AGRANA

# Q1 2018|19

INTERIM STATEMENT FOR THE FIRST QUARTER OF 2018|19

## Group results for the first quarter of 2018|19

- Revenue: € 630.3 million (–7.9%; Q1 prior year: € 684.2 million)
- EBIT: € 37.0 million (–47.0%; Q1 prior year: € 69.8 million)
- EBIT margin: 5.9% (Q1 prior year: 10.2%)
- Profit for the period: € 25.3 million (–50.3%; Q1 prior year: € 50.9 million)
- Equity ratio: 63.8% (28 February 2018: 61.7%)
- Gearing ratio[1]: 16.5% (28 February 2018: 16.0%)
- Number of employees (FTE)[2]: 9,123 (Q1 prior year: 8,692)

[1] Debt-equity ratio (ratio of net debt to total equity).
[2] Average number of full-time equivalents in the reporting period.

# Contents

# Letter from the CEO

## *Dear Investor,*

Operating profit in the first quarter of the 2018|19 financial year was on plan overall, but represented a significant reduction from the very good level of the same period one year earlier. This was due mainly to the low sugar and isoglucose prices after the quota expiration and to the distinct year-on-year decrease in bioethanol prices. The performance in the Fruit segment was satisfactory, in line with our planning, and the segment's earnings were slightly above those of the year-ago quarter.

Besides the price issue in the Sugar and Starch segments, in the first quarter we also dealt with a beet weevil infestation that drastically affected a significant number of our sugar beet farmers. In Austria, one-quarter of the beet production area fell prey to a severe outbreak of this insect pest. As a result, in the 2018|19 beet sugar campaign, AGRANA's contract beet crop will come from an area of only about 85,000 hectares rather than the planned 95,000 hectares.

On the capital expenditure front, we will continue in 2018|19 to invest at well above the level of depreciation; in the next few months, in addition to the second fruit preparations plant in China, we will also bring online the expansion of the potato processing capacity in Gmünd, Austria, and the drying of pulp fibre at the same location. Through these projects, for which about € 40 million was spent, approximately 30,000 tonnes of new fruit preparations capacity is being created in China in order to serve the growing market there; and in the potato starch operations, the processing capacity in Gmünd is being increased by 25% to 300,000 tonnes of starch potatoes per year.

A project that is aligned with the ideal of 100% utilisation of raw materials revolves around the gentle drying of potato fibres (until now used as a feedstuff) as a food ingredient that can absorb a multiple of its own weight in water and which is thus able to make an important contribution to a high-fibre, low-calorie diet. While we are on the subject of nutrition: In our view, the current campaigns for cutting the sugar content in food are misleading, as reducing sugar usually does not mean a corresponding reduction in calorie content.

The major, € 100 million project for the expansion of wheat starch production in Pischelsdorf, Austria, is moving forward as planned, and there is nothing standing in the way of its completion by autumn 2019. The expansion will not only give the plant heightened economies of scale through the processing of 1.1 million tonnes of grain per year, but, in addition to the manufacturing of wheat starch of "A"-grade granule size for use in packaging paper production, will also be an important building block of our protein strategy. Specifically, this means protein enrichment during the processing of grain into starch and ethanol, and the GMO-free replacement of imported soy protein feedstuffs.

We reaffirm our forecast for the full 2018|19 financial year, with a significant decrease in Group EBIT. Next to the challenges in the Sugar segment, the projection in the Starch segment is now for a significant, rather than moderate, reduction in EBIT, as a result of the low sales prices for bioethanol and starch-based saccharification products.

Sincerely

Johann Marihart
Chief Executive Officer

# Group report

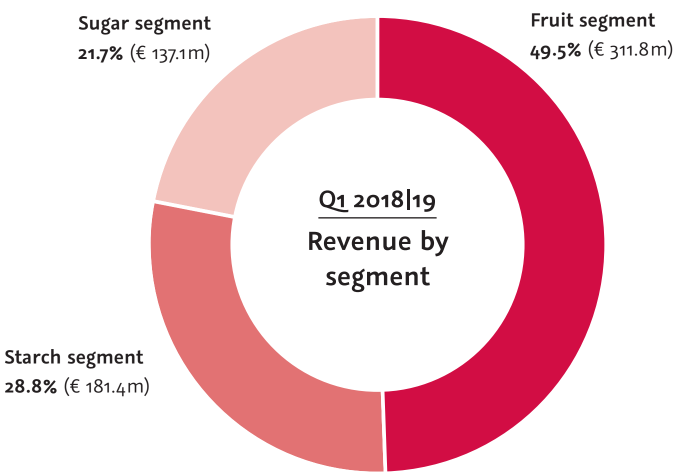
## AGRANA Group results for the first quarter of 2018|19

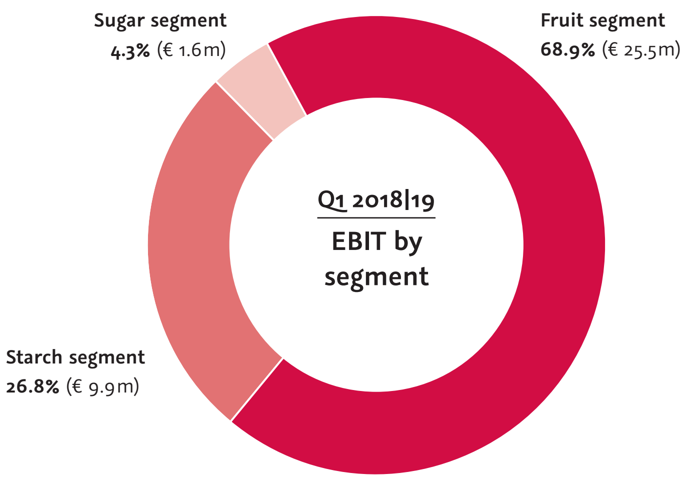
### Revenue and earnings

| CONSOLIDATED INCOME STATEMENT (CONDENSED) €m, except as otherwise indicated | Q1 2018\|19 | Q1 2017\|18 | CHANGE |
|---|---|---|---|
| Revenue | 630.3 | 684.2 | –7.9% |
| EBITDA[1] | 53.5 | 77.6 | –31.1% |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 33.8 | 59.7 | –43.4% |
| Share of results of equity-accounted joint ventures | 3.3 | 10.1 | –67.3% |
| Exceptional items | (0.1) | 0.0 | - |
| **Operating profit [EBIT]** | **37.0** | **69.8** | **–47.0%** |
| **EBIT margin** | **5.9%** | **10.2%** | **–4.3pp** |
| Net financial items | (4.3) | (4.8) | +10.4% |
| Profit before tax | 32.7 | 65.0 | –49.7% |
| Income tax expense | (7.4) | (14.1) | +47.5% |
| Profit for the period | 25.3 | 50.9 | –50.3% |
| Earnings per share (€) | 1.50 | 3.16 | –52.5% |

In the first quarter of 2018|19 (the three months ended 31 May 2018), **revenue** of the AGRANA Group was € 630.3 million, down 7.9% from the same period one year earlier, with the decrease attributable primarily to lower revenue in the Sugar segment, but also in the bioethanol activities of the Starch segment.

**Operating profit (EBIT)** was € 37.0 million in the first three months of 2018|19, a significant decline of 47.0% from the year-ago quarter. As expected, EBIT in the Sugar segment fell significantly, to € 1.6 million (Q1 prior year: € 18.1 million), owing mainly to lower selling prices than one year earlier. In the Starch segment, EBIT went down significantly to € 9.9 million, a decrease of 62.8% driven above all by a negative trend in the ethanol and saccharification products business. The Fruit segment was able to slightly increase its EBIT (by 1.6%) to € 25.5 million. The **net financial items** expense improved from the comparative period's € 4.8 million to € 4.3 million. After an income tax expense of € 7.4 million, corresponding to a tax rate of approximately 22.6% (Q1 prior year: 21.7%), **profit for the period** was € 25.3 million (Q1 prior year: € 50.9 million). **Earnings per share** attributable to AGRANA shareholders eased to € 1.50 (Q1 prior year: € 3.16).




[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.

## Investment

In the first quarter of the financial year, AGRANA invested € 32.3 million, or € 10.8 million more than in the year-earlier comparative period. Capital expenditure by segment was as follows:

| Investment[1]<br>€m, except % | Q1 2018\|19 | Q1 2017\|18 | Change |
|---|---|---|---|
| Fruit | 7.1 | 4.1 | +73.2% |
| Starch | 22.0 | 13.7 | +60.6% |
| Sugar | 3.2 | 3.7 | –13.5% |
| **Group** | **32.3** | **21.5** | **+50.2%** |

**Fruit segment**

- Various projects across all 43 production sites; key projects: Construction of the new, second fruit preparations plant in China and a new carrot juice concentrate production line in Hungary

**Starch segment**

- Increase of potato processing capacity through installation of a new potato starch dryer in Gmünd, Austria
- Installation of a potato fibre dryer in Gmünd
- Expansion of wheat starch plant in Pischelsdorf, Austria

**Sugar segment**

- Renewal of the brick lining of the lime kiln in Leopoldsdorf, Austria
- Installation of an organic sugar line with a big-bag filling station and rail loading facility in Tulln, Austria
- Renewal of the pulp press station in Kaposvár, Hungary (replacement of four old presses with two new ones)
- Asset replacement investment in two white sugar centrifuges in Opava, Czech Republic
- Project start for construction of a warehouse for finished product in Buzău, Romania

Additionally in the first quarter of 2018|19, € 2.9 million (Q1 prior year: € 2.1 million) was invested in the equity-accounted joint ventures (the HUNGRANA and STUDEN groups; investment in these entities is stated at 100% of the total).

## Cash flow

### Consolidated cash flow statement (condensed)

| First quarter (1 March – 31 May)<br>€m, except % | Q1 2018\|19 | Q1 2017\|18 | Change |
|---|---|---|---|
| Operating cash flow before changes in working capital | 49.6 | 82.9 | –40.2% |
| Changes in working capital | (18.1) | (61.0) | +70.3% |
| Interest received and paid and income tax paid, net | (10.6) | (14.5) | +26.9% |
| **Net cash from operating activities** | **20.9** | **7.4** | **+182.4%** |
| Net cash (used in) investing activities | (31.1) | (21.1) | –47.4% |
| Net cash (used in) financing activities | (18.0) | (48.6) | +63.0% |
| **Net (decrease) in cash and cash equivalents** | **(28.2)** | **(62.3)** | **+54.7%** |
| Effects of movements in foreign exchange rates on cash and cash equivalents | (0.3) | (2.3) | +87.0% |
| Cash and cash equivalents at beginning of period | 121.0 | 198.4 | –39.0% |
| **Cash and cash equivalents at end of period** | **92.5** | **133.8** | **–30.9%** |

Operating cash flow before changes in working capital declined to € 49.6 million (Q1 prior year: € 82.9 million) in the first quarter of 2018|19 as a result mainly of the significantly lower profit for the period. After a smaller increase of € 18.1 million in working capital than one year earlier (Q1 prior year: increase of € 61.0 million) and after lower outflows for taxes and interest, net cash from operating activities in the first quarter of 2018|19 increased to € 20.9 million (Q1 prior year: € 7.4 million). Net cash used in investing activities was € 31.1 million as a result of higher payments for purchases of property, plant and equipment and intangibles (Q1 prior year: net cash use of € 21.1 million). The smaller overall reduction in borrowings (i.e., with the opposing changes in current and non-current borrowings netted) in the first quarter of 2018|19 led to a reduced net cash use of € 18.0 million for financing activities (Q1 prior year: net cash use of € 48.6 million).

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

# Financial position

## Consolidated balance sheet (condensed)

| €m, except % and pp | 31 May 2018 | 28 Feb 2018 | Change |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | **1,170.5** | **1,161.0** | **+0.8%** |
| Of which intangible assets | 274.3 | 276.8 | –0.9% |
| Of which property, plant and equipment | 779.1 | 768.9 | +1.3% |
| **Current assets** | **1,140.6** | **1,195.4** | **–4.6%** |
| Of which inventories | 570.1 | 654.5 | –12.9% |
| Of which trade receivables and other assets | 473.3 | 415.6 | +13.9% |
| Of which cash and cash equivalents | 92.5 | 121.0 | –23.6% |
| **Total assets** | **2,311.1** | **2,356.4** | **–1.9%** |
| **Equity and Liabilities** | | | |
| **Equity** | **1,474.4** | **1,454.0** | **+1.4%** |
| Equity attributable to shareholders of the parent | 1,416.6 | 1,397.0 | +1.4% |
| Non-controlling interests | 57.8 | 57.0 | +1.4% |
| **Non-current liabilities** | **373.1** | **419.4** | **–11.0%** |
| Of which borrowings | 263.5 | 310.6 | –15.2% |
| **Current liabilities** | **463.6** | **483.0** | **–4.0%** |
| Of which trade and other payables | 333.4 | 378.2 | –11.8% |
| Of which borrowings | 91.1 | 61.6 | +47.9% |
| **Total equity and liabilities** | **2,311.1** | **2,356.4** | **–1.9%** |

| | | | |
|---|---|---|---|
| **Net debt** | **242.8** | **232.5** | **+4.4%** |
| **Gearing ratio[1]** | **16.5%** | **16.0%** | **+0.5pp** |
| **Equity ratio** | **63.8%** | **61.7%** | **+2.1pp** |

Total assets eased slightly from the 2017|18 year-end balance sheet date to € 2.31 billion at 31 May 2018 (28 February 2018: € 2.36 billion) and the equity ratio was up by 2.1 percentage points to 63.8% (28 February 2018: 61.7%).

Non-current assets remained nearly constant, while current assets decreased by 4.6%. The most visible part of this reduction occurred in cash and cash equivalents. On the opposite side of the balance sheet, non-current liabilities declined, due primarily to the repayment of borrowings. Current liabilities fell slightly, with an increase in short-term borrowings outweighed by a significant reduction in trade and other payables.

Net debt as of 31 May 2018 stood at € 242.8 million, up by € 10.3 million from the 2017|18 year-end level. The gearing ratio accordingly rose modestly to 16.5% as of the quarterly balance sheet date (28 February 2018: 16.0%).



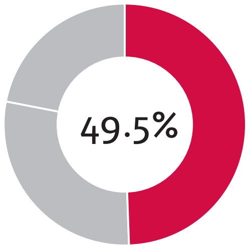
[1] Ratio of net debt to total equity.

# Fruit segment

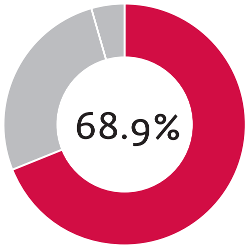
## Financial results

| FRUIT SEGMENT<br>€m, except % and pp | Q1 2018\|19 | Q1 2017\|18 | CHANGE |
|---|---|---|---|
| Revenue | 311.8 | 311.0 | +0.3% |
| EBITDA[1] | 33.7 | 33.7 | +0.0% |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 25.5 | 25.1 | +1.6% |
| Operating profit [EBIT] | 25.5 | 25.1 | +1.6% |
| **EBIT margin** | **8.2%** | **8.1%** | **+0.1pp** |

*Share of Group revenue*




*Share of Group EBIT*




Fruit segment revenue in the first quarter of 2018|19 was € 311.8 million, or almost at the year-earlier level. For fruit preparations, revenue remained constant despite an increase in sales volumes; the reason lay in negative currency translation effects. In the fruit juice concentrate business, revenue rose as a result of the smaller 2017 apple crop, as this led to higher concentrate prices.

The Fruit segment's EBIT in the first three months was € 25.5 million, up slightly from one year earlier. While the fruit preparations business saw a currency-related moderate drop in earnings (as all but three local currencies weakened sharply against the euro), EBIT in the fruit juice concentrate activities increased significantly. This reflected improved contribution margins in apple juice concentrate produced from the 2017 harvest, as well as a continued good performance in beverage bases.

## Market environment

According to Euromonitor, the global market for yoghurt will grow by 5.4% in 2019. Most of this growth is coming from the drinking yoghurt and natural yoghurt segments. For drinkable yoghurt, very high growth is forecast especially for the Asia-Pacific region, at 11.6%. As well, the market in the Middle East and Africa is to grow by 5.8%. The consumption of spoonable fruit yoghurt is expected to increase by only 0.5% over the same period. Turning to the bakery sector, the global market growth for fruit snacks in 2019 is predicted at 2.2%. This includes not just dried fruit but also processed fruit snacks. In granola bars, enormous potential is seen particularly for fruit-nut bars, with projected growth of 7.6% in 2019. The market volume of ice-creams and frozen desserts is to rise from an estimated 17.7 million tonnes in 2018 to 19.3 million tonnes in 2022 (including the volumes sold through the food service channel).

The trend in consumer preferences towards a desire for healthy and sustainable products and for transparency of recipes continues. This is apparent, for example, in market launches in the yoghurt segment like the introduction of fruit yoghurts with specific designations by origin or variety, such as Alphonso mango or Monterey strawberry. Besides the interest in regional products, customers attraction to international flavours is also a very significant driver. In the market this is expressed, for instance, in the introduction of various fermented milk products beyond conventional yoghurt, which are brought out either straight or in combination with fruit. Examples are kefir, lassi, skyr, labneh and ayran. A further trend, particularly in ice-cream, desserts and baked goods, is the continuing growth of portable snack products for eating on the go. Especially fruit as an ingredient figures prominently in many of these snacks, as fruit is perceived as more natural and healthful than other ingredients such as chocolate.

For apple juice concentrate, the low crop volumes in the major apple production regions Poland, Hungary, Germany and Italy caused the prices of concentrate from the now-completed 2017 apple campaign to rise significantly from the prior year. Apple juice concentrate prices for product from the 2018 crop in Europe are expected to be lower than last year’s.

[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.

Apple juice concentrate from China showed only a mildly rising price trend year-on-year, leading to an increase in demand for Chinese product in Europe.

The marketing of berry juice concentrates and apple juice concentrate from the 2017 crop is largely complete; there are currently no price or marketing risks.

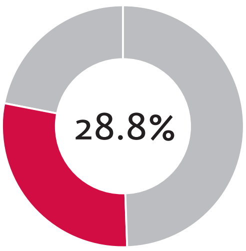
### Raw materials and production

The strawberry harvest in the Mediterranean climate zones has almost fully concluded and most of the contracts are in place. A late start to the harvest in North Africa and Spain, growing fresh market volume in the European retail sector, and last year's poor harvest in Poland all combined to raise demand pressure and result in a moderate price increase in these procurement markets. However, favourable contractual prices for other fruits, such as mango, will more than make up for the higher strawberry prices. In the first quarter of 2018|19, just under 100,000 tonnes of raw materials were processed for fruit preparations.

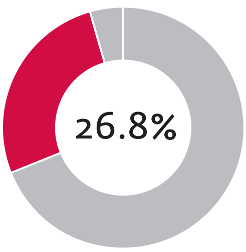
In the fruit juice concentrate business, raw material availability can be expected to normalise for the 2018 crop year thanks to a good growing season to date. As a result of spring frost, apple crop volumes in China are predicted to be significantly lower than last year.

## Starch segment

*Share of Group revenue*




*Share of Group EBIT*




### Financial results

| STARCH SEGMENT<br>€m, except % and pp | Q1 2018\|19 | Q1 2017\|18 | CHANGE |
|---|---|---|---|
| Revenue | 181.4 | 194.8 | –6.9% |
| EBITDA[1] | 12.8 | 21.8 | –41.3% |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 5.2 | 16.1 | –67.7% |
| Share of results of equity-accounted joint ventures | 4.7 | 10.5 | –55.2% |
| **Operating profit [EBIT]** | **9.9** | **26.6** | **–62.8%** |
| **EBIT margin** | **5.5%** | **13.7%** | **–8.2pp** |

Revenue in the first quarter of 2018|19 was € 181.4 million, a decrease of 6.9% from one year earlier. This reduction was explained largely by the price-related lower revenue from bioethanol, as the Platts quotations during the reporting period were down about 20% from a year ago. In native and modified starches, sales prices were stable on sustained good market demand. Revenue in feedstuff reselling was off slightly, though at a high absolute level.

EBIT, at € 9.9 million, was down significantly by 62.8% from the year-earlier result. More than two-thirds of the earnings reduction was driven by the market prices for bioethanol, and about one-third resulted from the lower selling prices for saccharification products. The profit contribution from the equity-accounted HUNGRANA was halved to € 4.7 million, the reasons being that this Hungarian site is particularly exposed to the negative trend in bioethanol market prices and, as Europe's largest manufacturer of isoglucose, is significantly impacted by declining saccharification product prices. Accordingly, the profitability of the Starch segment in the first financial quarter in terms of EBIT margin fell to 5.5%, from 13.7% in the comparative prior-year quarter.



[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.

## Market environment

The extremely difficult market setting for sugar did not leave saccharification products unscathed. Low sugar prices exerted direct downward price pressure on isoglucose, and customers also had very little inclination to use additional quantities of starch saccharification products. Moreover, new competitors are edging into the market.

Sales volumes of native and modified starches into the food industry were stable. As well, spot prices for cereal starches moved upward recently thanks to impetus from the non-food sector.

The principal upside driver in non-food starches was the lasting high demand from the paper and corrugated board industry. Numerous capacity expansion projects of paper manufacturers are currently being implemented or have recently come on stream.

The outlook for the bioethanol business for after the first quarter is decidedly subdued. A significant increase in supply amid consistently high utilisation of European bioethanol plants is coinciding with merely moderate growth in demand. During the 2018 campaign, against the backdrop of low sugar prices, there is likely to be continuing elevated use of sugar beet thick juice for ethanol fermentation.

In by-products, prices of high-protein products exhibit a persistently firm trend. Vital wheat gluten in particular showed a continuing positive trend in price. Aside from the bakery industry, the main market segments stimulating this demand are fish feed and pet food. Medium-protein feeds (Actiprot® and corn gluten feed), which are closely coupled to the soy and grain markets, are also showing slightly rising prices. Corn germ is under pressure as a consequence of the low vegetable oil prices.

## Raw materials and production

World grain production in the 2018|19 grain marketing year (July to June) is estimated by the International Grains Council in its forecast of 24 May 2018 at 2.09 billion tonnes, which is about 2 million tonnes less than in the prior year and falls short of the expected consumption by around 47 million tonnes. Wheat production is forecast at 742 million tonnes (prior year: 758 million tonnes; estimated 2018|19 consumption: 746 million tonnes) and the predicted output of corn is 1,055 million tonnes (prior year: 1,044 million tonnes; estimated 2018|19 consumption: 1,098 million tonnes). Total ending grain stocks are to decline by approximately 46 million tonnes to a new balance of 556 million tonnes.

Grain production in the EU-28 is estimated by Strategié Grains in its forecast of 10 May 2018 at about 304 million tonnes (prior year: 299 million tonnes). Of this total, the soft wheat harvest is to account for about 141 million tonnes, or marginally less than the 2017 crop of 142 million tonnes. The 2018 corn harvest in the EU is expected to reach about 61 million tonnes (prior year: 59 million tonnes).

The quotations on the NYSE Euronext Liffe commodity derivatives exchange in Paris rose slightly since the beginning of March 2018 and, on 30 May, were around € 170 per tonne for corn and € 180 per tonne for wheat (year earlier: € 162 and € 167 per tonne, respectively).

**Potatoes**

For potato starch for the 2018 crop year, contracts were concluded with about 1,400 farmers to grow 308,000 tonnes of (regular and organic) industrial starch potatoes (prior year: 288,000 tonnes). The contracts for regular potatoes for the food industry, at 10,600 tonnes, remained steady at the level of the year before, while those for organic food industry potatoes were increased to 6,900 tonnes (prior year: 6,600 tonnes).

**Corn and wheat**

The purchasing of feedstock for the Austrian starch plants in Aschach (corn) and Pischelsdorf (wheat) from the 2017 crop is close to complete. For the 2018 production of specialty corn (organic corn, waxy corn, certified non-GMO corn, and organic waxy corn), contracts were signed for approximately 152,000 tonnes (prior year: 90,000 tonnes). Raw material prices in the first quarter of 2018|19 were in line with budgeted levels.

In the bioethanol activities, the grain and corn purchases for the plant in Pischelsdorf are largely secured until up to the new crop. About 62% of the raw material supply for the 2018|19 financial year, including the ethanol grain production contracts, is covered.

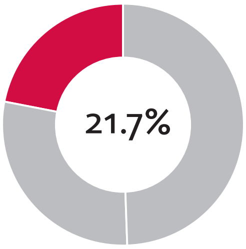
At the plant in Hungary (HUNGRANA), a total of approximately 1.2 million tonnes of corn should be processed in 2018|19 (prior year: 1.1 million tonnes); the amounts for this equity-accounted joint venture are stated at 100% of the respective total. Measured against the projected total processing volume, about 60% of HUNGRANA's raw material supply is secured. The rest of its feedstock will consist mainly of wet corn and dried corn from the new harvest.

In Romania, raw material purchasing is complete for the period up to the start of the next harvest in September.

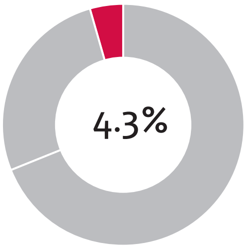
[1] International Grains Council

## Sugar segment

*Share of Group revenue*




*Share of Group EBIT*




### Financial results

| **Sugar segment** €m, except % and pp | **Q1 2018\|19** | **Q1 2017\|18** | **Change** |
|---|---|---|---|
| Revenue | 137.1 | 178.4 | –23.2% |
| EBITDA[1] | 7.0 | 22.1 | –68.3% |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 3.2 | 18.5 | –82.7% |
| Share of results of equity-accounted joint ventures | (1.4) | (0.4) | –250.0% |
| **Exceptional items** | **(0.1)** | **0.0** | **-** |
| **Operating profit [EBIT]** | **1.6** | **18.1** | **–91.2%** |
| **EBIT margin** | **1.2%** | **10.2%** | **–9.0pp** |

The Sugar segment's revenue in the first three months of 2018|19, at € 137.1 million, was off 23.2% from the first quarter of the prior year. This downward change was caused by a significant year-on-year reduction in sugar sales prices, as well as lower sugar quantities sold.

EBIT in the first quarter of 2018|19 fell markedly from € 18.1 million to € 1.6 million. The principal driving factor was the poorer sales price environment compared to the prior year.

### Market environment

**World sugar market**

For the end of the 2017|18 sugar marketing year (SMY, October 2017 to September 2018) the analytics firm F.O. Licht in its June 2018 estimate for the world sugar balance is forecasting a production surplus, coming after two years of deficits. The forecast calls for a production increase to 193.1 million tonnes (SMY 2016|17: 179.6 million tonnes) which, despite predicted further growth in consumption to 183.7 million tonnes (SMY 2016|17: 180.6 million tonnes), is to lead to an expansion in global sugar stocks to 76.0 million tonnes (SMY 2016|17: 68.7 million tonnes). For SMY 2018|19 as well, F.O. Licht is projecting a production surplus.

As of the beginning of the 2018|19 financial year, world market prices remain persistently low, due mainly to the continuing expectation of a significant surplus in the world sugar balance.

For 2018, although Brazil is expected to use more sugar cane for ethanol production than before, analysts predict significant growth in global sugar output, reflecting very good crop expectations especially in India and Thailand and continuing high beet sugar production in Europe. As well, the market continues to be very heavily influenced by the behaviour of institutional investment funds, which leads to currently high volatility at low absolute prices.

At the end of the reporting period, white sugar quoted at US$ 354.60 per tonne and raw sugar at US$ 281.97.

**EU sugar market**

The current sugar production forecast of the European Commission from May 2018 puts the European sugar output in SMY 2017|18 at 21.1 million tonnes. This represents a significant increase of 26% from the prior sugar marketing year (2016|17), when the quotas were still in effect. The most substantial increases in predicted sugar production in the European Union are found in the Netherlands (up 52%), the United Kingdom (up 49%) and Germany (up 45%).

F.O. Licht expects that, in SMY 2018|19 as well, roughly 20 million tonnes of sugar will be produced in the EU and that production will only decline by 1.1 million tonnes relative to SMY 2017|18.[2]

The Monitoring Agricultural Resources (MARS) section of the European Commission is currently forecasting a yield of 76.1 tonnes of sugar beet per hectare for SMY 2018|19, which would be only narrowly less than the prior year's yield of 76.3 tonnes.[3]

[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.
[2] F.O. Licht, Vol. 150, No. 13 (8 May 2018).
[3] F.O. Licht, Vol. 150, No. 15 (28 May 2018).

**EU policy**
Since the liberalisation of the EU sugar market that took effect on 1 October 2017, sugar sales prices have fallen sharply, as is very evident from values in the EU sugar price reporting system: while in September 2017 the average price in the EU was still € 490 per tonne, in March 2018 it was only € 376 per tonne.

The outcome of the Brexit negotiations is currently still open, including the EU's tariff-rate quotas (CXL) and the bilateral quotas, particularly for Central America and South Africa.[1] A division of the quotas on the basis of historical data is under discussion.

**Customers in industry and resellers**
The warm weather with at times summer-like temperatures translated into higher sugar sales volume than in the year-ago quarter, particularly for sugar used in fruit processing and in ice-cream and beverages.

On balance, however, volumes receded in the first three months of the 2018|19 financial year. Deliveries were made predominantly under existing contracts. Customer relationships were successfully maintained beyond the expiration of the sugar quotas and despite the challenging market environment.

### Raw materials and production

In the 2018 crop year, the sugar beet production acreage contracted by AGRANA with beet growers was approximately 94,400 hectares, or about 1,800 hectares less than in the prior year. The area planted for organic sugar beet cultivation for the Group was around 1,700 hectares in Austria and about 900 hectares in Romania.

Owing to the long winter and especially the low temperatures in the second half of February, the start of planting was delayed by about one to two weeks compared to the long-term average. Most of the initial planting was completed by mid-April. From the first week of April, severe damage was caused in the Austrian core beet production areas by an insect pest, the beet weevil. A total of about 12,000 hectares had to be turned under, only approximately 30% of which was subsequently replanted to beet. In the other beet-growing regions outside Austria, additional beet production area was lost to mud deposits, soil crusting, hail and animal pests. The relatively very warm months of April and May led to rapid juvenile growth of the remaining beet stocks. Widespread rain, particularly in the second half of May, also strongly boosted the beet growth. Only in Romania did the precipitation remain below average, causing uneven beet stocks and delayed growth. The weather and growing conditions to date point to average beet yields in all countries on the currently estimated approximately 85,000 hectares of area under beet (including a total of about 900 hectares of organic beet) remaining after the crop area losses described above.

## Management of risks and opportunities

AGRANA uses an integrated system for the early identification and monitoring of risks that are relevant to the Group.

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

A detailed description of the Group's business risks is provided on pages 86 to 90 of the annual report 2017|18.

## Number of employees

| FTE[2] | Q1 2018\|19 | Q1 2017\|18 | Change |
|---|---|---|---|
| Fruit segment | 6,232 | 5,861 | +6.3% |
| Starch segment | 986 | 920 | +7.2% |
| Sugar segment | 1,905 | 1,911 | –0.3% |
| **Group** | **9,123** | **8,692** | **+5.0%** |

In the first quarter of 2018|19 the AGRANA Group employed an average of 9,123 full-time equivalents (Q1 prior year: 8,692). The increase in personnel resulted mainly from a higher requirement for seasonal workers in the Fruit segment and from the expansion of the starch production site in Aschach, Austria.

## Significant events after the interim reporting date

No significant events occurred after the interim balance sheet date of 31 May 2018 that had a material effect on AGRANA's financial position, results of operations or cash flows.

[1] CEFS Position on Brexit (18 June 2018).
[2] Average number of full-time equivalents in the reporting period.

## Outlook

| AGRANA Group €m | 2017\|18 Actual | 2018\|19 Forecast |
|---|---|---|
| Revenue | 2,566.3 | → |
| EBIT | 190.6 | ↓↓ |
| Investment[1] | 140.9 | 169 |

→ *Steady[2]*
↓↓ *Significant reduction[2]*

As a result of the current challenges faced especially in the Sugar segment, the Group's **operating profit** (EBIT) is expected to decrease significantly in the 2018|19 financial year. **Revenue** is projected to be in line with the year before. EBIT in the second quarter of this financial year is predicted at significantly below the year-earlier level.

| Starch segment €m | 2017\|18 Actual | 2018\|19 Forecast |
|---|---|---|
| Revenue | 752.3 | ↑ |
| EBIT | 80.2 | ↓↓ |
| Investment[1] | 59.4 | 86 |

↑ *Moderate increase[2]*
↓↓ *Significant reduction[2]*

For the **Starch segment**, a moderate increase in revenue is forecast for the 2018|19 financial year. Sales volumes are to rise significantly, thanks also to the full utilisation of the additional corn grinding capacity in Aschach, Austria. The positive impetus for specialty products (including organic grades) and generally for starches and by-products is expected to continue. For bioethanol and starch-based saccharification products, however, sales prices are likely to decline amid the challenging market environment, and with expected slightly rising raw material prices, a significant reduction in EBIT is thus predicted for the Starch segment.

| Fruit segment €m | 2017\|18 Actual | 2018\|19 Forecast |
|---|---|---|
| Revenue | 1,161.4 | ↑ |
| EBIT | 75.6 | ↑↑ |
| Investment[1] | 49.4 | 53 |

↑ *Moderate increase[2]*
↑↑ *Significant increase[2]*

In the **Fruit segment**, AGRANA expects the full 2018|19 financial year to bring moderate growth in revenue and a significant improvement in EBIT. Revenue of the fruit preparations business is predicted to increase, driven by rising sales volumes in all areas (particularly in non-dairy). The synergy effects in Argentina, the start of fruit preparations production in India and the planned opening of the new Chinese production site in Jiangsu, China, in November 2018 are expected to contribute to a slight EBIT improvement for fruit preparations relative to the 2017|18 financial year. In the fruit juice concentrate business, revenue and EBIT are projected to rise significantly this financial year.

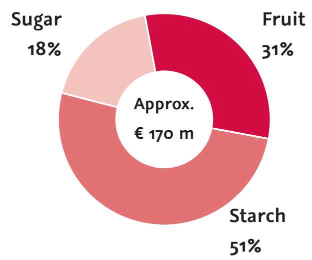
| Sugar segment €m | 2017\|18 Actual | 2018\|19 Forecast |
|---|---|---|
| Revenue | 652.6 | ↓↓ |
| EBIT | 34.8 | ↓↓ |
| Investment[1] | 32.1 | 30 |

↓↓ *Significant reduction[2]*

In the **Sugar segment**, AGRANA expects revenue to decline significantly, as sugar sales volumes and prices are projected to decrease. The ongoing cost reduction programmes will only be able to soften the margin reduction to some extent, and a significant decrease in EBIT is thus expected for the 2018|19 financial year.

### Investment

Total investment across the three business segments in the financial year, at approximately € 170 million, is to significantly exceed the budgeted depreciation of about € 97 million.






[1] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.
[2] For definitions of these quantitative terms as used here in the 'Outlook' section, see page 17.

# Interim consolidated financial statements (condensed)

for the first three months ended 31 May 2018 (unaudited)

## Consolidated income statement

| First Quarter (1 March - 31 May)<br>€000, except per-share data | Q1 2018\|19 | Q1 2017\|18 |
|---|---|---|
| Revenue | 630,278 | 684,246 |
| Changes in inventories of finished and unfinished goods | (106,061) | (112,382) |
| Own work capitalised | 442 | 535 |
| Other operating income | 6,602 | 12,176 |
| Cost of materials | (333,892) | (360,862) |
| Staff costs | (76,309) | (72,453) |
| Depreciation, amortisation and impairment losses | (19,638) | (17,883) |
| Other operating expenses | (67,756) | (73,668) |
| Share of results of equity-accounted joint ventures | 3,330 | 10,053 |
| **Operating profit [EBIT]** | **36,996** | **69,762** |
| Finance income | 11,725 | 16,558 |
| Finance expense | (16,055) | (21,366) |
| **Net financial items** | **(4,330)** | **(4,808)** |
| **Profit before tax** | **32,666** | **64,954** |
| Income tax expense | (7,356) | (14,103) |
| **Profit for the period** | **25,310** | **50,851** |
| ▪ Attributable to shareholders of the parent | 23,417 | 49,369 |
| ▪ Attributable to non-controlling interests | 1,893 | 1,482 |
| Earnings per share under IFRS (basic and diluted) | € 1.50 | € 3.16 |

## Consolidated statement of comprehensive income

| FIRST QUARTER (1 MARCH - 31 MAY)<br>€000 | Q1 2018\|19 | Q1 2017\|18 |
|---|---|---|
| **Profit for the period** | **25,310** | **50,851** |
| Other comprehensive (expense)/income | | |
| ▪ Currency translation differences | (3,681) | (10,093) |
| ▪ Available-for-sale financial assets, after deferred taxes | 0 | 69 |
| ▪ Cash flow hedges, after deferred taxes | 901 | 3,516 |
| ▪ Effects from equity-accounted joint ventures | (983) | 314 |
| (Expense) to be recognised in the income statement in the future | (3,763) | (6,194) |
| ▪ Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities (IAS 19), after deferred taxes | (259) | (182) |
| Expense that will not be recognised in the income statement in the future | (259) | (182) |
| **Other comprehensive (expense)** | **(4,022)** | **(6,376)** |
| **Total comprehensive income for the period** | **21,288** | **44,475** |
| ▪ Attributable to shareholders of the parent | 19,876 | 43,042 |
| ▪ Attributable to non-controlling interests | 1,412 | 1,433 |

## Condensed consolidated cash flow statement

| FIRST QUARTER (1 MARCH - 31 MAY)<br>€000 | Q1 2018\|19 | Q1 2017\|18 |
|---|---|---|
| Operating cash flow before changes in working capital | 49,585 | 82,924 |
| Changes in working capital | (18,093) | (60,980) |
| Interest received and paid and income tax paid, net | (10,621) | (14,502) |
| **Net cash from operating activities** | **20,871** | **7,442** |
| Net cash (used in) investing activities | (31,098) | (21,154) |
| Net cash (used in) financing activities | (18,009) | (48,597) |
| **Net (decrease) in cash and cash equivalents** | **(28,236)** | **(62,309)** |
| Effect of movements in foreign exchange rates on cash and cash equivalents | (262) | (2,310) |
| Cash and cash equivalents at beginning of period | 120,961 | 198,429 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **92,463** | **133,810** |

# Consolidated balance sheet

| €000 | 31 May 2018 | 28 February 2018 | 31 May 2017 |
|---|---|---|---|
| **Assets** | | | |
| **A. Non-current assets** | | | |
| Intangible assets, including goodwill | 274,349 | 276,815 | 280,276 |
| Property, plant and equipment | 779,105 | 768,881 | 736,454 |
| Equity-accounted joint ventures | 75,575 | 73,228 | 83,112 |
| Securities | 19,252 | 18,703 | 18,842 |
| Investments in non-consolidated subsidiaries and outside companies | 19 | 894 | 894 |
| Receivables and other assets | 9,312 | 8,816 | 6,486 |
| Deferred tax assets | 12,933 | 13,664 | 11,271 |
| | **1,170,545** | **1,161,001** | **1,137,335** |
| **B. Current assets** | | | |
| Inventories | 570,053 | 654,537 | 580,789 |
| Trade receivables and other assets | 473,317 | 415,568 | 494,213 |
| Current tax assets | 4,705 | 4,310 | 7,057 |
| Securities | 44 | 44 | 43 |
| Cash and cash equivalents | 92,463 | 120,961 | 133,810 |
| | **1,140,582** | **1,195,420** | **1,215,912** |
| **Total assets** | **2,311,127** | **2,356,421** | **2,353,247** |

| | | | |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **A. Equity** | | | |
| Share capital | 113,531 | 113,531 | 113,531 |
| Share premium and other capital reserves | 540,760 | 540,760 | 540,760 |
| Retained earnings | 762,293 | 742,752 | 738,417 |
| Equity attributable to shareholders of the parent | 1,416,584 | 1,397,043 | 1,392,708 |
| Non-controlling interests | 57,823 | 56,954 | 63,515 |
| | **1,474,407** | **1,453,997** | **1,456,223** |
| **B. Non-current liabilities** | | | |
| Retirement and termination benefit obligations | 70,018 | 68,704 | 68,852 |
| Other provisions | 21,501 | 21,607 | 19,704 |
| Borrowings | 263,476 | 310,572 | 221,148 |
| Other payables | 11,337 | 10,832 | 13,930 |
| Deferred tax liabilities | 6,806 | 7,712 | 12,603 |
| | **373,138** | **419,427** | **336,237** |
| **C. Current liabilities** | | | |
| Other provisions | 26,827 | 29,337 | 38,828 |
| Borrowings | 91,130 | 61,629 | 194,138 |
| Trade and other payables | 333,411 | 378,220 | 306,768 |
| Current tax liabilities | 12,214 | 13,811 | 21,053 |
| | **463,582** | **482,997** | **560,787** |
| **Total equity and liabilities** | **2,311,127** | **2,356,421** | **2,353,247** |

## Condensed consolidated statement of changes in equity

| First Quarter (1 March - 31 May)<br>€000 | Equity attributable to shareholders of the parent | Non-controlling interests | Total |
|---|---|---|---|
| **2018\|19** | | | |
| **At 1 March 2018 (as published)** | **1,397,043** | **56,954** | **1,453,997** |
| Effects of initial application of IFRS 9 | (148) | 0 | (148) |
| **At 1 March 2018 (restated)** | **1,396,895** | **56,954** | **1,453,849** |
| Fair value changes on equity instruments – at fair value through other comprehensive income | 901 | 0 | 901 |
| Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities | (260) | 1 | (259) |
| Currency translation (loss) | (4,182) | (482) | (4,664) |
| **Other comprehensive (expense) for the period** | **(3,541)** | **(481)** | **(4,022)** |
| Profit for the period | 23,417 | 1,893 | 25,310 |
| **Total comprehensive income for the period** | **19,876** | **1,412** | **21,288** |
| Dividends paid | 0 | (182) | (182) |
| Changes in equity interests and in scope of consolidation | (187) | (361) | (548) |
| **At 31 May 2018** | **1,416,584** | **57,823** | **1,474,407** |

| First Quarter (1 March - 31 May)<br>€000 | Equity attributable to shareholders of the parent | Non-controlling interests | Total |
|---|---|---|---|
| **2017\|18** | | | |
| **At 1 March 2017** | **1,349,666** | **62,222** | **1,411,888** |
| Fair value movements under IAS 39 | 3,585 | 0 | 3,585 |
| Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities | (182) | 0 | (182) |
| Currency translation (loss) | (9,730) | (49) | (9,779) |
| **Other comprehensive (expense) for the period** | **(6,327)** | **(49)** | **(6,376)** |
| Profit for the period | 49,369 | 1,482 | 50,851 |
| **Total comprehensive income for the period** | **43,042** | **1,433** | **44,475** |
| Dividends paid | 0 | (140) | (140) |
| **At 31 May 2017** | **1,392,708** | **63,515** | **1,456,223** |

# Further information

## Financial calendar

| | |
|---|---|
| 12 July 2018 | Results for first quarter of 2018\|19 |
| 12 July 2018 | Record date for dividend |
| 13 July 2018 | Dividend payment date |
| 11 October 2018 | Results for first half of 2018\|19 |
| 10 January 2019 | Results for first three quarters of 2018\|19 |

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*This English translation of the interim statement is solely for readers' convenience and is not definitive. In the event of discrepancy or dispute, only the German version shall govern.*

## FORWARD-LOOKING STATEMENTS

This interim statement contains forward-looking statements, which are based on assumptions and estimates made by the Management Board of AGRANA Beteiligungs-AG. Although these assumptions, plans and projections represent the Management Board's current intentions and best knowledge, a large number of internal and external factors may cause actual future developments and results to differ materially from these assumptions and estimates. Some examples of such factors are, without limitation: negotiations concerning world trade agreements; changes in the overall economic environment, especially in macroeconomic variables such as exchange rates, inflation and interest rates; EU sugar policy; consumer behaviour; and public policy related to food and energy. AGRANA Beteiligungs-AG does not guarantee in any way that the actual future developments and actual future results achieved will match the assumptions and estimates expressed or made in this interim statement, 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 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% |

*This interim statement has not been audited or reviewed. It was prepared by the Management Board of AGRANA Beteiligungs-AG on 2 July 2018.*

*For financial performance indicators not defined in a footnote, please see the definitions on page 184 of the annual report 2017|18.*

*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 interim statement may contain minor, immaterial rounding errors.*

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

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