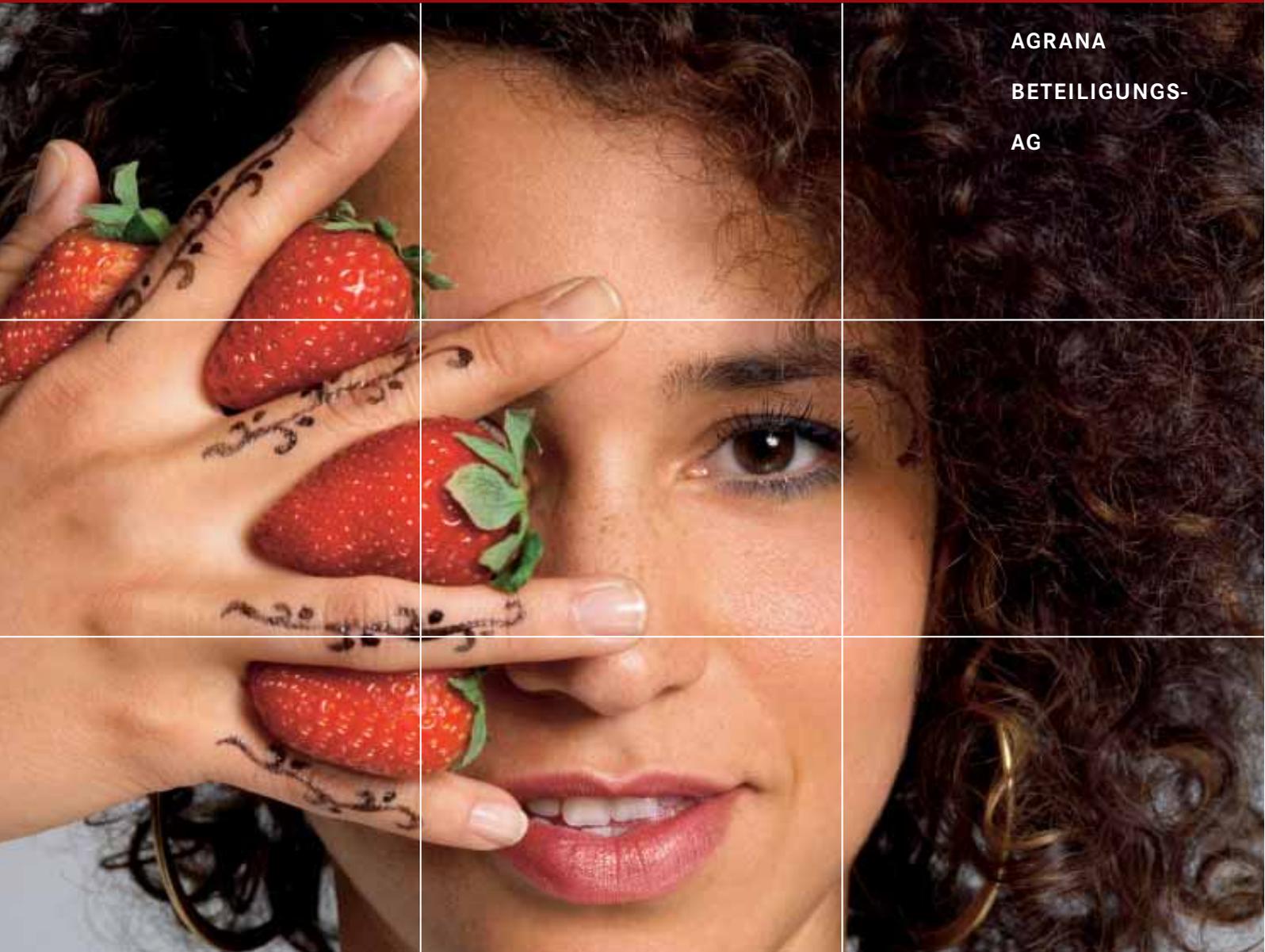




ANNUAL REPORT

2004 | 05



AGRANA  
BETEILIGUNGS-  
AG

SUGAR. STARCH. FRUIT.

## KEY DATA

in accordance with IFRS

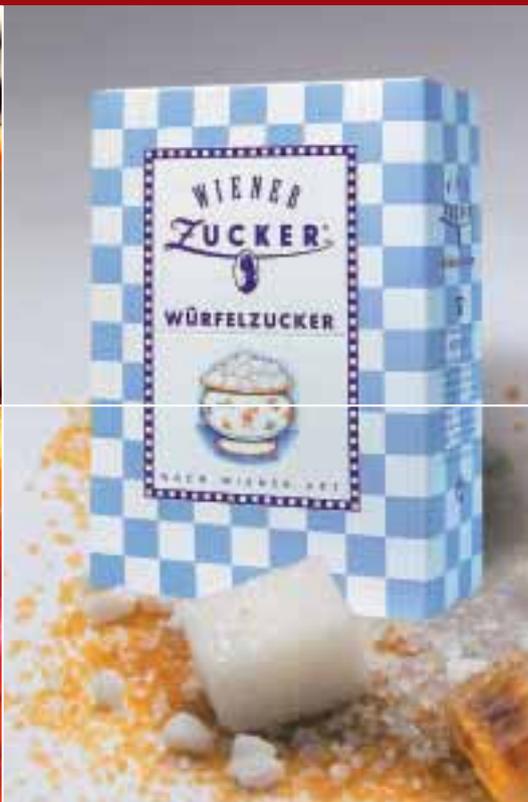
		2004 05	2003 04	2002 03	2001 02	2000 01	1999 00
<b>CORPORATE DATA</b>							
Revenues	€mn	981.0	866.4	875.7	842.8	760.2	703.0
Profit from operating activities	€mn	90.8	76.8	80.5	76.0	66.7	47.0
Profit before income tax	€mn	93.2	70.7	87.2	64.1	51.2	28.0
Profit after income tax	€mn	84.3	57.5	67.3	43.6	37.6	22.0
Consolidated earnings for the year	€mn	79.9	56.5	65.4	44.3	37.6	22.0
Net cash from profit	€mn	115.6	100.9	105.0	90.4	98.7	58.2
Capital expenditure	€mn	52.1	28.5	34.0	29.0	38.1	24.4
Staff		4,958	3,841	3,916	4,463	4,753	5,290
EBIT margin 1	%	9.3	8.9	9.2	9.0	8.8	6.7
Return on sales	%	9.5	8.2	10.0	7.6	6.7	4.0
Equity ratio with minority interests	%	55.7	55.2	52.9	48.7	45.6	42.4
<b>PERFORMANCE ON THE STOCK EXCHANGE</b>							
High	€	86.00	61.50	39.91	31.75	20.38	23.40
Low	€	59.90	38.40	28.10	17.80	17.63	18.99
Close	€	79.85	61.50	39.60	29.45	17.80	19.50
Earnings per share	€	7.18	5.08	5.93	4.02	3.41	2.15
Earnings per share in relation to the number of shares outstanding on the balance-sheet date	€	5.62	5.13	5.93	4.02	3.41	2.15
Dividend per share	€	1.95	1.80	1.80	1.30	1.09	1.09
Dividend yield	%	2.4	2.9	4.6	4.4	6.1	5.6
P/E ratio (at close)		11.1	12.1	6.7	7.3	5.2	9.1
Market capitalization	€mn	1,134.0	678.2	436.7	44.2	26.7	29.2
<b>BALANCE-SHEET DATA</b>							
Share capital	€mn	103.2	80.1	80.1	80.1	80.1	80.1
Fixed assets	€mn	642.3	415.5	346.3	367.2	383.7	386.2
Equity with minority interests	€mn	835.9	515.8	475.0	422.9	389.9	363.7
Balance-sheet total	€mn	1,500.4	935.2	897.1	868.6	854.7	857.7



## ANNUAL REPORT 2004 | 05

of *AGRANA Beteiligungs-Aktiengesellschaft*  
for the financial year from 1 March 2004 through 28 February 2005

ADDING VALUE TO NATURE'S GIFTS.  
SUGAR. STARCH. FRUIT.



## HIGHLIGHTS DURING THE FINANCIAL YEAR

- **The best consolidated results** in AGRANA's history
  
- **Acquisitions in the Fruit Division** continue successfully with the
  - acquisition of a majority stake in **Atys**
  - acquisition of a majority stake in **Steirerobst**
  - acquisition of 100 per cent of the **Wink Group**
  - acquisition of 100 per cent of **Dirafrost**
  
- **Good harvests** of beet, maize and potatoes
  
- **Successful capital increase** in February 2005
  
- The AGRANA share
  - Price of the AGRANA share**  
advances by 29.8 per cent to € 79.85
  - Share is admitted to the **ATX** on 21 March 2005
  
- **Dividend increased** from € 1.80 to € 1.95 per share

## VISION AND MISSION

AGRANA is a multinational enterprise headquartered in Austria. AGRANA's Sugar and Starch divisions are active in Europe. Its Fruit Division is global. In those markets, AGRANA's goal is to be a leader in the industrial refining of agricultural raw materials.

### **Strategy**

Growth and efficiency ensure a sustained increase in enterprise value. We aim to be the best and most dependable partner to our customers in our core businesses, which are sugar, starch and fruit processing.

### **Service to the market**

We refine natural products into high-grade foods and technical products for industrial use. Our activities range from the manufacture of industrial intermediate products to the provision of advisory services. We supply industry and the trade.

### **Customer-orientation**

We offer our customers products and services that fully meet their needs. We aim to stand out from our competitors through high quality and exceptionally high standards of service. We are creative, flexible and dedicated. Our innovative power and research and development work lead the way in the marketplace.

### **Organization**

Our organization is decentralized and close to the market. It is founded on operating companies in the Sugar, Starch and Fruit divisions that are individually responsible for their results, and on a powerful network that ensures a constant exchange of information and expertise.

### **Finance**

Profit constitutes the basis for the economic sustainability of our enterprise's activities. We ensure AGRANA's increasing enterprise value and ability to distribute dividends through growth and rising productivity. They are achieved by optimizing value added. We endeavour to even out risks by maintaining a balanced global portfolio.

### **Management and staff**

We see ourselves as a multinational companies group. We are united by integrity, dedication and social awareness. We encourage our workforce to be willing and able to think and act with entrepreneurial spirit. Our style of work and leadership is founded on cooperation and trust. Management personnel are rewarded on the basis of their performance. We promote the exchange of information, communication, training and ongoing staff development. Flexibility and teamwork are the bedrock of our structures and internal dealings with one another.

### **The environment**

Our actions are shaped by respect for nature and the environment. Our products are natural in origin and developed in the light of the latest ecological research. They are bio-degradable and environmentally friendly. The health and safety of the workforce are especially important to us.

### **Product safety**

The strict manufacturing standards to which we adhere guarantee the safety of our products. We attach especial importance to continually raising the quality and hygiene standards of the foods we make. We see it as our duty to guarantee our customers the traceability of our products back to their natural sources.

### **Public relations and transparency**

We keep our shareholders, our workforce, the media, our customers, our partners in the marketplace and the general public regularly informed about our goals, activities and results. We endeavour to maintain a high level of transparency regarding all important innovations and developments.

# PRODUCTION SITES



## AGRANA'S STRATEGY

### GROWTH IN OUR CORE BUSINESSES

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AGRANA's core area of expertise is the refining of agricultural raw materials into products for use by the manufacturing industries in the *Sugar* and *Specialities* segments. AGRANA's *Specialities Segment* encompasses its starch and fruit operations.

AGRANA's strategy is to achieve market leadership in clearly defined product segments and in specifically targeted regions.

- AGRANA is one of Central Europe's biggest suppliers of sugar and isoglucose.
- AGRANA's Starch Division is one of Europe's leading suppliers of speciality products.
- AGRANA's Fruit Division is the world's leader in fruit preparations and one of Europe's foremost suppliers of fruit juice concentrates.

AGRANA is a highly skilled refiner of agricultural raw materials. Its activities focus on three divisions within the scope of a dynamic growth strategy. These are the foundations underlying its core business operations.

### SUGAR STRATEGY: STRENGTHENING THE GROUP'S LEADERSHIP IN CENTRAL EUROPE

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AGRANA's Sugar Division has been carrying out extensive corporate acquisitions since 1990, transforming AGRANA from a purely Austrian enterprise into one of the leading suppliers in Central Europe (Austria, Hungary, the Czech Republic, Slovakia and Romania). That has increased revenues in the Sugar Segment from € 294 million in 1988/89 to € 672 million in 2004/05. AGRANA aims to maintain its position as the costs and technology leader in the Central European sugar beet processing industry. AGRANA's success is founded on the systematic tailoring of its activities to the needs of each of its customer segments. AGRANA manufactures numerous made-to-order sugar products for customers in the food and beverage industries. AGRANA has created its own consumer sugar brand and has upgraded sugar from a commodity to a branded product.

Europe is not the only part of the world where the sugar market is regulated and will be affected by major changes in years to come. AGRANA will be able to take offensive action within the reshaped environment by continuing to make its manufacturing structures more rational and flexible and, if need be, by purchasing additional quotas. AGRANA's sugar factories are located in Europe's climatically favoured growing areas. As a result, it will continue to have access to reliable sources of raw materials in the future.

**AGRANA's core area of expertise is the refining of agricultural raw materials into products for the manufacturing industries in the Sugar and Specialities segments.**

### **STARCH STRATEGY: GROWTH IN THE SPECIALITIES FIELD, HIGH SERVICE INTENSITY**

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AGRANA's Starch Division pursues a growth-orientated niche strategy. By stepping up its output of highly refined speciality starch products, AGRANA has set itself apart from its bigger-volume competitors in Europe. The key to AGRANA's revenue and profit growth in the Starch Segment is its focus on making innovative customer-orientated products at the same time as providing the requisite applications advice, on continuous product development and on cost optimization.

Within Europe, AGRANA has become established both as the leading supplier of organic and GM-free starches to the food industry and as a manufacturer of speciality starches for the paper, textile, cosmetic and pharmaceutical industries. Thanks to its specifically targeted product development work, AGRANA has also become a key supplier to the construction industry. AGRANA is aiming for continued qualitative and quantitative growth in its starch operations in years to come. To achieve that growth, it is continuing to enlarge its maize starch capacities at the same time as developing new niche products and making preparations for the increase in isoglucose production that may become possible as a result of changes in the EU sugar CMO.

### **FRUIT STRATEGY: GLOBAL GROWTH**

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AGRANA set up its Fruit Division as an additional line of business in 2003. The diversification of its core business operations has secured its long-term growth.

The Group's strategic focuses in the Fruit Division lie in two areas:

- Fruit Preparations: This is a global market where customers are served by nearby production facilities; thanks to growing food awareness, rates of growth are attractive.
- Fruit juice concentrates made from apples and berries: This is a growing market where production takes place locally in the parts of Europe where the raw materials are grown but concentrated juices are sold globally.

AGRANA is aiming for faster-than-market growth in both areas. Its primary goal in the fruit preparations sector is to achieve the continuous expansion of the Group's presence around the globe, enabling AGRANA to be wherever its globally active food industry customers are and to serve them with on-the-spot production and services. In the fruit juice concentrates sector, AGRANA intends to undertake further investments that will extend its strategic market position beyond Europe. The companies acquired over the past two years are being speedily integrated into the Group so as to rapidly boost synergetic effects in, for instance, sales and raw materials procurement.

Heightened capacities for product development work carried out in cooperation with the customer are prerequisites if the Group is to attain its strategic goals in the Fruit Division. AGRANA's extensive know-how in the production and marketing fields is also being successfully put to work by the Fruit Division. Some fruit products are sold to the same customers in the food industry as are supplied by the sugar and starch divisions, and sugar and starch are also among the ingredients of fruit preparations. Like the Starch Division, the Fruit Division exclusively makes industrial intermediate products from agricultural raw materials for use by the manufacturing industries. Its agricultural raw materials are partly grown under contract. Refining takes place using technologically advanced processes that are gentle on the product.

### **NEW OPPORTUNITIES IN THE GROUP'S THREE EXISTING DIVISIONS**

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AGRANA's main thrust is on continuing to develop its existing divisions and on exploiting the available opportunities for horizontal and vertical growth, for instance by extending the product line.

**AGRANA's Specialities Segment encompasses the Starch and Fruit divisions.**

In the pursuit of that strategy, the Group may become involved in the Austrian bioethanol market within the scope of its starch operations if the right economic conditions exist, especially as its Hungarian starch subsidiary is already active in that field. A feasibility study for the annual production of 200,000 cubic metres of ethanol from cereals and concentrated sugar beet juice at an Austria location on the River Danube is underway.

### **CAPITAL MARKETS STRATEGY: SHAREHOLDERS AS PARTNERS**

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AGRANA's success in achieving its growth goals will depend on a secure financial base. Since AGRANA is a plant-intensive manufacturer, having adequate reserves of equity plays an important part in the enterprise's risk mitigation activities. AGRANA sees its shareholders as partners in the attainment of its corporate goals. AGRANA offers its shareholders an attractive long-term return on their investment in conjunction with well-balanced risk. AGRANA's open and transparent disclosure policies justify its shareholders' trust in the enterprise. The successful capital increase in February 2005 provided proof of the capital markets' confidence in the Group's strategy at the same time as giving management and staff an incentive to continue to follow the same successful path on a sustained and consistent basis.

## PREFACE BY THE CHAIRMAN OF THE BOARD OF MANAGEMENT

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

The purpose of this preface is to give you a concentrated overview of key events during the 2004/05 financial year as well as looking ahead to the AGRANA Group's continued development in the future.

### RESULTS IN 2004/05

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AGRANA was able to close the 2004/05 financial year with a sharp increase in revenues and earnings. 2004/05 was the best financial year in AGRANA's history. The principal reasons were the enlargement of the EU during the financial year and the healthy development of the Fruit Division companies that became consolidated members of the Group during the year, including for instance *Steirerobst* and *Wink*.

Consolidated revenues grew by 13.2 per cent to € 981.0 million, and profit from operating activities grew by 18.2 per cent to € 90.8 million. Profit before tax rose by 31.7 per cent to € 93.2 million, and consolidated earnings for the year advanced by 41.3 per cent to € 79.9 million. The Group's profit indicators for 2004/05 were thus higher than ever before. In view of these results, the Board of Management is proposing an increase in the per-share dividend distribution from € 1.80 to € 1.95. The increased share capital of € 103,210,249.78 or 14,202,040 shares ranks for a dividend. That will increase the dividend distribution from € 19.85 million to € 27.7 million.

### DEVELOPMENT OF THE AGRANA SHARE

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During the 2004/05 financial year, the AGRANA share was able to repeat its healthy development during the previous two years. It gained roughly 30 per cent, making AGRANA one of the year's best performers even within the powerful uptrend that prevailed in the Vienna stock market. The AGRANA share has more than tripled in value in the space of three years. We had a P/E ratio of 11.3 at a share price of € 79.85 on 28 February 2005. Assuming a dividend distribution of € 1.95, the share yielded a return of 2.4 per cent.

### CAPITAL INCREASE TO FINANCE GROWTH

---

In February 2005, AGRANA successfully placed the biggest capital increase in its history. The issue of 3.175 million new shares increased the number of issued shares to 14.202 million. Because the shareholders of *Z & S Holding* did not participate in the capital increase, our free float doubled to 24.5 per cent of issued share capital (compared with 12.5 per cent before). The capital increase enabled AGRANA to substantially broaden its shareholder base. AGRANA was admitted to the *ATX* index on 21 March 2005.

The capital increase raised € 229 million. The proceeds will be used to continue AGRANA's global growth. The lion's share will be earmarked to finance further corporate acquisitions and to furnish new subsidiaries with capital. The focus will be on starch and fruit operations, but AGRANA will also be investing in existing plant and projects.

AGRANA declares itself to be in agreement with Austria's *Corporate Governance Kodex* (corporate governance code). The goal of the *Kodex* is responsible management aimed at achieving sustained long-term value generation in conjunction with transparency and extensive information disclosure.

## ECONOMIC CONDITIONS

### The EU common market organization for sugar (sugar CMO)

In July 2004, the European Commission published its ideas for reforming the sugar CMO. It proposed cutting the price of sugar by 33 per cent, cutting the price of beet by 37 per cent, cutting EU production quotas by 16 per cent, making EU sugar quotas tradable and increasing isoglucose quotas. Thanks to our competitiveness and the favourable locations of AGRANA's sugar factories, our enterprise is well placed to adopt a variety of options under new market conditions.

### The WTO Panel

Litigation is pending at the WTO. It has been claimed that the EU is exporting more sugar than allowed. The WTO will rule on the appeal in May 2005. The ruling will have a major impact on the European Union's future opportunities to export sugar. That may lead to further cuts in sugar quotas and make it necessary to find other ways of commercializing sugar surpluses.

### The world sugar market

The average world market price of white sugar rose by about 12 per cent to roughly US\$ 263 per tonne between the beginning and the end of the 2004/05 financial year. According to initial estimates, consumption increased as well. However, the €/US\$ exchange rate moved in the other direction.

## THE SUGAR DIVISION

As a result of the EU sugar CMO, the EU accession of a number of Austria's neighbours increased prices, but in the absence of fixed transitional inventories, it also intensified competition and depressed AGRANA's sales. The weather was better than the year before. There was enough precipitation and sunshine, increasing the beet harvest from 2.5 million to 2.9 million tonnes and allowing the extraction of roughly 458,000 tonnes of white sugar (as against about 386,000 tonnes the year before). Extracted sugar volumes also rose substantially in Hungary, Slovakia and the Czech Republic.

In all, the AGRANA Group processed 5.1 million tonnes of beet (previous year: 4.2 million tonnes) into 797,000 tonnes of sugar (previous year: 636,000 tonnes) during lengthy and very efficient campaigns. In addition, we made 147,000 tonnes of sugar (previous year: 139,000 tonnes) from imported raw sugar in Romania.

## THE STARCH DIVISION

Starch sales continued to rise. Moreover, the systematic development of the product mix in favour of higher-quality products generated a disproportionately large rise in revenues and a marked improvement in profits. Thanks to a very good potato harvest, we were able to use the entirety of our EU quota. Enlargement of the maize starch factory in Aschach continued as planned. Our target capacity of 1,000 tonnes a day will be reached in the 2006/07 financial year. Very good maize harvests in Hungary and Austria made it possible to process cheap freshly harvested maize for a long time, and drying costs were down on the year. However, falling maize prices also put pressure on starch prices.

For economic reasons, the maize starch factory operated by AGRANA in Hörbranz was closed down and output in Aschach was increased.



**Johann Marihart**

CHAIRMAN OF THE BOARD OF  
MANAGEMENT

Born in 1950

Married, one daughter

Member of the Board of Management  
since 1988, Chairman of the Board  
of Management since 1992

Remits:  
Raw Materials, Production, Human  
Resources, Communication



**Walter Grausam**

MEMBER OF THE BOARD OF  
MANAGEMENT

Born in 1954

Married, one son

Member of the Board of Management  
since 1995

Remits:  
Marketing and Sales, Finance and  
Controlling, Interests



**Markwart Kunz**

MEMBER OF THE BOARD OF  
MANAGEMENT

Born in 1948

Married, one daughter, four sons

Member of the Board of Management  
since 2003

Remits:  
Research and Development

Now that the legal prerequisites for the use of alcohol fuel in Austria have been satisfied, the Group's plans to enter the Austrian bioethanol market have entered the decision-making phase.

## THE FRUIT DIVISION

For roughly two years, AGRANA has been building up this new and promising division into a third core area of business alongside sugar and starch. At the end of the 2004/05 financial year, AGRANA held a 50 per cent stake in France's *Atys S.A.*, which is the world's leader in fruit preparations, and it acquired another 6 per cent of the *Atys Group* in March 2005. As a result, *Atys* has been a fully consolidated Group member since the second quarter of the 2005/06 financial year. AGRANA holds an indirect majority stake in *Steirerobst AG* via *Steirische Agrarbeteiligungsgesellschaft m.b.H.* *Steirerobst AG* is a leading Central European manufacturer of fruit juice concentrates and fruit preparations. Denmark's *Vallø Saft* – a specialist concentrates manufacturer that mainly processes red berries – is also a wholly-owned subsidiary of the AGRANA Group. Finally, the Group acquired Belgium's *Dirafrost Frozen Industries N.V.* via *Atys* in 2004 and the entirety of Germany's fruit juice concentrates manufacturer *Wink* via *Vallø Saft* in January 2005. The market presence of the Group's fruit juice concentrates sub-division with its 11 manufacturing facilities was unified under the umbrella of a shared sales company called *AGRANA Fruit Juice GmbH* in May 2005.

AGRANA's Fruit Division has 37 production facilities (including 23 in Europe). One of them, in Tennessee, USA, went into operation in March 2005, and the *Steirerobst* fruit preparations plant in Serpuchov, south of Moscow, will begin operation in the summer of 2005. The revenues recorded by the companies in the Fruit Division (without *DSF*, Germany) rose to € 641 million during the 2004/05 financial year. € 125 million of that total (previous year: € 39 million) was already recognized in AGRANA's Consolidated Financial

Statements. Sales of fruit preparations (principal emphasis: fruit yogurt) came to roughly 300,000 tonnes and sales of fruit juice concentrates totalled about 110,000 tonnes. We have successfully completed the first wave of corporate acquisitions with which the development of the Fruit Division began. Its goal was to achieve critical mass.

Our emphasis during the second phase will be on pressing forward with growth by expanding into new regions as well as continuing to develop current locations. In addition, developing synergetic effects will boost profits. These developments will be taking place against the background of pleasing growth in the demand for fruit preparations and fruit juice concentrates on the back of the global increase in food awareness. We therefore expect the Fruit Division to account for half of Group revenues within the foreseeable future. We aim to double our revenues in years to come. Our corporate acquisitions and the capital increase we have already carried out have created a secure basis for that growth.

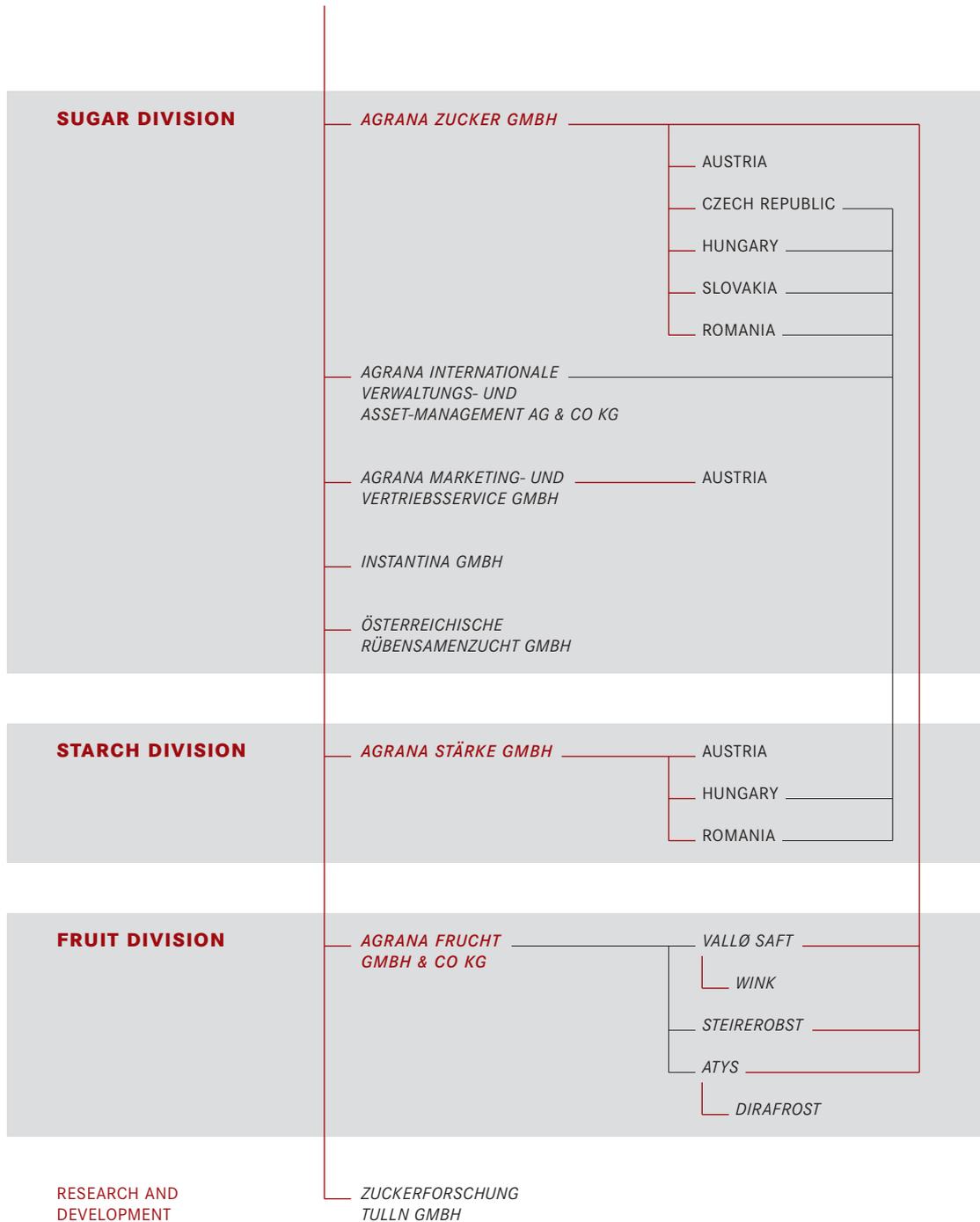
At this point, I would like to thank, on behalf of our enterprise, all those who do business with us, our customers, our shareholders and the members of our boards for our effective work together during the financial year ended. In addition, I would like to express my thanks to all our staff. It was our employees' dedication that made the Group's successes possible. We will go on working hard at developing our companies group during the coming year. By continuing to internationalize AGRANA, we hope to make sure that the Group enjoys sustained rapid growth in its revenues and earnings in the future.

Yours faithfully,



Johann Marihart

## AGRANA BETEILIGUNGS-AKTIENGESELLSCHAFT



— Interest    — Management and coordination

## THE AGRANA SHARE

### EVENTS, PUBLICATIONS & DIVIDENDS CALENDAR FOR 2005|06

#### 13 May 2005

Press conference to present the Balance Sheet

#### 7 July 2005

AGM

#### 12 July 2005

Dividend ex-day and dividend pay-day

#### 15 July 2005

Publication of results for Q1 2005/06

#### 14 October 2005

Publication of results for H1 2005/06

#### 13 January 2006

Publication of results for Q1 – Q3 2005/06

The AGRANA share stood at € 61.50 at the beginning of the 2004/05 financial year. It reached a high of € 86.00 on 8 February 2005 and a low of € 59.90 on 16 March 2004. It closed the financial year on 28 February 2005 at € 79.85. That translates into a full-year gain of 29.8 per cent. The company had a market capitalization of € 1,134 million at the end of the financial year.

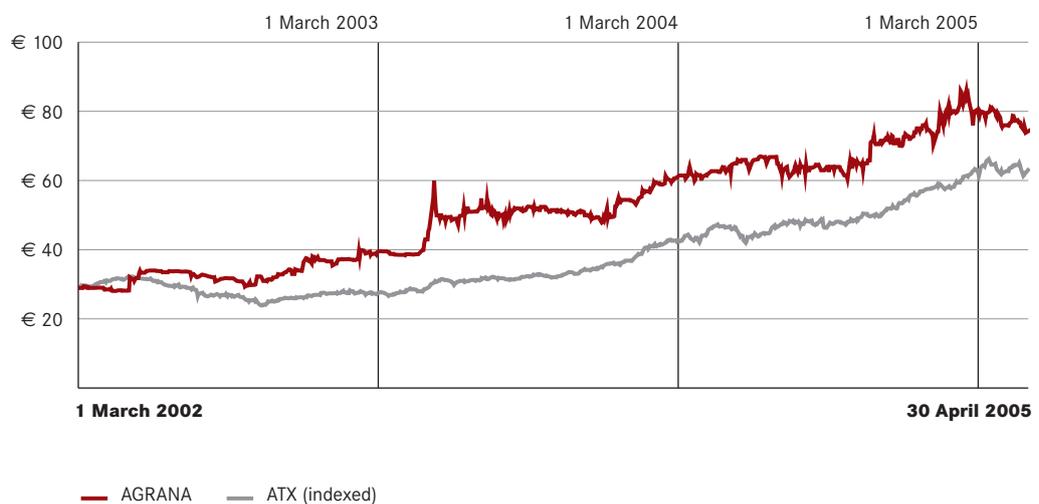
AGRANA has been traded in the Vienna stock exchange's *Prime Market* segment since 1 January 2002. To be included in this segment, issuers must observe stricter standards of transparency, quality and disclosure than those laid down in the provisions of the Austrian *Börsengesetz* (stock exchange act). The AGRANA share's ISIN code is AT0000603709.

Besides being traded in the *Prime Market* segment on the Vienna stock exchange, the AGRANA share is listed in the *Präsenhandel* segment on the Frankfurt stock exchange and is traded on the Stuttgart and Berlin-Bremen stock exchanges.

### ADMISSION TO THE ATX (AUSTRIAN TRADED INDEX)

The AGRANA share was admitted to the ATX on 21 March 2005. In April 2005, the ATX included 22 shares. They are the most liquid and highly capitalized stocks in the *Prime Market* segment. The AGRANA share had a weighting of about 0.7 per cent in the ATX on 28 April.

### AGRANA SHARE VERSUS THE ATX



## CAPITAL INCREASE

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In February 2005, AGRANA carried out a capital increase to finance further growth. The offering of 3.175 million shares was placed in its entirety in the period from 1 through 16 February. Indeed, the offering was oversubscribed several times over. The number of issued shares increased from 11,027,040 to 14,202,040 as a result. The issue price was € 72 per share. The proceeds of € 228.6 million will be used to finance the Group's continued global growth.

## INFORMATION AND DISCLOSURES

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Regular financial reports, ad hoc bulletins and press releases are important components of AGRANA's day-to-day corporate communication processes. Shareholders will find a complete range of information about the enterprise and its business development at the Group's website ([www.agrana.com](http://www.agrana.com)). Content is regularly updated.

Furthermore, a continuous and up-to-the-minute flow of information about the AGRANA Group's business development and current events (corporate acquisitions, capital increase, etc.) was provided within the scope of press conferences, a seminar for journalists and numerous one-on-one meetings with the press during the year under review. AGRANA also had a stand at Vienna's *GEWINN* Fair in October 2004. During the capital increase, both private and institutional investors were kept informed by a number of events held for investors and by a comprehensive Europe-wide road show that held a total of 63 presentations.

## CORPORATE GOVERNANCE

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Our strict corporate governance and transparency principles are guarantors of responsible management and control, in turn increasing the confidence of domestic and foreign investors in the enterprise's ability to create value added on a sustained basis. Austria's *Corporate Governance Kodex* is a body of management and supervision rules that is, above all, applicable to listed stock corporations and a recognized measure of voluntary self-imposed commitment.

During its meeting on 24 February 2005, the Supervisory Board of *AGRANA Beteiligungs-AG* unanimously voted to commit the enterprise to observing the Austrian *Corporate Governance Kodex*. Since that time, the AGRANA Group's corporate culture has been based on open and constructive teamwork between the Board of Management and the Supervisory Board, who together ensure that the requirements of the code are as far as possible adhered to in full. In view of its acceptance of the Austrian *Corporate Governance Kodex*, it is a matter of course for AGRANA to adhere to all the rules that are designated as a *Legal Requirement (L rules)*. Similarly, the enterprise endeavours to comply with the recommendations contained in the *Comply or Explain* category.

Deviations from points 38, 49 and 54 of the Code (*Comply or Explain* items) have been disclosed and explained on the enterprise's website in the section on *Investor Relations/Corporate Governance*.

## DISTRIBUTION

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The Board of Management and the Supervisory Board will be asking the Annual General Meeting of Shareholders on 7 July 2005 to increase the dividend distribution by € 0.15 per share compared with the previous year, to € 1.95.

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## FINANCIAL AND PROFIT POSITION DURING THE 2004 | 05 FINANCIAL YEAR

### REPORTING IN ACCORDANCE WITH IFRS

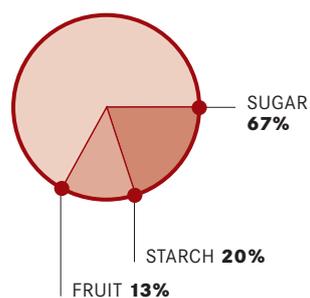
The Consolidated Financial Statements for the 2004/05 financial year were drawn up in accordance with the *International Financial Reporting Standards (IFRS)*. Reporting took place in thousands of euros (€000). *Steirische Agrareteiligungsgesellschaft m.b.H.* and *Steirerobst AG* together with their subsidiaries became fully consolidated members of the Group as of the second quarter of 2005. The *Wink Group* was consolidated for the first time as of the end of the 2004/05 financial year (without affecting the profit of the AGRANA Group).

### PROFIT POSITION

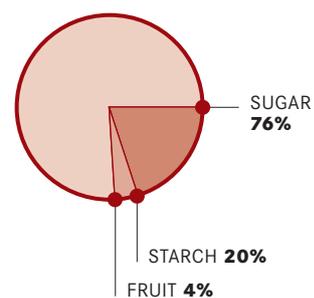
Consolidated revenues during the financial year under review were up 13.2 per cent at € 981,016 thousand (previous year: € 866,423 thousand). That was above all due to the enlargement of the EU and the addition of the *Steirerobst Group* to the scope of consolidation as of the second quarter of 2004/05.

Because of stiffer competition caused by cheap sugar imports from Eastern Europe and the inadequate supply of sugar for export as a result of the poor harvest, the Sugar Division in Austria recorded drops in sales by volume and value. Revenues in the new accession countries – Hungary, the Czech Republic and Slovakia – increased as sugar prices rose in the course of EU accession. The Group's sugar companies in Romania also reported higher revenues, among other things as a result of extending their sales activities. Overall, the Sugar Division's revenues increased by nearly 2 per cent. The Starch Division's revenues in both Austria and Hungary and Romania increased, resulting in an overall advance of 11 per cent to € 220,644 thousand. In the Fruit Division, the *Steirerobst Group* was brought into the scope of consolidation, with the consequence that the Fruit Division recorded revenues of € 124,855 thousand (previous year: € 38,696 thousand).

REVENUES 2004 | 05



REVENUES 2003 | 04



Profit from operating activities grew disproportionately rapidly, increasing by 18.2 per cent to € 90,780 thousand (previous year: € 76,833 thousand). The increase was mainly attributable to the inclusion of the *Steirerobst Group* and increased output in both the Sugar Division and the Starch Division in the wake of good harvests. Higher sales and the systematic continuation of restructuring and cost optimization programmes in every company in the Group also boosted profits.

Our net profit from investing and financial activities of € 2,412 thousand (previous year: net loss of € 6,055 thousand) included an increase in earnings from equity interests held for investment purposes during the 2004/05 financial year. Those factors and a reduced taxation ratio because of a tax cut increased profit after income tax by 46.6 per cent to € 84,342 thousand (previous year: € 57,542 thousand).

We recorded the highest consolidated earnings for the year in AGRANA's history, namely € 79,872 thousand (previous year: € 56,539 thousand). Earnings per share (in accordance with *IFRS*) increased to € 7.18 as a result (previous year: € 5.08, adjusted in accordance with *IAS 33.64*).

Earnings per share based on the number of shares outstanding on the balance-sheet date came to € 5.62 (previous year: € 5.13).

Net cash from profit came to € 115,609 thousand (previous year: € 100,889 thousand).

#### REVENUES BY SEGMENT

	2004/05	2003/04
	€000	€000
Sugar Segment	671,570	658,889
Specialities Segment	345,499	237,538
Inter-segment consolidation	(36,053)	(30,004)
Consolidated revenues of the AGRANA Group	981,016	866,423

## THE SUBSIDIARIES OF AGRANA BETEILIGUNGS-AG

AGRANA's business activities are divided into two segments:

- the Sugar Segment (Sugar Division);
- the Specialities Segment (Starch Division and Fruit Division).

### **AGRANA ZUCKER GMBH – SUGAR DIVISION**

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In June 2004, *AGRANA Zucker und Stärke AG* was converted into a *Gesellschaft mit beschränkter Haftung* (limited company) with retrospective effect from 1 March 2004, and *AGRANA Stärke GmbH* was split off from that company as of 9 September 2004. Since that time, the Sugar Division has been trading under the umbrella of *AGRANA Zucker GmbH*, which encompasses all of the Group's interests in the Sugar Segment.

*AGRANA Zucker GmbH* is the operating company for our sugar operations in Austria. It has sugar factories in Hohenau, Leopoldsdorf und Tulln (all in Lower Austria). In addition, *AGRANA Zucker GmbH* is the holding company for all of the Sugar Division's subsidiaries abroad. However, their coordination and operational management are the remit of *AGRANA Internationale Verwaltungs- und Asset-Management AG & Co KG*.

Furthermore, *AGRANA Zucker GmbH* (directly or indirectly) holds all of the Group's interests in the Fruit Division. Their coordination and operational management are the remit of *AGRANA Frucht GmbH & Co KG*. Besides sugar business, the Sugar Division encompasses the related operations of *INSTANTINA Nahrungsmittel Entwicklungs- und Produktions Gesellschaft m.b.H.* (Austria) inclusive of its Hungarian subsidiary and of *RUMA Handelsges.m.b.H.* (Austria). Moreover, the Sugar Segment also encompasses *AGRANA Marketing- und Vertriebservice Gesellschaft m.b.H.* Besides selling sugar and food starches, this company transacts extensive animal feed business (selling by-products of sugar and starch extraction and trading in animal feed). The Sugar Division recorded revenues of € 671.6 thousand during the 2004/05 financial year (previous year: € 658.9 thousand).

### **AGRANA STÄRKE GMBH – STARCH DIVISION**

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The Starch Division was split off from *AGRANA Zucker und Stärke Gesellschaft m.b.H.* in September 2004 and has since been trading under the umbrella of *AGRANA Stärke GmbH*.

The operational management of the Starch Division in Austria is the responsibility of *AGRANA Stärke GmbH*. The coordination and operational management of the foreign interests in the starch sector held by *AGRANA Stärke GmbH* are carried out by *AGRANA Internationale Verwaltungs- und Asset-Management AG & Co KG*. The companies in question are the Hungarian maize starch and isoglucose factory *Hungrana* in Szabadegyháza and the *S.C. A.G.F.D.* maize starch factory located in Tandarei, Romania.

The Starch Division recorded revenues of € 220.6 thousand during the 2004/05 financial year (previous year: € 198.6 thousand).

### **AGRANA FRUCHT GMBH & CO KG – FRUIT DIVISION**

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*AGRANA Frucht GmbH & Co KG* is responsible for the coordination and operational management of all subsidiaries in the Fruit Division of *AGRANA Zucker GmbH*.

The Fruit Division is the AGRANA Group's newest business division. It encompasses *Fruit Juice Concentrates* and *Fruit Preparations*. The AGRANA Group has been undertaking a series of corporate acquisitions that have turned it into a major player in the European fruit juice concentrates market. It is the world's leader in fruit preparations.

During the 2004/05 financial year, the companies in the Fruit Division that were already consolidated members of the AGRANA Group (*Vallø Saft*, and *Steirerobst* from the second quarter of 2004/05) recorded revenues (in accordance with *IFRS*) of € 124.9 thousand (previous year: € 38.7 thousand). Taking into account the companies that will first be consolidated (*Atys*, *Dirafrost*) or recognized in the Income Statement (*Wink*) as of the 2005/06 financial year, the Fruit Division (without Germany's *DSF*) recorded revenues of € 641 million during the 2004/05 financial year.

### **AGRANA MARKETING- UND VERTRIEBS- SERVICE GESELLSCHAFT M.B.H.**

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*AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.* (*AMV*) sells the AGRANA products made by the Sugar Division and the Starch Division to the food industry in Austria. The company is also responsible for marketing all the products of *AGRANA Zucker GmbH* in Austria.

*AMV* also has responsibility for brand management and the distribution and sale of the flour brands made by *Erste Wiener Walzmühle Vonwiller Ges.m.b.H.*, *Fritsch Mühlenbetriebs-ges.m.b.H.* and *FARINA Mühlen Ges.m.b.H.*, in addition to which it handles sales of the catering products of *Hellma Lebensmittel-Verpackungs-Ges.m.b.H.* (a part of *Portion Pack Europe*).

### **AGRANA INTERNATIONALE VERWALTUNGS- UND ASSET-MANAGEMENT AG & CO KG**

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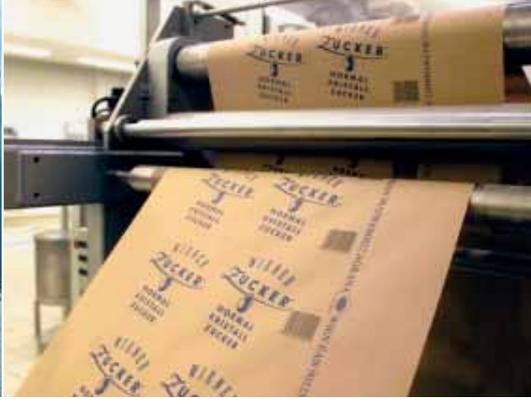
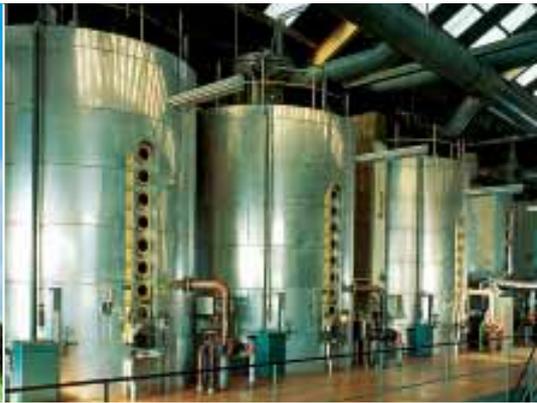
*AGRANA Internationale Verwaltungs- und Asset-Management AG & Co KG* manages the operations of all the foreign subsidiaries of *AGRANA Zucker GmbH* and *AGRANA Stärke GmbH* in the sugar and starch divisions.

The AGRANA Group is a major player in its core markets – *Sugar* and *Starch* – in the Central and Eastern European countries (CEECs) and has built up leading market positions in the countries that neighbour Austria. The AGRANA Group depends not just on transfers of cutting-edge technology but also on the application of the Group's wide-ranging know-how in the raw materials, manufacturing, management, marketing, distribution and sales fields.

We will be reporting on our *Sugar*, *Starch* and *Fruit* divisions from page 24.



SUGAR.  
STARCH.  
FRUIT.



## THE SUGAR SEGMENT – SUGAR DIVISION

### PREVAILING CONDITIONS

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#### The WTO's Doha Development Round

On 31 July 2004, the WTO members agreed the negotiating modalities for the Doha Round on the further liberalization of the agricultural sector. Market access is to be facilitated by tariff reductions, and all export subsidies are to be abolished by a date that has yet to be agreed. Similarly, the sum of all trade-distorting internal subsidies is also to be reduced.

#### The WTO Panel

In mid-October 2004, the WTO published the reports of the Panel applied for by Australia, Brazil and Thailand in July 2003 in opposition to C sugar exports and subsidized re-exports of ACP (Africa-Caribbean-Pacific) sugar from the EU. The Panel has come to the conclusion that the EU has subsidized more sugar exports than is permissible within the scope of the existing WTO agreement. Moreover, the Panel is of the opinion that C sugar production is being cross-subsidized by quota sugar. The Panel has required the EU to bring its sugar exports into line with this report. The EU has appealed against the Panel report, and a WTO ruling on the appeal is expected in May 2005. The member-states will have 15 months thereafter to translate the ruling into action.

#### The world sugar market

World sugar production during 2004/05 (1 July 2004 through 30 June 2005) has been estimated at about 148 million tonnes (previous year: 146 million tonnes), raw value. Consumption is estimated to have risen to about 146 million tonnes (previous year: 143 million tonnes), raw value (Source: *F.O. Licht*).

World beet sugar production during 2004/05 has been estimated at 35 million tonnes of white sugar, which is nearly as much as the previous year's figure and corresponds to about 24 per cent of global sugar output. Beet sugar output in the enlarged European Union during the 2004/05 sugar marketing year will total 19.7 million tonnes of white sugar, or roughly the previous year's figure of 19.6 million tonnes.

World cane sugar production has been estimated at 109 million tonnes of white sugar, which is on a par with the previous year's figure but below the record figure recorded in 2002/03, when it came to 112 million tonnes.

Following a period of low prices in the wake of the record harvest in 2002/03, the mood of the world market improved considerably during the 2004/05 financial year. The average world market price of white sugar (as quoted in London) stood at US\$ 234 per tonne at the beginning of the 2004/05 financial year (average in March 2004) and rose to US\$ 260 per tonne in the summer months. Because of good harvest yields, the world market price of white sugar fell to an average of US\$ 248 per tonne between September and December 2004 and then rose to an

average of US\$ 265 per tonne in January and February. At the end of the financial year (28 February 2005), the world market price of white sugar stood at US\$ 262.70 per tonne. The exchange rate stood at US\$ 1.3247/€.

### The EU sugar market

The dominant factor in the European Union during the 2004/05 sugar marketing year was EU enlargement. Whereas the area under beet in the EU-15 countries continued to drop, falling by 3.6 per cent to 1.66 million hectares, it increased by 5.7 per cent to 515,000 hectares in the new member-states. Beet sugar production in the EU will total 18 million tonnes as a result. Cane sugar production in the EU will total 285,000 tonnes.

### The EU sugar CMO

Because of a number of undertakings entered into by the EU in addition to the existing import quotas for the ACP countries, including for instance duty-free access for the *Least Developed Countries* and the Western Balkan states and the extension of CAP (the common agricultural policy) to include beet, the EU sugar CMO is going to be reformed. In July 2004, the Commission published a communication containing its proposals for possible reform of the EU sugar market regime. Alongside cuts in sugar quotas, the paper also proposes reductions in beet and sugar prices.

Specifically, the Commission communication proposes:

- abolition of the intervention price and the introduction of a reference price in its place;
- a 33 per cent cut in the price of sugar, to be carried out in two stages;
- a 37 per cent cut in the minimum price of beet, 60 per cent of which is to be compensated for by decoupled direct payments to farmers;
- a 16 per cent cut in EU sugar production quotas;

- cross-border tradability of EU sugar quotas;
- an increase in isoglucose quotas from roughly 500,000 tonnes to roughly 800,000 tonnes within three years.

A proposal for the concrete wording of the directive is to be presented in the summer of 2005. It will also take into account the ruling of the WTO Panel called for by Brazil, Australia and Thailand in opposition to C sugar exports and ACP sugar re-exports. The entry into force of an amended CMO is therefore unlikely before 1 July 2006.

When gauging the possible effects of the proposed reform of the sugar CMO on the AGRANA Group, one must bear in mind that the competitiveness of Austrian beet production lies in the top third of the European rankings, and AGRANA also has a good raw materials basis in its beet catchment areas in the Czech Republic. Although per-hectare yields in Hungary are lower than in Austria, that disadvantage is offset by extremely advantageous agricultural structures. Western Slovakia is also a relatively favoured region. In all, thanks to their favoured geographical locations in a moderate climate zone, AGRANA's production facilities in the EU countries are well placed to ensure an adequate supply of raw materials.

### Western Balkans Agreement

Within the scope of the so-called Western Balkans Agreement, the EU has given the Western Balkan countries duty-free access to the EU market for their products. However, duty-free access for sugar was temporarily suspended because of irregularities. Since 8 August 2004, it has again been possible to import sugar from Serbia and Montenegro duty-free into the European Union within the scope of the agreement. In April 2005, the EU Commission published a draft regulation for the introduction of import quotas for the Western Balkan countries (other than Croatia) totalling 193,000 tonnes. Bilateral quota negotiations with Croatia are also planned.

### **EU sugar quota**

The EU sugar quota (EU-25) for the 2004/05 sugar marketing year is 17.44 million tonnes. The AGRANA Group's share is 677,478 tonnes or 3.9 per cent thereof.

### **"Everything but Arms" initiative**

The EU's "Everything but Arms" initiative adopted in 2001, which essentially grants unlimited access to EU markets to the world's 49 poorest countries (LDCs), will allow the LDCs to deliver sugar duty-free to the EU from July 2009. Until then, duty-free access will increase little by little. These additional amounts, for which the Commission's sugar CMO reform concept suggests a minimum access price of € 329 per tonne of raw sugar, can be expected to put added pressure on margins and prices in the EU marketplace.

### **Traceability and labelling**

Since 1 January 2005, all animal feed and food manufacturers have been obliged to ensure traceability from raw materials to the finished product. In addition, the EU regulations regarding genetically modified foodstuffs and animal feed and the traceability and labelling of genetically modified organisms (GMOs) have been in force since April 2004. The traceability of GMOs is statutorily regulated to the effect that specific information about any product put on the market must be passed on to the next link in the food chain in writing.

### **EU enlargement**

At the beginning of 2004, the EU Commission published its most recent EU Enlargement Strategy Paper with an assessment of all the candidate countries. Bulgaria has already closed all 31 chapters of the *acquis* and can therefore be expected to join in 2007. On 25 April 2005, the EU signed accession agreements with Romania and Bulgaria for probable accession in 2007, albeit subject to a number of requirements.

White sugar and isoglucose quotas were laid down for both countries during the negotiations within the scope of the agricultural chapter. Romania has been granted a total sugar quota of 438,800 tonnes (comprising 329,600 tonnes of sugar refined from raw sugar and 109,200 tonnes of A and B quota beet sugar). Bulgaria has been granted a total sugar quota of 203,500 tonnes.

### **SUGAR IN AUSTRIA**

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The Sugar Segment's development during the 2004/05 financial year was affected by challenging market conditions. The EU accession of several of Austria's neighbours greatly increased competition. Domestic sales of sugar fell on the year from 337,900 to 309,100 tonnes. The main reason was the supply of cheap low-quality sugar from Eastern Europe that led to a glut in the market and, as a result, to considerable pressure on prices. The situation was exacerbated by the fact that the EU Commission did not fix interim inventories in the period up to the end of the financial year. In other words, it did not distinguish between quota sugar and C sugar. The rising world market price of sugar was not enough to offset the detrimental consequences, especially given the weak US dollar, and the situation was made worse by persistently low molasses prices. Consequently, the Sugar Division in Austria recorded revenues of just € 296,400 thousand, compared with € 328,100 thousand the year before.

### Crop growth, harvest and production

AGRANA concluded beet-cultivation contracts with 9,500 Austrian beet farmers (previous year: 9,700) for an area under beet of 44,800 hectares (previous year: 43,400 hectares) during the 2004/05 financial year. Thanks to good growing conditions, total beet production – which came to roughly 2.9 million tonnes – was substantially up on the previous year's figure of 2.5 million tonnes. The per-hectare yield increased to an average of some 65 tonnes of beet (previous year: 57.5 tonnes). In all, the extracted total of white sugar came to 458,100 tonnes (previous year: 386,200 tonnes), which was 118.3 per cent of the maximum sugar quota of 387,226 tonnes in place for the 2004/05 sugar marketing year.

Because of the increase in processed throughput, the campaign was longer than the previous year's 68-day campaign, lasting 76 days. We were again able to increase our three sugar factories' daily processing throughput, which came to 38,143 tonnes. That was 3.8 per cent above the already high figure recorded in previous years. As a result of the increase in the sugar content in the beet, which came to 17.3 per cent (previous year: 17.1 per cent), we even achieved a 4.7 per cent increase in daily sugar output. That was among other things thanks to continuous optimization and modernization work at our factories. The beet's high quality and our investments led to another cut in energy consumption and reduced our usage of process materials and supplies.

### Markets

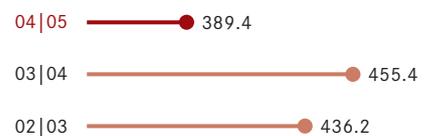
AGRANA Marketing- und Vertriebservice Ges.m.b.H. is responsible for marketing and selling our sugar products. Stiffer competition in the marketplace because of cheap sugar imports from Eastern Europe and a reduced supply of sugar during the first half as a result of the poor 2003 harvest reduced aggregate sugar sales in the 2004/05 financial year from 455,400 to 389,400 tonnes.

An important new angle was added to our ongoing "Wiener Zucker – Die Zuckerseiten des Lebens (the sweet sides of life)" marketing line. The "Nur Wiener Zucker ist Zucker aus Österreich (only Wiener Zucker is Austrian sugar)" slogan specially emphasized Austria as the product's country of origin. This addition reinforced AGRANA's profile as a sugar maker and the brand's positioning as a quality product. It clearly set AGRANA apart from cheap sugar suppliers from the EU accession countries.

The "Nur Wiener Zucker ist Zucker aus Österreich" slogan was deployed in classical printed and TV advertising. We used our existing spots featuring football manager Hans Krankl and the *Sterngucker* (stargazer) as well as new themes in

### SUGAR SALES IN AUSTRIA

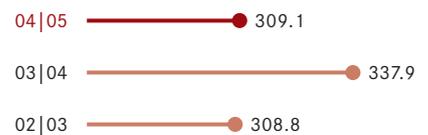
1,000s of tonnes



Of which

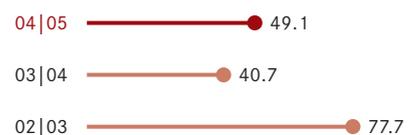
### DOMESTIC SUGAR SALES

1,000s of tonnes



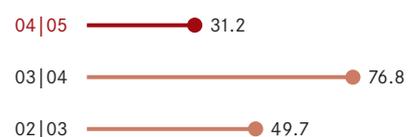
### QUOTA SUGAR EXPORTS

1,000s of tonnes



### C SUGAR EXPORTS

1,000s of tonnes



the printed media. To amplify our ties to Austria, we also ran a billboard campaign based on our printed material using the slogan “*Die Zuckerseiten Österreichs* (the sweet sides of Austria). *Nur Wiener Zucker ist Zucker aus Österreich.*” Product placements in cooking programmes and a variety of sponsoring activities rounded off our marketing activities. As a result, we successfully presented *Wiener Zucker* to the consumer as a multi-faceted product with tradition, quality and Austrian roots.

During the 2004/05 financial year, we launched *Sweet Vanilla Zuckersticks* – vanilla-flavoured sugar sticks – and *Demerara Zuckerillo* and successfully positioned them in the marketplace.

Despite tougher market conditions, household sugar sales during the 2004/05 financial year grew slightly to 66,900 tonnes (previous year: 66,300 tonnes). In particular, demand for speciality sugars grew, leading to an increase of 3.2 per cent in sales in this product segment.

A good fruit harvest throughout Austria substantially increased sales of preserving sugar, which totalled 5,500 tonnes (increase of 7.5 per cent).

The accession of 10 new EU member-states had a big impact on sales of sugar to the food industry. The quotas granted to the new EU members were higher than their domestic sugar sales, and at the same time, it became harder for them to export to non-member countries. They therefore tried to sell their surpluses in Austria. Moreover the Western Balkans agreement on sugar from Serbia was reinstated in August 2004, resulting in bigger imports of Serbian sugar into Austria from that time. The consequences were much stiffer competition and, as a result, pressure on prices and margins.

Within that environment, our sales of sugar to the food industry were 17,000 tonnes down on the year at 198,800 tonnes.

As in the previous year, sugar exports during the 2004/05 financial year consisted mainly of sales to Romania, Croatia, Macedonia and Bosnia and Herzegovina. Exports of quota sugar and exports to non-member countries were down on the year at 80,300 tonnes.

Because of the ample supply of fodder cereal in Austria, demand for dried beet pulp – a by-product of sugar extraction – was perceptibly down on the year. Consequently, its average prices was about € 10 a tonne below the previously year's good level. Because of a glut, the molasses market remained under pressure.

#### **Capital expenditure**

The division's capital expenditure during the 2004/05 financial year came to € 5.9 million. Investments focused mainly on modernization, capacity adjustments to infrastructures, the optimization of manufacturing facilities, action to satisfy statutory requirements regarding the traceability of foodstuffs and necessary replacement investments. The renovation of the afterproduct centrifuge in Hohenau was completed, increasing daily white sugar output by another 5.2 per cent. Furthermore, our limestone consumption in relation to beet processed fell by another 2.2 percentage points.

In Leopoldsdorf, we added another cell to the cooling tower in the water circuit, guaranteeing a sufficient vacuum for sugar crystallization in conjunction with low energy consumption even at higher outside temperatures. Further refurbishing of dedusting pipes made another contribution to increasing safety at work. We were able to reduce our energy consumption in relation to white sugar output by 4.3 percentage points.

We installed a precipitator in the juice purification system in Tulln. Combined with high raw juice purities, that reduced our need for limestone in relation to beet processed by 19 percentage points, making Tulln one of the most efficient sugar factories in Europe in this regard.

## SUGAR IN HUNGARY

### Prevailing conditions

Domestic sales in the Hungarian sugar market totalled roughly 310,000 tonnes (previous year: 320,000 tonnes) during 2004. Whereas the market had been served almost exclusively by local sugar producers in the past, the situation in the marketplace has changed considerably since Hungary joined the EU. Roughly 25 per cent of total demand now appears to be met by imports from neighbouring countries. In particular, large amounts were imported from the Czech Republic and Serbia and – by way of “car boot” imports by private individuals – from Romania. However, imports by tourists appear to have been greatly reduced by the imposition of a limit of 20 kg per person and year from August 2004. An excellent beet harvest across the country resulted in nationwide white sugar output of about 500,000 tonnes (roughly 400,000 tonnes of which was quota sugar). Together with imports of between 70,000 and 80,000 tonnes, that led to a substantial increase in inventories. The glut has led to prices below the European Union's intervention price.

### Magyar Cukor Rt., Budapest

*Magyar Cukor* recorded revenues of € 82,100 thousand during the 2004/05 financial year (previous year: € 65,400 thousand).

During a beet campaign lasting 95 days, *Magyar Cukor's* two sugar factories (Petőháza and Kaposvár) processed 1,106,400 tonnes of beet (previous year: 637,100 tonnes) into 161,300 tonnes of sugar (previous year: 86,400 tonnes). The beet had a sugar content of 16.3 per cent, which was substantially up on the previous year's figure of 15.2 per cent. The per-hectare beet yield was up on the figure of 34.3 tonnes recorded in the previous year – which had been a bad year because of weather conditions – at 47.0 tonnes.

*Magyar Cukor's* domestic sales were above plan until the summer of 2004, but massive imports from neighbouring countries from the second half dented revenues. The *Koronas Cukor* brand in particular continued to do well in the marketplace.

The company substantially increased its exports to non-member countries (above all Romania and Syria). However, it frequently experiences problems with red tape when it comes to the administration and payment of refunds. The company's capital expenditure during the 2004/05 financial year came to € 5.8 million. Most of the total was spent on environmental protection, optimizing energy usage, extending capacities and optimizing production processes. The new sewage clarification plant at the Petőháza sugar factory successfully went into operation, and a new beet washing plant complete with downstream conveyor system was installed in Kaposvár.

## SUGAR IN THE CZECH REPUBLIC

### Prevailing conditions

The financial year was dominated by the EU accession of the former transformational economies of Eastern Europe. The Czech Republic carried out the adjustments needed to bring it into line with EU agricultural policy. That included the sugar market, where the transition took place from the old Czech sugar market regime to the EU sugar CMO. The Czech authorities rapidly implemented the complex market regime. As a result, it proved possible to put the refund mechanism into place punctually and to administer it satisfactorily.

The Czech sugar quota of 454,862 tonnes and its allocation between the country's sugar companies remains unchanged after EU accession. AGRANA still has a quota share of 18.98 per cent or 86,344 tonnes.

### Moravskoslezské Cukrovary a.s., Hrusovany

*Moravskoslezské Cukrovary* recorded revenues of € 57,300 thousand (previous year: € 44,000 thousand) during the 2004/05 financial year.

During the beet campaign, our Czech sugar factories (Hrusovany and Opava) processed 673,700 tonnes of sugar beet (previous year: 621,600 tonnes) into 112,800 tonnes of white

sugar (previous year: 102,100 tonnes). The sugar content and quality of the beet was very high. In Hrusovany, the beet had an average sugar content of 18.19 per cent (previous year: 18.00 per cent). In Opava, the beet had an average sugar content of 19.18 per cent (previous year: 18.65 per cent). The average per-hectare beet yield of 47.8 tonnes was well above the figure of 41.1 tonnes recorded in the previous year, when it was low because of dry weather.

EU accession on 1 May 2004 had a major impact on the Czech sugar market during the year under review. On the one hand, the domestic market was affected by the transitional directive, which laid down limited inventory levels on the day of accession. On the other, a surge in prices after EU accession braked demand.

Excellent results during the 2004 campaign, when sugar extraction in the Czech Republic totalled some 560,000 tonnes, created the need to export an estimated 200,000 tonnes of sugar. That total will burden the domestic market and the markets of neighbouring countries during the current 2005/06 financial year. Within that market environment, *Moravskoslezské Cukrovary* was able to sell about 59,000 tonnes of sugar in the domestic market and 22,000 tonnes of quota sugar abroad. C sugar sales totalled about 17,000 tonnes.

The *Korunni Cukr* brand became even more widely known in the Czech marketplace.

The company's capital expenditure during the financial year ended came to € 1.7 million. Once again, investments focused mainly on environmental protection, process control engineering and energy optimization.

## SUGAR IN SLOVAKIA

### Prevailing conditions

In Slovakia too, EU accession was an event that profoundly affected agricultural markets and, in particular, the sugar

market. The process of changing over to the EU market regime was slow, which was particularly damaging to the Slovakian sugar industry to begin with. It was autumn 2004 before representatives of the national sugar industry and the beet farming associations amended their intertrade agreement to bring it into line with the EU sugar market regime. During accession negotiations, Slovakia was granted a total sugar quota of 207,432 tonnes. Our subsidiary *Slovenské Cukrovary a.s.* was allocated a quota of 56,671 tonnes, or 27.32 per cent of the total national quota.

### *Slovenské Cukrovary a.s., Rimavská Sobota*

*Slovenské Cukrovary* recorded revenues of € 34,000 thousand during the 2004/05 financial year (previous year: € 27,100 thousand).

During the beet campaign, its sugar factories at Rimavská Sobota and Sered extracted 64,600 tonnes of white sugar (previous year: 48,100 tonnes) from 457,100 tonnes of sugar beet (previous year: 346,100 tonnes).

In the absence of import restrictions and in anticipation of higher prices in the months before EU accession, about one third of total domestic demand was imported into Slovakia from neighbouring countries. The detrimental effects were felt in the Slovakian sugar market throughout the year.

On the other hand, the Slovakian sugar industry benefited from price differentials within the EU and from export refunds for quota sugar.

In that tense market environment, *Slovenské Cukrovary* sold 46,000 tonnes of sugar during the 2004/05 financial year. It sold roughly 25,000 tonnes of that total at home and 21,000 tonnes abroad. Demand for the *Korunni Cukor* brand remained brisk.

Investments in energy saving measures and quality improvements reduced the company's specific energy consumption by 9.4 per cent. In addition, action was taken to improve the quality of its white sugar. Capital expenditure totalled € 1.5 million.

## SUGAR IN ROMANIA

### Prevailing conditions

Romania's domestic sugar market grew to about 537,000 tonnes in 2004 (previous year: 511,000 tonnes). However, much of its growth was due to intensive "car-boot" exports in the summer of 2004, when Hungarian visitors exported household quantities of sugar over the border to Hungary for their private use. That "tourist trade" was largely eliminated when Hungary limited quantities to 20 kg per person and year.

General conditions such as tariff rates and favoured import quotas remained unchanged. Subsidies promised by the government for planting beet were actually paid. Romania was able to close its agricultural chapter with the EU and was granted sugar production quotas of 329,600 tonnes of cane sugar and 109,200 tonnes of beet sugar (A and B quota), making a total of 438,800 tonnes in all, from the date of accession.

AGRANA did not conclude any beet contracts for the 2004/05 financial year and limited its activities to refining raw sugar.

Since domestic beet sugar production only sufficed to satisfy 51,300 tonnes of Romanian demand, some 500,000 tonnes of raw sugar were imported and refined nationwide.

At the same time, white sugar was imported within the scope of favoured import quotas, above all from the EU. Because of an increase in the world market price of raw sugar, market prices were up on the year.

### **S.C. AGRANA Romania Holding and Trading Company s.r.l., Bucharest**

*S.C. AGRANA Romania Holding and Trading Company s.r.l.* handles sales and distribution for our Romanian sugar companies. AGRANA has its own sales network with branches spread across Romania.

We continued to enlarge the sales network during the 2004/05 financial year, setting up new logistics centres in Bucharest and Braşov.

Both sales to retailers and sales to industry developed very satisfactorily. AGRANA's *Margaritar Zahar* brand is sold by nearly every supermarket chain in Romania.

### **S.C. Zaharul Romanesc S.A., Buzău**

The sugar factory in Buzău extracted 82,000 tonnes of white sugar from imported raw sugar during the 2004/05 financial year.

It continued to increase its packaging capacities and invested in juice purification systems and the sugar house.

### **S.C. Danubiana Roman S.A., Roman**

The sugar factory in Roman refined a total of 65,000 tonnes of white sugar from imported raw sugar during the 2004/05 financial year. No beet was processed there in 2004. However, it is planned to have a beet campaign again in 2005.

The company continued to increase processing capacities in the sugar house and modernized and enlarged its production line for the 1 kg range. Following the installation of a filling system for silo vehicles, it is now also able to supply bulk sugar to manufacturers.

All three of our operating sugar companies in Romania were merged as of 7 March 2005 to create *AGRANA Romania S.A.* In future, this company will be responsible for the entirety of the AGRANA Group's sugar operations in Romania.

The Sugar Division's revenues in Romania came to € 77,200 thousand during the 2004/05 financial year (previous year: € 59,900 thousand). Capital expenditure came to € 2.2 million. Investments focused mainly on the optimization of production processes and sugar packaging systems. Furthermore, a silo filling system for bulk sugar was installed at the Roman sugar factory.



SUGAR.  
STARCH.  
FRUIT.



## THE SPECIALITIES SEGMENT – STARCH DIVISION

### PREVAILING CONDITIONS

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#### The EU potato starch quota

At the beginning of December 2004, the EU Commission published its report on the quota system for potato starch. In that report, it proposed a two-year extension of the present quota system with unchanged quotas for all member-states (i.e. 47,691 tonnes for Austria). The reason stated was that it is not yet possible to predict the effects of CAP reform and EU enlargement on the potato starch market. The EU Commission will be presenting another report in September 2006. A pertinent EU Council resolution is to be expected in the summer of 2005. The *Union of Potato Starch Factories of the European Union (UFE)* wants quotas to be extended for three years.

### STARCH IN AUSTRIA

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Business developed satisfactorily during the 2004/05 financial year. Potato starch output totalled 47,905 tonnes, enabling us to use the entirety of our EU potato starch quota for the first time in years. However, the good potato harvest in 2004 only made up for some of the effects of the poor drought-damaged harvest in 2003 because quantities of potato starch products available for sale were down during the first half of the 2004/05 financial year. Consequently, potato starch sales fell short of the previous year's total of 43,300 tonnes, at 40,200 tonnes. The opening up of new markets and the development of market niches led to a 6.0 per cent increase in sales of maize starch products, which came to 187,100 tonnes (previous year: 176,600 tonnes).

Overall, starch sales by volume (maize and potato starch) were 3.4 per cent up on the previous year's total of 219,900 tonnes at 227,300 tonnes. Further upgrading of the product mix with an emphasis on the higher-quality segment generated a disproportionately large increase in revenues of 11.4 per cent to € 155,900 thousand (previous year: € 139,900 thousand). The division recorded a substantial increase in profit from operating activities.

The price of maize was one of the main causes of the healthy development of profits during the 2004/05 financial year. Whereas the poor drought-damaged 2003 harvest kept maize prices up at an average of € 171 a tonne until the 2004 maize harvest, the cost of maize harvested in 2004 dropped to a normal level, averaging € 110 per tonne.

In order to make growing starch potatoes more attractive and thus to guarantee raw material supplies on a sustainable basis, AGRANA reimbursed potato starch delivery costs in full for the first time in 2004. Farmers who delivered potatoes directly to the factory were paid a mileage allowance.

At the end of December 2004, AGRANA terminated its property lease with *E. Deuring* as of 30 June 2005 for economic reasons. The result of the termination will be the cessation of maize starch production in Hörbranz in the course of the first half of 2005. A hardship prevention plan has been agreed for the 46 employees who will be affected by the closure.

#### **Crop growth, harvest and production**

After poor harvests in 2002 (floods) and 2003 (drought), the 2004 potato starch harvest yielded satisfactory results. In the course of the 2004 campaign, 2,034 farmers delivered 204,000 tonnes (previous year: 149,600 tonnes) of starch potatoes and organic starch potatoes that were then processed into 47,905 tonnes of potato starch. The campaign lasted 126 days (previous year: 92 days). The potatoes' starch content of 20 per cent was substantially up on the previous year's figure of 18.3 per cent. We concluded cultivation contracts for 233,000 tonnes of starch potatoes and organic starch potatoes for the 2005 harvest. We took delivery a total of 12,400 tonnes (previous year: 11,900 tonnes) of food potatoes and organic food potatoes during the 2004 campaign. They were used to manufacture long-life potato products and organic products. During the 2004/05 financial year, the Aschach maize starch factory processed 281,000 tonnes of maize. That was roughly the same amount as was processed in 2003/04. However, the ongoing enlargement of the factory's processing capacity to 1,000 tonnes a day resulted in a number of standstills during the financial year ended while new plant was installed. We achieved another increase in our average processing throughput, which came to 826 tonnes a day. Thanks to its gas-turbine generating plant, the Aschach factory was able to generate most of the heat and power it needed itself.

#### **Markets**

Total sales by volume of starch products and starch by-products increased by 3.7 per cent during the 2004/05 financial year.

The NON-FOOD Sector (technical starches) remained our most important market, accounting for 28 per cent of total sales. Sales by volume increased by 13 per cent.

It proved possible to increase the prices of our products for the paper industry in the first half of 2004. However, forecasts of good potato and maize harvests led to a drop in prices in the domestic market from June 2004 that has lasted until the time of writing. Overall, sales by volume were 9 per cent up on the year.

Total sales by volume to the corrugated cardboard industry grew by 26 per cent. Whereas the market in Austria continued to decline, our exports to Italy and the new EU member-states developed particularly well.

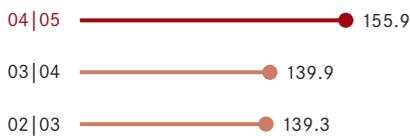
The textile industry was hit by a persistently unfavourable US\$/€ exchange rate, making exporting to Asian markets more difficult. At the same time, there was intense price-based competition in the Turkish market. Stepping up operations in other markets and the introduction of new extruder-based products only made up for a part of the effects, resulting in a fall in sales by volume to the textile industry.

Sales by volume in the FOOD Sector (starches for the food industry) fell by 2.5 per cent to account for 26 per cent of the Austrian Starch Division's total sales by volume during the 2004/05 financial year. It proved possible to keep prices unchanged versus the previous year. Sales of long-life potato products were 8 per cent up on the year in both volume and value terms.

Volumes in the organic and GM-Free Sector were 7 per cent up on the year, and there was a disproportionately large 16 per cent increase in revenues.

**STARCH SALES IN AUSTRIA**

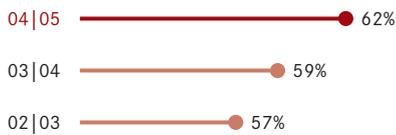
€mn



Of which

**EXPORTED**

Per cent



Within this successful niche market, AGRANA has for over a decade been processing organically grown potatoes and maize into organic starches, organic saccharification products and organic long-life potato products. These products are purchased by the food industry. They are primarily used in fruit preparations, confectionery, baby foods, baked products and delicatessen products, but applications also include many other areas. Roughly 90 per cent of our output of organic products is exported (EU countries, Switzerland, North America and Southeast Asia).

AGRANA has been manufacturing GM-free maize starch products in Aschach since 1998. Strict testing takes place in a special PCR (polymerase chain reaction) laboratory set up at the Aschach factory in 2002. Testing encompasses the entire production process, from the selection of seed, cultivation and harvesting to processing. The product line includes native starches, pregelatinized starches, malto-dextrine and dried glucose syrups for use in blanc-manges, soups and sauces, dairy foods for infants and baby food in jars, spice mixtures and fruit and vegetable powders.

AGRANA is one of the biggest suppliers of both organic and GM-free industrial intermediate products in the European marketplace.

**Capital expenditure**

The discharging bay for food potatoes at the Gmünd potato starch factory was adapted to suit the dimensions of modern freight vehicles. In order to keep pace with the growth in manufacturing capacities for baby foods, long-life potato products and drum-dried products, we began building an additional pallet store.

The enlargement of maize-processing capacities at the Aschach maize starch factory to 1,000 metric tons a day, begun during the 2003/04 financial year, continued as planned, and daily throughput increased to an average of 826 tonnes a day in 2004/05. This investment will be completed in the 2006/07 financial year.

## STARCH IN HUNGARY

### Prevailing conditions

As was the case in the sugar market, Hungary's accession to the EU caused perceptible changes in the starch market, where a sharp rise in imports triggered a downtrend in Hungarian starch prices.

The EU set Hungary's isoglucose quota at 13,627 tonnes. That quota is wholly at *Hungrana's* disposal as the only company in the Hungarian isoglucose market.

The good Hungarian maize harvest in 2004 led to a very long wet maize campaign. In some places, it lasted into January 2005. Maize prices are currently well below their level in 2003, when the weather was dry and this raw material became scarce as a result.

### **HUNGRANA Keményítő- és Isocukorgyártó és Forgalmazó Kft, Szabadegyháza**

During the 2004/05 financial year the Group's interest in *HUNGRANA* was transferred to *AGRANA Stärke GmbH* in the course of the subdivision of *AGRANA Zucker und Stärke AG*. As a result, the Group's stake in this company is now split half-and-half between *AGRANA Stärke GmbH* and *Szabadegyházi Szolgáltató és Vagyonkezelő Kft*, which is a subsidiary of *Tate & Lyle* and *ADM*.

*Hungrana* recorded aggregate revenues of € 124,100 thousand during the 2004/05 financial year (previous year: € 112,300 thousand).

## STARCH IN ROMANIA

### Prevailing conditions

The Romanian starch and glucose markets continued to grow, but they are still relatively small by the standards of other countries. An excellent maize harvest in 2004 led to sharp fall in the price of this raw material. Starch prices were also falling.

### **S.C. A.G.F.D. Tandarei s.r.l.**

Our Romanian maize starch factory recorded revenues of € 4,900 thousand during the 2004/05 financial year (previous year: € 3,300 thousand).

The company's shares of both the starch and the glucose market continued to grow. It successfully introduced cationic and oxidized starches. It processed about 16,000 tonnes of maize and achieved an average daily processing throughput of 100 tonnes.



SUGAR.  
STARCH.  
FRUIT.



## THE SPECIALITIES SEGMENT – FRUIT DIVISION

The Fruit Division encompasses *Fruit Juice Concentrates* and *Fruit Preparations*. In both sectors, AGRANA processes agricultural raw materials into industrial intermediate products for the food industry. Some of those products are supplied to the same customer groups within the food industry as are supplied by the sugar and starch divisions, enhancing the AGRANA Group's business-to-business profile. At the same time, sugar and starch are also among the ingredients of fruit preparations.

AGRANA's Fruit Division has 37 production plants (including 23 in Europe). Its fruit juice concentrate plants are located in Austria, Denmark, Germany, Poland, Hungary, the Ukraine and Romania. It has fruit preparation plants in Austria, France, Belgium, the Czech Republic, Poland, Romania, the Ukraine, Serbia, Turkey, Russia (under construction), Argentina, Australia, China, the Fiji Islands, South Korea, Morocco, Mexico, South Africa and the USA.

The market for fruit preparations and fruit juice concentrates is growing worldwide as food awareness increases. AGRANA aims to become a European and global leader in these rapidly growing markets.

It has been pursuing that strategy since April 2003, when it embarked on a whole series of corporate acquisitions. For example, it increased its stake in France's *Atys Group* and acquired Belgium's *Dirafrost Frozen Fruits Industries* and Germany's *Wink Group* in the course of the 2004/05 financial year. AGRANA is now the world's leader in fruit preparations and one of Europe's major manufacturers of fruit juice concentrates.

The revenues of the consolidated members of the Fruit Division grew to € 124.9 million in the 2004/05 financial year (previous year: € 38.7 million) thanks to the addition of Austria's *Steirerobst AG* to the scope of consolidation. Sales of fruit preparations increased to more than 300,000 tonnes against the background of growing demand for fruit yogurt. Sales by volume in the fruit juice concentrates sector also grew.

### FRUIT JUICE CONCENTRATES

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#### Raw materials

Fruit juice concentrates are mainly made in the regions where the fruit is grown. AGRANA manufactures its fruit juice concentrates (apple, berries, etc.) in Central and Eastern Europe. Countries like Poland, Hungary, the Ukraine and Romania are steadily growing in importance as sources of raw materials for the apple and berry processing industry. Consequently, AGRANA has production facilities in all those countries. The reasons for the increasing importance of the Eastern European countries as suppliers of raw materials lie not only in their low labour costs but also in the structural drawbacks of Western European agriculture. In Hungary, AGRANA has a plant breeding business in addition to its fruit juice concentration plant. It propagates resistant apple varieties that combine consistent yields with reduced deviation.

The Group's 11 fruit juice concentrate plants processed 642,500 tonnes of apples and berries during 2004. Raw material prices were largely stable, although there were variations between different countries. Above all, fruit prices in Poland were down on 2003.

#### **Production, products, market, market position, customers**

Fruit juice concentrates are traded globally. China is the world's largest manufacturer of apple juice concentrates, supplying Japan, Australia, Southeast Asia, North America and Europe. To keep global trade streams cost-efficient, concentrates are transported over longer distances with as little water as possible. In other words, the juices travel as concentrates from their country of origin to the bottler/filler, who then makes and bottles/fills the ready-to-drink product. Fruit juice concentrates are a global growth product. *Per capita* consumption in Germany – the most important fruit juice market in Europe – increased from 40 litres in 2002 to 42 litres in 2003, even though consumption had already been very high (Source: *VdF Verband der deutschen Fruchtsaft-Industrie e.V.*).

*Vallø Saft* is a leading European manufacturer of coloured juice concentrates (e.g. blackcurrant, cherry, raspberry, strawberry), and *Steirerobst* and the *Wink Group* are large manufacturers of apple juice concentrates. As the fruit juice concentrates market is very heterogeneous, and is (at least in Europe) still in the hands of a large number of medium-sized enterprises, some of which are family-owned, precise market share data are unavailable.

The world market for fruit juices and fruit juice drinks will grow from about 40 billion litres in 2003 to nearly 45 billion litres in 2007 (Source: *Leatherhead, Global Food Markets 2004*). The health awareness of consumers will drive further increases in the high-consumption economies. Rapid rates of growth are being predicted in the Eastern European countries (above all Russia) as purchasing power rises.

AGRANA's customers in the fruit juice concentrates sector are the fruit juice and beverage bottling/filling industries and commercial beverage bottlers/fillers in niche markets. The trend is towards "smoothies", which are thick juices with a high fruit content and viscous flow properties.

Against the background of the ever broader range on offer, including a growing variety of isotonic thirst-quenchers, the array of products made by the fruit juice concentrates industry is becoming increasingly varied. Consequently, manufacturers of fruit juice concentrates must do their planning in close coordination with their customer and must make allowance for estimates of consumers' wants, such as increasing and declining taste preferences (more apple, less orange, etc.) and differing quality preferences (acidity). Industrial fruit juice and beverage bottlers/fillers operate in the B2C (business-to-consumer) segment of the market and invest large amounts in their brands. It is therefore the responsibility of a supplier of fruit juice concentrates to deliver a high-grade and hygienically flawless concentrate that allows its customer to make a quality branded product and offer it for sale.

Consumption of fruit juices and *nectares*, which are mainly made from fruit juice concentrates, continued to rise in Europe during the 2004/05 financial year. The decline in Western European sales versus 2003, which was a record year because of the heat, was made up for by growth in Eastern Europe. For instance, *per capita* demand in Russia rose from 12.6 to 14.7 litres in 2004, and *per capita* demand in the Ukraine grew from 6.1 to 7.0 litres.

Apple and coloured fruit juice concentrate prices fell in 2004 because of good harvests and correspondingly low raw material prices. However, AGRANA's sales of fruit juice concentrates increased by volume.

Newly founded *AGRANA Fruit Juice GmbH*, headquartered in Bingen, Germany, will be responsible for central control of concentrates sales from 1 May 2005. That will present a single face to the customer and make better use of synergies between the Group's various subsidiaries.

## FRUIT PREPARATIONS

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### Raw materials

AGRANA sources the supplies of the wide variety of fruits it needs throughout the year for use as raw materials in fruit preparations on a global basis. That enables it to benefit from seasonally varying supplies in the southern and northern hemispheres as well as favourable offers that may result from different climate and weather conditions. AGRANA's production facilities are located close to the factories of its industry customers (dairy industry, baking industry, ice cream industry, etc.). AGRANA is therefore able to guarantee rapid delivery of high-quality products, whereby these products have a limited processing window of between six and eight weeks. AGRANA also attaches great importance to processing natural raw materials, and it guarantees traceability to the growing region and, in part, to the plants themselves. For those reasons, in addition to its manufacturing facilities, AGRANA operates an agricultural business that owns fruit plantations in the Ukraine. Because consumer taste has, among other things, discovered exotic fruits, AGRANA sources many such fruits (e.g. mangos) from India and countries adjacent to it. Bananas come mainly from Central America and yellow fruits like peaches and apricots are purchased in Southern European countries as well as other continents. As for key flavours like strawberry, one must always analyze world market supply and differing harvest periods in order to be able to make fruit preparations as efficiently and cheaply as possible. The subdivision's principal fruit – strawberry – can also be bought in America (Mexico, Argentina), North Africa (Morocco), Europe (Poland) and Australia and Asia (China) as well as from sources close to production sites. As a result, fruit preparation companies are players in global buying markets and must act with foresight regarding harvest outlooks, harvest estimates and prices in order to cost-optimize their cooling and freezing operations.

Following a damp spring, harvests of the key fruits such as strawberries, sour cherries and bilberries were very good in 2004. Raw material prices were lower than in 2003, when there was little rain.

### Production, products, market, market Position, customers

AGRANA's fruit preparations are special tailor-made products conceived and manufactured on the basis of research and development work carried out in close cooperation with the customer. The *Steirerobst* and *Atys* laboratories develop recipes and manufacture samples that are then tested by the customer. Taste is a key factor alongside maintaining high hygiene standards and meeting stringent technical requirements. Fruit preparations are taste-intensive products made from high-quality fruits (e.g. bananas, mangos, strawberries, raspberries). They are supplied in "liquid" or "lumpy" form for use in fruit yogurt, drinking yogurt, quark, whey drinks, baked products, ice cream, etc. They are mixed with natural flavourings and colourings and are sometimes combined with fruit juice concentrates and sweeteners. Among other things, sweeteners may be added as preservatives. Production and delivery are closely coordinated with the customer. Besides the dairy industry, the customers for fruit preparations include the baking and ice cream industries as well as other commercial and industrial users. Those customers are supplied with the desired fruit preparation recipes after meticulous development work during which requirements are agreed and application engineering issues are addressed, ensuring the creation of exactly the taste the consumer wants. Quality assurance and the maintenance of constant quality standards are key aspects of working in harmony with the customer. The best basis for working well together is long-standing and effective trust-based cooperation between the dairy and the fruit preparations manufacturer. Accelerating innovation cycles in the fruit yogurt market must also be taken into account, especially in the yogurt drinks sector.

Consequently, fruit preparation manufacturers must respond promptly to changing consumer desires, whereby "fat-free", "low-fat" and "pre-biotic" and "probiotic" dietary concepts are becoming increasingly important, in turn increasing the need for fruit preparations.

The world market for yogurt and frozen desserts has an estimated volume of about 10.8 million tonnes (2003). This market is expected to grow to roughly 12.3 million tonnes by 2007 (Source: *Leatherhead, Global Food Markets 2004*). Because the Central and Western European markets are already highly penetrated, their growth rates are expected to be rather modest. However, *per capita* consumption in the USA is still low (compared with Western Europe) and food awareness is increasing appreciably, so rates of growth outside Europe should be high. The same expectations apply to Central America, Russia and Asia, including in particular China and its neighbours.

Rising yogurt consumption will also boost consumption of fruit yogurt, so growing demand for fruit preparations is to be expected.

Besides engaging in classical fruit preparation activities, AGRANA entered the frozen food market by acquiring *Dirafrost*. Among other things, *Dirafrost* supplies processed fruits to the baking industry and fruit preparation companies, and it sells frozen fruit salads, fruit mixtures, décor fruits and fruit purees.

## SUBSIDIARIES

### **Steirerobst AG, Austria**

At the close of the financial year, *AGRANA Zucker GmbH* held a 51 per cent indirect stake in *Steirerobst AG*, which is headquartered in Gleisdorf, Styria, via *Steirische Agrar-beteiligungsgesellschaft m.b.H.* *Steirerobst* makes fruit juice concentrates and fruit preparations in Austria, Hungary, Poland, Romania and the Ukraine.

Rapid growth prompted us to enter the Russian market. The fruit preparations factory in Serpuchov near Moscow, which is currently under construction, will begin production in the summer of 2005.

The company's main factory in Gleisdorf makes apple and coloured fruit concentrates and fruit preparations. Its R&D centre of excellence, likewise in Gleisdorf, ensures the high innovative power and product quality of the entire *Steirerobst Group*.

*Steirerobst* successfully continued to regionally diversify during the 2004/05 financial year. Close customer relationships enabled it to cement its market position in Western Europe. At the same time, it increased its market shares in Central and Eastern Europe as well as opening up new markets. The principal reasons for the company's prosperous development were the high quality of its products and its sustained commitment to innovation.

It processed 208,000 tonnes of apples and berries into fruit juice concentrates during the 2004/05 financial year. Sales by volume of fruit preparations were 8.5 per cent up on the year.

*Steirerobst AG* recorded revenues of € 122,500 thousand during the 2004/05 financial year (previous year: € 109,400 thousand) and employed an average of 807 people (without seasonal workers).

### **Vallø Saft A/S, Denmark**

Since the first quarter of 2004, *AGRANA Zucker GmbH* has held a 100 per cent stake in *Vallø Saft A/S*. This company is one of Europe's leading manufacturers of fruit juice concentrates. It processes apples and berries into fruit juice concentrates in production plants in Denmark and Poland. In particular, *Vallø Saft* has built up a reputation in the high-quality segment of the red fruits (berry fruits) market. Its apple and other fruit juice concentrates sell particularly well in Central and Western Europe, the UK and Scandinavia. *Vallø Saft* processed 118,000 tonnes of raw fruit (apples and berries) into a total of 18,000 tonnes of fruit juice concentrates during the 2004/05 financial year. Because prices were down, revenues dropped to € 30,100 thousand in the 2004/05 financial year, having come to € 38,700 thousand the year before. In all, the company employed an average of 120 people in Denmark and Poland.

### **Wink Group, Germany**

Once the necessary competition authority permissions had been granted, the *Wink Group* was acquired by *Vallø Saft Holding A/S* in January 2005. The *Wink Group* is a major European manufacturer of apple juice concentrates. Apple juice concentrates are used in pure apple juices and apple juice mixtures and as an ingredient in multi-fruit juices. The *Wink Group's* production facilities are located in Europe's best apple growing areas. It has one plant each in Poland and the Moldova region in Romania and two factories in Hungary. In addition, the group has a plant cultivation business in Hungary that breeds multiple-resistant apple varieties whose seeds are sold to apple farmers in the region. Thanks to good harvests, the company was able to increase its throughput of apples and berries to 314,000 tonnes (previous year: 281,000 tonnes).

The *Wink Group* and its workforce of about 220 people recorded revenues of roughly € 44,000 thousand during the 2003/04 financial year (1 September 2003 through 31 August 2004).

### **Atys S.A., France**

*AGRANA* signed the contract for the gradual acquisition of the *Atys Group* from French investment company *Butler Capital Partners* in January 2004. The acquisition is taking place in stages that will be concluded at the end of 2006. *AGRANA* acquired the first two tranches of 25 per cent each during the 2004/05 financial year, giving it a 50 per cent stake in the *Atys Group* on the balance-sheet date. It subsequently acquired another 6 per cent of the *Atys Group* at the beginning of March. As a result, *AGRANA* is now the majority shareholder, so the *Atys Group* will become a fully consolidated member of the *AGRANA Group* as of the second quarter of the 2005/06 financial year. Competition authority approvals have been granted everywhere except in Germany. The *Atys Group* is the world's leader in fruit preparations with a market share of 30 per cent. It has a total of 19 production sites located on every continent. In Europe, *Atys* has plants in France, Austria, Poland and the Czech Republic. Outside Europe, it has production sites in the USA, Mexico, Argentina, Australia, the Fiji Islands, South Korea, China, South Africa and Turkey. Its customers include multinational and globally active enterprises in the dairy, baking and ice cream industries. The *Atys Group's* global presence gives those customers an important competitive edge insofar as making fruit preparations is a very local business that has to take national tastes and habits into account. Thanks to its global presence and high product and quality standards, the *Atys Group* achieved growth in all its key

markets during the 2004/05 financial year. It recorded revenues of roughly € 395,000 thousand (without *DSF*, Germany). The *Atys Group* employed 2,867 year-round staff and another 1,132 seasonal workers during 2004/05. To further enlarge its capacities in the important North American market, *Atys* opened a new plant in Tennessee, USA, during the first quarter of 2005.

***Dirafrost Frozen Fruits Industries N.V., Belgium***

In August 2004, the *Atys Group* acquired *Dirafrost Frozen Fruits Industries N.V.*, Belgium. The purchase contract entered into force when the competition authority approvals were granted in October 2004. *Dirafrost* is a supplier of frozen fruits, fruit salads and fruit purees. *Dirafrost* has production plants in Belgium, Serbia and Morocco. The company recorded revenues of € 49,000 thousand and employed an average of 487 people during the 2004/05 financial year.

## ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

AGRANA is committed to making sparing use of energy resources and raw materials to ensure sustainability both now and for the benefit of future generations. Each year, AGRANA invests millions in reducing its use of resources in the transportation, energy, manufacturing and packaging fields and on preventing damage to the environment. AGRANA has spent approximately € 190 million on environmental protection over the past 15 years. The principal emphases have been energy and water management.

### AGRICULTURAL RAW MATERIALS

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AGRANA offers beet and potato growers comprehensive commercial and ecological advice. The *gypsum absorber block method* for measuring moisture in the soil near the root of the plant guarantees that beet fields are irrigated at exactly the right time and no more than is necessary. Moreover, since the mid-1970s, AGRANA has been steadily refining its *electro-ultra-filtration (EUF)* method. This makes it possible to measure the soil's ability to replenish nutrients and thus helps significantly reduce the use of fertilizers. The *EUF* method has cut the use of nitrogenous fertilizers by up to two thirds over the past 25 years.

In addition, nearly half of all the beet delivered to the sugar factories in Hohenau, Leopoldsdorf and Tulln arrives by rail, again reducing damage to the environment, and about one third of the potatoes delivered to the Gmünd starch factory arrive by rail.

### CO<sub>2</sub> EMISSIONS

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The heat and electrical energy needed to evaporate the sugar beet's water content of about 75 per cent during processing is provided by combined heat and power generating plants (steam and gas turbines). AGRANA's highly efficient use of energy resources reduces its consumption of fossil fuels and also cuts specific emissions. In Austria, AGRANA has been burning nothing but natural gas since 1996. Since 1990, AGRANA's energy-saving investments have cut its specific energy usage during beet campaigns (sugar production and pulp drying) by about 30 per cent, and its CO<sub>2</sub> emissions have fallen by 31 per cent over the same period, making a significant contribution to reducing harm to the environment. Thanks to that disproportionately big cut, the Austrian sugar industry has therefore already achieved the Kyoto target of a 13 per cent reduction in CO<sub>2</sub> emissions in Austria between 1990 and 2010.

## ENVIRONMENTALLY FRIENDLY MANUFACTURING METHODS

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AGRANA uses hop extracts and natural resins for disinfecting purposes in its sugar extraction plants. This method was developed by *Zuckerforschung Tulln Ges.m.b.H.* International patents are pending. As far as possible, all of the group's sugar and starch factories in Austria use state-of-the-art closed circuits and biological sewage clarification systems to optimize water and effluent management processes.

The earth stuck to the beet is likewise of great importance. Having been drained, it is stabilized in so-called soil cassettes. After being stabilized in this way, it can be returned to the field.

Both the sugar factories and the potato starch factory in Gmünd sell the by-products of their manufacturing processes – so-called *carbolime* and potato run-off – as high-grade fertilizers and soil enhancers.

AGRANA also attaches great importance to maintaining high environmental standards in the Fruit Division. In particular, sewage clarification plants are continuously modernized. Full use is made of the by-products from manufacturing fruit juice concentrates. For instance, solid fruit residues, some of which contain high-grade components, are sold to farmers

as quality fertilizers or to downstream industries in the form of press cakes to be used for making flavourings. Apple press cakes (pomace) are dried for the extraction of apple pectin. Other liquid components produced during processing are spread by farmers on their fields as fertilizer.

The sugar factories in Hungary, the Czech Republic, Slovakia and Romania are also optimizing their manufacturing processes with environmental standards and efficient energy use in mind. The sewage clarification plant at the sugar factory in Petőháza, Hungary, successfully went into operation during the financial year ended.

## NOISE AND DUST POLLUTION

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The sound insulation and filter systems used to reduce noise and dust pollution have been upgraded at all our factories during the past few years. Extensive action was taken to reduce dust, odour and noise pollution during the final stage of the enlargement of the Aschach maize starch factory. In addition, a modern biological filter system now cleans the exhaust flows from the factory's by-product lines. Those measures have reduced odour and noise pollution by more than half.

## RESEARCH AND DEVELOPMENT

The research and development programme for the entirety of the AGRANA Group is in the hands of *Zuckerforschung Tulln Ges.m.b.H. (ZFT)* and its 53 staff-members. The company's activities cover a broad range of fields from agriculture to food technology, chemistry and other technological disciplines to microbiology and biotechnology.

### THE SUGAR DIVISION

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AGRANA uses hop, pine resin and palm oil products to combat the unwanted development of microorganisms and to control the desired limited fermentation of lactic acid during beet sugar extraction. Natural bio-stabilizers are used that effectively inhibit adaptation by microorganisms. The product family of natural bio-stabilizers offers a genuine alternative to conventional disinfectants. Together with *BetaTec*, we continued to achieve global marketing success with these products and were able to earn licence fees from the method during the financial year under review.

Besides limiting the development of lactic acid in extraction systems, natural bio-stabilizers have proven effective in combating mesophilic mucilaginous microorganisms.

Our programme for admixing milk of lime in precisely the required quantities continued to attract growing interest within the European sugar industry during the 2004 campaign. The process has now been extended to include use in decanters.

Work carried out within the scope of the *Südzucker Group's* newly created *Centers of Competence (CoCs)* is becoming increasingly important, including in particular the *CoC* for sugar technology. The purpose of *Südzucker's* group-wide *CoCs* is to make efficient use of resources in the research field. During 2004/05, a unified process was developed that combines the measurement of raw juice viscosity with a programme to reduce limestone consumption. Austria has been at the forefront of comparing juice purification processes within the group so as to minimize limestone use.

*ZFT's* agricultural department carried out field tests that addressed current issues in practical beet growing. The spotlight was on reducing costs, increasing yields and minimizing application rates. As a certified testing unit, *ZFT* also carried out the examinations needed within the scope of official variety testing and the testing of biological effectiveness required for the registration of plant protection chemicals.

After five years of existence, the testing department at *Zuckerforschung Tulln* was required to apply for re-accreditation in accordance with *ÖNORM* standard *EN 17025* (formerly *EN 45001*) in mid-2004 in conformity with the *Akkreditierungsgesetz* (accreditation act). Following a positive audit by the accreditation authority, sugar beet variety testing, testing of plant protection chemicals for sugar beet and sugar beet analysis were recognized without qualification

as accredited areas of the testing department's activities pursuant to a ruling by the *Bundesministerium für Wirtschaft und Arbeit* (federal ministry of economic affairs and employment). In addition, *ZFT's* Agricultural Department is authorized to test the effectiveness of unregistered plant protection chemicals used in beet growing as the "officially certified *ZFT* testing department" (within the meaning of the *Pflanzenschutzmittelgesetz* [plant protection chemicals act] of 1997). Healthy soil and sustainable soil fertility are key prerequisites for reliable and cheap beet production. Trials aimed at reducing soil processing therefore focused particularly closely on the planting of intermediate crops. *ZFT* prepared practical fertilization recommendations on the basis of tests of 12,500 soil samples using *electro-ultra-filtration (EUF)*, whereby most of the tests related to sugar beet and potatoes. Effectiveness, yield and method testing on sugar beet and potato cultures on a total of about 4,200 plots was carried out by *ZFT* itself or jointly with breeders, manufacturers of plant protection chemicals, public testing agencies and vocational colleges as well as within the scope of international collaborations and joint trials. *ZFT's Betaexpert* Internet project created an IT-based regionally differentiated warning system for the integrated control of sugar beet and potato leaf diseases. *Betaexpert* offers beet growers an objective and independent source of advice. During a two-day event called *Betaexpo* held in 2004, *ZFT* exhibited Austria's biggest showcase field. It consists of 450 year-round plots containing sugar beet, maize, potato and sunflower crops. At *Betaexpo*, visitors were also shown the latest agricultural machinery.

## THE STARCH DIVISION

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The market's demands and, in the final analysis, the demands of consumers make it necessary to continuously adapt and optimize our various starch products to suit specific applications. The prime purpose of R&D is therefore the regular adaptation and optimization of the products we sell. Going beyond that, one primary goal of market-orientated research is the development of innovative starch products for new applications. We pursue a policy of carefully targeted and close cooperation with manufacturers when carrying out that development work. Giving extensive applications support to the customer facilitates a product's introduction to the market.

In recent years, starch products have gained a firm foothold in the construction industry. Demand for special highly modified starch ethers remains brisk, so here too, new product developments are showing the way to the future and finding acceptance as specialist solutions in the highly priced segment. Product development work in the cement-based plaster and tile adhesive segments continued to predominate, but we also developed new products in the shotcrete sector. Alongside dry gunning, we also pressed ahead with the development of wet gunning products. Besides reducing rebound, our goal is to make the system "less chemical" and thus friendlier to the environment.

In the paper and corrugated cardboard segments, we placed particular emphasis on improving service to the market in addition to our ongoing development work. A mobile laboratory lets us provide on-the-spot analytical and applications support. Our principal focus in the corrugated cardboard segment was on the development of new products to optimize adhesion, and we achieved very good results.

We pursued special goals in the adhesives fields. In particular, we worked on the development and marketing of new starch adhesives for use by paper bag manufacturers. These starch products combine excellent adhesive properties with low splutter. New maize-starch based developments opened up new markets for AGRANA.

In the textiles segment, we continued to optimize our textile finishing products.

AGRANA's acquisitions in the Fruit Division created new areas of use for its food starches. Close cooperation led to an intensification of *ZFT*'s activities in the fruit preparations sector. The principal focus was on developing and optimizing starch derivatives. In the course of that work, *ZFT* also pressed ahead with the development of its applications engineering skills in the fruit preparations field.

Variety-specific testing of the Starch Division's raw materials – potatoes, maize and waxy maize – in *ZFT*'s pilot plant in the course of recent years has given us valuable information about processing techniques and starch properties. We are currently researching new varieties and looking at and evaluating the effects of various factors such as weather, location and so on on the processability of raw materials and the quality of the starch. Our medium-term goal is to optimize raw material quality. In the final analysis, that will also improve product quality for the customer.

## THE FRUIT DIVISION

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Close cooperation with the customer during our R&D work provides the basis for the development of new flavours and innovative products in the fruit preparations sector. During the year under review, we added a number of ground-breaking products to the line to allow for new taste trends. These innovations included "choc-splits" and "breakfast cereals" in yogurt. They are innovative products in that they need to remain "cross" (crisp to bite) despite the moisture in the yogurt. To that end, special coating techniques are used that only a few fruit preparation manufacturers are capable of employing on an industrial scale.

In addition, accelerating innovation cycles in the fruit yogurt market must also be taken into account, especially in the yogurt drinks sector. Consequently, fruit preparation manufacturers must respond promptly to changing consumer demands, whereby dietary concepts are becoming increasingly important as well, in turn increasing the role of fruit preparations. To help us meet these requirements, a centre of innovation and excellence has been set up in Gleisdorf, Austria, to supplement the *Atys Group*'s two research centres in Europe and overseas.

Research in the fruit juice concentrates field aims above all to improve yields and to optimize techniques to prevent darkening and discolouration during longer periods of storage. Besides quality assurance testing to ensure high quality for customers who are bottling/filling fruit juices and beverages, the AGRANA Group's laboratories carry out tests aimed, among other things, at optimizing energy usage and enhancing juice extraction with the help of electroporation (using electrical energy to disintegrate cell structures).

## STAFF AND SOCIAL REPORT

The AGRANA Group employed an average of 4,958 people during the 2004/05 financial year (previous year: 3,841). That total broke down as follows:

- Sugar Division 2,819 employees (previous year: 2,962);
- Starch Division 766 employees (previous year: 762);
- Fruit Division 1,373 employees (previous year: 117).

Staff levels in the Fruit Division were mainly increased by the inclusion of *Steirerobst*, which added 1,256 employees. There was also an increase of four employees in the Starch Division. The workforce in the Sugar Division shrank by 143. The average number of people working for our Fruit Division was 1,117 up on the year.

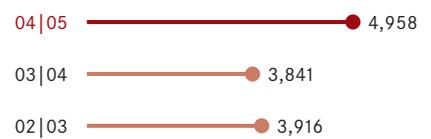
1,646 people were working for us in Austria (previous year: 1,353) and 3,312 were working for foreign subsidiaries in the sugar, starch and fruit divisions (previous year: 2,488). The average workforce in Austria thus grew by 293. The number of people working for foreign subsidiaries increased by 824, primarily as a result of growth in the Fruit Division.

On our reporting date (28 February 2005), 4,625 people were working for the consolidated members of the AGRANA Group (previous year: 3,583).

The Austrian members of the AGRANA Group spent € 662 thousand on basic and advanced staff training during the 2004/05 financial year (previous year: € 495 thousand). The range of training included further training within the scope of IT courses, specialized courses for commercial and technical staff, personality development seminars, practical on-the-job training and apprentice training.

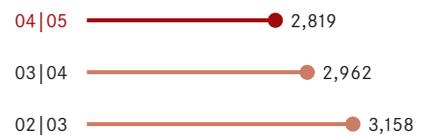
Management and behavioural training during the 2004/05 financial year also included a number of further training programmes that addressed management skills and personality development. The range of courses was rounded off by in-house workshops for management staff at the Group's Austrian and foreign companies. In addition, young management personnel were offered training modules in presentation techniques and project work. Training in *Project Management* was another special focus, and employees from throughout the AGRANA Group took part.

### NUMBER OF STAFF

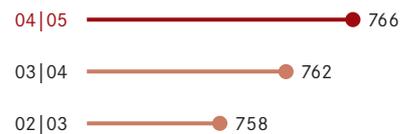


Of which

### SUGAR DIVISION



### STARCH DIVISION



### FRUIT DIVISION





Apprentice training is an important aspect of AGRANA's activities in Austria. Our Austrian Group-members had 64 apprentices in training during the 2004/05 financial year. The most common apprenticeship professions were engine fitter, works electrician, process control technician, lathe operator and chemical laboratory technician.

Since 2003, the AGRANA Group has been running a programme to reduce accidents at work and to improve the general health of the workforce. Since the beginning of 2003, it has had a programme called *AGRANA-Fit* that aims to improve and preserve the health of staff-members and increase their health-awareness. The large number of staff-members participating in these programmes proves that our enterprise's involvement in this field can both contribute to employee satisfaction and help cut health costs.

## RISK REPORT

The identification, monitoring and management of the risks to which AGRANA is exposed within the scope of its business activities are inseparably linked to its actions as an enterprise. Risk management is thus integral to the structure of and processes within the AGRANA Group and, therefore, to all its operational and strategic business processes. The principal instruments of risk monitoring and risk control are the planning and controlling process and regular reporting. Reporting activities and our IT-supported information systems play a particularly important part in monitoring and controlling the business risks associated with our day-to-day business activities. The Board of Management is kept continuously up-to-date by regular reports and it also has instant online access to all the pertinent information and data. The Board of Management has overall responsibility for the monitoring of risk management processes. Within the scope of its monitoring activities, it receives support from an internal auditing unit that is directly assigned to it. The principal risks that could threaten the Group's future development can be summed up as follows:

### MARKET RISK

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#### The EU sugar CMO

The reform announced for mid-2006 will depend greatly on a number of uncertain external factors:

- The decision pending from the WTO panel on ACP and C sugar could seriously limit European sugar makers' exports and force quota cuts if the panel rules against the European Union.
- Current negotiations with the WTO could lead to reductions in export refunds or their total abolition.
- The European Union's *Everything but Arms (EBA)* initiative has given the *Least Developed Countries (LDCs)* duty-free access for sugar from 2009.

All these developments will necessitate reform of the EU sugar CMO and might therefore significantly alter the market policy conditions under which the European sugar industry operates. In particular, they could lead to lower market prices and reduce domestic output within the EU.

## PROCUREMENT RISK

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### Availability of raw materials

As a processor of raw materials from agricultural sources, AGRANA is affected by the procurement risks that arise from weather conditions and the development of agricultural policy in general. The supply of agricultural raw materials during the 2004 campaign was satisfactory. In the case of sugar beet, a carry-over system diminishes the risk attached to failing to fully utilize quotas.

In the new EU member-states, the rise in the price of sugar beet has made beet growing sufficiently profitable for the farming community.

To ensure adequate supplies of starch potatoes, we have extended the area around the factory in which potatoes are grown and are refunding freight costs. Areas under maize should remain unchanged.

## ENVIRONMENTAL RISK

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### Kyoto emission certificates

The Starch Division has not received sufficient CO<sub>2</sub> emission certificates for the extension to the Aschach maize starch factory that is currently being built. They will have to be bought in the marketplace. The need to purchase these certificates constitutes a general cost risk.

## LEGAL RISK

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### Competition authority approval of corporate acquisitions by the Fruit Division

The acquisition of the *Atys Group* was approved by the national authorities in question with the exception of Germany, where the takeover of *DSF* was not approved. The appeal to the *Bundesgerichtshof* (federal high court) in Karlsruhe is currently pending. The takeovers of *Dira-frost* and the *Wink Group* were also approved.

In view of the AGRANA Group's leadership of the world market in fruit preparations and its position as a leading manufacturer of fruit juice concentrates within Europe, prohibitions and the imposition of restrictions and regulations could in part delay the future growth of the AGRANA Group's Fruit Division.

## FINANCIAL AND EXCHANGE RATE RISKS

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Because of AGRANA's global activities, the Group's results may be affected by fluctuations of the euro versus local currencies. The AGRANA Group endeavours to safeguard itself against such operating risks (movements in interest rates, exchange rates and raw material prices) by carrying out hedging transactions (interest-rate swaps, interest-rate options, caps, forward exchange deals, currency options). The employment of such hedging transactions is regulated by Group guidelines within the scope of the risk management system. Those guidelines prohibit the speculative use of derivative financial instruments, lay down limits for the underlying transactions, define approval procedures and regulate internal reporting and functional firewalls.

## OUTLOOK FOR 2005 | 06

### SUGAR DIVISION

#### Prevailing conditions

The EU treaties with Romania and Bulgaria for their accession on 1 January 2007 were signed on 25 April 2005. Their joining in 2007 is subject to a number of requirements. If those requirements are not met, accession could be postponed until 2008.

The commencement of accession negotiations with Croatia has been indefinitely postponed. During negotiations in connection with the planned reform of the EU sugar CMO, Agricultural Commissioner Mariann Fischer-Boel told the European Parliament that she wants to go without the mid-term review planned for 2008 and wishes to rethink the proposal regarding the cross-border tradability of sugar quotas. A restructuring fund model instead of quota tradability could be the result. Ms Fischer-Boel spoke out against the defusing of price cuts called for by the European Parliament and the introduction of sugar import quotas for the LDCs. The Legal Proposal is to be submitted in the summer of 2005.

#### Raw materials

The AGRANA Group (Austria, Hungary, the Czech Republic, Slovakia and Romania) has concluded cultivation contracts with 9,966 farmers to plant 94,526 hectares with beet for the 2005 harvest. In detail, contracted areas break down by individual country as follows:

	Area under beet Hectares	Number of growers	Contracted beet volume 1,000s of tonnes
Austria	44,144	9,324	2,607
Czech Republic	12,902	156	628
Hungary	22,908	208	1,082
Slovakia	9,602	158	378
Romania	4,970	120	160
<b>Total</b>	<b>94,526</b>	<b>9,966</b>	<b>4,855</b>

Although planting took place late, the beet's growth this year has been in line with the long-term average.

#### Capital expenditure

Our three Austrian sugar factories will be investing nearly € 10 million (including outlay on major repairs) during the 2005/06 financial year. Investments will focus primarily on process control systems, production systems, bag filling and food and beverage security (traceability).

## STARCH DIVISION

### Prevailing conditions

The EU Commission's proposal of a two-year extension of the potato starch quota system with unchanged quotas is currently under consideration by the European Parliament. A plenary decision on this issue is to be expected at the beginning of June 2005.

### Raw materials

#### Potatoes

Cultivation contracts for the coming harvest have been concluded with 1,984 growers for a total of 220,000 tonnes of starch potatoes and organic starch potatoes. In addition, contracts have also been concluded for 16,300 tonnes of food potatoes and organic potatoes for the food industry for use in the manufacture of long-life potato products and organic ingredients.

#### Maize

Areas planted with maize for use during the 2005/06 financial year are likely to be virtually unchanged both in Austria (Aschach factory) and in Hungary and Romania. Maize starch production at the Hörbranz factory (Vorarlberg) was terminated for economic reasons at the end of February 2005 and moved to the Aschach factory.

### Capital expenditure

The AGRANA Group's Starch Division plans to invest a total of € 29 million during the financial year. Capital expenditures will focus mainly on completion of the capacity increase at the Aschach maize starch factory, installation of a maize drying plant and maize warehouse at the maize starch factory in Tandarej, and enlarging the *Hungrana* factory in Hungary. The division will also be spending small amounts on reducing energy consumption and on the installation of two mash silos at the potato starch factory in Gmünd.

## FRUIT DIVISION

### Fruit juice concentrates

As part of the reorientation of its fruit juice concentrates operations, AGRANA has centralized the marketing, distribution and sales activities of *Steirerobst*, *Vallø Saft* and *Wink* in the fruit juice concentrates sector under the umbrella of *AGRANA Fruit Juice GmbH*, which is headquartered in Bingen, Germany. This new company will begin operations at the beginning of May 2005. It will also have central responsibility for all logistical services within the Group.

The AGRANA Group's 11 fruit juice concentrates plants will be increasing their apple buying to 614,000 tonnes, having bought 585,000 tonnes of apples last year.

In the course of optimization of the *Steirerobst Group's* production facilities, the factory at Gutorfölde in Western Hungary will close this year and the plant will be moved to Hajdúsámson (Hungary), where capacities will increase accordingly.

### Fruit preparations

In March 2005, the Group acquired another 6 per cent of the *Atys Group*. As a result, AGRANA now holds a 56 per cent stake. The *Atys Group* will become a fully consolidated member of the AGRANA Group as of the second quarter of the current 2005/06 financial year.

The *Atys Group's* fourth fruit preparations facility, which is located in Tennessee, USA, went online during the first quarter of 2005. The factory built by *Steirerobst* in Serpuchov, south of Moscow, will begin production in the summer of 2005.

The *Global Sourcing Organization (GSO)* set up by *Atys* last year will be extending its operations to North and South America this year. By pooling raw material procurement, this organization is further optimizing both prices and quantities.



# CONSOLIDATED FINANCIAL STATEMENTS FOR 2004 | 05

of the AGRANA Group in accordance with *IFRS*

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## CONSOLIDATED INCOME STATEMENT FOR THE 2004|05 FINANCIAL YEAR

from 1 March 2004 through 28 February 2005

	2004/05 €000	Previous year €000
(1) 1. Sales revenues	981,016	866,423
(2) 2. Change in stocks of finished and unfinished products	55,947	1,814
(2) 3. Other capitalized own work	1,411	1,483
(3) 4. Other operating income	26,407	17,222
(4) 5. Cost of materials and other purchased inputs	(658,853)	(548,276)
(5) 6. Staff costs	(113,348)	(96,411)
(6) 7. Depreciation/amortization/write-downs of intangible fixed assets (without goodwill) and tangible fixed assets	(47,779)	(39,930)
(7) 8. Other operating expenses	(154,021)	(125,492)
<b>9. Profit from operating activities (subtotal of items 1 – 8)</b>	<b>90,780</b>	<b>76,833</b>
10. Amortization/write-downs of goodwill	0	(37)
<b>11. Profit from ordinary activities (subtotal of items 1 – 10)</b>	<b>90,780</b>	<b>76,796</b>
(8) 12. Net interest income	(6,257)	(1,463)
(9) 13. Net income from equity interests held for investment purposes	8,000	3,225
(10) 14. Other net income from financial activities	669	(7,817)
<b>15. Net income from financial activities (subtotal of items 12 – 14)</b>	<b>2,412</b>	<b>(6,055)</b>
<b>16. Profit before income tax</b>	<b>93,192</b>	<b>70,741</b>
(11) 17. Income tax expense	(8,850)	(13,199)
<b>18. Profit after income tax</b>	<b>84,342</b>	<b>57,542</b>
19. Minority interests in consolidated profit after income tax	(4,470)	(1,003)
<b>20. Consolidated earnings for the year</b>	<b>79,872</b>	<b>56,539</b>
(12) Earnings per share in accordance with <i>IFRS</i> (undiluted and diluted)	€ 7.18	€ 5.08 <sup>1</sup>
Earnings per share in relation to the number of shares outstanding as of the balance-sheet date	€ 5.62	€ 5.13

<sup>1</sup> Prior-year figures have been adjusted in conformity with IAS 33.64.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE 2004 | 05 FINANCIAL YEAR

from 1 March 2004 through 28 February 2005

	2004/05 €000	Previous year €000
Profit after income tax	84,342	57,542
Depreciation/amortization/write-downs of fixed assets	47,784	40,017
Write-ups of fixed assets	(1,923)	(186)
Changes in long-term provisions	(7,622)	5,393
Gains (losses) arising from investments in associates	(2,727)	(819)
Gains (losses) arising from disposals/retirements of fixed assets	(861)	(288)
Other non-cash income and expenses	(3,382)	(770)
(13) <b>Net cash from profit</b>	<b>115,609</b>	<b>100,889</b>
Changes in inventories	(64,523)	(7,600)
Changes in receivables, deferred tax assets and other deferred charges	(93,675)	(12,120)
Changes in other provisions	(7,664)	(8,923)
Changes in payables and deferred income	39,990	11,289
Effect of changes in foreign exchange rates on non-fund positions	1,007	554
(13) <b>Net cash from (used in) operating activities</b>	<b>(9,256)</b>	<b>84,089</b>
Proceeds from disposals/retirements of fixed assets	2,740	12,136
Purchases of tangible and intangible fixed assets	(52,077)	(28,479)
Purchases of financial fixed assets	(98,194)	(36,820)
Changes in the scope of consolidation	(32,769)	(15,580)
(14) <b>Net cash from (used in) investing activities</b>	<b>(180,300)</b>	<b>(68,743)</b>
Capital increase by <i>AGRANA Beteiligungs-AG</i>	220,972	0
Changes in non-current financial liabilities	68,171	(49,722)
Changes in current financial liabilities	5,439	(4,119)
Dividends paid	(21,611)	(20,690)
(15) <b>Net cash from (used in) financing activities</b>	<b>272,971</b>	<b>(74,531)</b>
Net increase (decrease) in cash and cash equivalents	83,415	(59,185)
Effect of changes in foreign exchange rates on cash and cash equivalents	262	(151)
Revaluations in accordance with <i>IAS 39</i>	109	(263)
Cash and cash equivalents at beginning of period	96,928	156,527
<b>Cash and cash equivalents at end of period</b>	<b>180,714</b>	<b>96,928</b>
Of which short-term investments	107,449	46,835
Of which cash on hand, cheques and balances with banks	73,265	50,093

## CONSOLIDATED BALANCE SHEET 28 FEBRUARY 2005

		28 February 2005 €000	End of previous year €000
<b>ASSETS</b>			
	<b>A. Non-current assets</b>		
(16)	I. Intangible fixed assets	46,093	29,379
(17)	II. Tangible fixed assets	381,493	266,229
(18)	III. Financial fixed assets	214,722	119,910
(19)	IV. Deferred tax assets	2,920	4,061
(20)	V. Receivables and other assets	2,611	1,108
		<b>647,839</b>	<b>420,687</b>
	<b>B. Current assets</b>		
(21)	I. Inventories	419,199	291,585
(20)	II. Receivables and other assets	252,613	126,012
(22)	III. Shares and other securities	107,449	46,835
	IV. Cash, cheques, bank balances	73,265	50,093
		<b>852,526</b>	<b>514,525</b>
	<b>Total assets</b>	<b>1,500,365</b>	<b>935,212</b>
<b>EQUITY AND LIABILITIES</b>			
(23)	<b>A. Equity</b>		
	I. Share capital	103,210	80,137
	II. Capital reserves	411,362	213,463
	III. Retained earnings	204,920	156,309
	IV. Consolidated earnings for the year Equity attributable to equity holdings of the parent (subtotal of items I – IV)	79,872	56,539
	V. Minority interests	36,487	9,374
		<b>835,851</b>	<b>515,822</b>
	<b>B. Non-current provisions and liabilities</b>		
(24a)	I. Provisions for retirement benefits	51,952	50,688
(24b)	II. Provisions for deferred taxes	25,172	25,651
(24c)	III. Other provisions	26,854	26,320
(25)	IV. Financial liabilities	99,265	8,642
(25)	V. Other payables	3,915	3,624
		<b>207,158</b>	<b>114,925</b>
	<b>C. Current provisions and liabilities</b>		
(24c)	I. Other provisions	59,736	62,037
(25)	II. Financial liabilities	201,526	111,866
(25)	III. Other payables	196,094	130,562
		<b>457,356</b>	<b>304,465</b>
	<b>Total equity and liabilities</b>	<b>1,500,365</b>	<b>935,212</b>
(26)	Contingent liabilities	39,219	3,532

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 2004 | 05 FINANCIAL YEAR

	Share capital	Capital reserves	Retained earnings			Earnings for the year	Minority interests	Total
			Re- valuation reserve	Other retained earnings	Translation reserve			
	€000	€000	€000	€000	€000	€000	€000	
<b>2004   05</b>								
On 1 March 2004	80,137	213,463	9,152	163,077	(15,920)	56,539	9,374	515,822
Consolidated earnings for the year	0	0	0	0	0	79,872	4,470	84,342
Dividend distribution	0	0	0	0	0	(19,849)	(1,762)	(21,611)
Capital increase	23,073	197,899	0	0	0	0	0	220,972
Exchange differences on translation	0	0	0	0	7,438	0	(253)	7,185
Revaluations (IAS 39)	0	0	5,166	0	0	0	0	5,166
Allocated to reserves	0	0	0	36,690	0	(36,690)	0	0
Other changes	0	0	0	(683)	0	0	24,658	23,975
<b>On 28 February 2005</b>	<b>103,210</b>	<b>411,362</b>	<b>14,318</b>	<b>199,084</b>	<b>(8,482)</b>	<b>79,872</b>	<b>36,487</b>	<b>835,851</b>
				<b>204,920</b>				
<b>Previous year</b>								
On 1 March 2003	80,137	213,463	1,653	117,454	(12,357)	65,382	9,273	475,005
Consolidated earnings for the year	0	0	0	0	0	56,539	1,003	57,542
Dividend distribution	0	0	0	0	0	(19,849)	(841)	(20,690)
Exchange differences on translation	0	0	0	0	(3,563)	0	(396)	(3,959)
Revaluations (IAS 39)	0	0	7,499	0	0	0	0	7,499
Allocated to reserves	0	0	0	45,533	0	(45,533)	0	0
Other changes	0	0	0	90	0	0	335	425
<b>On 29 February 2004</b>	<b>80,137</b>	<b>213,463</b>	<b>9,152</b>	<b>163,077</b>	<b>(15,920)</b>	<b>56,539</b>	<b>9,374</b>	<b>515,822</b>
				<b>156,309</b>				

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE AGRANA GROUP

### SEGMENT REPORTS

Segment reporting in conformity with IAS 14 is based on the *Sugar* and *Specialities* segments, reflecting the AGRANA Group's internal reporting structure. The Sugar Segment encompasses sugar extraction in Austria, Hungary, the Czech Republic, Slovakia and Romania as well as sugar-related fields of business. The Specialities Segment encompasses the starch and fruit divisions. The Starch Division has production facilities in Austria, Hungary and Romania. The Fruit Division encompasses *Vallø Saft*, Denmark, the *Steirerobst Group*, Austria, and the *Wink Group*, Germany.

### Segmentation by business segment

	2004/05				2003/04			
	Total all		Consoli-	Speciali-	Total all		Consoli-	Speciali-
	segments	Sugar	dation	ties	segments	Sugar	dation	ties
	€000	€000	€000	€000	€000	€000	€000	€000
Revenues	981,016	671,570	(36,053)	345,499	866,423	658,889	(30,004)	237,538
Inter-segment sales	0	(9,992)	36,053	(26,061)	0	(5,290)	30,004	(24,714)
<b>External revenues</b>	<b>981,016</b>	<b>661,578</b>	<b>0</b>	<b>319,438</b>	<b>866,423</b>	<b>653,599</b>	<b>0</b>	<b>212,824</b>
Profit from operating activities	90,780	60,654	0	30,126	76,833	51,040	0	25,793
Segment assets	1,043,492	627,129	0	416,363	703,630	516,928	0	186,702
Segment liabilities	331,617	211,642	0	119,975	252,480	203,878	0	48,602
Capital expenditure								
on tangible fixed assets	52,077	17,617	0	34,460	28,479	16,650	0	11,829
on financial fixed assets	100,921	31,551	0	69,370	61,303	56,873	0	4,430
Depreciation/write-downs of tangible fixed assets	47,779	27,666	0	20,113	39,930	27,198	0	12,732
Income from associates	2,727	77	0	2,650	819	75	0	744
Staff	4,958	2,819	0	2,139	3,841	2,962	0	879

Figures for sales revenues and assets are consolidated. Capital expenditure on fixed assets comprised additions to intangible fixed assets (without goodwill) and tangible fixed assets.

### Reconciliation of segment assets and liabilities

28/29 February	2005	2004
	€000	€000
Balance-sheet total: assets	1,500,365	935,212
minus financial fixed assets	(214,722)	(119,910)
minus cash and cash equivalents	(180,714)	(96,928)
minus other assets	(61,437)	(14,744)
<b>Segment assets</b>	<b>1,043,492</b>	<b>703,630</b>
Provisions and liabilities	664,514	419,390
minus financial liabilities	(300,791)	(120,508)
minus provisions for income taxes	(32,106)	(46,402)
<b>Segment liabilities</b>	<b>331,617</b>	<b>252,480</b>

### Segmentation by geographical region

Segmentation by geographical region was based on the location of the company in question.

	2004 / 05	2003 / 04
	€000	€000
<b>Revenues</b>		
Austria	604,435	564,737
Rest of EU	273,105	238,471
EU-25	877,540	803,208
Rest of Europe (Romania, Ukraine)	95,816	63,215
Other foreign (Russia)	7,660	0
<b>Total</b>	<b>981,016</b>	<b>866,423</b>

28/29 February	2005	2004
	€000	€000
<b>Segment assets</b>		
Austria	519,233	421,816
Rest of EU	422,861	228,502
EU-25	942,094	650,318
Rest of Europe (Romania, Ukraine)	93,767	53,312
Other foreign (Russia)	7,631	0
<b>Total</b>	<b>1,043,492</b>	<b>703,630</b>

	2004/05	2003/04
	€000	€000
<b>Capital expenditure on fixed assets</b>		
Austria	26,235	12,975
Rest of EU	15,015	13,026
EU-25	41,250	26,001
Rest of Europe (Romania, Ukraine)	4,972	2,478
Other foreign (Russia)	5,855	0
<b>Total</b>	<b>52,077</b>	<b>28,479</b>

## GENERAL PRINCIPLES

The *IFRS*-compliant Consolidated Financial Statements of the AGRANA Group for the 2004/05 financial year were prepared in accordance with the standards (*IFRS*, *IAS*) published by the *International Accounting Standards Board (IASB)* and with the interpretations by the *International Financial Reporting Interpretations Committee (IFRIC)* that were effective in the financial year in question.

New *IASB* standards are applied from the time of their entry into force. Their application and changes in our accounting policies are elucidated in the pertinent sections in the Notes. Following the recommendation of the *IASB*, AGRANA applied *IFRS 3 (Business Combinations)* in conjunction with the revised versions of *IAS 36 (Impairment of Assets)* and *IAS 38 (Intangible Assets)* before the effective date.

As recommended by the *IASB*, AGRANA applied *IFRIC 3* to issued CO<sub>2</sub> emission certificates and the associated CO<sub>2</sub> emissions before the effective date.

The breakdown of the Balance Sheet into non-current and current items was carried out in accordance with *IAS 1 (revised 2003)*. Prior-year figures were adjusted.

The financial statements of the fully consolidated companies accounted for in the Consolidated Financial Statements were subject to homogeneous accounting policies. When preparing the Consolidated Financial Statements, we observed the principles of clarity, intelligibility and materiality. The *nature of expense method* was used in the presentation of the Income Statement.

The financial statements of all the material fully consolidated Group-members and of all fully consolidated Group-members that required statutory audits under national legislation, whether domestic or foreign, were audited by independent auditors and received unqualified auditors' opinions. The auditors also attested the proper transition between local statutory financial statements prepared in conformity with commercial law and the *IFRS*-compliant individual financial statements prepared in accordance with policies applied homogeneously throughout the Group.

**CONSOLIDATION  
POLICIES**

**Scope of consolidation**

Besides *AGRANA Beteiligungs-AG*, the Consolidated Financial Statements generally include all domestic and foreign subsidiaries in which *AGRANA Beteiligungs-AG* held voting majorities by way of direct or indirect shareholdings or which were under its sole control and which were not subsidiaries of minor significance. On the balance-sheet date, 40 companies (previous year: 23 companies) besides the parent company were accounted for in the Consolidated Financial Statements as fully consolidated Group-members. Two companies (previous year: two companies) underwent proportionate consolidation according to the interest held in them by the Group.

**Changes in the**

**scope of consolidation**

	Fully consolidated	Proportionate consolidation	Equity method
On 1 March 2004	23	2	8
Change in method of inclusion	7	0	(7)
Included for the first time in year under review	9	0	26
Split during year under review	1	0	0
Excluded in year under review	0	0	0
<b>On 28 February 2005</b>	<b>40</b>	<b>2</b>	<b>27</b>

**Additions caused by changes in method of inclusion**

Name	Activity	Stake Acquisition/ formation	Time thereof	Direct stake	Computed total
<i>Steirische Agrar-beteiligungsgesellschaft m.b.H.</i> , Raaba	Holding company	Acquisition	June 2004	55.6%	55.6%
<i>Steirerobst AG</i> , Gleisdorf	Manufacturer of fruit juice concentrates and fruit preparations	Acquisition	June 2004	91.1%	50.7%
<i>Hungariaobst Kft.</i> , Gutorfölde, Hungary	Manufacturer of fruit juice concentrates	Acquisition	June 2004	99.9%	50.7%
<i>Podilljaobst TOF</i> , Vinnytsa, Ukraine	Manufacturer of fruit juice concentrates and fruit preparations	Acquisition	June 2004	99.5%	50.5%
<i>Luka TOF</i> , Vinnytsa, Ukraine	Agricultural company	Acquisition	June 2004	99.9%	50.7%
<i>Polobst Sp z o.o.</i> , Góra Kalvaria, Poland	Manufacturer of fruit juice concentrates	Acquisition	June 2004	100%	50.7%
<i>Steirerobst o.o.o.</i> , Serpuchov, Russia	Manufacturer of fruit preparations	Acquisition	June 2004	100%	50.7%

Additions caused by first-time inclusion		Stake	Time	Direct	Computed
Name	Activity	Acquisition/ formation	thereof	stake	total
<i>Caraobst s.r.l.</i> , Carei, Romania	Manufacturer of fruit juice concentrates	Acquisition	June 2004	100%	50.75%
<i>Vallø Saft Holding A/S</i> , Køge, Denmark	Holding company	Formation	July 2004	100%	100%
<i>Wink Service &amp; Logistik GmbH</i> , Bingen, Germany	Services and logistics	Acquisition	January 2005	100%	100%
<i>Wink Handels GmbH</i> , Bingen, Germany	Sales	Acquisition	January 2005	100%	100%
<i>Wink Romania s.r.l.</i> , Vaslui, Romania	Manufacturer of fruit juice concentrates	Acquisition	January 2005	100%	100%
<i>Wink Polska Sp z o.o.</i> , Białobrzegi, Poland	Manufacturer of fruit juice concentrates	Acquisition	January 2005	100%	100%
<i>Wink A Mezőgazdasági Termelő és Kereskedelmi Kft.</i> , Vásárosnamény, Hungary	Manufacturer of fruit juice concentrates	Acquisition	January 2005	100%	100%
<i>Wink B Mezőgazdasági Beterzési és Igazgatási Kft.</i> , Vásárosnamény, Hungary	Agricultural company	Acquisition	January 2005	100%	100%
<i>Wink C Mezőgazdasági Szervező és Szolgáltató Kft.</i> , Anarcs, Hungary	Manufacturer of fruit juice concentrates	Acquisition	January 2005	100%	100%

In addition, the splitting of *AGRANA Zucker und Stärke AG* into *AGRANA Zucker GmbH* and *AGRANA Stärke GmbH* during the second quarter also increased the number of fully consolidated companies.

The acquisition costs of the subsidiaries that were fully consolidated for the first time during the financial year under review amounted to € 68,994 thousand. € 10,452 thousand of this total pertained to payments made in the previous financial year.

The companies in the *Steirerobst Group* became fully consolidated members of the AGRANA Group from the second quarter and were therefore included with their results over a period of nine months. The companies in the *Wink Group* became fully consolidated members of the AGRANA Group from the end of the fourth quarter and therefore made no contribution to the year's results.

The changes in the scope of consolidation affected the Consolidated Financial Statements as follows, expressed in terms of changes (prior to consolidation) in items on the Balance Sheet and in the Income Statement:

	At time of acquisition	28 February 2005
	€000	€000
Non-current assets	109,266	115,764
Current assets	130,580	127,032
<b>Total assets</b>	<b>239,846</b>	<b>242,796</b>
Equity	83,204	84,201
Provisions and payables	156,642	158,595
<b>Total equity and liabilities</b>	<b>239,846</b>	<b>242,796</b>
		2004/05
		€000
Revenues		95,080
Profit from operating activities		6,988
Earnings for the year		5,018

Accounting over a period of 12 months in accordance with *IFRS* gave the *Steirerobst Group* revenues of € 122,428 thousand and earnings for the year of € 7,234 thousand.

*HUNGRANA Kft.*, which is jointly managed, and its subsidiary *Hungranatrans Kft.*, Szabadegyháza, Hungary, in which *AGRANA Stärke GmbH*, Vienna, holds a 50 per cent stake, underwent proportionate consolidation. Companies that underwent proportionate consolidation were recorded on the Consolidated Balance Sheet with non-current assets of € 16,607 thousand (previous year: € 16,040 thousand), current assets of € 23,317 thousand (previous year: € 22,578 thousand), equity of € 19,159 thousand (previous year: € 15,622 thousand), non-current provisions and liabilities of € 611 thousand (previous year: € 176 thousand) and current provisions and liabilities of € 20,154 thousand (previous year: € 22,820 thousand). In the Income Statement, those companies were recognized with revenues of € 62,058 thousand (previous year: € 56,165 thousand).

Twenty-seven companies (previous year: eight companies) were accounted for as associates using the equity method. The following companies were added to the list:

- *Financière Atys S.A.S.*, Paris, France, and its 25 subsidiaries  
Activities: Holding company, fruit preparations | Acquired: July 2004 | Stake: 50%

The deductions because of full consolidation were:

- *Steirische Agrarbeteiligungsgesellschaft m.b.H.*, Raaba
- *Steirerobst AG*, Gleisdorf, and its five subsidiaries

#### **Balance-sheet date**

The Group balance-sheet date for the companies in the *Sugar* and *Starch* divisions is the last day of February.

The companies in the *Steirerobst Group* and *Wink-/Vallø Saft Group* that became fully consolidated members of the AGRANA Group were included with a balance-sheet date of 31 December 2004. As allowed by *IAS 27*, interim financial statements were not prepared because their balance-sheet dates did not differ from the Consolidated Group's balance-sheet date by more than three months. Material transactions and events that took place between the balance-sheet dates of the subsidiaries and the Group's balance-sheet date that necessitated adjustment of the Consolidated Financial Statements were allowed for.

Accounting for the *Atys Group* using the equity method was based on its consolidated financial statements as of and for the period ended 31 December 2004.

#### **Consolidation**

■ Capital underwent consolidation using the *purchase method*, offsetting costs against the Group's interest in the equity of the subsidiaries in question as at the time of their acquisition. Resulting excesses of acquisition costs over the Group's interest in the fair value of the identifiable assets and liabilities acquired were allocated to assets insofar as their fair value differed from their book value. Any remaining goodwill was capitalized under *Intangible fixed assets*.

■ *IFRS 3*, published by the *IASB* on 31 March 2004, was applied with effect from 1 March 2003. Pursuant to *IFRS 3*, goodwill is no longer amortized. Instead, it is tested for impairment at least once a year, which may lead to a write-down (*impairment-only approach*). Up to and including 2002/03, goodwill was amortized over its expected useful life (generally over 20 years on a straight-line basis) in accordance with *IAS 22*.

■ Investments in associates were accounted for using the equity method (*purchase method*) on the basis of their most recently available annual financial statements. Local measurement methods were retained for companies accounted for using the equity method.

■ In accordance with *IFRS 3*, the excess of the enterprise's interest in a company's equity in the year of acquisition over the cost of the acquisition was recorded under *Income from associates*. In accordance with *IFRS 3*, goodwill arising from first-time valuation is no longer amortized.

■ Intragroup sales, expenses and income as well as all receivables, payables and provisions arising within the scope of transactions between the consolidated Group-members were eliminated.

■ Assets arising from intragroup deliveries as included in fixed assets and inventories were adjusted by the amount of intercompany results insofar as they were not of minor significance.

#### Foreign-currency translation

■ The annual financial statements of foreign Group-members were translated into euros from their reporting currencies on a *functional currency basis* in accordance with *IAS 21*. The reporting currency of every Group-member except the Group-members in Romania was the local currency of the country in question on the grounds that foreign Group-members were trading autonomously from a financial, commercial and organizational point of view.

■ Their fixed assets, other assets and liabilities were translated on that basis applying the middle rates of exchange ruling on the balance-sheet date. Expenses and income were translated at annual average rates of exchange.

■ The financial statements of the Romanian Group-members were prepared in euros because the euro was to a considerable extent the currency in which transactions were denominated and because the euro had a significant impact on those companies' financial results. Transactions were translated into euros as at the time of being booked. Consequently, it was not necessary to adjust the financial statements as provided for by *IAS 29*.

■ The following exchange rates were applied to companies employing a balance-sheet date of 28 February 2005:

Country	Currency	Rate on reporting date		Average rate	
		2004/05	2003/04	2004/05	2003/04
		€	€	€	€
Romania	€ (EUR)	1.00	1.00	1.00	1.00
Slovakia	Sk (SKK)	37.87	40.53	39.66	41.30
Czech Republic	Kč (CZK)	29.70	32.45	31.45	32.03
Hungary	Ft (HUF)	241.73	257.18	248.69	257.04

■ The following exchange rates were applied to companies employing a balance-sheet date of 31 December 2004:

Country	Currency	Rate on reporting date		Average rate	
		2004/05	2003/04	2004/05	2003/04
		€	€	€	€
Denmark	DKr (DKK)	7.44	7.44	7.44	7.43
Poland	Zl (PLN)	4.09	4.73	4.54	4.41
Romania	Leu (ROL)	39.421	–	40.525	–
Russia	Ruble (RUB)	37.76	–	35.77	–
Ukraine	Hryvnia (UAH)	7.24	–	6.60	–
Hungary	Ft (HUF)	245.77	–	251.79	–

#### Accounting policies

■ In March 2004, the *International Accounting Standard Board (IASB)* published *IFRS 3* in conjunction with revisions of *IAS 36* and *IAS 38*. AGRANA has been applying those standards with effect from 1 March 2003.

■ Acquired goodwill was recorded under *Intangible fixed assets*. Intangible fixed assets acquired within the scope of business combinations were recorded separately from goodwill if they were separable for the purposes of the definition in *IAS 38* or if they resulted from a contractual or legal right and if their fair value could be reliably measured.

■ As from 1 March 2003, goodwill and intangible fixed assets with an indefinite useful life have no longer been amortized. Instead, they have been tested for the need for an unscheduled impairment write-down at least once a year. The impairment testing procedure is described in the Notes to the Balance Sheet.

■ Other intangible fixed assets acquired for valuable consideration were capitalized at cost and are being amortized on a straight-line basis over their expected useful lives of between five and 15 years.

■ Tangible fixed assets were valued at cost of purchase and/or conversion less straight-line depreciation and unscheduled write-downs. Besides material and labour costs, overheads on a prorated basis were capitalized in the conversion costs of self-produced assets. Financing costs were not included.

■ In conformity with *IAS 20*, public grants received for purchasing or converting assets (capital investment grants and allowances) were recorded under *Other payables* (prepaid income) and are subject to release in accordance with the useful lives of those assets.

■ For the most part, depreciation of tangible fixed assets is based on the following useful lives:

Buildings	30 – 50 years
Technical plant and machinery	10 – 15 years
Office furniture and equipment	3 – 10 years

■ Unscheduled write-downs were carried out in accordance with *IAS 36* if the recoverable amount of an asset had declined below its book value. The recoverable amount was taken to be the higher of the asset's net selling price and value in use.

■ Investments in associates, insofar as not of minor significance, were accounted for at amortized cost using the equity method.

■ Investments in non-consolidated subsidiaries and other equity interests held for investment purposes were generally measured at fair value in accordance with *IAS 39*. Insofar as that fair value could not be reliably measured, they were recognized at cost. A write-down was carried out if there was evidence of a permanent impairment.

■ Loans were recognized at nominal values. Non-interest-bearing and low-interest long-term loans were recorded at present values.

■ Held-to-maturity securities were recognized at cost or – if a permanent impairment was to be expected – at a lower market or stock-exchange price. Other securities (available-for-sale securities) were recognized at fair values, whereby changes in valuations were recognized directly in equity.

■ Where there was substantial evidence of impairment and if the estimated recoverable amount of a financial fixed asset was lower than its book value, an unscheduled write-down was captured in profit for the period.

- Inventories were recognized at the lower of cost of purchase and/or conversion and net selling prices. The *weighted average cost formula* was used. In accordance with *IAS 2*, the conversion costs of unfinished and finished products included reasonable proportions of the necessary material costs and production overheads inclusive of depreciation of manufacturing plant (assuming normal usage) as well as administrative costs in addition to directly attributable unit costs. Financing costs were not taken into account. Insofar as inventories were at risk because of longer periods of storage or reduced usability, valuation markdowns were carried out.
- Receivables recognized as current assets were capitalized at nominal values. Adequate revaluation reserves were allocated to allow for the counterparty risks and other risks associated with receivables. Receivables denominated in foreign currencies were translated applying the middle rates of exchange ruling on the balance-sheet date.
- Capitalization of available-for-sale securities took place at stock-market values as at the end of the financial year in conformity with *IAS 39*.
- Provisions for the defined retirement benefit, severance/redundancy payment and anniversary bonus obligations of the Austrian Group-members were measured using the internationally accepted *projected unit credit method* in accordance with *IAS 19*. Expert actuarial opinions were obtained for that purpose. The measurement of such provisions was based on trend extrapolations of the future development of remunerations and retirement benefits and of fluctuations and on a discounting rate of 4.75% (previous year: 5.25%).
- A part of promised retirement benefits was transferred to a pension fund. Retirement benefit contributions were calculated in such a way as to fully fund promised retirement benefits by the time of retirement. Should a funding gap develop, there is an obligation to top up the necessary amounts. The individual assets allocated to the pension fund are netted against the provision for retirement benefits.
- Other provisions were allocated at the amounts permitted by *IAS 37*, capturing all identifiable risks and indefinite liabilities and the time of their probable occurrence.
- The risks arising from contingent liabilities were covered by adequate provisions.
- Tax deferrals were calculated on the basis of the differences between the *IFRS*-compliant Balance Sheet and the tax base with respect to valuations of assets, equity and liabilities, on the basis of consolidation entries and on the basis of realizable carryforwards of unused tax losses.

There were significant differences between the *IFRS*-compliant Balance Sheet and the tax base with respect to the following items: tangible fixed assets, inventories and provisions. Deferred tax assets were capitalized with respect to carryforwards of unused tax losses insofar as they were usable within three years.

Tax deferrals were calculated using the internationally customary *liability method (IAS 12)*, taking into account the pertinent national rates of income taxation.

Consequently, with the exception of goodwill arising upon consolidation, tax deferrals were recognized for all temporary differences in recognition and measurement between the *IFRS*-compliant Balance Sheet and the tax base.

Deferrals were calculated on the basis of the future tax rates expected at the time of the reversal of such differences. Future changes in tax rates were taken into account if the change in a tax rate had already been enacted in law at the time of the Balance Sheet's preparation.

Deferred tax assets were recognized within non-current assets. Deferred tax liabilities were reported as provisions for deferred taxes. Deferred tax assets were offset against deferred tax liabilities in cases where income taxes were to be collected by the same tax authority.

■ All payables were recognized at amounts repayable. Payables denominated in foreign currencies were recognized at the middle rates of exchange ruling on the balance-sheet date.

■ Revenues from deliveries were recognized if substantially all the risks and rewards incident to the delivered item had passed to the purchaser. Operating expenses were recognized in the Income Statement upon use of the product or service or at the time it was caused.

**NOTES TO THE  
INCOME STATEMENT**

**(1) Sales revenues  
By business segment**

	2004/05	2003/04
	€000	€000
Revenues from the sale of self-produced goods	866,169	751,639
Revenues from the sale of goods purchased for resale	111,113	110,432
Service revenues	3,734	4,352
<b>Total</b>	<b>981,016</b>	<b>866,423</b>

See *Segment Reports* (page 65) for a regional breakdown.

**(2) Changes in inventories and other capitalized own work**

	2004/05	2003/04
	€000	€000
Change in stocks of finished and unfinished products	55,947	1,814
Other capitalized own work	1,411	1,483

The increase in stocks of finished and unfinished products was generated by the *Sugar Segment*. It was mainly due to the increase in sugar output during 2004.

**(3) Other operating income**

	2004/05	2003/04
	€000	€000
Income from		
Disposals/retirements of fixed assets other than financial fixed assets	1,492	783
Release of provisions	4,471	4,019
Group levies (non-consolidated companies)	726	788
Services rendered to third parties	684	971
Insurance benefits and payments for damages	964	160
Leases	1,218	1,112
Exchange differences on translation	3,446	1,785
Release of valuation reserves for receivables	718	740
Amounts invoiced on	2,742	2,814
Write-ups of fixed assets other than financial fixed assets	1,923	186
Investment grants and other subsidies	1,101	212
Other items	6,922	3,652
<b>Total</b>	<b>26,407</b>	<b>17,222</b>

**(4) Cost of materials**

	2004/05	2003/04
	€000	€000
Cost of		
Raw materials	447,368	328,286
Goods purchased for resale	103,124	120,986
Process materials and supplies	86,180	82,604
Purchased services	22,181	16,400
<b>Total</b>	<b>658,853</b>	<b>548,276</b>

**(5) Staff costs**

	2004/05	2003/04
	€000	€000
Wages and salaries	86,402	75,148
Social security levies	23,413	20,185
Expenditure on retirement benefits	2,230	239
Expenditure on severance/redundancy payments	1,303	839
<b>Total</b>	<b>113,348</b>	<b>96,411</b>

Allocations to the provisions for retirement benefits, severance/redundancy payments and anniversary bonuses were recognized in *Staff costs* but without their interest component. Net interest expense arising from those items was recognized under *Net income from financial activities* at the amount of € 3,002 thousand (previous year: € 3,266 thousand).

**Average number of staff employed during the financial year**

	2004/05	2003/04
By employee category		
Blue-collar ( <i>Arbeiter</i> )	3,706	2,739
White-collar ( <i>Angestellte</i> )	1,185	1,033
Apprentices	67	69
<b>Total</b>	<b>4,958</b>	<b>3,841</b>
By region		
Austria	1,646	1,353
Rest of EU	1,533	1,446
EU-25	3,179	2,799
Other Europe (Romania, Ukraine)	1,763	1,042
Other foreign (Russia)	16	0
<b>Total</b>	<b>4,958</b>	<b>3,841</b>

**(6) Depreciation/amortization/write-downs**

	2004/05			2003/04		
	Total	Scheduled	Un-scheduled	Total	Scheduled	Un-scheduled
	€000	€000	€000	€000	€000	€000
Intangible fixed assets	954	954	0	317	317	0
Tangible fixed assets	46,825	45,503	1,322	39,613	38,179	1,434
<b>Depreciation/amortization/ write-downs recognized in Profit (loss) from operating activities</b>	<b>47,779</b>	<b>46,457</b>	<b>1,322</b>	<b>39,930</b>	<b>38,496</b>	<b>1,434</b>
Goodwill	0	0	0	37	37	0
<b>Amortization/write-downs recognized in Profit (loss) from ordinary activities</b>	<b>47,779</b>	<b>46,457</b>	<b>1,322</b>	<b>39,967</b>	<b>38,533</b>	<b>1,434</b>
Financial fixed assets	5	0	5	50	0	50
<b>Amortization/write-downs recognized in Net income from financial activities</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>50</b>	<b>0</b>	<b>50</b>
<b>Depreciation/amortization/ write-downs as per the Fixed Assets Statement</b>	<b>47,784</b>	<b>46,457</b>	<b>1,327</b>	<b>40,017</b>	<b>38,533</b>	<b>1,484</b>

**(7) Other operating expenses**

	2004/05	2003/04
	€000	€000
Production contribution and additional levy	10,717	7,304
Operating and administrative expenses	58,364	46,128
Selling and freight costs	44,864	32,686
Advertising expenses	10,790	8,886
Other taxes	3,105	1,834
Losses arising from disposals/retirements of fixed assets	631	361
Research and development	4,468	4,434
Operating expenses arising from third-party inputs	7,926	13,988
Exchange differences on translation	2,789	1,447
Other	10,367	8,424
<b>Total</b>	<b>154,021</b>	<b>125,492</b>

**(8) Net interest income**

	2004/05	2003/04
	€000	€000
Income from other securities and loans classified as financial fixed assets	3,738	7,889
Other interest income and similar income	2,333	2,222
Of which arising from subsidiaries	[34]	[167]
Interest expense and similar charges	(12,328)	(11,574)
Of which arising from subsidiaries	[(22)]	[(66)]
<b>Total</b>	<b>(6,257)</b>	<b>(1,463)</b>
Of which arising from subsidiaries	[12]	[101]

*Interest expense and similar charges* includes the interest component of allocations to the provisions for retirement benefits, severance/redundancy payments and anniversary bonuses at the amount of € 3,002 thousand (previous year: € 3,266 thousand).

**(9) Net income from equity interests  
held for investment purposes**

	2004/05	2003/04
	€000	€000
Income/expenses arising from		
Subsidiaries	(1,459)	454
Associates	2,727	819
Other equity interests held for investment purposes	4,656	1,182
Release of negative goodwill	2,076	770
<b>Total</b>	<b>8,000</b>	<b>3,225</b>

Income/expenses arising from subsidiaries contained the assumed loss of *AGRANA Stärke GmbH & Co KG*, Hörbranz.

**(10) Net income from financial activities**

	2004/05	2003/04
	€000	€000
Profits from the sale of equity interests held for investment purposes	309	69
Write-downs to financial fixed assets	(5)	(50)
Write-downs to available-for-sale securities	(1,739)	(1,760)
Exchange gains (losses)	1,403	(2,747)
Assumptions of profits and liabilities	0	(2,500)
Other income	716	319
Other expenses	(15)	(1,148)
<b>Total</b>	<b>669</b>	<b>(7,817)</b>

**(11) Income tax expense**

Actual income tax expense and credits and tax deferrals pertained to Austrian and foreign income taxes and broke down as follows:

	2004/05	2003/04
	€000	€000
Actual tax expense	13,239	13,804
Of which Austrian	[5,675]	[8,862]
Of which foreign	[7,564]	[4,942]
Deferred taxes	(4,389)	(605)
Of which Austrian	[(4,782)]	[(241)]
Of which foreign	[393]	[(364)]
<b>Total</b>	<b>8,850</b>	<b>13,199</b>
Of which Austrian	[893]	[8,621]
Of which foreign	[7,957]	[4,578]

Actual and deferred taxes at the amount of € 3,665 thousand (previous year: minus € 3,468 thousand) were recognized directly in equity.

**Tax reconciliation from profit before income tax  
to income tax expense**

	2004/05	2003/04
	€000	€000
Profit before income tax	93,192	70,741
Austrian tax rate	25%	34%
<b>Theoretical tax expense</b>	<b>23,298</b>	<b>24,052</b>
Change versus theoretical tax expense because of		
Change in Austrian tax rate from 34% to 25%	(6,944)	0
Divergent applicable tax rate	(3,958)	(4,207)
Reduction in tax burden due to deduction of tax-exempt income	(6,424)	(5,084)
Increase in tax burden due to non-tax-deductible expenses and additional tax debits	3,594	3,561
Non-temporary differences arising from consolidation	(783)	(6,666)
Changes in tax rates, out-of-period tax	67	1,543
<b>Income tax expense</b>	<b>8,850</b>	<b>13,199</b>
<b>Effective tax rate</b>	<b>9.5%</b>	<b>18.7%</b>

The *Steuerreformgesetz* (tax reform act) cut the Austrian corporation tax rate from 34% to 25% with effect from 1 January 2005. The income tax reconciliation was therefore based on the new tax rate.

Tax deferrals were based on differences between valuations in the Consolidated Financial Statements and the individual tax bases for taxes imposed in individual countries taking into account carryforwards of unused tax losses.

In the interests of cautious planning, tax deferrals only took into account deferred tax assets to the extent that a taxable profit of a kind that could be expected to suffice for the realization of the deferred tax asset in question was foreseeable within the ensuing three years.

**(12) Earnings per share**

		2004/05	2003/04
Consolidated earnings for the year	€000	79,872	56,539
Average number of shares outstanding	Units	11,122,725	11,122,725
Earnings per share in accordance with <i>IFRS</i> (undiluted and diluted)	€	7.18	5.08 <sup>1</sup>

The number of shares outstanding on the balance-sheet date resulted in the following:

Number of shares outstanding on the balance-sheet date	Units	14,202,040	11,027,040
Earnings per share	€	5.62	5.13

Following the capital increase, issued shares totalled 14,202,040 as of 1 February 2005.

Assuming that the Annual General Meeting of Shareholders approves the proposed appropriation of profit for the 2004/05 financial year, *AGRANA Beteiligungs-AG* will be distributing a total of € 27,694 thousand (previous year: € 19,849 thousand).

**NOTES TO THE  
CASH FLOW  
STATEMENT**

The Cash Flow Statement prepared in accordance with the pertinent provisions of *IAS 7* shows the change in the AGRANA Group's holdings of cash and cash-equivalents arising from day-to-day operating activities, investing activities and financing activities.

Cash and cash-equivalents comprised cash, bank balances and available-for-sale securities. Short-term payables to banks were not included.

The effects of corporate acquisitions were eliminated and recognized under *Changes in the scope of consolidation*.

**(13) Net cash from operating activities**

Net cash from profit came to € 115,609 thousand (previous year: € 100,889 thousand), which was 11.8 per cent of revenues (previous year: 11.6 per cent of revenues). Profit distributions arising from *other* equity interests held for investment purposes came to € 3,349 (previous year: € 1,182 thousand).

<sup>1</sup> Prior-year figures have been adjusted in accordance with *IAS 33.64*.

After allowing for changes in working capital, net cash used in operating activities amounted to € 9,256 thousand (net cash from operating activities in previous year: € 84,089 thousand). The decline was above all due to a substantial build-up of inventories totalling € 64,523 thousand as a result of increased sugar output in 2004 and a short-term increase in receivables of € 93,675 thousand (€ 45,010 thousand of which were amounts receivable from *Südzucker AG*, Mannheim/Ochsenfurt).

*Net cash from operating activities* included the following interest and tax payments:

	2004/05	2003/04
	€000	€000
Interest received	5,405	11,075
Interest paid	9,218	7,983
Tax paid	17,958	23,826

**(14) Net cash from (used in) investing activities**

€ 180,300 thousand (previous year: € 68,743 thousand) was needed to finance our investing activities.

Purchases of tangible and intangible fixed assets were up on the year at € 52,077 thousand (previous year: € 28,479 thousand).

Proceeds from disposals/retirements of fixed assets came to € 2,740 thousand (previous year: € 12,136 thousand).

Purchases of financial fixed assets were up on the year at € 98,194 thousand (previous year: € 36,820 thousand) and arose from the prepayment of the second instalment in the acquisition of the *Atys Group*, in respect of a 25 per cent stake, and the acquisition of another equity interest held for investment purposes.

The change in cash and cash equivalents arising from the changes in the scope of consolidation came to € 32,769 thousand. It resulted from acquisition costs paid in the year under review, namely € 45,462 thousand, less the increase in cash and cash equivalents caused by the first-time consolidation of the *Steirerobst Group* and the *Wink Group*, namely € 12,693 thousand.

The stake in *Steirische Agrarbetiligungsgesellschaft m.b.H.* (the holding company for the *Steirerobst Group*) was acquired at a cost of € 20,569 thousand. € 9,685 thousand of that total was outgoing in the previous year and € 10,884 thousand in the year under review.

The members of the *Wink Group* were acquired at a cost of € 44,179 thousand, € 34,578 thousand of which was paid in the year under review. In addition, obligations at a total of € 4,246 thousand were assumed within the scope of an asset deal.

**(15) Net cash from (used in) financing activities**

Financial liabilities of € 73,608 thousand were taken up during the 2004/05 financial year. *Dividends paid* resulted predominantly from the cash dividends payable to the shareholders of AGRANA Beteiligungs-AG.

**NOTES TO THE  
BALANCE SHEET**

**(16) Intangible fixed assets**

	Commercial privileges, licences and similar rights €000	Goodwill €000	Pre- payments €000	Total €000
<b>2004/05 financial year</b>				
<b>Cost</b>				
On 1 March 2004	17,201	28,315	370	45,886
Exchange differences	284	51	26	361
Changes in the scope of consolidation	3,761	14,765	439	18,965
Additions	904	0	795	1,699
Reallocations	(279)	0	(396)	(675)
Disposals/retirements	(142)	(163)	0	(305)
Revaluations ( <i>IAS 39</i> )	0	0	0	0
<b>On 28 February 2005</b>	<b>21,729</b>	<b>42,968</b>	<b>1,234</b>	<b>65,931</b>
<b>Amortization/write-downs</b>				
On 1 March 2004	16,478	29	0	16,507
Exchange differences	155	38	0	193
Changes in the scope of consolidation	2,343	0	0	2,343
Additions	954	0	0	954
Reallocations	0	0	0	0
Disposals/retirements	(91)	(67)	0	(158)
Write-ups	(1)	0	0	(1)
<b>On 28 February 2005</b>	<b>19,838</b>	<b>0</b>	<b>0</b>	<b>19,838</b>
<b>Book value on 28 February 2005</b>	<b>1,891</b>	<b>42,968</b>	<b>1,234</b>	<b>46,093</b>

	Commercial privileges, licences and similar rights €000	Goodwill €000	Pre- payments €000	Total €000
<b>Previous year</b>				
<b>Cost</b>				
On 1 March 2003	16,918	21,712	31	38,661
Exchange differences	(76)	(12)	0	(88)
Changes in the scope of consolidation	0	6,615	0	6,615
Additions	447	0	370	817
Reallocations	116	0	0	116
Disposals/retirements	(204)	0	(31)	(235)
Revaluations ( <i>IAS 39</i> )	0	0	0	0
<b>On 29 February 2004</b>	<b>17,201</b>	<b>28,315</b>	<b>370</b>	<b>45,886</b>
<b>Amortization/write-downs</b>				
On 1 March 2003	16,423	0	0	16,423
Exchange differences	(69)	(8)	0	(77)
Changes in the scope of consolidation	0	0	0	0
Additions	317	37	0	354
Reallocations	11	0	0	11
Disposals/retirements	(204)	0	0	(204)
Write-ups	0	0	0	0
<b>On 29 February 2004</b>	<b>16,478</b>	<b>29</b>	<b>0</b>	<b>16,507</b>
<b>Book value on 29 February 2004</b>	<b>723</b>	<b>28,286</b>	<b>370</b>	<b>29,379</b>

■ *Intangible fixed assets* includes in particular the goodwill arising from business combinations during and after the 1995/96 financial year, capitalized in accordance with *IFRS 3*, and also includes purchased computer software and industrial property rights, similar rights and prepayments.

■ The Sugar Segment accounted for € 19,501 thousand (previous year: € 19,583 thousand) of the book value of goodwill, and the Specialities Segment accounted for € 23,467 thousand (previous year: € 8,703 thousand) thereof. The increase was due to the acquisition of the *Wink Group*, which is one of Europe's leaders in apple juice concentrates. Goodwill is the total cost of acquisitions less the fair value of the assets and liabilities acquired less the equity of the new subsidiaries.

■ To satisfy the provisions of *IFRS 3* in conjunction with *IAS 36* and to allow the calculation of any impairments of goodwill, AGRANA has structured its cash generating units in line with its internal reporting structure. The cash generating units within the AGRANA Group have been defined as the Sugar Division, the Starch Division and the Fruit Division in line with internal management and reporting processes.

■ To test for impairment, the book value of each cash generating unit is measured by allocating it assets and liabilities inclusive of attributable goodwill and intangible fixed assets. Unscheduled write-downs are carried out if the amount recoverable on a cash generating unit is below its book value inclusive of goodwill. The recoverable amount is the higher of its net realizable value and present value of expected future cash flows from the asset.

■ When testing for impairment, AGRANA used a discounted cash flow procedure based on discounted expected future cash flows from cash-generating units. The measurement of cash flows from each cash-generating unit was based on validated business plans issued by Supervisory Board bodies with a plan horizon of five years. Planning for the *Sugar* cash generating unit allowed for the detrimental effect on profit of future changes in the sugar CMO (see the notes in the *Risk Report* section of the Board of Management's Report). Constant growth of 1.5 per cent *per annum* due to inflation was assumed for longer planning horizons. The weighted average cost of capital (WACC) based on the AGRANA Group's capital costs was calculated to be 7.6 per cent.

■ We established that all goodwill recognized in the Consolidated Financial Statements was free from impairments. No unscheduled write-downs were needed during the 2004/05 financial year.

■ No other intangible fixed assets with indefinite useful lives required recognition on the balance-sheet date.

**(17) Tangible fixed assets**

	Land, similar rights and buildings €000	Technical plant and machinery €000	Other plant, office furniture and equipment €000	Prepay- ments, assets under construction €000	Total €000
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**2004/05 financial year**

**Cost**

On 1 March 2004	264,615	559,465	60,896	4,512	889,488
Exchange differences	5,092	7,321	697	115	13,225
Changes in the scope of consolidation	57,293	74,252	25,000	2,587	159,132
Additions	7,381	21,852	6,674	14,471	50,378
Reallocations	947	2,774	214	(3,260)	675
Disposals/retirements	(4,648)	(7,016)	(3,355)	(132)	(15,151)
Revaluations (IAS 39)	0	0	0	0	0
<b>On 28 February 2005</b>	<b>330,680</b>	<b>658,648</b>	<b>90,126</b>	<b>18,293</b>	<b>1,097,747</b>

**Depreciation/write-downs**

On 1 March 2004	146,725	427,115	49,193	226	623,259
Exchange differences	2,119	4,679	453	3	7,254
Changes in the scope of consolidation	14,263	27,202	13,196	0	54,661
Additions	10,041	30,604	6,166	14	46,825
Reallocations	(103)	113	(2)	(8)	0
Disposals/retirements	(4,103)	(6,606)	(3,114)	0	(13,823)
Write-ups	(159)	(1,760)	(3)	0	(1,922)
<b>On 28 February 2005</b>	<b>168,783</b>	<b>481,347</b>	<b>65,889</b>	<b>235</b>	<b>716,254</b>

**Book value on**

<b>28 February 2005</b>	<b>161,897</b>	<b>177,301</b>	<b>24,237</b>	<b>18,058</b>	<b>381,493</b>
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	Land, similar rights and buildings €000	Technical plant and machinery €000	Other plant, office furniture and equipment €000	Prepay- ments, assets under construction €000	Total €000
<b>Previous year</b>					
<b>Cost</b>					
On 1 March 2003	254,965	534,678	58,547	5,136	853,326
Exchange differences	(1,646)	(3,315)	(420)	(104)	(5,485)
Changes in the scope of consolidation	7,339	15,017	(6)	0	22,350
Additions	4,093	15,272	4,769	3,528	27,662
Reallocations	756	3,042	130	(4,044)	(116)
Disposals/retirements	(892)	(5,229)	(2,124)	(4)	(8,249)
Revaluations (IAS 39)	0	0	0	0	0
<b>On 29 February 2004</b>	<b>264,615</b>	<b>559,465</b>	<b>60,896</b>	<b>4,512</b>	<b>889,488</b>
<b>Depreciation/write-downs</b>					
On 1 March 2003	138,444	401,593	47,209	240	587,486
Exchange differences	(743)	(2,301)	(280)	0	(3,324)
Changes in the scope of consolidation	703	6,381	(6)	0	7,078
Additions	8,978	26,512	4,123	0	39,613
Reallocations	0	3	0	(14)	(11)
Disposals/retirements	(643)	(4,903)	(1,851)	0	(7,397)
Write-ups	(14)	(170)	(2)	0	(186)
<b>On 29 February 2004</b>	<b>146,725</b>	<b>427,115</b>	<b>49,193</b>	<b>226</b>	<b>623,259</b>
<b>Book value on 29 February 2004</b>	<b>117,890</b>	<b>132,350</b>	<b>11,703</b>	<b>4,286</b>	<b>266,229</b>

■ Additions of (capital expenditure on) intangible and tangible fixed assets:

	2004   05 €000	2003   04 €000
Sugar Segment	17,617	16,650
Specialities Segment	34,460	11,829
<b>Total</b>	<b>52,077</b>	<b>28,479</b>

The increase in the Specialities Segment was due to the enlargement of the Aschach starch factory and the activities of the *Steirerobst Group*, including above all the construction of a fruit preparations plant in Russia.

■ Exchange differences are shown at the amounts arising from the differences in the values of the assets of foreign Group-members between their initial values measured applying the exchange rates ruling at the start of the year and their closing values measured applying the exchange rates ruling at year-end.

#### (18) Financial fixed assets

	Investments in subsidiaries €000	Investments in associates €000	Investments in other companies €000	Loans to companies €000	Securities classified as non-current assets €000	Other loans €000	Prepayments for financial fixed assets €000	Total €000
<b>2004/05 financial year</b>								
<b>Cost</b>								
On 1 March 2004	3,381	11,601	57,951	249	23,602	132	27,000	123,916
Exchange differences	0	0	4	21	16	8	0	49
Changes in the scope of consolidation	13	0	0	0	986	0	0	999
Additions	180	69,375	31,086	0	280	0	0	100,921
Reallocations	0	27,000	8	0	(8)	0	(27,000)	0
Disposals/retirements	(1,983)	(11,196)	0	0	(262)	(140)	0	(13,581)
Revaluations ( <i>IAS 39</i> )	0	0	3,700	0	965	0	0	4,665
<b>On 28 February 2005</b>	<b>1,591</b>	<b>96,780</b>	<b>92,749</b>	<b>270</b>	<b>25,579</b>	<b>0</b>	<b>0</b>	<b>216,969</b>
<b>Depreciation/write-downs</b>								
On 1 March 2004	2,015	0	30	249	1,712	0	0	4,006
Exchange differences	0	0	0	21	0	0	0	21
Changes in the scope of consolidation	0	0	0	0	197	0	0	197
Additions	0	0	5	0	0	0	0	5
Reallocations	0	0	0	0	0	0	0	0
Disposals/retirements	(1,971)	0	0	0	(11)	0	0	(1,982)
Write-ups	0	0	0	0	0	0	0	0
<b>On 28 February 2005</b>	<b>44</b>	<b>0</b>	<b>35</b>	<b>270</b>	<b>1,898</b>	<b>0</b>	<b>0</b>	<b>2,247</b>
<b>Book value on</b>								
<b>28 February 2005</b>	<b>1,547</b>	<b>96,780</b>	<b>92,714</b>	<b>0</b>	<b>23,681</b>	<b>0</b>	<b>0</b>	<b>214,722</b>

	Investments in subsidiaries	Investments in associates	Investments in other companies	Loans to companies	Securities classified as non-current assets	Other loans	Prepayments for financial fixed assets	Total
	€000	€000	€000	€000	€000	€000	€000	€000
<b>Previous year</b>								
<b>Cost</b>								
On 1 March 2003	3,381	28,038	182	254	33,271	137	0	65,263
Exchange differences	0	0	(1)	(5)	(4)	(7)	0	(17)
Changes in the scope of consolidation	0	0	0	0	0	0	0	0
Additions	0	11,271	22,937	40	4	51	27,000	61,303
Reallocations	0	(24,658)	24,658	0	0	0	0	0
Disposals/retirements	0	(3,050)	(25)	(40)	(10,888)	(49)	0	(14,052)
Revaluations (IAS 39)	0	0	10,200	0	1,219	0	0	11,419
<b>On 29 February 2004</b>	<b>3,381</b>	<b>11,601</b>	<b>57,951</b>	<b>249</b>	<b>23,602</b>	<b>132</b>	<b>27,000</b>	<b>123,916</b>
<b>Depreciation/write-downs</b>								
On 1 March 2003	2,015	3,050	35	254	1,694	0	0	7,048
Exchange differences	0	0	0	(5)	0	0	0	(5)
Changes in the scope of consolidation	0	0	0	0	0	0	0	0
Additions	0	0	20	0	30	0	0	50
Reallocations	0	0	0	0	0	0	0	0
Disposals/retirements	0	(3,050)	(25)	0	(12)	0	0	(3,087)
Write-ups	0	0	0	0	0	0	0	0
<b>On 29 February 2004</b>	<b>2,015</b>	<b>0</b>	<b>30</b>	<b>249</b>	<b>1,712</b>	<b>0</b>	<b>0</b>	<b>4,006</b>
<b>Book value on 29 February 2004</b>	<b>1,366</b>	<b>11,601</b>	<b>57,921</b>	<b>0</b>	<b>21,890</b>	<b>132</b>	<b>27,000</b>	<b>119,910</b>

■ The balance-sheet entry for *Investments in subsidiaries* shows only the book values of the companies excluded from consolidation because of their minor significance.

■ *Investments in associates* increased by € 69,375 thousand (previous year: € 11,271 thousand). *Additions* includes the prepayment of the second instalment in the acquisition of the *Atys Group*, in respect of a 25 per cent stake, and profit recorded by companies accounted for using the equity method at the amount of € 2,727 thousand (previous year: € 819 thousand). Because the final price will only be certain after the completion of the acquisition process, the acquisition of the *Atys Group* was provisionally accounted for in accordance with *IFRS 3*. The acquisition of the *Atys Group* made us the world's leader in fruit preparations.

■ € 11,196 thousand of *Disposals/retirements* was accounted for by the *Steirerobst Group*, which became a fully consolidated member of the AGRANA Group.

### (19) Deferred tax assets

Tax deferrals were attributable to the following items on the Balance Sheet:

28/29 February	2005	2004
	€000	€000
Deferred tax assets		
Provisions for retirement benefits, severance/ redundancy payments and anniversary bonuses	1,948	2,735
Inventories and receivables	724	1,046
Other provisions and liabilities	1,898	1,725
Carryforwards of unused tax losses	2,097	1,303
<b>Total deferred tax assets</b>	<b>6,667</b>	<b>6,809</b>
Deferred tax assets net of deferred tax liabilities with respect to the same tax authority		
	(3,747)	(2,748)
<b>Net deferred tax assets</b>	<b>2,920</b>	<b>4,061</b>

The calculation of deferred tax liabilities gave net deferred tax liabilities of € 25,172 thousand (previous year: € 25,651 thousand). This item is elucidated under point 24 (b).

### (20) Receivables and other assets

28/29 February	2005	2004
	€000	€000
Trade receivables	108,531	84,412
Of which with a maturity of more than 1 year	[495]	[0]
Receivables from subsidiaries	53,697	7,985
Of which with a maturity of more than 1 year	[46]	[69]
Receivables from associates	2,191	1,725
Receivables from other companies in which the Group had equity interests held for investment purposes	1,307	18
Tax credits	51,308	18,499
Reimbursement claims under the sugar CMO	17,739	1,718
Deferred items	1,323	956
Other assets	19,128	11,807
Of which with a maturity of more than 1 year	[2,070]	[1,039]
<b>Total</b>	<b>255,224</b>	<b>127,120</b>
Of which with a maturity of more than 1 year	[2,611]	[1,108]

Receivables from subsidiaries derived exclusively from accounts with excluded subsidiaries as well as *Südzucker AG*, Mannheim/Ochsenfurt, and its subsidiaries.

### (21) Inventories

28/29 February	2005	2004
	€000	€000
Raw materials, process materials, supplies	44,250	36,975
Unfinished products	19,981	18,475
Finished products and goods	347,068	236,133
Prepayments	7,900	2
<b>Total</b>	<b>419,199</b>	<b>291,585</b>

The increase in inventories was due to the first-time consolidation of the companies in the Fruit Division and increases in the inventories of the sugar-making subsidiaries.

The book value of inventories valued at net selling prices was € 21,007 thousand (previous year: € 4,576 thousand).

### (22) Securities

Shares and other securities were recognized at the amount of € 107,449 thousand (previous year: € 46,835 thousand). This item consists mainly of fixed-interest securities held as part of liquidity reserves and proceeds from the capital increase held for short-term investment purposes.

### (23) Equity

■ The Extraordinary General Meeting of Shareholders held on 5 November 2004 empowered the Board of Management to increase the Company's issued share capital with the Supervisory Board's consent by not later than 31 December 2006 by up to € 23,073.624 thousand by issuing up to 3,175,000 ordinary voting bearer shares (no-par shares) for cash either by way of one issue or by way of more than one issue. Accordingly, the Board of Management decided on 18 January 2005 and the Supervisory Board decided on 20 January 2005 to increase the Company's issued share capital from the nominal amount of € 80,136.624 thousand by up to a nominal amount of € 23,073.624 thousand to up to the nominal amount of €103,210.249 thousand by issuing 3,175,000 ordinary voting bearer shares with a computed value of € 7.267 per share.

The new shares were issued at a price of € 72 per share. The premium of € 205,527 thousand minus the cost of the capital increase net of tax, namely € 197,899 thousand, was allocated to the capital reserve.

■ Movements in the Group's equity are detailed in a separate Statement of Changes in Equity (see page 63).

**(24) Provisions**

28/29 February	2005	2004
	€000	€000
Provisions for		
Retirement benefits	34,716	33,740
Severance/redundancy payments	17,236	16,948
Anniversary bonuses	4,750	4,886
Deferred tax liabilities	25,172	25,651
Other taxes	6,934	20,750
Other	74,906	62,721
<b>Total</b>	<b>163,714</b>	<b>164,696</b>

**a) Provisions for retirement benefits, severance/redundancy payments and anniversary bonuses**

Provisions for retirement benefits and for severance/redundancy payments were measured using the *projected unit credit method* taking into account future developments on an actuarial basis. In both cases, defined benefit plans are in place.

The following assumptions were made regarding probable future increases in wages, salaries and retirement benefits within the Austrian Group-members:

28/29 February	2005	2004
	Per cent	Per cent
Wage/salary trend	2.75	2.50
Retirement benefit trend	2.00	2.00
Interest rate	4.75	5.25

Abroad, we modified our assumptions to suit the particular circumstances.

Provisions developed as follows:

	Retirement benefits €000	Severance/ redundancy payments €000	Anniversary bonuses €000
<b>2004/05 financial year</b>			
<b>Balance-sheet provision</b>			
<b>on 1 March 2004</b>	<b>33,740</b>	<b>16,948</b>	<b>4,886</b>
Service cost	242	770	230
Interest cost	1,975	772	255
Expected income from plan assets	(87)	0	0
Actuarial (gain) loss	2,371	0	(316)
Total recognized in profit for the period	4,501	1,542	169
Changes in the scope of consolidation	493	1,043	209
Benefits payments	(3,689)	(2,297)	(514)
Allocated to plan assets	(329)	0	0
<b>Balance-sheet provision</b>			
<b>on 28 February 2005</b>	<b>34,716</b>	<b>17,236</b>	<b>4,750</b>
Unrecognized actuarial (gain) loss	4,342	1,541	0
Fair value of plan assets	1,946	0	0
<b>Present value</b>			
<b>on 28 February 2005</b>	<b>41,004</b>	<b>18,777</b>	<b>4,750</b>
<b>Previous year</b>			
<b>Balance-sheet provision</b>			
<b>on 1 March 2003</b>	<b>35,393</b>	<b>17,288</b>	<b>4,734</b>
Service cost	152	790	208
Interest cost	2,077	929	260
Expected income from plan assets	(40)	0	0
Actuarial (gain) loss	0	(5)	192
Total recognized in profit for the period	2,189	1,714	660
Benefits payments	(3,614)	(2,054)	(508)
Allocated to plan assets	(228)	0	0
<b>Balance-sheet provision</b>			
<b>on 29 February 2004</b>	<b>33,740</b>	<b>16,948</b>	<b>4,886</b>

	Retirement benefits €000	Severance/ redundancy payments €000	Anniversary bonuses €000
Unrecognized actuarial (gain) loss	2,883	(1,943)	0
Fair value of plan assets	1,578	0	0
<b>Present value on 29 February 2004</b>	<b>38,201</b>	<b>15,005</b>	<b>4,886</b>

There were no expenses on or income from changes in benefit plans and benefit payments or as a result of changes in our assumptions.

The *projected unit credit value* comprises staff members' benefit rights measured as the circumstances were on the balance-sheet date. It includes actuarial gains and losses resulting from differences between expected and individually occurring risks. The provision for direct benefit obligations did not take into account actuarial gains and losses within the corridor allowed by IAS 19 ( $\pm 10$  per cent of projected unit credit value).

The foreign Group-members had similar obligations. They were measured on an actuarial basis and taking future cost trends into account.

#### b) Provisions for deferred taxes

Tax deferrals were attributable to the following items on the Balance Sheet:

28/29 February	2005 €000	2004 €000
Deferred tax liabilities		
Fixed assets	7,419	1,406
Inventories and receivables	12,242	15,420
Extraordinary fiscal items in individual financial statements	7,649	9,205
Other provisions	1,609	2,368
<b>Total deferred tax liabilities</b>	<b>28,919</b>	<b>28,399</b>
Deferred tax assets net of deferred tax liabilities with respect to the same tax authority	(3,747)	(2,748)
<b>Net deferred tax liabilities</b>	<b>25,172</b>	<b>25,651</b>

The calculation of deferred tax assets gave net deferred tax assets of € 2,920 thousand (previous year: € 4,061 thousand) as elucidated under point 19.

**c) Provisions for other taxes and other provisions**

	1 March 2004 €000	Exchange differences €000	Effect of changes in scope of consoli- dation €000	Released €000	Used €000	Added €000	28 February 2005 €000
<b>Provisions for taxes</b>	<b>20,750</b>	<b>187</b>	<b>925</b>	<b>157</b>	<b>21,169</b>	<b>6,398</b>	<b>6,934</b>
<b>Other provisions</b>							
Provisions for obligations arising from the EU sugar CMO	16,159	92	0	16	15,818	22,660	23,077
Provisions for the costs of meeting recultivation obligations, clearing landfills and removing waste residues	21,942	43	0	3,321	308	1,774	20,130
Provisions for staff costs	8,540	115	1,166	205	2,449	4,763	11,930
Sundry other provisions	16,080	484	2,863	1,280	10,721	12,343	19,769
<b>Total</b>	<b>62,721</b>	<b>734</b>	<b>4,029</b>	<b>4,822</b>	<b>29,296</b>	<b>41,540</b>	<b>74,906</b>
<b>Provisions for taxes and other provisions</b>	<b>83,471</b>	<b>921</b>	<b>4,954</b>	<b>4,979</b>	<b>50,465</b>	<b>47,938</b>	<b>81,840</b>
Of which non-current	21,434	–	–	–	–	–	22,104
Of which current	62,037	–	–	–	–	–	59,736

**(25) Payables**

	28 February	Of which with a maturity of			29 February	Of which with a maturity of		
	2005	Up to 1 year	> 1 to 5 years	> 5 years	2004	Up to 1 year	> 1 to 5 years	> 5 years
	€000	€000	€000	€000	€000	€000	€000	€000
Bonds	20,000	0	20,000	0	672	672	0	0
Payables to banks	280,791	201,526	68,844	10,421	119,836	111,194	8,049	593
<b>Financial liabilities</b>	<b>300,791</b>	<b>201,526</b>	<b>88,844</b>	<b>10,421</b>	<b>120,508</b>	<b>111,866</b>	<b>8,049</b>	<b>593</b>
Prepayments received								
for orders	38	38	0	0	29	29	0	0
Trade payables	127,812	127,678	99	35	99,551	99,452	64	35
Payables								
to subsidiaries	13,194	12,583	611	0	9,596	9,596	0	0
Prepaid income	11,850	11,850	0	0	4,392	4,392	0	0
Other payables	47,115	43,945	2,152	1,018	20,618	17,093	2,460	1,065
Of which tax	(8,838)	(8,838)	(0)	(0)	(1,710)	(1,510)	(200)	(0)
Of which relating to social security	(2,165)	(2,165)	(0)	(0)	(1,715)	(1,715)	(0)	(0)
<b>Other payables</b>	<b>200,009</b>	<b>196,094</b>	<b>2,862</b>	<b>1,053</b>	<b>134,186</b>	<b>130,562</b>	<b>2,524</b>	<b>1,100</b>
<b>Total</b>	<b>500,800</b>	<b>397,620</b>	<b>91,706</b>	<b>11,474</b>	<b>254,694</b>	<b>242,428</b>	<b>10,573</b>	<b>1,693</b>

More detailed information about payables to banks is provided in the section on financial instruments and derivative financial instruments.

On the balance-sheet date, the following collateral was in place to secure payables to banks:

28/29 February	2005	2004
	€000	€000
Mortgages	10,074	0
Other liens	31,474	0
<b>Total</b>	<b>41,548</b>	<b>0</b>

*Trade payables* includes payables to beet growers totalling € 97,915 thousand (previous year: € 72,426 thousand).

*Other payables* consists mainly of tax liabilities, amounts payable to benefit schemes and payables on payroll accounts.

#### **(26) Contingent liabilities and other financial liabilities**

28/29 February	2005	2004
	€000	€000
Bills	42	104
Sureties	36,673	1,213
Guarantees, cooperative liabilities	2,188	1,899
Letters of comfort	316	316
<b>Contingent liabilities</b>	<b>39,219</b>	<b>3,532</b>
Present value of lease instalments due within 4 years	540	128
Orders for capital investments in tangible fixed assets	11,916	4,901
<b>Other financial liabilities</b>	<b>12,456</b>	<b>5,029</b>
<b>Total</b>	<b>51,675</b>	<b>8,561</b>

#### **NOTES ON FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS**

To steer seasonally fluctuating cash flows, conventional investments (call-money, time-deposit and securities investments) are undertaken, funds are borrowed by way of call-money and fixed borrowings and fixed-rate loan transactions are effected within the AGRANA Group in the course of day-to-day financial management activities.

Financial instruments are typically subject to interest-rate, currency and credit risks.

#### **Interest-rate risk**

In the case of a financial instrument for which a fixed interest rate has been agreed to maturity, the risk is that its price may change as the market interest rate fluctuates (interest-rate related price risk). The interest rate on a variable-rate financial instrument is adjusted on an almost concurrent basis and to that extent corresponds roughly to the market rate.

### Currency risk

Currency risk is defined as the risk that the value of an item on the Balance Sheet will fluctuate due to changes in foreign exchange rates.

### Credit risk

We minimize the credit risks associated with fixed assets and securities and with receivables arising from derivative hedges by only transacting business with counterparties of the highest credit standing.

The material primary investment and borrowing instruments held on 28 February 2005 broke down as follows, by balance-sheet item:

Non-current assets: securities	Contracted currency	Fair value €000	Book value as per
			the domestic balance sheet €000
Stocks, <i>Ges.m.b.H.</i> (Ltd. Co.) shares,	€	12,476	9,677
shares in cooperatives	Kč	219	172
Debt instruments originated by corporations	€	10,986	10,469
<b>Total</b>		<b>23,681</b>	<b>20,318</b>
Previous year		[21,890]	[19,492]

Current assets: securities	Contracted currency	Fair value €000	Book value as per
			the domestic balance sheet €000
Stocks, <i>Ges.m.b.H.</i> (Ltd. Co.) shares,	€	1,384	1,384
shares in cooperatives	Ft	30	30
Debt instruments issued by foreign sovereigns	€	39,993	39,993
Debt instruments originated by corporations	€	65,937	65,614
<b>Total</b>		<b>107,449</b>	<b>107,124</b>
Previous year		[46,835]	[46,619]

<b>Current assets: cash and cash equivalents</b>	National currency	Book value as per the domestic balance sheet (= fair value) €000
Time deposits and other banks balances	€	47,715
	Ft	14,783
	Sk	81
	Kč	788
	ROL	4,081
	DKr	1,858
	ZI	615
	UAH	879
	RUB	2,465
<b>Total</b>		<b>73,265</b>
Previous year		[50,093]

Unrealized differences between cost and the fair values recognized on the Balance Sheet were recognized directly in equity.

<b>Financial liabilities</b>	Contracted currency	Interest rate (nominal) Per cent	Book value €000
Maturity of up to 1 year	€	2.73	107,061
	Ft	8.88	55,674
	Sk	3.16	17,032
	ROL	15.00	309
	£	5.25	2,467
	DKr	2.85	1,991
	ZI	5.47	15,089
	SFr	1.19	1,903
Maturity of more than 1 to 5 years	€	3.53	67,598
	DKr	7.58	1,006
	ZI	4.00	240
Maturity of more than 5 years	€	3.28	8,105
	DKr	7.73	2,316
<b>Total</b>			<b>280,791</b>
Previous years			[120,508]

Payables were recognized at amounts repayable. In the case of payables denominated in foreign currencies, nominal values were translated into euros applying the foreign exchange rates ruling on the balance-sheet date. Consequently, fair values could be higher or lower, depending on the development of exchange rates.

#### **Derivative financial instruments and risk management**

In order to hedge part of the risks arising from its operating activities (due to movements in interest rates, foreign exchange rates and raw material prices), the AGRANA Group makes limited use of derivative financial instruments. It only employs conventional instruments have sufficient liquidity in the marketplace (e.g. interest-rate swaps, interest-rate options, caps, forward exchange contracts, currency options). The use of those instruments is regulated by Group guidelines within the scope of the Group's risk management system. Those guidelines rule out the speculative use of derivative financial instruments, set ceilings that are appropriate to the underlying transactions, define authorization procedures, minimize credit risk, and regulate internal reporting and functional firewalls. Adherence to those guidelines and the proper management and valuation of transactions are regularly monitored by an impartial internal unit.

The nominal and fair values of the derivative financial instruments held by the AGRANA Group and the associated credit risk broke down as follows:

	Nominal values		Fair values	
	2005	2004	2005	2004
28/29 February	€000	€000	€000	€000
Currency derivatives	37,815	24,246	44	(351)
Interest-rate derivatives	28,000	0	(319)	0
Commodity derivatives	5,328	1,483	(5)	41
<b>Total</b>	<b>71,143</b>	<b>25,729</b>	<b>(280)</b>	<b>(310)</b>

#### **Nominal values**

The nominal value of a derivative financial instrument is the reference value underlying the hedge. Price movements versus that reference value, not the absolute nominal value, are the object of hedging and the source of risk.

### Fair values

Fair values were measured at quoted market prices on the balance-sheet date without offsetting any countermovements arising from the values of hedged items.

The fair value is the amount that the AGRANA Group would have had to pay or would have received in the event of premature termination of a hedge.

### INFORMATION REGARDING BUSINESS RELATIONSHIPS WITH COMPANIES AND INDIVIDUALS CONSIDERED TO BE RELATED PARTIES

*AGRANA Zucker, Stärke und Frucht Holding AG* holds 100 per cent of the ordinary shares of *Z & S Holding AG*, which in turn holds 75.5 per cent of the ordinary shares of *AGRANA Beteiligungs-AG*. Both holding companies are exempt from the obligation to prepare consolidated financial statements because they accounted for in the consolidated financial statements of *Südzucker AG*, Mannheim/Ochsenfurt.

Possible related parties within the meaning of *IAS 24* are *Südzucker AG*, Mannheim/Ochsenfurt, Germany, and *Zuckerbeteiligungsges.m.b.H.*, Vienna, as shareholders of *AGRANA Zucker, Stärke und Frucht Holding AG*. AGRANA's Consolidated Financial Statements are accounted for in the consolidated financial statements of *Südzucker AG*, Mannheim/Ochsenfurt. Business dealings with related parties during the year under view arose mainly with *Südzucker AG*, Mannheim/Ochsenfurt, within the scope of short-term cash advances.

Remunerations paid to members of the Board of Management of *AGRANA Beteiligungs-AG* totalled € 1,206 thousand (previous year: € 790 thousand). Remunerations paid to members of the Supervisory Board totalled € 165 thousand (previous year: € 165 thousand). Retirement benefit obligations vis-à-vis the Board of Management were transferred to an external pension fund. The excess over the accumulated savings component of € 1,233 thousand (previous year: € 1,279 thousand) was recorded under *Provisions*.

Vienna  
29 April 2005

The Board of Management

Johann Marihart (by his own hand)  
Walter Grausam (by his own hand)  
Markwart Kunz (by his own hand)

## GROUP INTERESTS ON 28 FEBRUARY 2005

(interests held of at least 20 per cent of share capital)

Name of company	Location	Country	Stake in share capital	
			Direct Per cent	Indirect <sup>1</sup> Per cent
<b>I. Subsidiaries</b>				
<b>Interests in fully-consolidated Group-members</b>				
<i>AGRANA Frucht GmbH</i>	Vienna		100.00	—
<i>AGRANA Frucht GmbH &amp; Co KG</i>	Vienna		100.00	—
<i>AGRANA Internationale Verwaltungs- und Asset-Management AG</i>	Vienna		100.00	—
<i>AGRANA Internationale Verwaltungs- und Asset-Management AG &amp; Co KG</i>	Vienna		100.00	—
<i>AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.</i>	Vienna		100.00	—
<i>AGRANA Zucker GmbH</i>	Vienna		98.91	1.09
<i>AGRANA Stärke GmbH</i>	Vienna		98.91	1.09
<i>Agrofrucht, Handel mit landwirtschaftlichen Produkten Gesellschaft m.b.H.</i>	Vienna		—	100.00
<i>Brüder Hernfeld Gesellschaft m.b.H.</i>	Vienna		—	100.00
<i>INSTANTINA Nahrungsmittel Entwicklungs- und Produktions Gesellschaft m.b.H.</i>	Vienna		66.67	—
<i>RUMA Handelsges.m.b.H.</i>	Hagenbrunn		—	100.00
<i>AGRANA Magyarország Értékesítési Kft.</i>	Budapest	Hungary	—	87.36
<i>Első Hazai Cukorgyártó és Forgalmazó Kft.</i>	Budapest	Hungary	—	99.19
<i>INSTANTINA Hungária Élelmiszergyártó és Kereskedelmi Kft.</i>	Petőhaza	Hungary	—	66.67
<i>Magyar Cukorgyártó és Forgalmazó Rt.</i>	Budapest	Hungary	—	87.32
<i>Moravskoslezské Cukrovarý a.s.</i>	Hrušovany	Czech Republic	—	97.62
<i>Slovenské Cukrovarý a.s.</i>	Rimavská Sobota	Slovakia	—	100.00
<i>S.C. A.G.F.D. Tandarei s.r.l.</i>	Tandarei	Romania	—	99.98
<i>S.C. Zaharul Romanesc S.A.</i>	Buzău	Romania	—	86.51
<i>S.C. Danubiana Roman S.A.</i>	Roman	Romania	—	99.60
<i>S.C. Romana Prod s.r.l.</i>	Roman	Romania	—	99.60
<i>S.C. AGRANA Romania Holding and Trading Company s.r.l.</i>	Bucharest	Romania	—	100.00
<i>Vallø Saft A/S</i>	Køge	Denmark	—	100.00
<i>Vallø Saft Polska Sp z o.o.</i>	Lipnik	Poland	—	100.00
<i>Vallø Saft Holding A/S</i>	Køge	Denmark	—	100.00
<i>Wink Service &amp; Logistik GmbH</i>	Bingen	Germany	—	100.00
<i>Wink Handels GmbH</i>	Bingen	Germany	—	100.00

<sup>1</sup> Figures for indirect stakes represent the computed total stakes of AGRANA Beteiligungs-AG in the Group-members concerned.

Name of company	Location	Country	Stake in share capital	
			Direct Per cent	Indirect <sup>1</sup> Per cent
<i>Wink Romania s.r.l.</i>	Vaslui	Romania	–	100.00
<i>Wink Polska Sp z o.o.</i>	Biafobrzegi	Poland	–	100.00
<i>Wink A Mezőgazdasági Termelő és Kereskedelmi Kft.</i>	Vásárosnamény	Hungary	–	100.00
<i>Wink B Mezőgazdasági Beterzési és Igazgatási Kft.</i>	Vásárosnamény	Hungary	–	100.00
<i>Wink C Mezőgazdasági Szervező és Szolgáltató Kft.</i>	Anarcs	Hungary	–	100.00
<i>Steirerobst AG</i>	Gleisdorf		–	50.76
<i>Steirische Agrarbeteiligungsgesellschaft m.b.H.</i>	Raaba		–	55.69
<i>Hungariaobst Kft.</i>	Gutorfölda	Hungary	–	50.75
<i>Podilljaobst TOF</i>	Vinnytsa	Ukraine	–	50.53
<i>Luka TOF</i>	Vinnytsa	Ukraine	–	50.73
<i>Polobst Sp z o.o.</i>	Góra Kalvaria	Poland	–	50.76
<i>Steirerobst o.o.o.</i>	Serpuchov	Russia	–	50.76
<i>Caraobst s.r.l.</i>	Carei	Romania	–	50.75

**Companies accounted for using the equity method**

<i>Österreichische Rübensamenzucht Gesellschaft m.b.H.</i>				
	Vienna		–	86.00
<i>Financière Atys S.A.S.</i>	Paris	France	–	50.00
<i>Atys S.A.</i>	Paris	France	–	50.00
<i>Atys France S.A.</i>	Paris	France	–	50.00
<i>Atys Midi S.A.S.</i>	Paris	France	–	50.00
<i>Atys Austria GmbH</i>	Kröllendorf		–	25.00
<i>Atys Bohemia s.r.o.</i>	Kaplice	Czech Republic	–	50.00
<i>Atys Polska Sp z o.o.</i>	Ostrołęka	Poland	–	50.00
<i>Atys US, Inc</i>	Ohio	USA	–	50.00
<i>Flavors from Florida, Ltd</i>	Florida	USA	–	50.00
<i>Atys México, S.A. de C.V.</i>	Michoacán	Mexico	–	50.00
<i>Atys Argentina S.A.</i>	Buenos Aires	Argentina	–	42.40
<i>Atys Investments South Africa (Proprietary) Ltd</i>	Capetown	South Africa	–	50.00
<i>Atys South Africa (Proprietary) Ltd</i>	Capetown	South Africa	–	50.00
<i>Fruimark (Proprietary) Ltd</i>	Capetown	South Africa	–	37.50
<i>Sias Foods (UK) Ltd</i>	Corby Northamptonshire	UK	–	50.00

<sup>1</sup> Figures for indirect stakes represent the computed total stakes of AGRANA *Beteiligungs-AG* in the Group-members concerned.

Name of company	Location	Country	Stake in share capital	
			Direct Per cent	Indirect <sup>1</sup> Per cent
<i>Atys Australia Pty Ltd</i>	Central Mangrove	Australia	–	50.00
<i>Atys Fiji Pty Ltd</i>	Sigatoka	Fiji	–	50.00
<i>Atys Korea Co., Ltd</i>	Seoul	South Korea	–	47.80
<i>Atys Dachang Food Ingredients Co., Ltd</i>	Dachang	China	–	49.45
<i>Merko Sias Gida Sanayi Ve Ticaret Anonim Sirketi</i>	Zincirlikuyu	Turkey	–	25.00
<i>Dirafrost FFI</i>	Herk-de-Stad	Belgium	–	50.00
<i>Frefrost Sarl</i>	Laouamra	Morocco	–	50.00
<i>Diramar Sarl</i>	Laouamra	Morocco	–	50.00
<i>Dirafrost France S.A.</i>	St. Genis Laval	France	–	50.00
<i>Yube d.o.o.</i>	Grdovici	Serbia	–	50.00
<i>Dirafrost Deutschland GmbH</i>	Hof	Germany	–	50.00

#### Excluded Group-members

<i>Sugana Altersvorsorge-Einrichtung Gesellschaft m.b.H.</i>	Vienna		–	100.00
<i>Zuckerforschung Tulln Ges.m.b.H.</i>	Vienna		100.00	–
<i>Dr. Hauser Gesellschaft m.b.H.</i>	Garmisch-Partenkirchen	Germany	–	51.00
<i>Hottlet Sugar Trading N.V.</i>	Berchem	Belgium	25.10	–
<i>Schoko-Schwind Kft.</i>	Kecskemét	Hungary	–	100.00
<i>AGRANA Skrob s.r.o.</i>	Hrušovany	Czech Republic	–	100.00
<i>AGRANA Stärke GmbH &amp; Co KG</i>	Hörbranz		–	100.00
<i>Fruktex Kft.</i>	Gutorfölde	Hungary	–	50.75
<i>Caragrimex S.A.</i>	Carei	Romania	–	50.38
<i>PFD-Processed Fruit Distribution Ltd.</i>	Nicosia	Cyprus	–	50.76

## II. Associates

#### Companies for which we waived use of the equity method

<i>Diragri Sarl</i>	Laouamra	Morocco	–	50.00
<i>Egybe Sarl</i>	Kairo	Egypt	–	50.00

#### Companies accounted for by proportionate consolidation

<i>HUNGRANA Keményítő- és Isocukorgyártó és Forgalmazó Kft.</i>	Szabadegyháza	Hungary	–	50.00
<i>Hungranatrans Kft.</i>	Szabadegyháza	Hungary	–	50.00

## THE COMPANY'S BOARDS AND OFFICERS

### Supervisory Board

Christian KONRAD, Vienna  
Chairman

Rudolf MÜLLER, Ochsenfurt  
Vice-Chairman

Erwin HAMESEDER, Mühldorf  
Vice-Chairman

Ludwig EIDMANN, Gross-Umstadt  
(from 2 July 2004)

Hans-Jörg GEBHARD, Eppingen

Christoph KIRSCH, Weinheim/Bergstrasse

Hermann SCHULTES, Zwerndorf

Richard SCHWAIGER, Aiterhofen  
(to 2 July 2004)

Christian TEUFL, Vienna

### Staff Council delegates:

Franz ENNSER, Vienna  
(from 15 February 2005)

Ernst HERZIG, Breitenfurt  
(to 15 February 2005)

Harald TOTH, Leopoldsdorf

Peter VYMYSLICKY, Leopoldsdorf

Erich WEISSENBÖCK, Gmünd

### Board of Management

Johann MARIHART, Limberg  
Chairman

Walter GRAUSAM, Vienna

Markwart KUNZ, Worms

## AUDITORS' REPORT AND OPINION [TRANSLATION]

We audited the accompanying consolidated financial statements of *AGRANA Beteiligungs-Aktiengesellschaft*, Vienna, as of and for the period ended 28 February 2005, which have been prepared in accordance with the *International Financial Reporting Standards (IFRS)* issued by the *International Accounting Standards Board (IASB)*. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have conducted our audit in accordance with *Generally Accepted Auditing Standards* as applied in Austria as well as the *International Standards on Auditing (ISA)*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. It also includes assessing the accounting principles used and significant estimates made by Management as well as evaluating the overall consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of *AGRANA Beteiligungs-Aktiengesellschaft*, Vienna, as of 28 February 2005 and the results of its operations and its cash flows for the financial year then ended in accordance with *International Financial Reporting Standards (IFRS)*.

Vienna  
2 May 2005

*KPMG Alpen-Treuhand GmbH*  
*Wirtschaftsprüfungs- und*  
*Steuerberatungsgesellschaft*

Walter Knirsch      Wilhelm Kovsca  
Certified Accountants and Tax Consultants

*MULTICONT Revisions- und*  
*Treuhand Gesellschaft m.b.H.*  
*Wirtschaftsprüfungs- und*  
*Steuerberatungsgesellschaft*

Hans Chaloupka      Robert Breitner  
Certified Accountant      Tax Consultant  
and Tax Consultant

## PERFORMANCE INDICATORS

[FOR THE READER'S CONVENIENCE, THE ORIGINAL ABBREVIATIONS HAVE BEEN RETAINED.]

Abbreviation	Indicator Definition	2004/05 €000	Previous year €000
<b>BFS</b>	<b>Gross financial debt</b> Banks loans and overdrafts plus payables arising from bills	300,791	120,508
<b>CE</b>	<b>Capital employed</b> (SAV + IAV) + WC	808,929	521,499
<b>Dividend yield</b>	Dividend per share divided by the share's closing price	2.4%	2.9%
<b>EBIT 1</b>	<b>Earnings before interest and tax</b> (Item 9 of the Income Statement) Profit from operating activities	90,780	76,833
<b>EBIT margin 1</b>	EBIT 1 times 100 divided by revenues	9.3%	8.9%
<b>EBIT 2</b>	<b>Earnings before interest and tax</b> (Item 11 of the Income Statement) Profit from ordinary activities after amortization of goodwill	90,780	76,796
<b>EBIT margin 2</b>	EBIT 2 times 100 divided by revenues	9.3%	8.9%
<b>EBITDA</b>	<b>Earnings before interest, tax, depreciation and amortization</b> (Items 7 + 10 + 11 of the Income Statement) EBIT plus amortization of goodwill plus depreciation/amortization	138,559	116,763
<b>EBITDA margin</b>	EBITDA times 100 divided by revenues	14.1%	13.5%
<b>EKQ</b>	<b>Equity ratio</b> Equity (with minority interests) divided by total capital	55.7%	55.2%
<b>EPS</b>	<b>Earnings per share</b> Consolidated earnings for the year divided by the number of shares	€ 7.18	€ 5.08
<b>EVS</b>	<b>Equity value per share</b> Equity divided by the number of shares	€ 56.3	€ 45.9
<b>FCF</b>	<b>Free cash flow</b> Net cash from operating activities plus net cash from investing activities <sup>1</sup>	(189,556)	15,346
<b>Gearing</b>	NFS divided by (equity plus minority interests in equity) times 100	14.4%	4.6%
<b>IAV</b>	<b>Intangible fixed assets with goodwill</b>	46,093	29,379
<b>KGV (Ultimo)</b>	<b>P/E ratio</b> Closing price divided by EPS	11.2	12.1
<b>NFS</b>	<b>Net financial debt</b> Gross financial debt less (cash plus cheques plus other bank balances)	120,077	23,580
<b>ROCE</b>	<b>Return on capital employed</b> (Profit from operating activities less amortization of goodwill) divided by capital employed	11.2%	14.7%
<b>ROS</b>	<b>Return on sales</b> Profit before tax times 100 divided by revenues	9.5%	8.2%
<b>SAV</b>	<b>Tangible fixed assets</b>	381,493	266,229
<b>WC</b>	<b>Working capital</b> Inventories plus trade receivables plus other assets minus current provisions minus short-term prepayments minus trade payables minus other payables	381,343	225,891

<sup>1</sup> In quarterly reports, net cash from operating activities minus capital expenditure.

# ANNUAL FINANCIAL STATEMENTS FOR 2004 | 05

of *AGRANA Beteiligungs-AG* in accordance with *RLG*

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- 112** Auditors' Opinion
  
- 113** Proposal regarding profit appropriation

## BALANCE SHEET DATED 28 FEBRUARY 2005

	28 February 2005 €000	End of previous year €000
<b>ASSETS</b>		
<b>A. Non-current assets</b>		
I. Intangible fixed assets	75	70
II. Tangible fixed assets	1,065	736
III. Financial fixed assets	306,627	275,154
	<b>307,767</b>	<b>275,960</b>
<b>B. Current assets</b>		
I. Receivables and other assets	130,601	48,184
II. Securities	105,607	20,582
III. Cash, bank balances	31,007	20,164
	<b>267,215</b>	<b>88,930</b>
<b>Total assets</b>	<b>574,982</b>	<b>364,890</b>
<b>EQUITY AND LIABILITIES</b>		
<b>A. Equity</b>		
I. Share capital	103,210	80,137
II. Capital reserves	418,990	213,463
III. Retained earnings	10,228	19,377
IV. Net profit	27,696	19,853
Of which profit carryforward: € 4 thousand (previous year: € 18 thousand)		
	<b>560,124</b>	<b>332,830</b>
<b>B. Untaxed reserves</b>	0	7
<b>C. Provisions</b>		
I. Provisions for retirement benefits, severance/redundancy payments and anniversary bonuses	1,463	1,204
II. Provision for taxes and other provisions	4,931	6,984
	<b>6,394</b>	<b>8,188</b>
<b>D. Payables</b>		
I. Financial liabilities	0	21,802
II. Other payables	8,464	2,063
	<b>8,464</b>	<b>23,865</b>
<b>Total equity and liabilities</b>	<b>574,982</b>	<b>364,890</b>
Contingent liabilities	84,403	1,034

## INCOME STATEMENT FOR THE 2004 | 05 FINANCIAL YEAR

from 1 March 2004 through 28 February 2005

	2004/05 €000	Previous year €000
1. Sales revenues	268	287
2. Other operating income	17,254	12,802
3. Staff costs	(8,915)	(7,386)
4. Depreciation/amortization/write-downs of intangible and tangible fixed assets	(512)	(389)
5. Other operating expenses	(21,585)	(6,103)
<b>6. Profit (loss) from operating activities (subtotal of items 1 – 5)</b>	<b>(13,490)</b>	<b>(789)</b>
7. Income from equity interests held for investment purposes Of which from subsidiaries: € 30,148 thousand (previous year: € 20,517 thousand)	30,148	20,517
8. Income from other securities classified as financial fixed assets	135	177
9. Other interest income and similar income Of which from subsidiaries: € 255 thousand (previous year: € 425 thousand)	979	3,935
10. Income from the disposal of financial fixed assets	0	194
11. Expenditure on financial fixed assets and available-for-sale securities	0	(1,200)
12. Interest expense and similar charges	(414)	(1,750)
<b>13. Net income from financial activities (subtotal of items 7 – 12)</b>	<b>30,848</b>	<b>21,873</b>
<b>14. Profit/(loss) from ordinary activities (subtotal of items 1 – 12)</b>	<b>17,358</b>	<b>21,084</b>
15. Income tax expense	1,177	(14)
<b>16. Earnings for the year</b>	<b>18,535</b>	<b>21,070</b>
17. Released from untaxed reserves	7	7
18. Allocated to retained earnings	9,150	(1,242)
19. Profit carryforward from previous year	4	18
<b>20. Net profit</b>	<b>27,696</b>	<b>19,853</b>

## AUDITORS' OPINION [TRANSLATION]

We have audited the accompanying financial statements which have been set up in accordance with the Austrian Commercial Code as of 28 February 2005 of *AGRANA Beteiligungs-Aktiengesellschaft*, Vienna.

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with *Austrian Generally Accepted Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

After completion of our audit we render the following unqualified opinion in accordance with § 274 (1) HGB (Austrian Commercial Code):

"As the result of our due audit we can certify that the accounting records and the financial statements comply with the legal regulations. The financial statements give a true and fair view of the Company's assets, liabilities, financial position and profit or loss in conformity with *Generally Accepted Accounting Principles*. The Management Report corresponds with the financial statements."

Vienna  
29 April 2005

*KPMG Alpen-Treuhand GmbH*  
*Wirtschaftsprüfungs- und*  
*Steuerberatungsgesellschaft*

Walter Knirsch      Wilhelm Kovsca  
Certified Accountants and Tax Consultants

*MULTICONT Revisions- und*  
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*Steuerberatungsgesellschaft*

Hans Chaloupka      Robert Breitner  
Certified Accountant      Tax Consultant  
and Tax Consultant

## PROPOSAL REGARDING PROFIT APPROPRIATION

The financial year from 1 March 2004 through 28 February 2005 closed with net profit of

2004/05  
 €000

**27,695.838**

The Board of Management recommends to the General Meeting of Shareholders that this net profit be appropriated as follows:

The distribution of a dividend of € 1.95 per ordinary share (no-par share) on 14,202,040 participating ordinary shares, that is

**27,693.978**

To be carried forward to a new account

1.860

27,695.838

## **SUPERVISORY BOARD'S REPORT**

During the 2004/05 financial year, the Supervisory Board kept abreast of the company's business and financial position, the course and development of business, the company's financial condition and investment plans and unusual transactions as well as corporate policy in numerous discussions and meetings and with the help of regular reports from the Board of Management and extensive written material, and it discussed those matters with the Board of Management. Those in-depth discussions dealt in particular with corporate strategies, future opportunities for growth and the company's corporate acquisitions and the financing thereof.

The Annual Financial Statements and Consolidated Financial Statements presented by the Board of Management and the Board of Management's Report on the 2004/05 financial year as well as the accounting records were examined by the auditors appointed by the General Meeting of Shareholders, namely *KPMG Alpen-Treuhand Ges.m.b.H., Wirtschaftsprüfungs- und Steuerberatungsgesellschaft*, Vienna, and *MULTICONT Revisions- und Treuhand Ges.m.b.H., Wirtschaftsprüfungs- und Steuerberatungsgesellschaft*, Vienna, and were granted an unqualified Auditors' Opinion. The Supervisory Board has taken note of and endorses the results of that audit.

The Supervisory Board committee set up to examine the Annual Financial Statements and make preparations for their final approval examined the Annual Financial Statements and reported to the Supervisory Report in the presence of the Auditors. The Supervisory Board examined the Annual Financial Statements, the Board of Management's proposal regarding profit appropriation and the Board of Management's Report on the 2004/05 financial year.

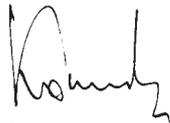
None of the final results of those examinations gave any cause for objection.

The Supervisory Board has approved the Annual Financial Statements prepared by the Board of Management for the 2004/05 financial year, which are thus final for the purposes of § 125 Abs 2 AktG (corporation act). The Supervisory Board takes note of and approves the Board of Management's Report on the 2004/05 financial year and endorses the proposal regarding profit appropriation.

The Supervisory Board would like to express its appreciation and thanks to the Board of Management and to all the staff of the Company and the AGRANA Group for their work.

Vienna  
May 2005

The Chairman of the Supervisory Board



Christian Konrad

## IMPORTANT ADDRESSES

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