curtailments or changes, which is recognised immediately in profit or loss for the period. The net interest cost for the financial year is calculated by applying the discount rate determined at the beginning of the year to the net pension obligation determined at that time, taking into account the expected payment outflows. Net interest is recognised in finance expense.

■ Actuarial gains and losses arising from changes in actuarial assumptions or from differences between previous actuarial assumptions and observed outcomes are recognised directly in equity in the period in which they occur, along with their effect on deferred taxes (with the exception of obligations for long-service awards). Correspondingly, the full amount of the obligation is recognised in the balance sheet. The changes in actuarial gains and losses recognised in the respective period are presented separately on the face of the statement of comprehensive income. Actuarial gains and losses previously recognised directly in equity cannot be reclassified to profit or loss in subsequent periods. The recognition in other comprehensive income also includes the differences between (i) the interest income on plan assets based on the discount rate and included in net interest and (ii) the actual return on plan assets determined at the end of the period.

■ The calculation is based on extrapolated future trends in salaries, retirement benefits and employee turnover, as well as a discount rate of predominantly 1.6% for the year under review (prior year: 1.8%).

■ A portion of pension obligations was transferred to pension funds. The retirement benefit contributions to be paid are calculated so as to fully fund the retirement benefit obligation at the time of retirement. If a plan deficit occurs, there is an obligation to fund the shortfall. The Group also holds benefit insurance policies to secure its ability to meet obligations under pension and termination benefit plans. The individual assets allocated to the pension plan are netted against the present value of the pension obligation to arrive at the net obligation. The individual assets allocated to the pension plan are netted against the present value of the pension obligation to arrive at the net obligation. Likewise, the qualifying insurance policies are treated as plan assets in reducing the present value of the respective pension and termination benefit obligation.

6.8. Other provisions

■ Other provisions are recognised where the following conditions are met: the AGRANA Group has a legal or constructive obligation to a third party as a result of a past event, the obligation is likely to lead to an outflow of resources, and whether the amount of the obligation can be reliably estimated.

■ Provisions are measured at the amount representing the best estimate of the expenditure required to settle the obligation. If the present value of the obligation determined on the basis of a market interest rate differs materially from its nominal amount, the present value of the obligation is used.

■ The risks arising from contingent liabilities are covered by sufficient provisions.

■ Provisions for reclamation comprise obligations for reclamation of properties, emptying and rehabilitation of landfills, remediation or restoration of building structures, legacy soil reclamation and removal of waste residues.

■ “Provisions for staff costs including long-service awards” also include provisions for phased retirement, provisions for redundancy benefit plans under restructuring projects, provisions for bonuses and awards, and other personnel-related provisions. Under IAS 19, long-service awards are classified as long-term employee benefits. These are determined by the projected unit credit method. Actuarial gains and losses are reported in the current period in staff costs. Long-service awards are one-time payments dependent on level of salary or wage and length of service and are stipulated under local company agreements or of collective agreements. Obligations for the payment of such service anniversary bonuses exist especially in Austria and Germany. In Austria, provisions for phased retirement must be created as a result of labour laws regarding obligations to employees. The legislation concerning phased retirement makes it easier for companies to employ older staff members working reduced hours with substantial financial security until full retirement. Provisions for redundancy benefit plans under restructurings are created only if a formal, detailed restructuring plan has been prepared and communicated.

■ Provisions for uncertain liabilities include, among other items, provisions for litigation risks, onerous contracts, costs of beet receiving, loading and storage, and other uncertain liabilities. A provision for onerous (loss-making) contracts is recognised if the expected economic benefit from a contract is less than the unavoidable cost of fulfilling the contract.

6.9. Deferred taxes

■ Deferred taxes are recognised on temporary differences between the IFRS carrying amounts of assets and liabilities and the tax base; on consolidation entries; and on tax loss carryforwards expected to be utilised. Significant differences exist between the IFRS carrying amounts and the tax base for property, plant and equipment, inventories and provisions. Deferred tax assets are recognised for unused tax loss carryforwards insofar as these are expected to be utilised within five years.

■ Deferred taxes are calculated by the liability method (under IAS 12), based on the pertinent national income tax rates. Consequently, with the exception of goodwill arising on consolidation, deferred taxes are recognised for all temporary differences between the IFRS balance sheet and the tax base, to the extent that deferred tax assets are likely to be realised.

■ When income and expenses are recognised directly in equity, the respective deferred tax assets and liabilities are also taken directly to equity. The assessment of the recoverability of deferred tax assets arising from temporary differences and from tax loss carryforwards takes into account company-specific forecasts of, for instance, the future earnings situation in the respective Group company. Deferred tax assets are recognised only if the associated tax benefits are expected to be realisable over a five-year planning horizon. This is the case if sufficient profits can be earned or if there is sufficient taxable income from the reversal of temporary differences previously recognised as liabilities.

■ Deferred tax assets are classified as non-current assets; deferred tax liabilities are recorded as non-current liabilities. Deferred tax assets are off set against deferred tax liabilities if they relate to the same tax authority.

■ The income tax reported represents the tax levied in the individual countries on taxable income, and the movement in deferred taxes.

6.10. Recognition of revenue and costs

■ Revenue from goods sold is recognised when substantially all risks and rewards incident to ownership have passed to the purchaser. Revenue from services provided is recognised to the extent that the services have been rendered by the balance sheet date.

■ Operating expenses are recognised in the income statement upon use of the product or service or as incurred.

■ Finance expenses comprise the interest expense, similar expenses and transaction costs on borrowings including finance leases; financing-related currency translation gains and losses; and financing-related hedging gains and losses.

■ Income from financial investments represents interest, dividend and similar income realised from cash-equivalent investments and investments in other financial assets; gains and losses on the disposal of financial assets; and impairment losses and impairment loss reversals.

■ Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised at the time of the decision to pay the dividend.

6.11. Critical assumptions and judgements

■ The preparation of these consolidated financial statements in accordance with IFRS requires the Company's management to make judgements and to act on assumptions about future developments. These judgements and assumptions can have a material effect on the recognition and measurement of the assets and liabilities, the disclosure of other liabilities at the balance sheet date, and the amounts of income and expenses reported for the financial year.

■ The following assumptions involve a not insignificant risk that they may lead to a material change in the carrying amounts of assets and liabilities in the next financial year:

- The impairment testing of goodwill (carrying amount at 28 February 2017: € 260,974 thousand), other intangible assets (carrying amount at 28 February 2017: € 21,345 thousand) and property, plant and equipment (carrying amount at 28 February 2017: € 738,907 thousand) is based on forward-looking assumptions. The determination of the recoverable amounts for the purpose of the impairment review involves several assumptions, such as regarding future net cash flows and the discount rate. The net cash flows are the amounts in the most current cash flow forecast for the cash-generating units (CGUs) for the next five years (most current at the time of the regular impairment test date of 31 August).

- It was determined through a simulation that a hypothetical reduction of 5% in sustainable cash flows would not lead to an impairment of goodwill.

- The discount rate before tax varies by industry, company risk level and specific market environment; in the financial year it ranged from 4.94% to 8.55% (prior year: 6.11% to 10.48%).

- An increase of 0.5 percentage points in the weighted average cost of capital (WACC) would not lead to impairment.

- Financial instruments for which no active market exists are reviewed for impairment by using alternative discounting-based valuation methods. The inputs used for the determination of fair value are based in part on assumptions concerning the future.

- The measurement of existing retirement and termination benefit obligations (carrying amount at 28 February 2017: € 68,929 thousand) involves assumptions regarding discount rate, age at retirement, life expectancy, employee turnover and future increases in pay and benefits.

- The sensitivity analysis below is based on varying one assumption at a time with the other assumptions remaining unchanged from the original calculation. Potential correlation effects between assumptions are thus not taken into account. The changes in assumptions would have the following effects on the present values of the obligations stated in note 25a:

	Pension benefits		**Termination benefits**	
€000	**28 Feb 2017**	**29 Feb 2016**	**28 Feb 2017**	**29 Feb 2016**
Change in actuarial assumptions				
Discount rate				
+ 0.5 percentage points	(2,458)	(2,572)	(1,628)	(1,720)
− 0.5 percentage points	2,704	2,829	1,743	1,865
Wage and salary increase				
+ 0.25 percentage points	77	92	848	905
− 0.25 percentage points	(76)	(91)	(819)	(872)
Pension increase				
+ 0.25 percentage points	1,184	1,205	–	–
− 0.25 percentage points	(1,137)	(1,157)	–	–
Life expectancy				
Increase by 1 year	3,721	4,069	–	–
Decrease by 1 year	(3,833)	(4,202)	–	–

– The recognition of deferred tax assets (carrying amount at 28 February 2017: € 14,334 thousand) is based on the assumption that sufficient taxable profit will be earned over the five-year planning horizon to realise them.

– The off-balance sheet obligations from financial guarantees and from other contingent liabilities, and any reductions in these obligations, are regularly reviewed as to whether they require recognition in the balance sheet.

– In determining the amount of other provisions (carrying amount at 28 February 2017: € 63,352 thousand), management exercises judgement as to whether AGRANA is likely to incur an outflow of resources from the obligation concerned and whether the amount of the obligation can be estimated reliably.

■ The HUNGRANA group and the AGRANA-STUDEN group were classified as joint ventures in accordance with IFRS 11 and the agreements existing at the time. The AGRANA Group holds 50% of the share capital of the joint ventures.

■ The AGRANA Group holds 50.01% of the share capital of AUSTRIA JUICE GmbH and is subsidiaries. As a result of the underlying contracts and arrangements, AGRANA exercises control over these companies and fully consolidates them in the Group accounts.

7. Notes to the consolidated income statement

Note (1)

7.1. Revenue

€000	2016|17	2015|16
By nature of activity		
Revenue from sale of finished goods	2,373,968	2,220,995
Revenue from sale of goods purchased for resale	180,515	246,094
Service revenue	6,813	10,558
Total	**2,561,296**	**2,477,647**

The regional analysis of revenue is presented in the segment reporting section (beginning on page 101).

The Group's top ten customers accounted for 26% (prior year: 27%) of consolidated revenue. One AGRANA customer accounted for 12% (prior year: 12%) of consolidated revenue. No other customer represented more than 10% of revenue.

Note (2)

7.2. Change in inventories and own work capitalised

€000	2016|17	2015|16
Changes in inventories of finished and unfinished goods	51,035	25,183
Own work capitalised	1,320	1,523

The change in inventories of finished and unfinished goods amounted to a net increase of € 51,035 thousand (prior year: increase of € 25,183 thousand). The change reflected mainly the Sugar segment with an increase of € 67,100 thousand (prior year: decrease of € 14,965 thousand), and the Fruit segment (particularly the juice activities), with a decrease of € 22,438 thousand (prior year: increase of € 39,520 thousand).

Note (3)

7.3. Other operating income

€000	2016|17	2015|16
Income from		
Currency translation gains	9,520	11,356
Exceptional income	3,998	65
Insurance benefits and payments for damages	3,870	4,596
Derivatives	1,512	3,882
Services rendered to third parties	1,388	1,773
Beet and pulp cleaning, transport and handling	1,207	1,068
Rent and leases	622	1,010
Disposal of non-current assets other than financial assets	502	438
Non-recurring gain on initial consolidation	0	3,590
Other items	14,216	16,309
Total	**36,835**	**44,087**

Within other operating income, "other items" represent, among others, revenue from the pass-through of costs for consumables, raw materials and services.

Note (4)

7.4. Cost of materials

€000	2016|17	2015|16
Costs of		
Raw materials	1,177,583	1,120,260
Consumables and goods purchased for resale	578,972	603,728
Purchased services	72,105	59,735
Total	**1,828,660**	**1,783,723**

Note (5)

7.5. Staff costs

€000	2016|17	2015|16
Wages and salaries	226,139	223,196
Social security contributions, retirement benefit expenses and other staff costs	62,572	62,500
Total	**288,711**	**285,696**

The expense for the unwinding of discount on the pension and termination benefits newly accrued in prior years, less the return on plan assets, is included within net financial items. The interest component, at € 1,196 thousand (prior year: € 1,010 thousand) is included in net financial items. The current and past service costs are included in staff costs.

In the 2016|17 financial year an expense of € 17,409 thousand (prior year: € 16,937 thousand) was recognised for contributions to government pension plans.

€ 1,018 thousand of contributions to a defined contribution termination benefit fund were recognised in the income statement for the year (prior year: € 949 thousand).

Wages and salaries included € 0 thousand of exceptional items (prior year: € 1,587 thousand).

Average number of employees during the financial year (average full-time equivalents)

	2016|17	2015|16
By employee category		
Wage-earning staff	6,125	6,078
Salaried staff	2,431	2,345
Apprentices	82	87
Total	**8,638**	**8,510**

	2016|17	2015|16
By region		
Austria	2,083	2,061
Hungary	430	432
Romania	601	645
Rest of EU	1,555	1,574
EU-28	4,669	4,712
Rest of Europe (Bosnia and Herzegovina, Russia, Serbia, Turkey, Ukraine)	1,359	1,313
Other foreign countries	2,610	2,485
Total	**8,638**	**8,510**

The average number of employees of joint ventures in full-time equivalents over the year was as follows (reported at company totals, not proportionately):

	2016|17	2015|16
By employee category		
Wage-earning staff	318	289
Salaried staff	188	179
Total	**506**	**468**

Note (6)

7.6. Depreciation, amortisation and impairment

€000	Total	Amortisation, depreciation	Impairment losses	Reversal of impairment losses
2016|17				
Intangible assets	5,414	5,414	0	0
Property, plant and equipment	78,983	78,657	331	(5)
Recognised in operating profit before exceptional items and results of equity-accounted joint ventures	**84,397**	**84,071**	**331**	**(5)**
Recognised in operating profit [EBIT]	**84,397**	**84,071**	**331**	**(5)**
Recognised in net financial items	**0**	**0**	**0**	**0**
Total	**84,397**	**84,071**	**331**	**(5)**
2015|16				
Intangible assets	7,282	7,282	0	0
Property, plant and equipment	77,189	77,501	509	(821)
Recognised in operating profit before exceptional items and results of equity-accounted joint ventures	**84,471**	**84,783**	**509**	**(821)**
Exceptional items	910	0	910	0
Recognised in operating profit [EBIT]	**85,381**	**84,783**	**1,419**	**(821)**
Financial assets	8	8	0	0
Recognised in net financial items	**8**	**8**	**0**	**0**
Total	**85,389**	**84,791**	**1,419**	**(821)**

Impairment losses and reversals of impairment losses, by segment, were as follows:

€000	Impairment losses	Reversal of impairment losses
2016|17		
Sugar segment	287	0
Starch segment	0	(5)
Fruit segment	44	0
Group	**331**	**(5)**
2015|16		
Sugar segment	509	(17)
Starch segment	0	(804)
Fruit segment	910	0
Group	**1,419**	**(821)**

The impairment losses in the Sugar segment related principally to expenses for the derecognition of assets.

Note (7)

7.7. Other operating expenses

€000	2016|17	2015|16
Selling and freight costs	141,350	136,159
Operating and administrative expenses	93,204	91,958
Exceptional items	13,035	622
Rent and lease expenses	10,551	9,965
Advertising expenses	8,220	8,338
Currency translation losses	7,640	10,860
Other taxes	6,688	6,657
Production levy	3,761	3,774
Derivatives	2,400	2,594
Losses on disposal of non-current assets	1,987	2,040
Damage payments	1,443	924
Research and development expenses (external)	739	917
Other items	15,922	14,400
Total	**306,940**	**289,208**

Internal and external R&D costs totalled € 15,852 thousand (prior year: € 14,911 thousand).

Within other operating expenses, “other items” included, for instance, provisions and other purchased services.

The costs incurred in the financial year for external auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft were € 741 thousand (prior year: € 468 thousand). Of this total, € 384 thousand (prior year: € 447 thousand) related to the audit of the consolidated financial statements (including the audit of the separate financial statements of individual subsidiaries), € 234 thousand (prior year: € 8 thousand) was for other assurance services, and € 123 thousand (prior year: € 13 thousand) represented other non-audit services.

Note (8)

7.8. Share of results of equity-accounted joint ventures

The share of results of equity-accounted joint ventures of € 30,589 thousand (prior year: € 24,523 thousand) included the Group’s share of the profits or losses of the joint ventures in the HUNGRANA group and the AGRANA-STUDEN group.

Note (9)

7.9. Operating profit (EBIT)

€000	2016|17	2015|16
Operating profit before exceptional items and results of equity-accounted joint ventures	150,815	107,486
Exceptional items	(9,037)	(3,054)
Share of results of equity-accounted joint ventures	30,589	24,523
Total	**172,367**	**128,955**

Exceptional items – separately presented only in the section "Segment information" – consisted of an expense for tax liabilities in connection with a tax audit in Romania, an expense for a provision for a legal dispute in Romania, and income from the settlement of real estate litigation in the Czech Republic in the Sugar segment. The related amounts recognised in the consolidated income statement were € 3,998 thousand (prior year: € 65 thousand) within other operating income, € 0 thousand (prior year: € 1,587 thousand) within staff costs, € 0 thousand (prior year: € 910 thousand) within depreciation, amortisation and impairment losses, and € 13,035 thousand (prior year: € 622 thousand) within other operating expenses.

Note (10)

7.10. Finance income

€000	2016|17	2015|16
Interest income	2,861	9,724
Currency translation gains	17,723	12,271
Income from non-consolidated subsidiaries and outside companies	565	37
Gains on derivatives	9,156	21,373
Miscellaneous finance income	776	384
Total	**31,081**	**43,789**

Interest income by segment was as follows:

€000	2016|17	2015|16
Sugar segment	1,561	8,099
Starch segment	42	111
Fruit segment	1,258	1,514
Group	**2,861**	**9,724**

Note (11)

7.11. Finance expense

€000	2016|17	2015|16
Interest expense	13,509	17,668
Net interest on provisions for pensions and termination benefits	1,196	1,010
Currency translation losses	13,018	24,515
Expenses from non-consolidated subsidiaries and outside companies	0	9
Losses on derivatives	13,329	22,074
Miscellaneous finance expense	7,908	3,032
Total	**48,960**	**68,308**

Interest expense by segment was as follows:

€000	2016|17	2015|16
Sugar segment	11,358	15,818
Starch segment	40	23
Fruit segment	2,111	1,827
Group	**13,509**	**17,668**

Interest expense includes the interest component of € 124 thousand (prior year: € 98 thousand) from the discounting of the non-current obligation for long-service awards.

Net currency translation differences on financing activities amounted to a gain of € 4,705 thousand (prior year: loss of € 12,244 thousand). This was composed of a realised gain of € 743 thousand (prior year: realised loss of € 1,211 thousand) and an unrealised gain of € 3,962 thousand (prior year: unrealised loss of € 11,033 thousand). The net loss was attributable largely to movements in exchange rates for the currencies of Brazil and Egypt.

The item "miscellaneous finance expense" included a non-recurring expense of € 4,761 thousand (prior year: € 0 thousand) as a result of an impairment charge on cash and cash equivalents in Ukraine in the Fruit segment.

Note (12)

7.12. Income tax expense

Current and deferred tax expenses and credits pertained to Austrian and foreign income taxes and had the following composition:

€000	2016|17	2015|16
Current tax expense	36,755	22,698
Of which Austrian	11,575	4,422
Of which foreign	25,180	18,276
Deferred tax (benefit)/expense	(122)	810
Of which Austrian	(135)	2,991
Of which foreign	13	(2,181)
Total tax expense	**36,633**	**23,508**
Of which Austrian	11,440	7,413
Of which foreign	25,193	16,095

Reconciliation of the deferred tax amounts in the balance sheet to the deferred taxes in the income statement

€000	2016|17	2015|16
(Decrease) in deferred tax assets in the consolidated balance sheet	(539)	(7,311)
(Increase)/decrease in deferred tax liabilities in the consolidated balance sheet	(8,621)	5,943
Total change in deferred taxes before changes in scope of consolidation	**(9,160)**	**(1,368)**
Of which changes in scope of consolidation, recognised directly in equity	(9,690)	0
Of which recognised in other comprehensive income (remeasurement, cash flow hedges and IAS 19)	193	802
Of which currency translation, and other	215	(1,360)
Of which recognised in the income statement	122	(810)

Reconciliation of profit before tax to income tax expense

€000	2016|17	2015|16
Profit before tax	154,488	104,436
Standard Austrian tax rate	25%	25%
Nominal tax expense at standard Austrian rate	**38,622**	**26,109**
Tax effect of:		
Different tax rates applied on foreign income	(1,690)	(122)
Tax-exempt income and tax deductions, including results of equity-accounted joint ventures	(9,441)	(6,756)
Non-tax-deductible expenses and additional tax debits	4,405	2,180
Effects of unrecognized tax loss carryforwards in respect of the financial year	102	2,197
Effects of impairment of deferred taxes	0	97
Non-recurring tax expenses	4,635	(197)
Income tax expense	**36,633**	**23,508**
Effective tax rate	**23.7%**	**22.5%**

The nominal tax charge or credit is based on application of the standard Austrian corporation tax rate of 25%.

The Tax Reform Act of 2005 introduced a new concept for the taxation of company groups. In accordance with the provisions of this Act, the AGRANA Group established a group consisting of AGRANA Beteiligungs-AG as the group parent and the following group members: AGRANA Zucker GmbH, AGRANA Stärke GmbH, AGRANA Marketing- und Vertriebsservice Gesellschaft mbH, AGRANA Internationale Verwaltungs- und Asset-Management GmbH, AGRANA Group-Services GmbH, INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft mbH and AUSTRIA JUICE GmbH.

Deferred taxes are recognised on differences between carrying amounts in the consolidated financial statements and the tax bases of the individual companies in their home countries. Deferred taxes take into account carryforwards of unused tax losses.

In the interest of conservative planning, deferred taxes reflect carryforwards of tax losses only to the extent that sufficient taxable profit is likely to be earned over the next five years to utilise the deferred tax assets. € 13,902 thousand (prior year: € 16,075 thousand) of potential tax assets were not recognised. These related to cumulative unused tax loss carryforwards of € 60,871 thousand (prior year: € 72,412 thousand). Of the unused tax loss carryforwards, € 31,175 thousand (prior year: € 25,568 thousand) can be carried forward indefinitely, € 26,786 thousand (prior year: € 20,851 thousand) expire in two to four years, € 2,910 thousand (prior year: € 17,020 thousand) expire in five to seven years and € 0 thousand (prior year: € 8,973 thousand) expire in the 2018 calendar year.

At the balance sheet date the deferred tax assets and liabilities recognised directly in equity amounted to a net asset of € 7,392 thousand (prior year: € 7,198 thousand).

For temporary differences on investments in subsidiaries, deferred tax liabilities of € 211,264 thousand (prior year: € 191,574 thousand) were not recognised, as these gains are intended to be reinvested for an indefinite period and these temporary differences are thus not likely to reverse in the foreseeable future.

Note (13)

7.13. Earnings per share

		2016|17	2015|16
Profit for the period attributable to shareholders of the parent (AGRANA Beteiligungs-AG)	€000	111,315	82,723
Average number of shares outstanding		14,301,709	14,301,709[1]
Earnings per share under IFRS (basic and diluted)	€	**7.78**	**5.78**[1]
Dividend per share	€	**4.00**[2]	**4.00**

Based on the number of shares outstanding at the balance sheet date, earnings per share were as follows:

		2016|17	2015|16
Number of shares outstanding at the balance sheet date		15,622,244	14,202,040
Earnings per share	€	7.13	5.82

Following the increase in share capital, the number of shares issued and outstanding is 15,622,244 shares since 17 February 2017.

Subject to the Annual General Meeting's approval of the proposed allocation of profit for the 2016|17 financial year, AGRANA Beteiligungs-AG will pay a dividend of € 62,489 thousand (prior year: € 56,808 thousand).

[1] The prior-year data were restated under IAS 33.64. Further information is provided on page 131.
[2] Proposal to the Annual General Meeting.

8. Notes to the consolidated cash flow statement

The cash flow statement is prepared using the indirect method and in accordance with IAS 7. The statement traces the movements in the AGRANA Group's cash and cash equivalents arising from operating, investing and financing activities.

Cash and cash equivalents, for the purpose of the cash flow statement, represent cash on hand, cheques and bank deposits.

As a result of currency legislation, there are restrictions on access to cash and cash equivalents of subsidiaries in the amount of € 16,887 thousand (prior year: € 18,237 thousand) in China, Ukraine and Egypt.

Cash and cash equivalents do not include current bank borrowings or securities classified as current assets.

The currency translation effects, except those on cash and cash equivalents, are already eliminated in the respective balance sheet items.

Note (14)

8.1. Cash flows from operating activities

Operating cash flow before changes in working capital was € 258,020 thousand (prior year: € 225,914 thousand), or 10.07% of revenue (prior year: 9.12%). The non-cash expenses/income consisted mainly of the unrealised currency translation gains of € 3,962 thousand (prior year: unrealised currency translation losses of € 11,033 thousand) reflected in net financial items, non-cash income taxes of € 36,633 thousand (prior year: € 23,508 thousand), non-cash interest of € 10,153 thousand (prior year: € 8,376 thousand), a non-cash change of € 284 thousand (prior year: € 1,146 thousand) in impairment on receivables, and non-cash inventory write-downs of € 4,640 thousand (prior year: € 5,471 thousand). After changes in working capital and after cash flows from interest and taxes, net cash from operating activities was € 255,785 thousand (prior year: € 101,913 thousand).

Note (15)

8.2. Cash flows from investing activities

Net cash used in investing activities increased by € 151,606 thousand from € 19,924 thousand to € 171,530 thousand. This was driven primarily by higher outflows from purchases of property, plant and equipment and intangible assets of € 123,418 thousand (prior year: € 107,720 thousand), payments of € 45,467 thousand for the acquisition of the two Argentine subsidiaries (which includes acquired cash and cash equivalents of € 82 thousand), AGRANA's share of € 3,750 thousand of the capital increase of the AGRANA-STUDEN group, and, as a base effect in the prior year, the redemption by RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung of its participation capital of € 85,000 thousand which AGRANA Beteiligungs-AG had subscribed.

Proceeds from the disposal of non-current assets amounted to € 1,155 thousand (prior year: € 3,103 thousand).

Note (16)

8.3. Cash flows from financing activities

Borrowings (net of unrealised currency translation losses) fell by € 158,111 thousand in the 2016|17 financial year (prior year: reduction of € 21,098 thousand). The decrease was explained largely by the repayment of two syndicated loans of € 111,100 thousand, the repayment of cash advances and the repayment of maturing bank loans.

The cash capital increase had a positive impact of € 139,719 thousand on net cash from financing activities, as did the increase of € 85,000 thousand in borrowings from affiliated companies in the Südzucker group (conversely, in the prior year AGRANA repaid current borrowings of € 85,000 thousand to affiliated companies in the Südzucker group as a result of the redemption of the participation capital by RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft).

Dividends paid consisted mainly of the cash dividend distributed to the shareholders of AGRANA Beteiligungs-AG.

9. Notes to the consolidated balance sheet

Note (17)

9.1. Intangible assets, including goodwill

€000	Goodwill	Concessions, licences and similar rights	Total
2016|17			
Cost			
At 1 March 2016	226,202	95,308	321,510
Currency translation differences	(5)	823	818
Changes in scope of consolidation/other changes	34,777	8,924	43,701
Additions	0	1,215	1,215
Reclassifications	0	392	392
Disposals	0	(406)	(406)
At 28 February 2017	**260,974**	**106,256**	**367,230**
Accumulated amortisation and impairment			
At 1 March 2016	0	79,549	79,549
Currency translation differences	0	335	335
Amortisation for the period	0	5,414	5,414
Reclassifications	0	2	2
Disposals	0	(389)	(389)
At 28 February 2017	**0**	**84,911**	**84,911**
Carrying amount at 28 February 2017	**260,974**	**21,345**	**282,319**
2015|16			
Cost			
At 1 March 2015	226,176	90,449	316,625
Currency translation differences	26	(355)	(329)
Changes in scope of consolidation/other changes	0	41	41
Additions	0	6,682	6,682
Reclassifications	0	1,342	1,342
Disposals	0	(2,851)	(2,851)
At 29 February 2016	**226,202**	**95,308**	**321,510**
Accumulated amortisation and impairment			
At 1 March 2015	0	75,150	75,150
Currency translation differences	0	(245)	(245)
Changes in scope of consolidation/other changes	0	43	43
Amortisation for the period	0	7,282	7,282
Reclassifications	0	87	87
Disposals	0	(2,768)	(2,768)
At 29 February 2016	**0**	**79,549**	**79,549**
Carrying amount at 29 February 2016	**226,202**	**15,759**	**241,961**

- Intangible assets consist largely of acquired customer relationships, software, patents and similar rights.

- The additions of € 1,215 thousand (prior year: € 6,682 thousand) of non-goodwill intangible assets related primarily to software. In the item "changes in scope of consolidation/other changes", an amount of € 8,924 thousand represented customer relationships and trademarks under the purchase price allocation of the newly acquired companies in Argentina.

- Of the total carrying amount of goodwill, the Fruit segment accounted for € 239,257 thousand (prior year: € 204,485 thousand), the Sugar segment for € 20,111 thousand (prior year: € 20,111 thousand) and the Starch segment for € 1,606 thousand (prior year: € 1,606 thousand). The change in the Fruit segment is attributable largely to the acquisition of the Argentine subsidiaries and the resulting goodwill.

■ To satisfy the provisions of IFRS 3 in conjunction with IAS 36 and to allow the calculation of any impairment of goodwill, AGRANA has defined its cash-generating units to match its internal reporting structure. The cash-generating units in the AGRANA Group are the Sugar segment, Starch segment and Fruit segment, consistent with the internal management accounting and reporting processes. All goodwill was allocated to cash-generating units.

■ To test for impairment, the carrying amount of each cash-generating unit is measured by allocating to it the corresponding assets and liabilities, inclusive of attributable goodwill and other intangible assets. Impairment is recognised in profit or loss when the recoverable amount (value in use) of a cash-generating unit is less than its carrying amount inclusive of goodwill.

■ In testing for impairment, AGRANA uses a discounted cash flow method to determine the value in use of the cash-generating units. The determination of expected cash flows from each cash-generating unit is based on business plans that are validated and approved by Supervisory Board committees and have a planning horizon of five years. Projections beyond a five-year horizon are based on the assumption of a constant, inflation-induced growth rate of 1.5% per year (assumption in the prior year: 1.5%). The cost of capital (WACC) is calculated as the weighted average cost of equity and debt capital for each CGU.

■ The cost of equity is based on a risk-free rate, a return premium for the business risk, and a premium for country risk and inflation differential. The spot rate of a 30-year zero coupon bond, based on Deutsche Bundesbank data, was used as the risk-free rate of return. Business risk is represented by the product of a general market risk premium of 7.0% (prior year: 6.5%) and a beta factor derived from a peer group of nine companies. The country risk and the inflation differential are assigned a volatility factor of 1.4 (prior year: 1.5).

■ The cost of debt capital is calculated as the risk-free rate, the inflation differential, and the credit spread determined by reference to the capital market.

The following table presents the carrying amounts of the goodwill, the respective discount rate (WACC) and the excess of recoverable over carrying amount, by CGU:

	Goodwill		WACC before tax		Excess of value in use over carrying amount	
	28 Feb 2017	29 Feb 2016	2016|17	2015|16	28 Feb 2017	29 Feb 2016
	€m	€m	%	%	€m	€m
Fruit CGU	239	204	8.55	10.48	454	67
Starch CGU	2	2	4.94	6.11	1,059	576
Sugar CGU	20	20	6.71	7.66	276	61
Group	**261**	**226**	**–**	**–**	**1,789**	**704**

■ As a result of the purchase of the subsidiaries in Argentina, the goodwill of the Fruit CGU was tested for impairment at 1 December 2016. No impairment was identified.

■ The quality of the forecast data is frequently tested against actual outcomes with the help of variance analysis. The insights gained are then taken into account during the preparation of the next annual plan. Projections of value in use are highly sensitive to assumptions regarding future local market developments and volume trends. Value in use is therefore ascertained both on the basis of experience and of assumptions that are reviewed with experts for the regional markets.

■ The amounts by which the recoverable amounts exceeded the carrying amounts were subjected to a sensitivity analysis. The results are presented on page 117. The goodwill is not tax-deductible.

■ At the balance sheet date, other intangible assets with an indefinite useful life that were not significant for the AGRANA Group were included.

Note (18)

9.2. Property, plant and equipment

€000	Land, leasehold rights and buildings	Technical plant and machinery	Other plant, furniture and equipment	Assets under con-struction	Total
2016|17					
Cost					
At 1 March 2016	554,921	1,154,278	192,260	23,587	1,925,046
Currency translation differences	7,111	6,054	3,333	432	16,930
Changes in scope of consolidation/ other changes	13,545	7,375	167	106	21,193
Additions	6,933	32,572	11,487	62,451	113,443
Reclassifications	4,602	4,421	7,663	(17,078)	(392)
Disposals	(3,010)	(26,544)	(8,542)	(110)	(38,206)
Government grants	(336)	(828)	0	0	(1,164)
At 28 February 2017	**583,766**	**1,177,328**	**206,368**	**69,388**	**2,036,850**
Accumulated depreciation and impairment					
At 1 March 2016	294,944	799,714	149,812	984	1,245,454
Currency translation differences	2,552	4,296	2,600	0	9,448
Depreciation for the period	16,568	50,384	11,705	0	78,657
Impairment	176	41	4	110	331
Reclassifications	31	(2,912)	2,879	0	(2)
Disposals	(2,330)	(25,788)	(7,822)	0	(35,940)
Reversal of impairment losses	(2)	(3)	0	0	(5)
At 28 February 2017	**311,939**	**825,732**	**159,178**	**1,094**	**1,297,943**
Carrying amount at 28 February 2017	**271,827**	**351,596**	**47,190**	**68,294**	**738,907**
2015|16					
Cost					
At 1 March 2015	539,181	1,118,396	184,044	33,572	1,875,193
Currency translation differences	(7,630)	(11,547)	(2,425)	(1,348)	(22,950)
Changes in scope of consolidation/ other changes	13	1,918	3,762	49	5,742
Additions	18,209	36,749	8,328	46,015	109,301
Reclassifications	17,633	31,037	4,495	(54,508)	(1,343)
Disposals	(12,371)	(22,148)	(5,944)	(193)	(40,656)
Government grants	(114)	(127)	0	0	(241)
At 29 February 2016	**554,921**	**1,154,278**	**192,260**	**23,587**	**1,925,046**
Accumulated depreciation and impairment					
At 1 March 2015	291,420	778,629	143,134	473	1,213,656
Currency translation differences	(2,897)	(7,762)	(1,842)	1	(12,500)
Changes in scope of consolidation/ other changes	(54)	1,387	1,608	0	2,941
Depreciation for the period	15,866	50,118	11,517	0	77,501
Impairment	0	910	0	510	1,420
Reclassifications	1,128	(2,220)	1,006	0	(86)
Disposals	(10,193)	(20,853)	(5,611)	0	(36,657)
Reversal of impairment losses	(326)	(495)	0	0	(821)
At 29 February 2016	**294,944**	**799,714**	**149,812**	**984**	**1,245,454**
Carrying amount at 29 February 2016	**259,977**	**354,564**	**42,448**	**22,603**	**679,592**

■ Additions (i.e., purchases) of intangible assets (other than goodwill) and property, plant and equipment:

€000	2016|17	2015|16
Sugar segment	23,259	46,102
Starch segment	57,577	28,151
Fruit segment	33,822	41,730
Group	**114,658**	**115,983**

■ Currency translation differences are the differences between amounts arising from the translation of the opening balances of foreign Group companies at the exchange rates prevailing at the start and at the end of the reporting period.

■ Government grants consisted of investment assistance in Slovakia (Sugar segment) and the USA (Fruit segment).

■ There was no interest expense to be recognised.

■ The AGRANA Group, in addition to operating leases, also employs a small number of finance leases. The major finance lease relates to the renting of a building erected on AGRANA land at the site in Kröllendorf/Allhartsberg, Austria. An option to purchase this third-party building can be exercised in the 2018|19 financial year. The finance leases for other plant, fixtures and fittings are of minor significance and are primarily vehicle leases. The movement in property, plant and equipment under finance leases and the reconciliation of future minimum lease payments to their present value are shown below:

	2016|17			2015|16	
€000	Land, leasehold rights and buildings	Technical plant and machinery	Other plant, furniture and equipment	Land, leasehold rights and buildings	Other plant, furniture and equipment
Cost	3,003	870	132	3,003	59
Less accumulated depreciation and impairment	(491)	(438)	(21)	(235)	(17)
Carrying amount	**2,512**	**432**	**111**	**2,768**	**42**

	2016|17			2015|16		
€000	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
In the subsequent year	572	(73)	499	331	(57)	274
In years 2 to 5	3,022	(156)	2,866	2,642	(92)	2,550
In more than 5 years	0	0	0	0	0	0
Total	**3,594**	**(229)**	**3,365**	**2,973**	**(149)**	**2,824**

■ The use of off-balance sheet property, plant and equipment (under operating leases) gives rise to the following obligations under lease, licence and rental agreements:

€000	2016|17	2015|16
In the subsequent year	3,678	3,976
In years 2 to 5	13,836	12,051
In more than 5 years	5,224	7,215

■ The AGRANA Group does not act as a lessor.

Note (19)

9.3. Equity-accounted joint ventures, securities, and investments in non-consolidated subsidiaries and outside companies

€000	Equity-accounted joint ventures	Securities (non-current)	Investments in non-consolidated subsidiaries and outside companies	Total
2016|17				
At 1 March 2016	60,906	18,622	1,091	80,619
Currency translation differences	753	40	0	793
Additions, including capital increase at joint ventures	5,000	91	0	5,091
Share of results of equity-accounted joint ventures	30,589	0	0	30,589
Disposals, and dividends of equity-accounted joint ventures	(24,500)	(54)	(40)	(24,594)
Other comprehensive (expense)/income	(3)	127	0	124
At 28 February 2017	**72,745**	**18,826**	**1,051**	**92,622**
2015|16				
At 1 March 2015	84,384	104,879	1,114	190,377
Currency translation differences	(2,104)	33	0	(2,071)
Additions	0	308	10	318
Share of results of equity-accounted joint ventures	24,523	0	0	24,523
Impairment losses	0	0	(8)	(8)
Disposals, and dividends of equity-accounted joint ventures	(45,900)	(85,069)	(25)	(130,994)
Other comprehensive income/(expense)	3	(1,529)	0	(1,526)
At 29 February 2016	**60,906**	**18,622**	**1,091**	**80,619**

The securities were predominantly securities of Austrian issuers.

Note (20)

9.4. Receivables and other assets

€000	28 Feb 2017	29 Feb 2016
Trade receivables	317,397	296,566
Amounts due from affiliated companies and joint ventures	19,340	28,059
Amounts due from associates in the Südzucker group	2,816	3,215
Positive fair value of derivatives	1,856	3,186
Receivable for legacy soil reclamation	208	208
Receivable under government grants	186	199
Other financial assets	18,985	25,504
Financial instruments	**360,788**	**356,937**
VAT credits and other tax credits	80,427	73,079
Accrued income	3,180	15,262
Prepaid expenses	5,331	4,845
Total	**449,726**	**450,123**
Of which due after more than 1 year	7,115	10,602

Amounts due from affiliated companies represent open accounts with non-consolidated subsidiaries, with the Group’s parent company Südzucker AG and Südzucker’s subsidiaries, and with joint ventures.

Note (21)

9.5. Deferred tax assets

Deferred tax assets were attributable to balance sheet items as follows:

€000	28 Feb 2017	29 Feb 2016
Deferred tax assets		
Intangible assets and property, plant and equipment	2,099	2,820
Non-current financial assets (primarily "one-seventh" write-downs on non-consolidated subsidiaries and on outside companies)	4,969	4,310
Inventories	4,398	3,720
Receivables and other assets	1,426	1,690
Carryforwards of unused tax losses	1,072	3,022
Retirement, termination and long-service benefit obligations	7,354	7,153
Other provisions and liabilities	12,103	11,295
Total deferred tax assets	**33,421**	**34,010**
Deferred tax assets offset against deferred tax liabilities relating to the same tax authority	(19,087)	(19,137)
Net deferred tax assets	**14,334**	**14,873**

Deferred tax liabilities are detailed in note 28.

Note (22)

9.6. Inventories

€000	28 Feb 2017	29 Feb 2016
Raw materials and consumables	190,136	182,680
Finished and unfinished goods	470,918	418,441
Goods purchased for resale	34,978	53,051
Total	**696,032**	**654,172**

Write-downs of € 4,640 thousand (prior year: € 5,471 thousand) were recognised on inventories, with the Sugar segment accounting for € 3,157 thousand (prior year: € 3,058 thousand) of this total. These impairment charges were attributable to a reduction in net realisable values of quota sugar and non-quota sugar at the balance sheet date.

Note (23)

9.7. Non-current assets held for sale

This item represented a Belgian property with a carrying amount of € 1,631 thousand, disclosed at its carrying amount in accordance with IFRS 5. On 24 February 2017 the property was sold at a price of € 1,650 thousand.

Note (24)

9.8. Equity

- The 28th Annual General Meeting on 3 July 2015 authorised the Management Board for a period of five years to increase the share capital, subject to the agreement of the Supervisory Board, by up to a total of € 15,261,295.18 by issuing up to 2,100,000 new ordinary bearer shares of the Company against payment in cash or contributions in kind, in one or more tranches. Accordingly, the Management Board and Supervisory Board decided on 31 January 2017 and 1 February 2017 to increase the share capital of the Company from a nominal amount of € 103,210,250 by a nominal amount of not more than € 10,321,025 to a new nominal amount of up to € 113,531,275 by issuing up to 1,420,204 bearer shares with an accounting par value of € 7.27 per share.

- The share capital at the balance sheet date was € 113,531,275 (prior year: € 103,210,250), divided into 15,622,244 (prior year: 14,202,040) voting ordinary bearer shares. All shares were fully paid.

- The movements in the Group's equity are presented from page 98.

- The capital reserves ("share premium and other capital reserves") consist of share premium (i.e., additional paid-in capital) and of reserves resulting from the reorganisation of companies. The new shares were issued at a price of € 100 per share. The resulting share premium of € 131,699,375, less the after-tax cost of € 2,301,471 of the capital increase, was added to the equity item “share premium and other capital reserves”. At the balance sheet date the amount of share premium and other capital reserves was € 540,759,999 (prior year: € 411,362,095).

■ Retained earnings consist of the available-for-sale reserve and the reserves for cash flow hedges, actuarial gains and losses, investments in equity-accounted joint ventures, effects of consolidation-related foreign currency translation, and accumulated profits/losses for the period.

■ The additional contributions by other shareholders of € 1,250 thousand related to the external share of a capital increase in the AGRANA-STUDEN group.

■ Changes in ownership interest and in the scope of consolidation resulted from a capital increase at the fully consolidated S.C. AGRANA Romania S.A., Bucharest, Romania. As not all minority shareholders participated in the capital increase, the equity interest changed by € 327 thousand.

Disclosures on capital management
A key goal of equity management is the maintenance of sufficient equity resources to safeguard the Company's continuing existence as a going concern and ensure continuity of dividends. Equity bore the following relationship to total capital:

€000	28 Feb 2017	29 Feb 2016
Total equity	1,411,888	1,200,124
Total assets	2,481,436	2,243,165
Equity ratio	**56.9%**	**53.5%**
Net debt	239,878	405,806
Gearing ratio	**17.0%**	**33.8%**

Capital management at AGRANA means the management of equity and of net debt. By optimising these two measures, the Company seeks to achieve the best possible shareholder returns. In addition to the equity ratio, the most important control variable is the gearing ratio (net debt divided by total equity). The total cost of equity and debt capital employed and the risks associated with the different types of capital are continuously monitored.

The sound equity base gives AGRANA strategic flexibility and also demonstrates the Group's financial stability and independence. In addition to its self-financing ability, AGRANA also has access to high, committed credit lines for its overall financing needs.

The approach to capital management was unchanged from the prior year.

Note (25)

9.9. Provisions

€000	28 Feb 2017	29 Feb 2016
Provisions for:		
Retirement benefits	31,118	30,102
Termination benefits	37,811	37,044
Other	63,352	48,425
Total	**132,281**	**115,571**

Note (25a)

a) Provisions for retirement and termination benefits
Provisions for retirement and termination benefits are measured in accordance with IAS 19, using the projected unit credit method and taking into account future trends on an actuarial basis. For both the retirement and termination benefit obligations, the plans are defined benefit plans.

The present values of the obligations, and the associated plan assets where applicable, were determined based on the following actuarial parameters:

%	28 Feb 2017	29 Feb 2016
Expected rate of wage and salary increases		
Austria and rest of Europe	2.5	2.5
Mexico/USA/South Korea	6.0 / 3.0 / 4.0	6.0 / 3.0 / 4.0
Expected rate of pension increases		
Austria	2.0	2.0
Mexico	4.0	4.0
Discount rate		
Austria, rest of Europe, and USA	1.6	1.8
Mexico/South Korea	8.0 / 2.3	7.0 / 2.7

A discount rate of 1.6% (prior year: 1.8%) was used in almost all cases in the determination of the provisions for pensions and termination benefits. The discount rate is based on the yield of high-quality corporate bonds with a duration matching the average weighted duration of the obligations.

The measurement process also involves other company-specific actuarial assumptions, such as the staff turnover rate. The current mortality tables recognised in the respective country are used as the biometric basis for the calculations – in Austria, this is the version of the computation tables by Pagler & Pagler specific to salaried employees ("AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung").

Defined benefit plans

Pension plans in the AGRANA Group are based largely on direct defined benefit commitments. The amounts of the pension benefits are usually determined by length of service and by pensionable pay. Termination benefit plans exist mainly as a result of legal requirements or of obligations under collective agreements and the benefits represent one-time, lump sum payments. The amount of the termination benefits typically depends on final pay and length of service.

The provision in the balance sheet (the net liability) for pensions and termination benefits in the AGRANA Group represents the present value of the defined benefit obligation less the fair value of the plan assets:

€000	28 Feb 2017	29 Feb 2016
Pension plans		
Present value of defined benefit obligation	45,498	43,243
Fair value of plan assets	(14,380)	(13,141)
Pension provisions (net liability)	**31,118**	**30,102**
Termination benefit plans		
Present value of defined benefit obligation	39,033	37,874
Fair value of plan assets	(1,222)	(830)
Termination benefit provisions (net liability)	**37,811**	**37,044**

In connection with defined benefit pension commitments, the AGRANA Group's major plans are the following:

AGRANA Beteiligungs-AG has direct defined benefit commitments in respect of Management Board members for retirement, disability and survivor pensions based on a fixed percentage of a pension assessment base. All pension benefit obligations are transferred to and administered by an external pension fund. The present value of the obligation was € 22,126 thousand (prior year: € 19,020 thousand) and the plan assets amounted to € 13,630 thousand (prior year: € 12,374 thousand). Further detail is provided in the section "Related party disclosures" in these notes.

In addition, there were direct defined benefit commitments, including survivor benefits, in respect of retired former employees of AGRANA Zucker GmbH in the amount of € 19,061 thousand (prior year: € 19,721 thousand), of AGRANA Stärke GmbH in the amount of € 2,522 thousand (prior year: € 2,666 thousand) and of AUSTRIA JUICE GmbH in the amount of € 220 thousand (prior year: € 229 thousand). The present value of the obligation of AUSTRIA JUICE GmbH is offset by plan assets in the form of pension risk transfer insurance of € 158 thousand (prior year: € 163 thousand).

At AGRANA Fruit Austria GmbH there are pension commitments in respect of active employees for retirement, disability and survivor benefits with a contractual (in some cases length-of-service-dependent) fixed benefit amount, and direct obligations in respect of retired former employees, including survivor benefits. The present value of these obligations was € 991 thousand (prior year: € 1,013 thousand) and there were plan assets in the form of pension insurance of € 511 thousand (prior year: € 505 thousand).

In Mexico there is a contractual obligation in respect of a defined set of recipients in the event of retirement or early retirement to pay a fixed percentage of a specified pensionable pay base in monthly instalments for a period of ten years. Alternatively, the recipient may choose a lump sum payment. The present value of this obligation was € 578 thousand (prior year: € 594 thousand), with plan assets in the form of pension insurance of € 81 thousand (prior year: € 99 thousand).

The pension provisions showed the following movement:

€000	**Present value of obligation**	**Fair value of plan assets**	**Pension provisions**
2016|17			
At 1 March 2016	43,243	(13,141)	30,102
Service cost	547	0	547
Interest expense/(income)	785	(243)	542
Effects of plan curtailments and settlements	(22)	0	(22)
Taxes and administration cost	0	13	13
Total recognised in the income statement (net pension cost)	**1,310**	**(230)**	**1,080**
(Gains)/losses from:			
Actual return on plan assets	0	(860)	(860)
Changes in financial assumptions	886	0	886
Experience adjustments	2,819	0	2,819
Currency translation differences	(43)	6	(37)
Total remeasurement loss/(gain) recognised in the statement of comprehensive income	**3,662**	**(854)**	**2,808**
Settlement payments	(75)	75	0
Benefits paid	(2,642)	66	(2,576)
Employer contributions to plan assets	0	(296)	(296)
Other movements	**(2,717)**	**(155)**	**(2,872)**
At 28 February 2017	**45,498**	**(14,380)**	**31,118**
2015|16			
At 1 March 2015	47,676	(13,369)	34,307
Service cost	828	0	828
Interest expense/(income)	681	(198)	483
Past service cost	155	0	155
Taxes and administration cost	0	33	33
Total recognised in the income statement (net pension cost)	**1,664**	**(165)**	**1,499**
Losses/(gains) from:			
Actual return on plan assets	0	1,028	1,028
Changes in financial assumptions	(2,145)	0	(2,145)
Experience adjustments	(1,208)	0	(1,208)
Currency translation differences	(104)	17	(87)
Total remeasurement (gain)/loss recognised in the statement of comprehensive income	**(3,457)**	**1,045**	**(2,412)**
Benefits paid	(2,640)	9	(2,631)
Employer contributions to plan assets	0	(661)	(661)
Other movements	**(2,640)**	**(652)**	**(3,292)**
At 29 February 2016	**43,243**	**(13,141)**	**30,102**

The AGRANA Group's has the following main termination benefit plans:

The termination benefit plans most significant in amount exist in Austria and France. The plans represent legislated commitments to pay a lump sum benefit on termination of employment (unless terminated by the employee) and in the event of retirement or death. The amount of the benefit depends on final pay and length of service. Termination benefit obligations in Austria and France are funded solely by provisions, in the amount of € 35,845 thousand (prior year: € 35,224 thousand).

In Russia and Ukraine there are termination benefit commitments (either legislated or based on company-wide agreements) that are minor in amount. These are payable as a lump sum on termination of employment (unless terminated by the employee) or on retirement. The benefit amount depends on final pay and length of service. These commitments in the amount of € 118 thousand (prior year: € 101 thousand) are covered solely by provisions.

The termination benefit arrangements in the USA consist of contractual commitments in respect of a defined set of recipients, while the commitments in Mexico are legislated obligations to all permanent and full-time employees. In Mexico the termination benefit is paid if the employment relationship is terminated after 15 years or more of service, at retirement or in the event of disability or death. It takes the form of a lump sum in an amount that is based on final salary and length of service. In the USA, the benefit is paid on termination of employment and is based on final salary and length of service. In Mexico, plan assets of € 3 thousand (prior year: € 3 thousand) offset the present value of the obligation of € 125 thousand (prior year: € 132 thousand). In the USA, the commitments of € 1,274 thousand (prior year: € 1,073 thousand) are funded solely by provisions.

The present value of the obligation of the termination benefit plan for South Korea was € 1,671 thousand (prior year: € 1,344 thousand), while the plan assets amounted to € 1,219 thousand (prior year: € 827 thousand).

The termination benefit provisions showed the following movement:

€000	**Present value of obligation**	**Fair value of plan assets**	**Termination benefit provisions**
2016|17			
At 1 March 2016	37,874	(830)	37,044
Service cost	1,730	0	1,730
Interest expense/(income)	676	(22)	654
Taxes and administration cost	0	3	3
Total recognised in the income statement (net termination benefit cost)	**2,406**	**(19)**	**2,387**
Losses/(gains) from:			
Actual return on plan assets	0	8	8
Changes in demographic assumptions	(21)	0	(21)
Changes in financial assumptions	699	0	699
Experience adjustments	(14)	0	(14)
Currency translation differences	232	(109)	123
Total remeasurement loss/(gain) recognised in the statement of comprehensive income	**896**	**(101)**	**795**
Benefits paid	(2,143)	70	(2,073)
Employer contributions to plan assets	0	(342)	(342)
Other movements	**(2,143)**	**(272)**	**(2,415)**
At 28 February 2017	**39,033**	**(1,222)**	**37,811**

€000	Present value of obligation	Fair value of plan assets	Termination benefit provisions
2015|16			
At 1 March 2015	38,409	(831)	37,578
Service cost	1,820	0	1,820
Interest expense/(income)	552	(25)	527
Past service cost	7	0	7
Taxes and administration cost	0	2	2
Total recognised in the income statement (net termination benefit cost)	**2,379**	**(23)**	**2,356**
(Gains)/losses from:			
Actual return on plan assets	0	9	9
Changes in demographic assumptions	9	0	9
Changes in financial assumptions	(1,202)	0	(1,202)
Experience adjustments	415	0	415
Currency translation differences	(113)	72	(41)
Total remeasurement (gain)/loss recognised in the statement of comprehensive income	**(891)**	**81**	**(810)**
Benefits paid	696	0	696
Employer contributions to plan assets	(2,719)	103	(2,616)
Miscellaneous changes	0	(160)	(160)
Other movements	**(2,023)**	**(57)**	**(2,080)**
At 29 February 2016	**37,874**	**(830)**	**37,044**

The expense for the unwinding of discount on benefits accrued in prior years, less the return on plan assets, is included within net financial items. The current service cost is included in staff costs. The change in actuarial losses of the pension and termination benefit provisions, which is recognised directly in equity, was € 3,607 thousand (prior year: gains with an increase of € 3,225 thousand). The change resulted primarily from the lower discount rate, from experience adjustments and from changes in the expected retirement age and assumed employee turnover rates. As of 28 February 2017, net cumulative actuarial losses of € 38,644 thousand (prior year: net losses of € 35,037 thousand) had been offset against retained earnings, not taking into account deferred taxes.

The experience adjustments reflect the impacts on the plan liabilities of differences between the actual movement in the plan obligation during the year and the assumptions made at the beginning of the year. Such differences arise, especially, from actual rates of wage and salary increases, changes in pension benefits, employee turnover and biometric variables such as disability and mortality.

Composition of plan assets
The plan assets consist primarily of investments in an external pension fund and of pension benefit insurance policies. The fundamental objective for the plan assets is to provide, at all times, full coverage of the payment obligations arising from the respective benefit plans. The plan assets include neither financial instruments issued by the Group nor owner-occupied property.

At the balance sheet date the plan assets were invested in the following asset categories:

%	28 Feb 2017	29 Feb 2016
Fixed income securities	35.73	58.09
Equity securities	34.30	25.04
Real estate	4.26	4.41
Other	25.71	12.46

Risks
Defined benefit plans are associated with various risks for the AGRANA Group. Besides general actuarial risks such as discount rate risk and longevity risk, these include the risk that actual outcomes will differ from actuarial assumptions such as rates of wage and salary growth, pension benefit trends, retirement age and employee turnover (early departures). Risks in connection with the plan assets are capital market risks, credit risks and investment risks. Other risks lie in exchange rate fluctuation and changes in inflation rates.

The rate of return on plan assets is assumed to equal the discount rate. If the actual rate of return on plan assets is less than the discount rate used, the respective net liability increases. The net liability is particularly strongly influenced by the discount rate, with the current low market interest rates contributing to a relatively high liability. A further decline in corporate bond yields would lead to a further increase in defined benefit liabilities that can only be off set to a small degree by the increase in market values of the corporate bonds in the plan assets.

Potential inflation risks that may lead to an increase in the defined benefit obligations lie, indirectly, in inflation-driven salary growth during active service and in inflation-induced pension benefit increases.

Duration and future payments
The average weighted duration of the present value of the pension obligations at 28 February 2017 was 12.46 years (prior year: 12.51 years) and that of the termination benefit obligations was 8.63 years (prior year: 8.92 years).

€ 633 thousand (prior year: € 627 thousand) of contributions are expected to be paid into the plan assets in the subsequent reporting period.

The amounts of pension and termination benefit payments in the next ten years are expected to be as follows:

€000	Pension benefits	Termination benefits
Financial year		
2017|18	2,888	3,280
2018|19	2,930	3,789
2019|20	2,976	3,056
2020|21	2,817	3,727
2021|22	2,797	2,743
2022|23 to 2026|27	11,873	11,776
Total	**26,281**	**28,371**

Note (25b)

b) Other provisions

€000	Recultivation	Staff costs including long-service awards	Uncertain liabilities	Total
2016|17				
At 1 March 2016	7,477	17,086	23,862	48,425
Currency translation differences	5	40	(207)	(162)
Changes in scope of consolidation	0	25	0	25
Used	(306)	(3,933)	(4,225)	(8,464)
Released	(461)	(4,028)	(7,545)	(12,034)
Added	1,118	8,221	26,223	35,562
At 28 February 2017	**7,833**	**17,411**	**38,108**	**63,352**
Of which due within 1 year	731	4,909	37,814	43,454

The provisions for uncertain liabilities included, among other items, provisions for litigation risks of € 7,807 thousand (prior year: € 11,744 thousand), for costs of beet receiving, loading and storage of € 2,444 thousand (prior year: € 2,165 thousand), for onerous contracts of € 9,803 thousand (prior year: € 4,189 thousand) and a provision of € 11,701 thousand for tax liabilities in connection with a tax audit in Romania (prior year: € 0 thousand).

Of the non-current other provisions of € 19,898 thousand (prior year: € 19,999 thousand), an amount of € 10,000 thousand (prior year: € 10,150 thousand) represented provisions for long-service awards. These are payable under local company agreements or collective agreements and are based on length of service. Phased-retirement provisions of € 556 thousand (prior year: € 736 thousand) are expected to be used in outflows of funds in the next one to three years. For the majority of the non-current provisions of € 7,102 thousand (prior year: € 7,173 thousand) for recultivation, an outflow of funds is likely to occur in more than five years.

Note (26)

9.10. Borrowings

€000	28 Feb 2017	29 Feb 2016
Bank loans and overdrafts, and other loans from non-Group entities	203,814	366,024
Borrowings from affiliated companies in the Südzucker group	250,000	165,000
Finance lease liabilities	3,362	2,824
Borrowings	**457,176**	**533,848**
Of which due after more than 1 year	180,495	286,028

Details of bank loans and overdrafts are presented in sections 10.1. to 10.4.

At the balance sheet date, the bank loans and overdrafts were secured by liens. The liens related solely to collateral for export credits with underlying carrying amounts of € 7,800 thousand (prior year: € 7,800 thousand).

Note (27)

9.11. Trade and other payables

€000	28 Feb 2017	29 Feb 2016
Trade payables	312,637	269,892
Amounts due to affiliated companies in the Südzucker group	13,399	11,133
Liabilities from the acquisition of subsidiaries	13,329	0
Derivative liabilities	10,612	12,687
Financial other payables	68,926	61,035
Financial instruments	**418,903**	**354,747**
Payables: deferred income	3,323	3,050
Payables: prepayments	410	175
Payables: other tax	14,729	11,468
Payables: social security	6,855	6,642
Total	**444,220**	**376,082**
Of which due after more than 1 year	14,211	1,024

Trade payables included obligations to beet growers of € 109,115 thousand (prior year: € 73,085 thousand).

Financial other payables included, among other items, liabilities to employees, payroll liabilities, and liabilities from the EU production levy.

Note (28)

9.12. Deferred tax liabilities

Deferred tax liabilities were attributable to balance sheet items as follows:

€000	28 Feb 2017	29 Feb 2016
Deferred tax liabilities		
Non-current assets	23,009	12,327
Inventories	38	14
Receivables and other assets	4,771	4,490
Untaxed reserves in separate financial statements	2,214	5,351
Provisions and other liabilities	2,157	1,436
Total deferred tax liabilities	**32,189**	**23,618**
Deferred tax assets offset against deferred tax liabilities relating to the same tax authority	(19,087)	(19,137)
Net deferred tax liabilities	**13,102**	**4,481**

Deferred tax assets are detailed in note 21.

10. Notes on financial instruments

10.1. Investment and credit transactions (non-derivative financial instruments)

To cover its overall funding needs, the AGRANA Group, in addition to its self-financing capability, has access to syndicated credit lines and bilateral credit lines from banks.

Financial instruments are generally procured centrally and distributed Group-wide. The principal aims of obtaining financing are to achieve sustained growth in enterprise value, safeguard the Group's credit quality and ensure its liquidity.

To manage the seasonally fluctuating cash flows, the AGRANA Group in the course of its day-to-day financial management uses conventional investments (demand deposits, time deposits and securities) and borrowings (in the form of overdrafts, short-term funds and fixed rate loans).

	Average effective interest rate	At balance sheet date	Of which due in Up to 1 year	1 to 5 years	More than 5 years
	%	€000	€000	€000	€000
28 February 2017					
Fixed rate					
EUR	2.63	284,086	113,650	78,436	92,000
	2.63	**284,086**	**113,650**	**78,436**	**92,000**
Variable rate					
ARS	20.13	1,319	1,181	138	0
EGP	8.50	87	87	0	0
EUR	1.05	157,670	150,590	7,080	0
HUF	1.70	6,196	6,196	0	0
KRW	2.87	3,014	3,014	0	0
USD	2.25	1,442	1,442	0	0
	1.26	**169,728**	**162,510**	**7,218**	**0**
Total	**2.12**	**453,814**	**276,160**	**85,654**	**92,000**

	Average effective interest rate	At balance sheet date	Of which due in Up to 1 year	1 to 5 years	More than 5 years
	%	€000	€000	€000	€000
29 February 2016					
Fixed rate					
EUR	3.10	200,149	860	192,289	7,000
	3.10	**200,149**	**860**	**192,289**	**7,000**
Variable rate					
ARS	31.20	599	599	0	0
CNY	4.56	841	841	0	0
DKK	2.00	10	10	0	0
EGP	7.80	1	1	0	0
EUR	1.03	314,606	233,686	66,920	14,000
HUF	2.34	5,003	5,003	0	0
KRW	3.16	3,711	3,711	0	0
MXN	14.46	3,269	0	3,269	0
USD	–	2,835	2,835	0	0
	1.26	**330,875**	**246,686**	**70,189**	**14,000**
Total	**1.95**	**531,024**	**247,546**	**262,478**	**21,000**

Bank loans and overdrafts (excluding finance leases) and amounts due to affiliated companies in the Südzucker group amounted to € 453,814 thousand (prior year: € 531,024 thousand).

The weighted average interest rate paid on these credits was 2.12% (prior year: 1.95%), with a remaining maturity of 2.0 years (prior year: 1.6 years).

The credit funding of the AGRANA Group consisted primarily of two syndicated credit lines totalling € 450,000 thousand at the balance sheet date (prior year: € 450,000 thousand), a Schuldscheindarlehen (bonded loan) of € 126,000 thousand (prior year: € 126,000 thousand) and a financing from Südzucker AG, Mannheim, Germany, in the amount of € 250,000 thousand (prior year: € 165,000 thousand). The rest of the credit funding consisted of bilateral credit lines.

The fixed interest portion of bank loans and overdrafts and amounts due to affiliated companies was € 284,086 thousand (prior year: € 200,149 thousand). The fair values (i.e., market values) of the variable rate bank loans and overdrafts are equivalent to their carrying amounts. At the balance sheet date, bank loans and overdrafts in the amount of € 7,800 thousand (prior year: € 7,800 thousand) were secured by other liens.

Cash and cash equivalents increased by € 89,054 thousand from the prior year to a new total of € 198,429 thousand. In addition, securities in the amount of € 43 thousand (prior year: € 45 thousand) were held as current assets; these were categorised as held-for-trading.

10.2. Derivative financial instruments

To hedge part of the risks arising from its operating activities (risks due to movements in interest rates, foreign exchange rates and raw material prices), the AGRANA Group to a limited extent uses derivative financial instruments. AGRANA employs derivatives largely to hedge the following exposures:

- Interest rate risks, which can arise from floating rate borrowings.
- Currency risks, which may arise primarily from the purchase and sale of products in US dollars and Eastern European currencies and from finance in foreign currencies.
- Market price risks, arising especially from changes in commodity prices for sugar in the world market, grain prices, and selling prices for sugar and ethanol.

The Group employs only conventional derivatives for which there is a sufficiently liquid market (for example, interest rate swaps, interest rate options, caps, forward foreign exchange contracts, currency options or commodity futures). The use of these instruments is governed by Group policies under the Group's risk management system. These policies prohibit the speculative use of derivative financial instruments, set ceilings appropriate to the underlying transactions, define authorisation procedures, minimise credit risks, and specify internal reporting rules and the organisational separation of risk-taking and risk oversight. Adherence to these standards and the proper processing and valuation of transactions are regularly monitored by an internal department whose independence is ensured by organisational separation from risk origination.

The notional amounts and market values (fair values) of the derivative financial instruments held by the AGRANA Group were as follows:

Purchase	Sale	Notional amount	Positive fair values	Negative fair values	Net fair value
		€000	€000	€000	€000
28 February 2017					
AUD	EUR	1,370	25	(1)	24
CZK	EUR	41,747	0	(329)	(329)
EUR	AUD	6,818	1	(282)	(281)
EUR	CZK	13,455	116	0	116
EUR	GBP	215	0	(1)	(1)
EUR	HUF	18,561	0	(212)	(212)
EUR	MXN	6,367	0	(413)	(413)
EUR	PLN	962	0	(8)	(8)
EUR	RON	107,598	0	(203)	(203)
EUR	RUB	2,900	0	(417)	(417)
EUR	USD	163,018	108	(3,310)	(3,202)
EUR	ZAR	2,992	0	(352)	(352)
HUF	EUR	7,353	71	0	71
MXN	EUR	1,719	100	0	100
PLN	EUR	28,703	94	(154)	(60)
RON	EUR	43,639	87	0	87
USD	AUD	699	0	(19)	(19)
USD	EUR	67,655	719	(196)	523
Currency derivatives		**515,771**	**1,321**	**(5,897)**	**(4,576)**
Interest swap		68,000	0	(4,052)	(4,052)
Interest cap		50,000	22	0	22
Sugar futures		21,779	513	(260)	253
Wheat and corn futures		15,116	0	(403)	(403)
Total		**670,666**	**1,856**	**(10,612)**	**(8,756)**

Purchase	Sale	Notional amount	Positive fair values	Negative fair values	Net fair value
		€000	€000	€000	€000
29 February 2016					
AUD	EUR	589	0	(2)	(2)
CAD	EUR	167	2	0	2
CZK	EUR	21,056	0	(41)	(41)
EUR	AUD	1,471	5	0	5
EUR	CZK	2,000	4	0	4
EUR	GBP	2,044	171	0	171
EUR	HUF	4,715	13	(33)	(20)
EUR	PLN	1,734	0	(16)	(16)
EUR	RON	65,357	65	(31)	34
EUR	USD	93,386	19	(1,037)	(1,018)
EUR	ZAR	2,670	0	(21)	(21)
USD	AUD	900	0	0	0
USD	EUR	39,907	919	(92)	827
Currency derivatives		**235,996**	**1,198**	**(1,273)**	**(75)**
Interest swap		68,000	0	(5,675)	(5,675)
Interest cap		50,000	38	0	38
Sugar futures		26,868	1,731	(51)	1,680
Wheat and corn futures		37,423	219	(5,688)	(5,469)
Total		**418,287**	**3,186**	**(12,687)**	**(9,501)**

The currency derivatives and commodity derivatives are used to hedge cash flows over periods of up to one year; the interest rate derivatives serve to hedge cash flows for periods of one to four years.

The notional amount of the derivatives represents the face amount of all hedges, translated into euros as the Group currency.

The fair value of a derivative is the amount which the AGRANA Group would have to pay or would receive at the balance sheet date in the hypothetical event of early termination of the hedge position. As the hedging transactions involve only standardised, fungible financial instruments, fair value is determined on the basis of quoted market prices.

Fair value changes of derivatives employed to hedge future cash flows (cash flow hedges) are initially recognised directly in equity. Only when the cash flows are realised are the value changes recognised in profit or loss. At 28 February 2017 there were cash flow hedges with positive fair values of € 314 thousand (prior year: € 1,748 thousand) and cash flow hedges with negative fair values of € 1,480 thousand (prior year: € 5,688 thousand).

In the financial year, € 0 thousand (prior year: € 588 thousand) was reclassified to the income statement and the ineffective portion (amounting to € 0 thousand) of cash flow hedges was recognised in profit for the period (prior year: € 284 thousand).

The value changes of those derivative positions to which cash flow hedge accounting is not applied are recognised in profit or loss. The hedging transactions were carried out both to hedge sales revenue and raw material costs for the juice activities, and to hedge sales contracts in the Sugar segment.

The table below shows the periods in which the cash outflows are expected to occur, as well as the carrying amounts of the hedging instruments:

€000	Carrying amount	Total	Contractual cash outflows Up to 3 m	4 to 6 m	7 to 12 m	1 to 2 y	2 to 3 y	3 to 4 y	4 to 5 y	More than 5 y
28 February 2017										
Currency derivatives										
Positive fair values	1,321	1,321	973	146	202	0	0	0	0	0
Negative fair values	(5,897)	(5,897)	(3,938)	(1,168)	(791)	0	0	0	0	0
Interest rate derivatives										
Positive fair values	22	0	0	0	0	0	0	0	0	0
Negative fair values	(4,052)	(3,855)	(384)	(384)	(768)	(1,536)	(783)	0	0	0
Commodity derivatives										
Positive fair values	513	513	37	245	231	0	0	0	0	0
Negative fair values	(663)	(663)	(373)	(30)	(260)	0	0	0	0	0
Total	**(8,756)**	**(8,581)**	**(3,685)**	**(1,191)**	**(1,386)**	**(1,536)**	**(783)**	**0**	**0**	**0**
29 February 2016										
Currency derivatives										
Positive fair values	1,198	1,198	1,006	104	88	0	0	0	0	0
Negative fair values	(1,273)	(1,273)	(1,112)	(87)	(74)	0	0	0	0	0
Interest rate derivatives										
Positive fair values	38	0	0	0	0	0	0	0	0	0
Negative fair values	(5,675)	(5,367)	(384)	(384)	(768)	(1,536)	(1,524)	(771)	0	0
Commodity derivatives										
Positive fair values	1,950	1,950	1,563	210	177	0	0	0	0	0
Negative fair values	(5,739)	(5,739)	(3,504)	(375)	(1,860)	0	0	0	0	0
Total	**(9,501)**	**(9,231)**	**(2,431)**	**(532)**	**(2,437)**	**(1,536)**	**(1,524)**	**(771)**	**0**	**0**

In terms of sensitivities, the net combined fair value of the derivative positions held at 28 February 2017 would have changed as follows given a reduction or increase of 1 percentage point in the market interest rate, an appreciation or depreciation of 10% in the relevant currencies against the euro, and a reduction or increase of 10% in the prices of wheat, corn and sugar:

	Notional amount		Sensitivity (+)		Sensitivity (–)	
€000	**28 Feb 2017**	**29 Feb 2016**	**28 Feb 2017**	**29 Feb 2016**	**28 Feb 2017**	**29 Feb 2016**
Currency derivatives	515,771	235,996	11,610	(10,982)	(14,189)	10,150
Interest rate derivatives	118,000	118,000	1,756	2,403	(1,560)	(2,107)
Commodity derivatives	36,895	64,291	2,172	6,980	(1,716)	(3,810)

The effect of the changes in fair value on equity, including the tax effect, would have been, for the increase in rates and prices, an equity increase of € 2,857 thousand (prior year: increase of € 5,253 thousand) and for the decrease in rates and prices, an equity decrease of € 2,716 thousand (prior year: decrease of € 2,898 thousand). The effect of the fair value changes on profit before tax would have been, for the increase in rates and prices, a profit increase of € 11,728 thousand (prior year: decrease of € 8,603 thousand) and for the decrease in rates and prices, a profit decrease of € 13,843 thousand (prior year: increase of € 8,097 thousand).

10.3. Additional disclosures on financial instruments

Carrying amounts and fair values of financial instruments
Set out in the table below are the carrying amounts and fair values of the Group's financial assets and liabilities, both by individual item type and by measurement category. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The table below also shows how the fair values were determined, broken down by category of financial instrument. The fair value measurements were classified into three categories according to how closely the inputs used were based on quoted market data:

The three levels were defined as follows:

- Level 1 consists of those financial instruments for which the fair value represents exchange or market prices quoted for the exact instrument on an active market (i.e., these prices are used without adjustment or change in composition).
- In Level 2, the fair values are determined on the basis of exchange or market prices quoted on an active market for similar assets or liabilities, or using other valuation techniques for which the significant inputs are based on observable market data.
- Level 3 consists of those financial instruments for which the fair values are determined on the basis of valuation techniques using significant inputs that are not based on observable market data.

The fair value of Level 2 currency derivatives is measured based on the exchange rate at the balance sheet date and the underlying currencies' interest rate differential relevant for the remaining maturity. The mark-to-market price is determined and compared with the price of the hedged item or transaction. The input factors for this are the reference rates of the ECB (daily fixing) or selected national central banks, and the daily EURIBOR and LIBOR/IBOR rates.

For Level 2 interest rate derivatives, the measurement of fair value involves comparing the fixed interest rate with the swap rates as at the balance sheet date or with the yield curve relevant for the maturity. The fair value is obtained from a separate calculation provided by banking institutions.

€000	Carrying amount							Fair value			
	Available-for-sale	Available-for-sale (at cost)	Held for trading	Fair value of hedging instruments	Loans and receivables	At amortised cost	Total	Level 1	Level 2	Level 3	Total
28 February 2017											
Financial assets at fair value											
Securities (non-current)	17,936	890	0	0	0	0	**18,826**	13,538	–	4,398	**17,936**
Derivative financial assets	0	0	1,542	314	0	0	**1,856**	513	1,343	–	**1,856**
Securities (current)	43	0	0	0	0	0	**43**	43	–	–	**43**
	17,979	**890**	**1,542**	**314**	**0**	**0**	**20,725**				
Financial assets not at fair value											
Investments in non-consolidated subsidiaries and outside companies	0	1,051	0	0	0	0	**1,051**	–	–	–	**–**
Trade receivables	0	0	0	0	317,397	0	**317,397**	–	–	–	**–**
Financial other receivables[1]	0	0	0	0	41,535	0	**41,535**	–	–	–	**–**
Cash and cash equivalents	0	0	0	0	198,429	0	**198,429**	–	–	–	**–**
	0	**1,051**	**0**	**0**	**557,361**	**0**	**558,412**				
Financial liabilities at fair value											
Derivative liabilities	0	0	9,132	1,480	0	0	**10,612**	663	9,949	–	**10,612**
	0	**0**	**9,132**	**1,480**	**0**	**0**	**10,612**				
Financial liabilities not at fair value											
Bank loans and overdrafts, and other loans from non-Group entities	0	0	0	0	0	203,814	**203,814**	–	206,046	–	**206,046**
Borrowings from affiliated companies in the Südzucker group	0	0	0	0	0	250,000	**250,000**	–	258,546	–	**258,546**
Finance lease liabilities	0	0	0	0	0	3,362	**3,362**	–	3,529	–	**3,529**
Trade payables	0	0	0	0	0	312,637	**312,637**	–	–	–	**–**
Financial other payables[2]	0	0	0	0	0	95,654	**95,654**	–	–	–	**–**
	0	**0**	**0**	**0**	**0**	**865,467**	**865,467**				

[1] Excluding other tax receivables and positive fair values of derivatives, and excluding those prepaid expenses and accrued income not resulting in a cash inflow.
[2] Excluding payables from other tax, social security, negative fair values of derivatives, customer prepayments, and deferred income.

€000	Carrying amount: Available-for-sale	Available-for-sale (at cost)	Held for trading	Fair value of hedging instruments	Loans and receivables	At amortised cost	Total	Fair value: Level 1	Level 2	Level 3	Total
29 February 2016											
Financial assets at fair value											
Securities (non-current)	17,680	942	0	0	0	0	**18,622**	13,277	–	4,403	**17,680**
Derivative financial assets	0	0	1,438	1,748	0	0	**3,186**	1,950	1,236	–	**3,186**
Securities (current)	45	0	0	0	0	0	**45**	45	–	–	**45**
	17,725	**942**	**1,438**	**1,748**	**0**	**0**	**21,853**				
Financial assets not at fair value											
Investments in non-consolidated subsidiaries and outside companies	0	1,091	0	0	0	0	**1,091**	–	–	–	**–**
Trade receivables	0	0	0	0	296,566	0	**296,566**	–	–	–	**–**
Financial other receivables[1]	0	0	0	0	57,185	0	**57,185**	–	–	–	**–**
Cash and cash equivalents	0	0	0	0	109,375	0	**109,375**	–	–	–	**–**
	0	**1,091**	**0**	**0**	**463,126**	**0**	**464,217**				
Financial liabilities at fair value											
Derivative liabilities	0	0	6,999	5,688	0	0	**12,687**	5,739	6,948	–	**12,687**
	0	**0**	**6,999**	**5,688**	**0**	**0**	**12,687**				
Financial liabilities not at fair value											
Bank loans and overdrafts, and other loans from non-Group entities	0	0	0	0	0	366,024	**366,024**	–	369,248	–	**369,248**
Borrowings from affiliated companies in the Südzucker group	0	0	0	0	0	165,000	**165,000**	–	169,771	–	**169,771**
Finance lease liabilities	0	0	0	0	0	2,824	**2,824**	–	2,896	–	**2,896**
Trade payables	0	0	0	0	0	269,892	**269,892**	–	–	–	**–**
Financial other payables[2]	0	0	0	0	0	72,168	**72,168**	–	–	–	**–**
	0	**0**	**0**	**0**	**0**	**875,908**	**875,908**				

[1] Excluding other tax receivables and positive fair values of derivatives, and excluding those prepaid expenses and accrued income not resulting in a cash inflow.
[2] Excluding payables from other tax, social security, negative fair values of derivatives, customer prepayments, and deferred income.

The fair values of financial instruments were determined on the basis of the market information available at the balance sheet date and using the methods and assumptions outlined below.

Securities held as non-current and current assets include available-for-sale securities. These are measured at current securities exchange prices or market value.

Available-for-sale investments in non-consolidated subsidiaries and outside companies are measured at cost. These are non-fully-consolidated investments in subsidiaries and interests in non-listed companies for which it was chosen not to determine fair values using discounted future cash flows because this item is of minor significance for the Group.

As a result of the short maturities of the trade receivables, other financial assets and cash and cash equivalents, their fair values are assumed to be equivalent to their carrying amounts.

The positive and negative fair values of commodity derivatives relate partly to cash flow hedges. For the interest rate hedges, the fair values are determined on the basis of discounted future cash flows. Forward foreign exchange contracts are measured on the basis of reference rates, taking into account forward premiums or discounts. The fair values of interest rate derivatives are obtained from the bank confirmations as at the balance sheet date. These fair values represent the present values of the future interest payments based on the yield curves used. The fair values of commodity derivatives are based on official quotations on futures exchanges. The market rates (fair values) of currency derivatives are based on the forward rates determined by AGRANA as at the balance sheet date and on the hedged exchange rates. The interest rates and exchange rates used for the determination of the forward rates are based on the reference rates published by the ECB or the national central banks. In some cases, as a result of differences in interest rates, the fair values determined by the Group may differ to an insignificant extent from the fair values calculated by the commercial banks that issue the bank confirmations.

For trade payables and current financial other payables, it is assumed in view of the short maturities that the fair values equal the carrying amounts. The fair value of fixed interest liabilities is calculated as the present value of expected future cash flows. For variable rate liabilities, the fair value equals the carrying amount.

The net gains and losses on financial instruments are presented by measurement category in the following table:

€000	2016|17	2015|16
Available-for-sale (at cost)	0	28
Held for trading	(1,100)	3,771
Loans and receivables	1,596	(649)
At amortised cost	3,962	(11,033)
Net gain/(loss) on financial instruments	**4,458**	**(7,883)**

The change in fair values of available-for-sale securities was recognised in other comprehensive income at an increase of € 131 thousand before tax (prior year: decrease of € 1,529 thousand) and at a tax expense of € 25 thousand (prior year: tax benefit of € 366 thousand).

The total interest income and expense on financial assets and financial liabilities not measured at fair value through profit or loss was as follows:

€000	2016|17	2015|16
Total interest income	2,861	9,724
Total interest expense	(10,583)	(15,298)
Net interest expense	**(7,722)**	**(5,574)**

10.4. Risk management in the AGRANA Group

The AGRANA Group is exposed to market price risks through changes in exchange rates, interest rates and security prices. In the Group's operating activities, price risks arise largely from the costs of raw materials (mainly sugar beet, sugar purchased in the world market, grains, potatoes, and fruit) and energy, and from selling prices of sugar, starch, ethanol and fruit products. In addition, the Group is exposed to credit risks, associated especially with trade receivables.

AGRANA uses an integrated system for the early identification and monitoring of risks relevant to the Group. The Group's proven approach to risk management is guided by the aim of balancing risks and returns. The Group's risk culture is characterised by risk-aware behaviour, clearly defined responsibilities, independent risk control, and the implementation of internal control systems.

AGRANA regards the responsible management of business risks and opportunities as an important part of sustainable, value-driven corporate governance. Risk management thus forms an integral part of the entire planning, management and reporting process and is directed by the Management Board. The parent company and all subsidiaries employ risk management systems that are tailored to their respective operating activity. The systems' purpose is the methodical identification, assessment, control and documenting of risks.

In a three-pronged approach, risk management at the AGRANA Group is based on risk control at the operational level, on strategic control of Group companies by the Group, and on an internal monitoring system delivered by the Group's internal audit department. In addition, emerging trends that could develop into threats to the viability of the AGRANA Group as a going concern are identified and analysed at an early stage and continually re-evaluated as part of the risk management process.

Credit risk

Credit risk is the risk of an economic loss as a result of a counterparty's failure to honour its payment obligations. Credit risk includes both the risk of a deterioration in customers' or other counterparties' credit quality, and the risk of their immediate default.

The trade receivables of the AGRANA Group are largely with the food, chemical and retail industries. Credit risk in respect of trade receivables is managed on the basis of internal standards and guidelines. Thus, a credit analysis is generally conducted for new customers. The Group also uses credit insurance and security such as bank guarantees.

For the residual risk from trade receivables, the Group establishes provisions for impairment.

The net carrying amount of trade receivables after provisions for impairment is determined as follows:

€000	28 Feb 2017	29 Feb 2016
Carrying amount of trade receivables, gross	325,182	304,646
Provisions for impairment of trade receivables	(7,785)	(8,080)
Carrying amount, net	**317,397**	**296,566**

The provision for impairment of trade receivables showed the following movements:

€000	28 Feb 2017	29 Feb 2016
Provision at 1 March	8,080	11,262
Currency translation adjustments/other change	33	(642)
Added	1,315	2,914
Used	(611)	(3,686)
Released	(1,032)	(1,768)
Provision at 29/28 February	**7,785**	**8,080**

The released amount of the provision included interest income of € 15 thousand (prior year: € 27 thousand).

Receivables are as a rule individually reviewed for their collectability and measured on the basis of estimated future cash flows.

The maximum exposure from trade receivables is equivalent to the carrying amount of the trade receivables.

The table below provides information on the credit risks in respect of trade receivables. The maturity profile of trade receivables was as follows:

€000	28 Feb 2017	29 Feb 2016
Trade receivables past due and with no impairment provided:		
Up to 30 days	24,479	31,286
31 to 90 days	4,040	8,867
More than 90 days	2,362	3,093
Total	**30,881**	**43,246**

The assets which are neither past due nor impaired relate to customers with excellent credit ratings.

The maximum exposure of € 483,098 thousand (prior year: € 490,748 thousand) to credit risk consisted of the carrying amounts of all receivables and other current assets plus contingent liabilities, and was equivalent to the carrying amount of these instruments.

The credit risk on trade receivables, net of credit insurance, bank guarantees and other security (net credit risk), was as follows:

€000	28 Feb 2017	29 Feb 2016
Trade receivables	317,397	296,566
Less credit insurance and other security	(240,251)	(161,071)
Net credit risk	**77,146**	**135,495**

AGRANA maintains business relationships with many large international industrial customers having excellent credit ratings.

Liquidity risk
Liquidity risk is the risk that a company will not be able to meet its financial obligations when due or in sufficient measure.

The AGRANA Group generates liquidity with its business operations and from external financing. The funds are used to fund working capital, investment and business acquisitions.

In order to ensure the Group's solvency at all times and safeguard its financial flexibility, a liquidity reserve is maintained in the form of credit lines and, to the extent necessary, of cash.

To manage the seasonally fluctuating cash flows, both short-term and long-term finance is raised in the course of day-to-day financial management.

At the balance sheet date the Group had credit lines with a total limit of € 1,011,373 thousand (prior year: € 952,627 thousand). The weighted average remaining maturity of the credit lines at the balance sheet date was 2.8 years (prior year: 2.6 years).

The following maturity profile shows the effects of the cash outflows from liabilities as at 28 February 2017 on the Group's liquidity situation. All cash outflows are undiscounted.

			Contractual cash outflows							
€000	Carrying amount	Total	Up to 3 m	4 to 6 m	7 to 12 m	1 to 2 y	2 to 3 y	3 to 4 y	4 to 5 y	More than 5 y
28 February 2017										
Non-derivative financial payables										
Bank loans and overdrafts, and other loans from non-Group entities	203,814	209,072	129,873	8,422	4,943	10,734	47,169	423	440	7,068
Borrowings from affiliated companies in the Südzucker group	250,000	261,780	35,002	0	103,469	2,053	31,407	1,293	1,293	87,263
Trade payables	312,637	312,637	288,502	22,238	1,897	0	0	0	0	0
Trade payables and amounts due to affiliated companies in the Südzucker group	13,399	13,399	12,657	1	741	0	0	0	0	0
Finance lease liabilities	3,362	3,594	143	143	286	2,649	373	0	0	0
Financial other payables	82,255	82,255	54,288	3,624	10,132	424	5,812	7,552	18	405
	865,467	**882,737**	**520,465**	**34,428**	**121,468**	**15,860**	**84,761**	**9,268**	**1,751**	**94,736**
Derivative financial payables										
Interest rate derivatives	4,052	3,855	384	384	768	1,536	783	0	0	0
Currency derivatives	5,897	5,897	3,938	1,168	791	0	0	0	0	0
Commodity derivatives	663	662	372	30	260	0	0	0	0	0
	10,612	**10,414**	**4,694**	**1,582**	**1,819**	**1,536**	**783**	**0**	**0**	**0**

€000	Carrying amount	Total	Contractual cash outflows: Up to 3 m	4 to 6 m	7 to 12 m	1 to 2 y	2 to 3 y	3 to 4 y	4 to 5 y	More than 5 y
29 February 2016										
Non-derivative financial payables										
Bank loans and overdrafts, and other loans from non-Group entities	366,024	376,680	163,912	9,574	42,530	18,063	14,990	105,614	526	21,471
Borrowings from affiliated companies in the Südzucker group	165,000	172,732	36,011	1,088	2,141	102,622	760	30,110	0	0
Trade payables	269,892	269,892	262,448	3,217	4,227	0	0	0	0	0
Trade payables and amounts due to affiliated companies in the Südzucker group	11,133	11,133	9,391	5	1,737	0	0	0	0	0
Finance lease liabilities	2,824	2,973	83	83	166	373	2,268	0	0	0
Financial other payables	61,035	61,035	47,061	3,602	9,348	443	18	18	126	419
	875,908	**894,445**	**518,906**	**17,569**	**60,149**	**121,501**	**18,036**	**135,742**	**652**	**21,890**
Derivative financial payables										
Interest rate derivatives	5,675	5,367	384	384	768	1,536	1,524	771	0	0
Currency derivatives	1,273	1,273	1,112	87	74	0	0	0	0	0
Commodity derivatives	5,739	5,739	3,504	375	1,860	0	0	0	0	0
	12,687	**12,379**	**5,000**	**846**	**2,702**	**1,536**	**1,524**	**771**	**0**	**0**

The undiscounted cash outflows as presented are based on the assumption that repayment of liabilities is applied to the earliest maturity date. Interest payments on floating rate financial instruments are determined by reference to the most recent prevailing rates.

Currency risk

The Group's international business operations expose AGRANA to foreign exchange risks from financing and financial investment, from trade receivables and trade payables and from future foreign currency cash flows under purchasing and sales contracts. To measure and control these risks, the AGRANA Group uses Value-at-Risk based on the variance-covariance approach at a 95% confidence level. This involves the measurement of the various currency pairs at the given volatilities and takes into account the correlations between them. The result is stated as diversified Value-at-Risk:

€000	Value-at-Risk 28 Feb 2017	Value-at-Risk 29 Feb 2016
Sum of absolute net positions of the currency pairs	125,566	117,066
Value-at-Risk diversified	**8,373**	**7,907**

The following table gives the foreign currency position by currency pair of the Value-at-Risk calculation. The individual values include both the financing activities and the operating business. This combined presentation allows the quantification of the interactions between these two spheres for each currency pair (natural hedging).

€000	Foreign-currency position 28 Feb 2017	Foreign-currency position 29 Feb 2016
Currency pair		
EUR/ARS	4,611	3,925
EUR/CZK	18,147	27,503
EUR/HUF	19,186	9,984
EUR/PLN	2,092	4,506
EUR/RON	22,135	22,285
EUR/RUB	18,486	670
EUR/USD	7,234	7,257
EUR/ZAR	46	3,105
USD/BRL	7,664	7,722
USD/CNY	5,156	2,967
USD/MXN	2,426	7,706
Other	18,383	19,436
Total	**125,566**	**117,066**

Most of the Group's foreign exchange risk arises in the operating business, when revenues or costs are denominated in a currency other than that of the related costs or revenues, respectively The AGRANA Group's currency risk from financing arises from borrowings and financial investments not denominated in the local currency of the respective company.

The total foreign currency positions of € 125,566 thousand (prior year: € 117,066 thousand) related primarily to Romania, Hungary, Russia, the Czech Republic, Brazil and China, as well as a US dollar position in the euro area, and represented a Value-at-Risk of € 8,373 thousand (prior year: € 7,907 thousand).

In the Sugar segment, Group companies based in the European Union whose local currency is not the euro are exposed to sugar-regime-induced foreign exchange risk between the euro and their respective local currency, as the beet prices for a given campaign are set in euros EU-wide. The subsidiaries in Romania and Hungary are subject to additional currency risk from raw sugar purchases in US dollars, and some companies are exposed to currency risk from sales of non-quota sugar in US dollars.

In the Starch segment, foreign exchange risks arise from borrowings not denominated in local currency.

In the Fruit segment, foreign exchange risks arise when revenue and materials costs are in foreign currency rather than local currency. In addition, risks arise from borrowings not denominated in local currency.

Interest rate risk
The AGRANA Group is exposed to interest rate risks primarily in the euro zone.

Beginning in the year under review, risks from potential changes in interest rates are reported on an “at risk” basis. AGRANA distinguishes between Cash-Flow-at-Risk (CFaR) for floating rate borrowings and Value-at-Risk (VaR) for changes in market interest rates on fixed rate borrowings.

CFaR: An increase in interest rates would cause an increase in funding costs from floating rate borrowings. The CFaR analysis is based on the volatilities of the individual funding currencies and the correlations between them.

VaR: The analysis examines the implied risk from a decrease in interest rates, as existing fixed rate borrowings would continue to incur interest costs at a constant rate instead of following the market trend. The different maturities of fixed interest borrowings are taken into account through weighted present values and a potential change in variable interest rates under the modified duration approach.

The CFaR and VaR from borrowings were as follows:

€000	**28 Feb 2017**	**29 Feb 2016**
Net floating rate borrowings	173,090	333,664
Cash-Flow-at-Risk diversified	**429**	**3,542**
Net fixed rate borrowings	181,936	199,304
Value-at-Risk upon change in interest rates	**8,113**	**4,662**

The floating rate borrowings are subject to interest rate risk. To hedge against this risk, interest rate swaps were entered into for a portion of the borrowings, thus achieving fixed interest rates on this portion.

Commodity price risks
AGRANA’s business activities expose it to market price risk from purchases of commodities and the sale of finished products (ethanol). This is particularly true in the production of bioethanol, where the most important cost factors by far are the prices of the main inputs, corn and wheat. To a lesser but still significant extent, the Sugar segment has exposure to the purchase prices of raw sugar.

At the balance sheet date the Group had open commodity derivative contracts for the purchase of 32,514 tonnes of raw sugar (prior year: 84,281 tonnes), the purchase of 82,750 tonnes of wheat for the Austrian bioethanol production operations (prior year: 184,500 tonnes), and the purchase of 0 tonnes of corn (prior year: 15,300 tonnes), and for the sale of 3,800 tonnes of corn (prior year: 4,600 tonnes) and the sale of 17,850 tonnes of white sugar (prior year: 8,250 tonnes). These positions represented an aggregate contract amount of € 36,895 thousand (prior year: € 62,101 thousand) and, based on the underlying closing prices, had a combined net negative fair value of € 150 thousand (prior year: positive fair value of € 3,789 thousand).

Legal risks
AGRANA continually monitors changes in the legal setting relevant to its businesses that may lead to a risk situation, and takes risk management actions as necessary. This applies particularly to compliance matters and food and environmental legislation; the Group maintains dedicated staff positions for these areas.

There are currently no pending or threatened civil actions against companies of the AGRANA Group that could have a material impact on the Group's financial position, results of operations and cash flows.

As noted in previous annual reports, the Austrian Federal Competition Authority in 2010 sought a fine under an antitrust case for alleged competition-restricting arrangements with respect to Austria filed against AGRANA Zucker GmbH, Vienna, and Südzucker AG, Mannheim, Germany. To date the Cartel Court has not ruled on the case. AGRANA continues to regard the allegation as unfounded and the fine sought as unwarranted.

10.5. Contingent liabilities and commitments

The guarantees primarily related to bank loans of the joint ventures in the Sugar segment.

€000	28 Feb 2017	29 Feb 2016
Guarantees	39,123	49,580
Warranties, cooperative liabilities	1,365	1,647

The guarantees are not expected to be utilised.

A further contingent liability of € 6,488 thousand (prior year: € 6,425 thousand) related to a claim for recovery of an EU subsidy in Hungary. The management of the company involved believes the likelihood of repayment is low.

Commitments were as presented in the table below:

€000	28 Feb 2017	29 Feb 2016
Present value of lease payments due within 5 years	17,514	16,027
Commitments for the purchase of property, plant and equipment	32,484	41,600
Commitments	**49,998**	**57,627**

11. Events after the balance sheet date

No other significant events occurred after the balance sheet date of 28 February 2017 that had a material effect on AGRANA's financial position, results of operations or cash flows.

12. Related party disclosures

AGRANA Zucker, Stärke und Frucht Holding AG, Vienna, holds 100% of the ordinary shares of Z&S Zucker und Stärke Holding AG, Vienna, which in turn holds 78.34% of the ordinary shares of AGRANA Beteiligungs-AG. Both holding companies are exempt from the obligation to prepare consolidated financial statements, as their accounts are included in the consolidated financial statements of Südzucker AG, Mannheim, Germany.

Related parties for the purposes of IAS 24 are Südzucker AG, Mannheim, Germany, and Zucker-Beteiligungsgesellschaft m.b.H, Vienna, as shareholders of AGRANA Zucker, Stärke und Frucht Holding AG, Vienna. AGRANA's consolidated financial statements are included in the consolidated accounts of Südzucker AG, Mannheim, Germany.

In addition to Südzucker AG, Mannheim, Germany, and its subsidiaries ("Südzucker group"), other related parties are RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung, Vienna, and its subsidiaries ("companies with significant influence").

Equity-accounted joint ventures that are jointly controlled, as well as unconsolidated subsidiaries, are also related parties as defined in IAS 24.

Business relationships with related parties at the balance sheet date can be analysed as follows:

€000	Südzucker group	Companies with significant influence	Joint ventures	Non-consolidated sub-sidiaries	Total
2016|17					
Revenue	114,933	22,144	39,960	5	177,042
Operating expenses	(103,105)	(627)	(91,104)	(794)	(195,630)
Credit relationships	(250,741)	(7,430)	0	0	(258,171)
Participation capital	0	5,193	0	0	5,193
Bank balances and current receivables	0	71,133	2,504	50	73,687
Net trade receivables/(payables) for goods	6,442	1,285	522	(20)	8,229
Net interest (expense)/income	(4,779)	(962)	1,195	20	(4,526)
Guarantees issued	0	0	42,000	8,200	50,200
Guarantees utilised	0	0	28,568	5,372	33,940
2015|16					
Revenue	86,174	17,341	55,243	6	158,764
Operating expenses	(69,205)	(601)	(80,326)	(618)	(150,750)
Credit relationships	(165,773)	(54,697)	0	0	(220,470)
Participation capital	0	5,294	0	0	5,294
Bank balances and current receivables	0	2,363	12,519	50	14,932
Net trade receivables/(payables) for goods	10,554	844	(2,064)	(146)	9,188
Net interest (expense)/income	(5,322)	5,153	1,139	0	970
Guarantees issued	0	0	46,000	8,200	54,200
Guarantees utilised	0	0	43,694	4,493	48,187

At the balance sheet date, borrowings from related parties amounted to € 258,171 thousand (prior year: € 220,470 thousand); these borrowings were on normal commercial terms. Of this total, € 115,000 thousand represented non-current borrowings (prior year: € 130,000 thousand).

For fully consolidated subsidiaries, the Group issued guarantees in favour of companies with significant influence of € 5,000 thousand (prior year: € 5,000 thousand), of which an amount of € 634 thousand (prior year: € 1,022 thousand) was utilised.

The remuneration of the members of the Management Board of AGRANA Beteiligungs-AG totalled € 3,234 thousand (prior year: € 3,183 thousand), consisting of total fixed base salaries of € 1,614 thousand (prior year: € 1,445 thousand), a total performance-based, variable component of € 1,495 thousand (prior year: € 1,738 thousand) and a long-service award to Johann Marihart of € 125 thousand. The performance-based elements of the compensation are linked to the amount of the dividend paid for the last three financial years. The Management Board member of AGRANA Beteiligungs-AG appointed on the basis of the syndicate agreement between Südzucker AG, Mannheim, Germany, and Zucker-Beteiligungsgesellschaft m.b.H, Vienna, does not receive compensation for serving on the Management Board.

On 1 July 2016 the Annual General Meeting approved an annual aggregate remuneration for the Supervisory Board of € 250 thousand (prior year: € 250 thousand) and delegated to the Supervisory Board Chairman the responsibility for allocating this sum. The amount paid to the individual Supervisory Board members is tied to their function on the Board. No meeting fees were paid in the year under review.

Post-employment benefits granted to the Management Board members Johann Marihart and Fritz Gattermayer and the former Management Board member Walter Grausam under the Company's plan are pension, disability insurance and survivor benefits. The pension becomes available when the pension eligibility criteria of the Austrian public pension scheme (ASVG) are met. The amount of the pension is calculated as a percentage of a contractually agreed assessment base. In the event of early retirement within ASVG rules, the amount of the pension is reduced. For the pension of Stephan Büttner there is a defined contribution obligation, which can be claimed after the recipient has reached 55 years of age if the employment contract has been terminated by the employer. For the 2016|17 financial year, pension fund contributions of € 354 thousand were paid (prior year: € 720 thousand).

The retirement benefit obligations in respect of the Management Board are administered by an external pension fund. In the balance sheet at 28 February 2017, within the item "retirement and termination benefit obligations", an amount of € 8,496 thousand was recognised for pension obligations (prior year: € 6,646 thousand) and an amount of € 2,151 thousand was recognised for termination benefit obligations (prior year: € 1,986 thousand).

In the event that a Management Board appointment is withdrawn, there are severance pay obligations in accordance with the provisions of the Employees Act or the Occupational Pension Plan Act.

Information on the Management Board and Supervisory Board is provided on page 158.

On 24 April 2017 the Management Board of AGRANA Beteiligungs-AG released the consolidated financial statements for review by the Supervisory Board and the Audit Committee and for presentation to the Annual General Meeting and subsequent publication. The Supervisory Board has responsibility for reviewing the consolidated financial statements and stating whether it approves them.

Vienna, 24 April 2017

The Management Board of AGRANA Beteiligungs-AG

Johann Marihart
Chief Executive Officer

Stephan Büttner
Member of the Management Board

Fritz Gattermayer
Member of the Management Board

Thomas Kölbl
Member of the Management Board

List of members of AGRANA's boards

Management Board

Johann Marihart
Chief Executive Officer

Stephan Büttner
Member

Fritz Gattermayer
Member

Thomas Kölbl
Member

Supervisory Board

Erwin Hameseder
Chairman

Wolfgang Heer
First Vice-Chairman

Klaus Buchleitner
Second Vice-Chairman

Jochen Fenner
Member

Hans-Jörg Gebhard
Member

Ernst Karpfinger
Member

Thomas Kirchberg
Member

Josef Pröll
Member

Employee representatives

Thomas Buder
Chairman of the Group Staff Council
and the Central Staff Council

Gerhard Glatz

Andreas Klamler

Stephan Savic

Subsidiaries and business interests

at 28 February 2017

Name of company	Registered office	Country	Equity interest 28 Feb 2017 Direct	Equity interest 28 Feb 2017 Indirect[1]	Equity interest 29 Feb 2016 Direct	Equity interest 29 Feb 2016 Indirect[1]
AGRANA Beteiligungs-Aktiengesellschaft (the parent company)	Vienna	Austria	–	–	–	–
I. Subsidiaries						
Fully consolidated subsidiaries						
AGRANA AGRO S.r.l.	Roman	Romania	–	98.45%	–	92.10%
AGRANA BIH Holding GmbH	Vienna	Austria	–	75.00%	–	75.00%
AGRANA BUZAU S.r.l.	Buzau	Romania	–	98.45%	–	92.10%
AGRANA d.o.o.	Brčko	Bosnia and Herzegovina	–	75.00%	–	75.00%
AGRANA Fruit Argentina S.A.	Buenos Aires	Argentina	–	99.99%	–	99.99%
AGRANA Fruit Australia Pty Ltd.	Central Mangrove	Australia	–	100.00%	–	100.00%
AGRANA Fruit Austria GmbH	Gleisdorf	Austria	–	100.00%	–	100.00%
AGRANA Fruit Brasil Indústria, Comércio, Importação e Exportação Ltda.	São Paulo	Brazil	–	100.00%	–	100.00%
AGRANA Fruit Brasil Participacoes Ltda.	São Paulo	Brazil	–	100.00%	–	100.00%
AGRANA Fruit Dachang Co., Ltd.	Dachang	China	–	100.00%	–	100.00%
AGRANA Fruit Fiji Pty Ltd.	Sigatoka	Fiji	–	100.00%	–	100.00%
AGRANA Fruit France S.A.	Mitry-Mory	France	–	100.00%	–	100.00%
AGRANA Fruit Germany GmbH	Konstanz	Germany	–	100.00%	–	100.00%
AGRANA FRUIT INDIA PRIVATE LIMITED	New Delhi	India	–	100.00%	–	–
AGRANA Fruit Istanbul Gida Sanayi ve Ticaret A.S.	Istanbul	Turkey	–	100.00%	–	100.00%
AGRANA Fruit Korea Co. Ltd.	Seoul	South Korea	–	100.00%	–	100.00%
AGRANA Fruit Latinoamerica S. de R.L. de C.V.	Michoacán	Mexico	–	100.00%	–	100.00%
AGRANA Fruit Luka TOV	Vinnytsia	Ukraine	–	99.97%	–	99.97%
AGRANA Fruit Management Australia Pty Ltd.	Sydney	Australia	–	100.00%	–	100.00%
AGRANA Fruit México, S.A. de C.V.	Michoacán	Mexico	–	100.00%	–	100.00%
AGRANA Fruit Polska SP z.o.o.	Ostrołęka	Poland	–	100.00%	–	100.00%
AGRANA Fruit S.A.S.	Mitry-Mory	France	–	100.00%	–	100.00%
AGRANA Fruit Services GmbH	Vienna	Austria	–	100.00%	–	100.00%
AGRANA Fruit Services S.A.S.	Mitry-Mory	France	–	100.00%	–	100.00%
AGRANA Fruit South Africa (Proprietary) Ltd.	Johannesburg	South Africa	–	100.00%	–	100.00%
AGRANA Fruit Ukraine TOV	Vinnytsia	Ukraine	–	99.80%	–	99.80%
AGRANA Fruit US, Inc.	Brecksville	USA	–	100.00%	–	100.00%
AGRANA Group-Services GmbH	Vienna	Austria	100.00%	–	100.00%	–
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	Vienna	Austria	–	100.00%	–	100.00%
AGRANA JUICE (XIANYANG) CO., LTD	Xianyang City	China	–	50.01%	–	50.01%
AGRANA Juice Denmark A/S	Køge	Denmark	–	–	–	50.01%
AGRANA Juice Sales & Marketing GmbH	Bingen	Germany	–	50.01%	–	50.01%
AGRANA Magyarország Értékesitési Kft.	Budapest	Hungary	–	87.64%	–	87.64%
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	Vienna	Austria	100.00%	–	100.00%	–
Agrana Nile Fruits Processing SAE	Qalyoubia	Egypt	–	51.00%	–	51.00%
AGRANA Research & Innovation Center GmbH	Vienna	Austria	100.00%	–	100.00%	–

[1] Total indirect ownership interest held by the Group.

Name of company	Registered office	Country	Equity interest 28 Feb 2017 Direct	Equity interest 28 Feb 2017 Indirect[1]	Equity interest 29 Feb 2016 Direct	Equity interest 29 Feb 2016 Indirect[1]
AGRANA Stärke GmbH	Vienna	Austria	98.91%	1.09%	98.91%	1.09%
AGRANA TANDAREI S.r.l.	Țăndărei	Romania	–	98.45%	–	92.10%
AGRANA Trading EOOD	Sofia	Bulgaria	–	100.00%	–	100.00%
AGRANA ZHG Zucker Handels GmbH	Vienna	Austria	–	100.00%	–	100.00%
AGRANA Zucker GmbH	Vienna	Austria	98.91%	1.09%	98.91%	1.09%
AUSTRIA JUICE Germany GmbH	Bingen	Germany	–	50.01%	–	50.01%
AUSTRIA JUICE GmbH	Kröllendorf/ Allhartsberg	Austria	–	50.01%	–	50.01%
Austria Juice Hungary Kft.	Vásárosnamény	Hungary	–	50.01%	–	50.01%
AUSTRIA JUICE Poland Sp. z.o.o.	Chełm	Poland	–	50.01%	–	50.01%
AUSTRIA JUICE Romania S.r.l.	Vaslui	Romania	–	50.01%	–	50.01%
AUSTRIA JUICE Ukraine TOV	Vinnytsia	Ukraine	–	50.01%	–	50.01%
Biogáz Fejleszto Kft.	Kaposvár	Hungary	–	87.64%	–	87.64%
Dirafrost FFI N.V.	Herk-de-Stad	Belgium	–	100.00%	–	100.00%
Dirafrost Maroc SARL	Laouamra	Morocco	–	100.00%	–	100.00%
Financière Atys S.A.S.	Mitry-Mory	France	–	100.00%	–	100.00%
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.	Vienna	Austria	66.67%	–	66.67%	–
Koronás Irodaház Szolgáltató Korlátolt Felelösségü Társaság	Budapest	Hungary	–	87.60%	–	87.60%
Magyar Cukorgyártó és Forgalmazó Zrt.	Budapest	Hungary	–	87.60%	–	87.60%
Main Process S.A.	Buenos Aires	Argentina	–	100.00%	–	–
Moravskoslezské Cukrovary A.S.	Hrušovany	Czech Republic	–	100.00%	–	100.00%
o.o.o. AGRANA Fruit Moscow Region	Serpuchov	Russia	–	100.00%	–	100.00%
S.C. A.G.F.D. Tandarei s.r.l.	Țăndărei	Romania	–	100.00%	–	100.00%
S.C. AGRANA Romania S.A.	Bucharest	Romania	–	98.44%	–	92.02%
Slovenské Cukrovary s.r.o.	Sereď	Slovakia	–	100.00%	–	100.00%
Sudinver S.A.	Buenos Aires	Argentina	–	100.00%	–	–
Yube d.o.o.	Požega	Serbia	–	100.00%	–	100.00%
Non-consolidated subsidiaries						
AGRANA Amidi srl	Sterzing	Italy	–	100.00%	–	100.00%
Reporting date: 28 Feb 2017 I Equity: € 17.2 thousand I Profit for the period: € 5.7 thousand						
AGRANA Croatia d.o.o.	Zagreb	Croatia	–	100.00%	–	100.00%
Reporting date: 28 Feb 2017 I Equity: € 7.4 thousand I Profit for the period: € 5.1 thousand						
AGRANA Makedonija DOOEL Skopje	Skopje	Macedonia	–	100.00%	–	100.00%
Reporting date: 31 Dec 2016 I Equity: € 2.1 thousand I Profit for the period: € 0.7 thousand						
AGRANA Skrob s.r.o.	Hrušovany	Czech Republic	–	100.00%	–	100.00%
Reporting date: 31 Dec 2016 I Equity: € 75.3 thousand I Profit for the period: € 4.9 thousand						
DELHIA SHELF s.r.o.	Hrušovany	Czech Republic	–	100.00%	–	100.00%
Reporting date: 28 Feb 2017 I Equity: € 0.0 thousand I Profit for the period: € 0.0 thousand						
Dr. Hauser Gesellschaft m.b.H. i.L.	Hamburg	Germany	–	–	–	100.00%
Liquidation: 24 Jan 2017						
Österreichische Rübensamenzucht Gesellschaft m.b.H.	Vienna	Austria	–	86.00%	–	86.00%
Reporting date: 30 Apr 2016 I Equity: € 1,910.0 thousand I Profit for the period: € 15.0 thousand						
PERCA s.r.o.	Hrušovany	Czech Republic	–	100.00%	–	100.00%
Reporting date: 28 Feb 2017 I Equity: € 57.5 thousand I Profit for the period: € 50.1 thousand						

[1] Total indirect ownership interest held by the Group.

Name of company	Registered office	Country	Equity interest 28 Feb 2017 Direct	Equity interest 28 Feb 2017 Indirect[1]	Equity interest 29 Feb 2016 Direct	Equity interest 29 Feb 2016 Indirect[1]
II. Joint ventures						
Equity-accounted joint ventures						
AGRANA-STUDEN group:						
"AGRAGOLD" d.o.o.	Brčko	Bosnia and Herzegovina	–	50.00%	–	50.00%
AGRAGOLD d.o.o.	Zagreb	Croatia	–	50.00%	–	50.00%
AGRAGOLD dooel Skopje	Skopje	Macedonia	–	50.00%	–	50.00%
AGRAGOLD trgovina d.o.o.	Ljubljana	Slovenia	–	50.00%	–	50.00%
AGRANA-STUDEN Albania sh.p.k	Tirana	Albania	–	50.00%	–	50.00%
AGRANA-STUDEN Beteiligungs GmbH	Vienna	Austria	–	50.00%	–	50.00%
AGRANA Studen Sugar Trading GmbH	Vienna	Austria	–	50.00%	–	50.00%
Company for trade and services AGRANA-STUDEN Serbia d.o.o. Beograd	Belgrade	Serbia	–	50.00%	–	50.00%
STUDEN-AGRANA Rafinerija Secera d.o.o.	Brčko	Bosnia and Herzegovina	–	50.00%	–	50.00%
HUNGRANA group:						
GreenPower E85 Kft	Szabadegyháza	Hungary	–	50.00%	–	50.00%
HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	Szabadegyháza	Hungary	–	50.00%	–	50.00%
HungranaTrans Kft.	Szabadegyháza	Hungary	–	50.00%	–	50.00%
Non-consolidated joint ventures						
SCO STUDEN & CO. BRASIL EXPORTACAO E IMPORTACAO LTDA.	São Paulo	Brazil	–	50.00%	–	50.00%
Reporting date: 31 Dec 2016 I Equity: (€ 19.8 thousand) I Loss for the period: (€ 3.0 thousand)						
AGRANA-STUDEN Kosovo L.L.C.	Prishtina	Kosovo	–	50.00%	–	–
Established: 27 Jan 2017 I Equity: € 100.0 thousand I Profit for the period: € 0.0 thousand						

[1] Total indirect ownership interest held by the Group.

Statement by the members of the Management Board

In accordance with section 82 (4) Austrian Stock Exchange Act, the undersigned members of the Management Board, as the legal representatives of AGRANA Beteiligungs-AG, confirm to the best of their knowledge that:

- the consolidated financial statements of AGRANA Beteiligungs-AG for the year ended 28 February 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, give a true and fair view of the financial position, results of operations and cash flows of the AGRANA Group;

- the Group management report for the 2016|17 financial year presents the business performance, financial results and situation of the AGRANA Group so as to provide a true and fair view of the Group's financial position, results of operations and cash flows, together with a description of the principal risks and uncertainties faced by the Group.

Vienna, 24 April 2017

Johann Marihart
Chief Executive Officer

Stephan Büttner
Member of the Management Board

Fritz Gattermayer
Member of the Management Board

Thomas Kölbl
Member of the Management Board

Independent auditor's report

[Translation]

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of **AGRANA Beteiligungs-Aktiengesellschaft, Vienna,** Austria, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 28 February 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 28 February 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code).

Basis for our Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the audited entity within the meaning of Austrian commercial law and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole. Our opinion on the consolidated financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Impairment of Goodwill

The Management Board provides an explanation of goodwill and the procedure for performing impairment tests under Point 6 and Point 17 of the notes to the consolidated financial statements.

Risk for the Financial Statements

As at 28 February 2017, goodwill in total accounts for EUR 261.0 million or 10.5 percent of the total assets.

Goodwill depicts into the cash generating units (CGUs) Fruit, Sugar and Starch. The Company performs impairment testing on these CGUs whenever triggering events are identified but at least on an annual basis. The annual impairment tests are performed at the end of the second quarter of every financial year (31 August). On a quarterly basis, the Company assesses whether objective evidence of an impairment exists. In those cases where such triggering events are identified additional impairment tests are performed.

The company calculates the values in use based on a discounted cash flow method as benchmark for impairment testing. This valuation method is significantly influenced by the assumptions and estimates in respect of the future cash flows. These are derived from the forecast figures approved by the respective management bodies and may be subject to adjustments if necessary. The discount rates applied in the method are also influenced by future changes in market, economic and legal environment. Consequentially the values in use are based on judgment and associated with estimate uncertainties and thus lead to a risk that the goodwill reported in the financial statements may be overstated.

Our Response

We have assessed the appropriateness of the valuation methods and of the assumption in respect to the forecasts and valuation parameters applied. We hereby consulted with our valuation specialists. When assessing the valuation method applied we followed the model and analysed whether it is adequate for accurately determining the value in use. We further have re-performed the determination of the discount rates and assessed the parameters applied in terms of their appropriateness through comparison with market and industry-specific benchmarks.

The forecasting accuracy has been assessed by the Company by back testing the underlying forecast figures. We have assessed the conclusions drawn with regard to the adequacy of the forecasted figures applied in the impairment tests.

We have reconciled the cash flows used in the impairment tests with the forecasted figures approved by the management bodies, assessed any adjustments made thereto, and analysed their adequacy.

For assessing whether event driven impairment tests are necessary, we have analysed the processes used to identify objective evidence of impairments, as well as the controls established in this connection, as to whether these are appropriate to detect evidence of impairments in a timely manner. Furthermore, we have evaluated the results of the company internal assessment for objective evidence of impairments.

Management's Responsibility and Responsibility of the Audit Committee for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Group's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Group or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional scepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.

- We conclude on the appropriateness of management’s use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity’s ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.

- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit as well as significant findings including any significant deficiencies in internal control that we identify in the course of our audit.

- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.

- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

Group Management Report
In accordance with the Austrian Commercial Code the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are responsible for the preparation of the group management report in accordance with the Austrian Commercial Code.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports as applied in Austria.

Opinion
In our opinion, the group management report has been prepared in accordance with legal requirements and is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement
Based on our knowledge gained in the course of the audit of the consolidated financial statements and the understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Other Information
The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the consolidated financial statements, the group management report, and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover other information, and we will not provide any assurance on it.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether it contains any material inconsistencies with the consolidated financial statements and our knowledge gained during our audit, or any apparent material misstatement of fact. If on the basis of our work performed, we conclude that there is a material misstatement of fact in the other information, we must report that fact. We have nothing to report with this regard.

Engagement Partner
The engagement partner is Mr Wilhelm Kovsca.

Vienna, 24 April 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Wilhelm Kovsca
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid. The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

Independent assurance report
[Translation]

Introduction
We have been engaged to perform an independent limited assurance engagement on the disclosures on sustainability published in the Integrated Report 2016|17 of AGRANA (hereinafter referred to as: "Report").

It was not part of our engagement to review product or services related information, references to external information sources, expert opinions and future-related statements in the Report.

Management's Responsibility for the Report
The management of AGRANA is responsible for the preparation of the Report in accordance with the reporting criteria. AGRANA applies the principles and standard disclosures of the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative as reporting criteria.

The responsibility of the legal representatives of the company includes the selection and application of reasonable methods for sustainability reporting as well as the use of assumptions and estimates for individual sustainability disclosures that are reasonable under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

Independence and Quality Control of the Audit Firm
We have complied with the requirements for independence of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA-Codex), based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The quality assurance system of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft is based on the International Standard on Quality Control 1 "Quality Control for Audit, Assurance and Related Service Practices" (ISQC 1) published by the International Auditing and Assurance Standards Board (IAASB) as well as supplementally on the national legal regulations and professional association pronouncements.

Practitioner's Responsibility
Our responsibility is to express a conclusion based on our work performed and the evidences obtained on the qualitative and quantitative disclosures within the scope of our engagement.

This assurance report is issued based on the assurance agreement concluded with AGRANA Beteiligungs-AG. The limitation of our liability is specified in the "Allgemeine Auftragsbedingungen für Wirtschaftstreuhandberufe" (General Terms of Engagement) (article 8, AAB 2011) of 21 February 2011, published by the Austrian Chamber of Auditors.

Nature and Extent of the Assurance Engagement
We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by the International Auditing and Assurance Standards Board (IAASB). Accordingly, it is our duty to plan and perform the assurance engagement to obtain a limited level of assurance to preclude that the information above is not in accordance, in material respects, with the aforementioned reporting criteria. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The choice of audit activities is subject to the auditor's own judgement. This includes the assessment of the risks of material misstatement in the Report, while taking into account the reporting criteria.

Within the scope of our work, we performed amongst others the following procedures when conducting the limited assurance engagement:

- Inquiries of personnel on corporate level, which are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of AGRANA.

- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the sustainability disclosures included in the scope of this engagement, including the consolidation of the data.

- Inquiries of personnel on corporate level responsible for providing the data and information, carrying out internal control procedures and consolidating the data and information.

- Evaluation of internal and external documentation in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner.

- An analytical review of the data and trend explanations submitted by all sites for consolidation at Group level.

- Visits to Tulln and Pischelsdorf (Austria) to gain an understanding of the value creation processes in the segments sugar and starch.

- Inquiries of personnel of the production site (fruit segment) at Jacona, Michoacán (Mexico), by videoconference to assess local data collection and reporting processes and the reliability of the reported data.

- Reviewing the consistency of the GRI G4 in-accordance option “Core” declared by AGRANA with sustainability information in the Report.

- Evaluation of the overall presentation of the sustainability information in the Report.

Conclusion
Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the disclosures on sustainability for the business year 2016|17 included in the scope of this engagement and published in the Report have not been prepared, in all material respects, in accordance with the reporting criteria.

Vienna, 24 April 2017

KPMG Alpen-Treuhand GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Gert Weidinger	iA Katharina Schönauer
Partner Sustainability Services	Manager Sustainability Services

Other information 2016|17

Parent company income statement

for the year ended 28 February 2017
of AGRANA Beteiligungs-AG, under Austrian Commercial Code (UGB)

€000	2016|17	2015|16
1. Revenue	31,873	32,926
2. Other operating income	258	337
3. Staff costs	(25,240)	(19,655)
4. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(1,107)	(1,504)
5. Other operating expenses	(21,965)	(18,443)
6. Operating (loss) [subtotal of items 1 to 5]	**(16,181)**	**(6,339)**
7. Income from investments in subsidiaries and other companies	76,118	61,177
Of which from subsidiaries	76,078	61,167
8. Income from other securities and loans classified as non-current financial assets	2,542	8,337
Of which from subsidiaries	2,542	2,348
9. Other interest and similar income	2,525	2,692
Of which from subsidiaries	5,067	5,040
10. Interest and similar expense	(2,531)	(6,364)
11. Net financial items [subtotal of items 7 to 10]	**78,654**	**65,842**
12. Profit before tax [subtotal of items 1 to 11]	**62,473**	**59,503**
13. Income tax benefit	1,076	351
14. Profit for the period	**63,549**	**59,854**
15. Profit brought forward from prior year	11,756	8,710
16. Net profit available for distribution	**75,305**	**68,564**

Parent company balance sheet

at 28 February 2017
of AGRANA Beteiligungs-AG, under Austrian Commercial Code (UGB)

€000	28 Feb 2017	29 Feb 2016
ASSETS		
A. Non-current assets		
I. Intangible assets	349	605
II. Property, plant and equipment	1,415	1,567
III. Non-current financial assets	543,283	543,283
	545,047	**545,455**
B. Current assets		
I. Receivables and other assets	381,483	225,881
Of which due in more than one year	30,935	32,082
II. Cash and bank balances	60	24
	381,543	**225,905**
C. Prepaid expenses	**51**	**81**
D. Deferred tax assets	**564**	**0**
Total assets	**927,205**	**771,441**
EQUITY AND LIABILITIES		
A. Equity		
I. Share capital	113,531	103,210
II. Share premium and other capital reserves	550,689	418,990
III. Retained earnings	13,928	13,928
IV. Net profit available for distribution	75,305	68,564
Of which brought forward from prior year	11,756	8,710
	753,453	**604,692**
B. Provisions		
I. Provisions for retirement, termination and long-service benefit obligations	12,974	5,655
II. Provisions for tax and other liabilities	15,143	17,213
	28,117	**22,868**
C. Payables		
I. Borrowings	126,000	126,000
Of which due in up to one year	83,500	0
Of which due in more than one year	42,500	126,000
II. Other payables	19,635	17,881
Of which due in up to one year	13,830	9,402
Of which due in more than one year	5,805	8,479
	145,635	**143,881**
Total equity and liabilities	**927,205**	**771,441**

Proposed appropriation of profit
of AGRANA Beteiligungs-AG under Austrian Commercial Code (UGB)

	2016|17
	€
The financial year to 28 February 2017 closed with the following net profit available for distribution	75,305,484
The Management Board proposes to the Annual General Meeting to allocate this profit as follows:	
Distribution of a dividend of € 4.00 per ordinary no-par value share on 15,622,244 participating ordinary shares, that is, a total of	62,488,976
Profit to be carried forward	12,816,508
	75,305,484

Glossary of industry and trade terms

A

ActiProt®: AGRANA's own brand of high-protein animal feed. This form of distillers dried grains with solubles (DDGS) is a by-product of bioethanol production from cereals, obtained by drying the mash (the residue from distillation). The DDGS is pelleted and marketed as a non-perishable feedstuff. With its high protein content of at least 30% and its valuable energy content, DDGS is a sought-after feed for livestock, particularly dairy animals. In the AGRANA Group this co-product is generated in the bioethanol plant in Pischelsdorf, Austria, which typically processes corn, wheat, triticale and molasses. Like all other products marketed by AGRANA, ActiProt® is GMO-free.

B

Biodiversity: Biodiversity, or biological diversity, by the definition of the Convention on Biological Diversity (CBD) is "the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part." This includes diversity within species, diversity between species and diversity of ecosystems. The preservation and sustainable use of biological diversity are considered important foundations of human wellbeing. The destruction and fragmentation of habitats is viewed as the greatest threat to the diversity of life on earth.

Bioethanol: Bioethanol is a fuel manufactured by the fermentation of carbohydrate-containing biomass (renewable carbon sources). It has a minimum alcohol content of 99% by volume and contains effectively no water. In Europe, for climate reasons, bioethanol is produced mainly from starch-containing grain crops or from sugar beet. Unlike fossil fuels, bioethanol is CO_2 neutral, and its physical properties differ from those of petrol. Its use as a petrol substitute in more or less undiluted form (in so-called high blends) therefore requires modifications to engines. For low blends (such as E10), engine modification is not needed.

Biogas: Biogas contains methane as a combustible component, which is manufactured through the zymosis of biomass in biogas facilities and is used for the generation of bioenergy. Biogas can be acquired from fermentable recycling material that contains biomass, such as sewage sludge, biowaste or food waste, liquid and solid farmyard manure, or also from energy crops that have been planted specifically for this purpose, i.e., renewable raw materials.

C

Campaign: The processing period for agricultural raw materials that have a limited storage life.

Cane sugar: Sugar produced from sugar cane. Chemically identical to beet sugar.

Corn starch: Starch produced from corn (maize), used especially as an ingredient in foods (such as puddings), but also in industrial applications, such as in paper products and cosmetics.

CO_2 equivalent: To make the greenhouse effect of different greenhouse gases comparable and calculable, their global warming potential is used. It indicates the contribution of a gas to the heating of the earth's atmosphere by assigning an equivalent volume of CO_2. The greenhouse effect per kilogram of a given gas is expressed as a multiple ("equivalent factor") of the greenhouse effect of one kilogram of carbon dioxide.

Customs duties: Also known as import duties or customs tariffs, these help to protect domestic products against cheap imports from non-EU countries (thus providing tariff protection). The basic import duty for sugar is a fixed amount. In addition, a special safeguard provision provides for a higher tariff when sugar imports exceed a certain quantity.

D

Deficit countries/markets/regions: Countries, markets or regions that consume more sugar than they produce and which therefore cover their needs through sugar imports. In Europe, in connection with the surrendering of quotas under the EU sugar regime, this concerns countries such as Ireland, Italy and Portugal, as well as Hungary and Romania.

E

Emission: Generally signifies the release of noxious substances such as pollutants or greenhouse gases into the environment. A typical example are car exhaust fumes.

Ethanol: Ethanol is a form of alcohol and is a clear, flammable liquid. It is also known as pure alcohol, grain alcohol or drinking alcohol, and is found in drinks such as wine and beer. In recent years, ethanol has acquired great importance outside the beverage industry as a biofuel referred to as bioethanol. See bioethanol.

EU sugar regime: See sugar regime.

Exports of sugar to non-EU countries: The licences necessary for these sugar exports are distributed by the EU to sugar producers through a tender process.

F

Fermentation: In the context of biotechnology, fermentation (zymosis) means the conversion of biological material through the addition of enzymes (known as "ferment") or in the presence of bacterial, fungal or cell cultures.

F. O. Licht: A leading private-sector source of analysis on the global markets for sugar, ethanol, molasses, feed additives, biofuels, coffee and tea, F. O. Licht publishes a wide range of print reports and organises conferences for the sugar and ethanol industries.

Fruit juice concentrate: Forming the basis for fruit juice drinks, fruit juice concentrates are sold into the fruit juice and beverage industry. The same quantity of water carefully removed from the pressed fruit juice is later added to the concentrate again to create the end product for consumption. The result is high-quality juice with 100% fruit content.

Fruit preparations: Sometimes referred to as fruit ingredients. High-quality fruit is prepared in liquid or piece form and thermally preserved for further processing, especially for use by the dairy, ice-cream and bakery industries.

G

GMO: Genetically modified organisms are organisms whose genetic material has been altered through genetic engineering.

I

IGC (International Grains Council): The International Grains Council is an intergovernmental organisation concerned with grains trade. Since 1995 the London-based IGC also administers the Grains Trade Convention, an international agreement. The IGC Secretariat provides both administrative support to the Council, and services to the Food Aid Committee established under the Food Aid Convention of 1999. The IGC's grain market studies are widely used in sector and market research.

ISO (International Organisation for Standardisation): The International Organisation for Standardisation (widely known as ISO) is the leading international association of national standard-setting bodies and develops international standards in all areas but electricity and electronics, which are the responsibility of the International Electrotechnical Commission (IEC), and telecommunication, which is the province of the International Telecommunication Union (ITU). Together, these three organisations form the World Standards Cooperation, or WSC.

Isoglucose: Isoglucose, a liquid, is a sweetener based on starch that has been converted to sugar. At a fructose content of 42%, it has the same sweetness as sugar and is therefore used as a sugar substitute. The fructose content can be raised to as much as 55% through further process stages. Isoglucose is manufactured from grains, especially corn.

M

Marketing year for grains: This period runs from July to June of the following year.

Molasses: Sweet, dark-brown by-product of sugar manufacturing, with the consistency of syrup. It still contains about 50% sugar, which cannot be further crystallised. Molasses is used predominantly in the manufacture of yeast and alcohol, and as a cattle feed supplement.

Minimum price for sugar beet: The EU sugar regime sets a minimum price for quota beets specific to a certain delivery stage and quality standard. For other delivery terms or quality levels, price adjustments are made.

Modified starch: Modified starches are obtained by physical, enzymatic or chemical processes and are starch products that meet higher technological requirements. Important properties remain intact after modification. Modified starches are used in the food industry and in industrial applications where they are superior to natural starch in qualities such as stability against heat and acidity, shear strength, and freezing and thawing properties. Modified starches used as food additives must be declared as such if they are chemically changed. Otherwise – if modified physically (through heat or pressure) or enzymatically – they are considered food ingredients and have no E number.

N

Native starch: See starch.

Non-quota sugar: Under the EU sugar regime, non-quota sugar is sugar that exceeds the production quota. This can be marketed as industrial (non-food) sugar for use primarily in the chemical or pharmaceutical industry (e.g., to produce yeast, citric acid and vitamins), or can be exported into non-EU countries or carried over to the next sugar marketing year.

P

Prime Market: A subsegment of the “equity market.at” market segment of the Vienna Stock Exchange. The Prime Market comprises the shares of companies admitted to listing in the Official Market or Second Regulated Market and meeting the special additional requirements for admission to the Prime Market. These securities are traded via the Xetra trading system using the Continuous Trading procedure, in conjunction with auctions.

Production levy: The production levy for sugar quotas is € 12 per tonne. From the 2007/08 sugar marketing year, up to one-half of the levy can be paid by the sugar beet farmers. For isoglucose, the amount of the levy is 50% of that for sugar. The production levy is an administrative tax paid to the EU.

Production quota: See sugar quota.

Q

Quota: See sugar quota.

Quota sugar: The amount of sugar produced and marketed in the course of a sugar marketing year within the allotted production quota.

Quota sugar beets: The amount of sugar beet necessary to fully utilise the production quota for sugar.

R

"Ramsar Convention" on wetlands: The Convention on Wetlands (Ramsar, Iran, 1971) – called the "Ramsar Convention" – is an intergovernmental treaty that embodies the commitments of its member countries to maintain the ecological character of their Wetlands of International Importance and to plan for the "wise", or sustainable use, of all of the wetlands in their territories.

Raw sugar: Raw sugar is a semi-finished form of cane sugar (or of beet sugar) in which the sugar crystals are not yet completely freed from the adhering non-sugar materials, which give it its brown colour.

Reference price: The reference price set in the EU sugar regime for EU quota sugar is used to find the minimum prices for sugar beets and does not have any direct effect on the market price, which is determined by supply and demand.

Refining: The term "refining" in its general sense refers to a technical process for the cleaning, processing, separation or concentration of raw materials. In the case of sugar, it means the de-coloration of brown raw sugar (from sugar cane or sugar beet) through repeated recrystallisation.

S

Starch: Starch is an organic compound and one of the most important energy storage materials in plant cells. In our latitudes, starch is mainly acquired from corn, wheat or potatoes. To extract starch, the starch-containing parts of the plants are milled to a small size and the starch is washed out. Through filtration and centrifugation steps, the starch is extracted. After the final stage of drying, native starch emerges from the process as a white powder.

Sugar: In Europe, sugar is produced from sugar beet. In sub-tropical and tropical regions of the world, sugar cane is the main raw material for sugar production. The term "sugar" in general usage typically refers to granulated sugar, i.e., sucrose. However, there are several other types of sugar, including glucose, fructose and lactose, among others. All are part of the carbohydrate food group.

Sugar beet: Sugar beet is an agricultural crop grown almost exclusively for sugar production. The sugar beet plant consists of the leaves and a large, fleshy root. The root stores sucrose, which is extracted in the sugar factory.

Sugar marketing year (SMY): The sugar marketing year of the European Union begins on 1 October and ends on 30 September of the following year. This definition applies for all regulations of the EU sugar market.

Sugar production: In sugar production from sugar beet, raw juice is extracted from the sugar beet slices. The juice is then cleaned in several stages and eventually thickened until sugar crystallises from it. Through repeated recrystallisation, the sugar is purified to produce clean, white crystals. These crystals have a sucrose content of very close to 100%. That makes sugar an extremely pure food product with an almost unlimited shelf life.

Sugar quota: Under the EU sugar regime, a production quota for sugar and isoglucose is set for every EU member state that produces sugar. Each national quota is apportioned among the respective country's sugar-producing companies as their individual production quota. This restricts production volumes and minimises surpluses.

Sugar regime: The European Union's regulatory framework existing since 1968 for sugar quotas and tariffs serves to regulate the EU common market for sugar and ensure intra-EU sugar production.

T

Triticale: As a hybrid grain resulting from the crossing of wheat and rye, triticale combines the characteristics of both these grains in terms of flavour and composition. Thanks to its higher starch content, triticale is also used as an energy crop for the production of bioethanol.

W

West Balkan Agreement: Since autumn 2000 the successor countries of the former Yugoslavia may import limited quantities of duty-free sugar (among other products) into the EU. The EU has since then concluded corresponding free trade agreements with Croatia and Serbia.

White sugar: Also called granulated or table sugar, white sugar is produced by crystallisation and centrifugation.

WTO (World Trade Organisation): In the Geneva-based World Trade Organisation, its currently 157 member states negotiate the liberalisation of world trade.

Contacts

AGRANA Beteiligungs-AG

Friedrich-Wilhelm-Raiffeisen-Platz 1
1020 Vienna, Austria
Phone: +43-1-211 37-0, Fax: -12998
E-mail: info.ab@agrana.com
www.agrana.com

Would you like more information?
We will be very happy to help you:

Corporate Communications/Investor Relations
Hannes Haider
Phone: +43-1-211 37-12905, Fax: -12926
E-mail: investor.relations@agrana.com

Corporate Communications/Public Relations
Markus Simak
Phone: +43-1-211 37-12084, Fax: -12926
E-mail: info.ab@agrana.com

Corporate Communications/Sustainability
Ulrike Middelhoff
Phone: +43-1-211 37-12971, Fax: -12926
E-mail: ulrike.middelhoff@agrana.com

Subsidiaries

AGRANA Zucker GmbH
Headquarters: Friedrich-Wilhelm-Raiffeisen-Platz 1
1020 Vienna, Austria
Phone: +43-1-211 37-0, Fax: -12998

Administration: Josef-Reither-Strasse 21–23
3430 Tulln, Austria
Phone: +43-2272-602-0, Fax: -11225
E-mail: info.zucker@agrana.com

AGRANA Stärke GmbH
Headquarters: Friedrich-Wilhelm-Raiffeisen-Platz 1
1020 Vienna, Austria
Phone: +43-1-211 37-0, Fax: -12998

Administration: Conrathstrasse 7
3950 Gmünd, Austria
Phone: +43-2852-503-0, Fax: -19420
E-mail: info.staerke@agrana.com

AGRANA Internationale Verwaltungs- und Asset-Management GmbH
Friedrich-Wilhelm-Raiffeisen-Platz 1
1020 Vienna, Austria
Phone: +43-1-211 37-0, Fax: -12998
E-mail: info.juice-fruit@agrana.com

Global Reporting Initiative

“In Accordance” option: Core

G4	Description	Reported on page
General Standard Disclosures		
G4-1	Statement from the organisation’s most senior decision-maker about the significance of sustainability to the organisation	13
Organisational Profile		
G4-3	Name of the organisation	36
G4-4	Primary brands, products and/or services	36f.
G4-5	Location of the organisation’s headquarters	184
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability issues covered in the report	28f.
G4-7	Nature of ownership and legal form	32f.
G4-8	Markets served (broken down by geography, sector and type of customer)	28f., 36f.
G4-9	Scale of the organisation (total number of employees, number of operations, net sales, and quantity of products)	28f.
G4-10	Total number of employees by employment type and contract type, broken down by gender	80
G4-11	Percentage of total employees covered by collective bargaining agreements	41
G4-12	Description of the organisation’s supply chain	36f.
G4-13	Significant changes during the reporting period regarding the organisation’s size, structure, ownership or supply chain	105
Commitments to External Initiatives		
G4-14	Addressing of the precautionary approach	70ff., 85
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	75
G4-16	Memberships in associations and national or international advocacy organisations	75
Identified Material Aspects and Boundaries		
G4-17	Boundaries of financial statements vs. boundaries of sustainability data	40
G4-18	Process for defining report content	38ff.
G4-19	Material aspects	39
G4-20	Material aspects and aspect boundary within the organisation	40f.
G4-21	Material aspects and aspect boundary outside the organisation	40f.
G4-22	Restatements of information provided in previous reports	40f.[1,2]
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	40f.[1,2]
Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organisation	70f.
G4-25	Basis for identification and selection of stakeholders	70f.
G4-26	Organisation’s approach to and frequency of stakeholder engagement	70f.
G4-27	Key issues that have been raised through stakeholder engagement	70f.
Report Profile		
G4-28	Reporting period	2016|17 financial year
G4-29	Date of most recent previous report	Annual Report 2015|16; published May 17, 2016
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions	184

[1] Change in the definition of waste in the 2015|16 financial year.
[2] Expansion of the by-product portfolio in the Sugar segment in the 2016|17 financial year.

G4	Description	Reported on page
GRI Content Index		
G4-32	Choice of the "In accordance" option and the main aspects	39ff.
G4-33	External assurance	Yes, see assurance report, page 167f.
Governance Structure and Composition		
G4-34	Governance structure of the organisation, including committees of the highest governance body which is responsible for functions such as setting strategy and supervising the organisation	18ff.
Ethics and Integrity		
G4-56	Values, principles, standards and norms of behaviour, such as codes of conduct and codes of ethics	25f., 38ff.
Specific Standard Disclosures		
G4-DMA	Management of the material aspects	40f.

Category: Economic

EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	85

Category: Environmental

AGRANA management approach: AGRANA Environmental Policy;
AGRANA management approach towards suppliers: AGRANA general principles for the procurement of agricultural raw materials and intermediate products

Aspect: Materials		
EN1	Materials used by weight or volume	38ff.
Aspect: Energy		
EN5	Energy intensity	54, 61, 68
EN6	Reduction of energy consumption	54, 61, 68
Aspect: Water		
EN8	Water withdrawal	55, 62, 68
Aspect: Biodiversity		
EN11	Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	40
EN13	Habitats protected or restored	56, 63, 69
Aspect: Emissions		
EN18	Greenhouse gas emissions intensity (Scope 1 + Scope 2) and method of calculation	40, 55, 61f., 68f.
EN19	Reduction of greenhouse gas emissions	55, 61f., 68f.

G4	Description	Reported on page
Aspect: Effluents and Waste		
EN22	Water discharge	55, 62, 68
EN23	Total weight of waste by type and disposal method	56, 62, 69
Aspect: Supplier Environmental Assessment		
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	40f., 53f., 60, 66f., 72
Aspect: Environmental Grievance Mechanism		
EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	–[1]

Category: Social: Labour Practices and Decent Work

AGRANA management approach: AGRANA Code of Conduct, AGRANA Zero Accident Policy, AGRANA Policy on Training, SEDEX Membership and SMETA Audits, AGRANA HR Strategy;
AGRANA management approach towards suppliers: AGRANA general principles for the procurement of agricultural raw materials and intermediate products, AGRANA Code of Conduct, Implementation Framework of the Sustainable Agriculture Initiative, SEDEX membership and external audits

G4	Description	Reported on page
Aspect: Occupational Health and Safety		
LA6	Rates of injury, lost days, absenteeism and total number of work-related fatalities, by gender	82
Aspect: Training and Education		
LA9	Average hours of training per employee by gender	81
Aspect: Diversity and Equal Opportunity		
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender and age group	18ff., 80
Aspect: Supplier Assessment for Labour Practices		
LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	40f., 53f., 60, 66f., 72, 74

Social: Human Rights

AGRANA management approach: AGRANA Code of Conduct, SEDEX Membership and SMETA Audits, AGRANA HR Strategy;
AGRANA management approach towards suppliers: AGRANA general principles for the procurement of agricultural raw materials and intermediate products, AGRANA Code of Conduct, Implementation Framework of the Sustainable Agriculture Initiative, SEDEX membership and external audits

G4	Description	Reported on page
Aspect: Freedom of Association and Collective Bargaining		
HR4	Measures taken to support the freedom of association and collective bargaining	40f., 72, 74
Aspect: Child Labour		
HR5	Measures taken to contribute to the abolition of child labour	40f., 72, 74
Aspect: Forced or Compulsory Labour		
HR6	Measures taken to contribute to the elimination of all forms of forced or compulsory labour	40f., 72, 74

[1] In the 2016|17 financial year, plants of the AGRANA Sugar and Starch segments received a total of 23 complaints about noise, odour and dust; these were resolved in accordance with the complaints process of the AGRANA Environmental Policy.

G4	Description	Reported on page
Aspect: Assessment		
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	74
Aspect: Supplier Human Rights Assessment		
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	40f., 53f., 60, 66f., 72, 74

Social: Society

AGRANA management approach: AGRANA Vision and Mission, AGRANA Code of Conduct; Supplemented by AGRANA's Anti-Corruption and Tax Policy for Austria, AGRANA Antitrust Compliance Policy

G4	Description	Reported on page
Aspect: Anti-Corruption		
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	27
SO4	Communication and training on anti-corruption policies and procedures	26
SO5	Confirmed incidents of corruption and actions taken	–[1]
Aspect: Anti-Competitive Behaviour		
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	87

Social: Product Responsibility

AGRANA management approach: AGRANA Quality Vision and Mission

G4	Description	Reported on page
Aspect: Customer Health and Safety		
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	73f.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	–[2]
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	–[2]
PR5	Results of surveys measuring customer satisfaction	74

[1] Regarding the irregularities uncovered in the 2012|13 financial year at AGRANA Fruit Mexico, the Group was not able in 2016|17 to conclude the ongoing employment law litigation or the criminal proceedings against former employees.
[2] In the 2016|17 financial year, except for the breach of a hygiene rule at a Hungarian fruit juice concentrate site for which a fine of € 200 was imposed, there were no reportable incidents.
[3] In the 2016|17 financial year there were no reportable incidents.

Performance indicators and their meaning

AGRANA Group (under IFRS)

Abbreviation if any	Indicator / Definition		2016|17	2015|16
	Borrowings = Bank loans and overdrafts, and other loans from non-Group entities + borrowings from affiliated companies + lease liabilities	€000	457,176	533,848
CE	Capital employed = (PP&E + intangibles including goodwill) + working capital I	€000	1,684,602	1,614,355
	Dividend yield = Dividend per share ÷ closing share price × 100	%	3.8	5.0
EBIT	Operating profit = Earnings before interest and tax and after exceptional items and results of equity-accounted joint ventures	€000	172,367	128,955
EBITDA	= Operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation	€000	235,212	191,957
EBITDA margin	= EBITDA ÷ revenue × 100	%	9.2	7.7
EPS	Earnings per share = Profit for the period ÷ average number of shares outstanding	€	7.78	5.78[1]
	Equity ratio = Equity ÷ total assets × 100	%	56.9	53.5
EVS	Equity value per share = Equity attributable to shareholders of the parent ÷ average number of shares outstanding	€	94.4	80.0[1]
FCF	Free cash flow = Net cash flow from/used in operating activities + net cash from/used in investing activities	€000	84,255	81,989
	Gearing ratio = Net debt ÷ total equity × 100	%	17.0	33.8
	Intangible assets including goodwill	€000	282,319	241,961
	Net debt = Borrowings less (cash + cheques + other bank deposits + current securities + non-current securities)	€000	239,878	405,806
	Operating margin = Operating profit before exceptional items ÷ revenue × 100	%	5.9	4.3
	Operating profit before exceptional items and results of equity-accounted joint ventures	€000	150,815	107,486
P/E	Price/earnings ratio = Closing share price at financial year end ÷ earnings per share		13.6	13.9[1]
PP&E	Property, plant and equipment	€000	738,907	679,592
ROCE	Return on capital employed = Operating profit before exceptional items and results of equity-accounted joint ventures ÷ capital employed × 100	%	9.0	6.7
ROS	Return on sales = Profit before tax ÷ revenue × 100	%	6.0	4.2
WC I	Working capital I = Inventories + trade receivables + other assets – current provisions – current prepayments received – trade payables – other payables	€000	663,376	692,802

[1] The prior-year data were restated under IAS 33.64. Further information is provided on page 131.

Publication information

Published by:
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Friedrich-Wilhelm-Raiffeisen-Platz 1, 1020 Vienna, Austria

Corporate Communications/Investor Relations
Hannes Haider
Phone: +43-1-211 37-12905, Fax: -12926
E-mail: investor.relations@agrana.com

Corporate Communications/Sustainability
Ulrike Middelhoff
Phone: +43-1-211 37-12971, Fax: -12926
E-mail: ulrike.middelhoff@agrana.com

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Forward-looking statements

This annual 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 annual report, and does not accept any liability in the event that assumptions and estimates prove to be incorrect.

The quantitative statements and direction arrows in the "Outlook" section of this report are based on the following definitions:

Modifier	Visualisation	Numerical rate of change
Steady	→	0% up to +1%, or 0% up to −1%
Slight(ly)	↗ or ↘	More than +1% and up to +5%, or more than −1% and up to −5%
Moderate(ly)	↑ or ↓	More than +5% and up to +10%, or more than −5% and up to −10%
Significant(ly)	↑↑ or ↓↓	More than +10% or more than −10%

For financial performance indicators not defined in a footnote, please see the definitions on page 183.

In the interest of readability, this document may occasionally use language that is not gender-neutral. Any gender-specific references should be understood to include masculine, feminine and neuter as the context permits. As a result of the standard round-half-up convention used in rounding individual amounts and percentages, this report may contain minor, immaterial rounding errors. No liability is assumed for misprints, typographical and similar errors.

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