ANNUAL REPORT

2003|04

AGRANA

BETEILIGUNGS-

AG

SUGAR. STARCH. FRUIT.

KEY DATA

applying *IFRS*

		2003/04	2002/03	2001/02	2000/01	1999/00	1998/99
CORPORATE DATA							
Revenues	€mn	866.4	875.7	842.8	760.2	703.0	684.6
Profit from operating activities	€mn	76.8	80.5	76.0	66.7	47.0	42.2
Profit before income tax	€mn	70.7	87.2	64.1	51.2	28.0	26.4
Consolidated earnings for the year	€mn	56.5	65.4	44.3	37.6	22.0	15.3
Net cash from profit	€mn	100.9	105.0	90.4	98.7	58.2	60.8[1]
Capital investments	€mn	28.5	34.0	29.0	38.1	24.4	37.9
Staff		3,841	3,916	4,463	4,753	5,290	4,506
EBIT margin 1	%	8.9	9.2	9.0	8.8	6.7	6.2
Return on sales	%	8.2	10.0	7.6	6.7	4.0	3.9
Equity ratio	%	54.1	51.9	47.7	44.6	41.4	36.8
PERFORMANCE ON THE STOCK EXCHANGE							
High	€	61.50	39.91	31.75	20.38	23.40	24.70
Low	€	38.40	28.10	17.80	17.63	18.99	19.48
Close	€	61.50	39.60	29.45	17.80	19.50	20.46
Earnings per share	€	5.13	5.93	4.02	3.41	2.15	1.48
Distribution per share	€	1.80	1.80	1.30	1.09	1.09	1.02
Distribution yield	%	2.9	4.6	4.4	6.1	5.6	5.0
P/E ratio (at close)		12.0	6.7	7.3	5.2	9.1	13.9
Stock-market capitalization (at close)	€mn	92.3	59.4	44.2	26.7	29.2	30.7
BALANCE-SHEET DATA							
Share capital	€mn	80.1	80.1	80.1	80.1	80.1	73.8
Non-current assets	€mn	415.5	346.3	367.2	383.7	386.2	394.6
Equity	€mn	506.4	465.7	414.2	381.0	354.8	312.5
Balance-sheet total	€mn	935.2	897.1	868.6	854.7	857.7	849.2

[1] Applying *RLG*

ANNUAL REPORT 2003|04

of *AGRANA Beteiligungs-Aktiengesellschaft*
for the financial year from 1 March 2003 through 29 February 2004

ADDING VALUE
TO THE GIFTS OF NATURE.
SUGAR. STARCH. FRUIT.

HIGHLIGHTS DURING THE FINANCIAL YEAR

AGRANA Group's consolidated earnings for the year **second-highest ever** at € 56.5 million

Acquisitions create Group's new **fruit preparations** and **fruit juice concentrates** segment:

- Acquisition of Danish fruit juice concentrates manufacturer ***Vallø Saft A/S***
- Acquisition of a 34 per cent stake in Austrian company ***Steirerobst AG*** (fruit juice concentrates and fruit preparations)
- Acquisition of French company ***Atys S.A.*** (world leader in fruit preparations) to be completed in four stages up to the end of 2006

Profits from sugar and starch business in Austria **up on the year** despite difficult market conditions

Subsidiaries in Hungary, the Czech Republic and Slovakia ideally prepared for **EU accession** on 1 May 2004

AGRANA **share gains 55 per cent** during the 2003/04 financial year to close at € 61.50 (€ 64.50 on 30 April 2004)

Same distribution proposal of € 1.80 per share for the 2003/04 financial year as for 2002/03

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 the key developments during the AGRANA Group's 2003/04 financial year as well as looking forward to its probable future development.

PROFIT IN 2003/04

The financial year was affected by poor harvests in Central and Eastern Europe. It closed with slightly lower profit than 2002/03, when extraordinary factors such as the 14-month financial years of the *AGRANA International* companies came to bear. The fact that our profit in 2003/04 came close to that of the previous year was the reward for the exceptional efficiency with which we dealt with the short campaigns and rise in raw material costs caused by poor harvests.
Revenues came to € 866.4 million, which was 1.1 per cent down on the year. Profit from operating activities was 4.5 per cent down on the previous year's figure of € 80.5 million at € 76.8 million. Consolidated earnings for the year were significantly down on the previous year's figure of € 65.4 million at € 56.5 million, but one must bear in mind that earnings in 2002/03 were boosted by sales of interests.

SHARE

We have systematically invigorated the AGRANA share over the past few years. It has gained well-earned respect thanks to our listing in the *Prime Market* segment (following the conversion of our preference shares into ordinary shares), thanks to the potential of Eastern Europe that became clear to many as EU enlargement approached, and thanks to our diversification into our new fruit juice concentrates and fruit preparations segment.
Consequently, we were able to follow up a price gain of 37 per cent in 2002/03 with a gain of another 55 per cent in the 2003/04 financial year. As a result, the price of the AGRANA share has risen from € 20 to over € 60 in a little over two years. As of 29 February 2004, we had a P/E ratio of 12.0 and our share delivered a planned distribution yield of 2.9 per cent from an unchanged distribution proposal of € 1.80 per share. The continuing growth that the AGRANA Group will be striving for will sustain the share's potential.

PREVAILING CONDITIONS

Enlargement of the European Union

The events of 1 May of this financial year finally justified the investments undertaken in our core sugar and starch segments in Central and Eastern Europe since 1990 in anticipation of the new EU accessions.

Our bold and early preparations for EU enlargement were an important element of AGRANA's strategy. Our market shares are well secured by quotas.

WTO

The failure of Cancun delayed the Doha Round. Bilateral negotiations between the EU and *Mercosur* could signal a new beginning.
The sugar panel being called for by Brazil, Thailand and Australia would have a crucial impact on the use of future sugar surpluses.

EU common market organization for sugar (sugar CMO)

The EU Commission's efforts to reform the sugar CMO must be seen against the background of the international work of the *WTO*. The concept of a market equilibrium between EU output and imports achieved by lowering prices has proven to be flawed. A CMO based on community preference, regionality and solidarity would require market inflows to be limited. However, that would in turn call for changes to duty-free market access provided within the scope of the Western Balkans agreement and the "Everything but arms" agreement.

The world market price of sugar

Raw materials are currently much in demand as investments, which is keeping their dollar prices stable. However, the strong euro is a problem because it is leading to extremely low euro prices. 2003/04 was a year of increased global consumption and poorer harvests, so there was virtually no added accumulation of inventories. Consequently, the outlook is stable.

THE SUGAR DIVISION

The flood year of 2002 was followed by the drought year of 2003. Per-hectare yields were significantly down on the year throughout AGRANA's markets, resulting in very short processing campaigns. Favourable weather during the harvest allowed us to make up for some of the losses caused by the lack of a cost degression. Increased sugar contents reduced energy usage, and smaller amounts of earth adhering to the beet reduced beet delivery costs. Notwithstanding the beet's higher sugar content, our factories' processing throughput stayed at the same high level as in 2002. In the end, the poor harvests in the EU accession countries also took the edge off sugar surpluses on 1 May 2004.
Areas under beet in 2004 have been increased to allow for low inventory levels.
In all, the AGRANA Group processed 4.2 metric tons of beet (previous year: 5.3 million metric tons) into 636,000 metric tons of sugar (previous year: 764,500 metric tons). In addition, we made 139,000 metric tons of sugar from imported unrefined sugar in Romania.

THE STARCH DIVISION

The dry weather led to a dramatic drop in the potato harvest. As a result, we only used 67 per cent of our EU potato starch quota. In 2004, AGRANA will be combating the effects of paying suppliers' transportation costs by increasing the areas planted with potatoes.
Exploding raw material prices seriously inflated costs in the maize starch segment, and it was only possible to pass a part of the increase on to the market. That was equally true in Austria, Hungary und Romania.
Our Romanian starch subsidiary has settled in well. Following Hungary's accession to the EU, *Hungrana* in Hungary will have an isoglucose quota of nearly 138,000 metric tons, turning its factory into Europe's largest isoglucose producer and giving it an excellent competitive position.
The situation in the maize market not going to ease until the new harvest is in. Thanks to the cut in the set-aside rate (from 10 to 5 per cent), the harvested area will increase.
Energy costs are a particularly important factor in sugar and starch production. From that point of view, Brussels' endorsement of Austria's energy-tax solution will be crucial, as will obtaining sufficient CO_2 emission certificates. It will be essential for us to be able to obtain sufficient free certificates to cover our future growth in the starch segment.

Walter Grausam | **Johann Marihart** | **Markwart Kunz**

THE FRUIT DIVISION (FRUIT JUICE CONCENTRATES AND FRUIT PREPARATIONS)

To ensure the AGRANA Group's continued growth once it has achieved its primary goals in Southeastern Europe and once the limits set by competition law in its core sugar segment have been reached, the Board of Management looked at a number of possible supplementary options within the scope of a *Strategy Project*. The result was the development of a new business segment, namely *Fruit Juice Concentrates and Fruit Preparations*. This segment involves the industrial manufacture of intermediate products for the food and beverage industries within the immediate domain of agricultural raw materials, contract cultivation, harvest campaigns, energy-intensive processing (freezing, concentrating, sterilizing, cooling) and similar areas. The division's products are bought by the same customer groups as sugar and starch. Moreover, sugar and starch are also ingredients in fruit preparations. Consequently, the segment's strategic "fit" is excellent. We believe that the revenue potential of our new segment is also comparable to that of sugar and starch, so it should keep pace with AGRANA's present operating performance and take us to first or second place in the European and global market rankings.

We put our fruit strategy into effect within a year by taking over or acquiring stakes in *Vallø Saft* in Denmark, *Steirerobst AG* in Austria and the *Atys Group* in France. After their gradual acquisition, those enterprises will generate new revenues of between 700 and 750 million euros. That will represent a quantum leap for AGRANA.

The cost of the acquisitions is being met out of AGRANA's free cash flow. The next challenge will be to successfully assimilate the new segment and structure it in the best possible way to enhance the synergistic benefits. Given the global dimension of the playing field onto which AGRANA is moving by entering the fruit preparations market, that is going to be a complex task.
It is with great optimism that we face a future that will bring with it years of tough economic challenges. Following our successful preparations for Austria's membership of the EU and the European Union's subsequent enlargement, we are pleased to have been able to set a new course with the creation of our Fruit Division.
We will continue to work for AGRANA's further development with the necessary transparency and clarity.
At this point, we would like to thank all those who do business with us, our shareholders and our supervisory boards for the trust they have placed in our company and in its management in the course of its recent reorientation. In addition, we would like to express our thanks to our staff, whose dedication, skill and zeal have helped us to achieve our goals and our good results under challenging market conditions. That same dedication, motivation and zeal will remain key to the achievement of our corporate goals in the future.

Yours faithfully,

Johann Marihart

P.S.: Our growth has also increased our need for office space. AGRANA will therefore be located in new premises in the *STRABAG Building* at Donau-City-Strasse 9, Vienna XXII, from June 2004.

AGRANA BETEILIGUNGS-AKTIENGESELLSCHAFT

- **AGRANA ZUCKER UND STÄRKE AG**
  - ÖSTERR. RÜBENSAMENZUCHT GES.M.B.H. (AUSTRIA)
  - AGRANA ZUCKER UND STÄRKE AG & CO KG (AUSTRIA)
  - RUMA HANDELSGES.M.B.H. (AUSTRIA)
  - MAGYAR CUKOR RT. (HUNGARY)
  - HUNGRANA KFT. (HUNGARY)
  - MORAVSKOSLEZSKÉ CUKROVARY A.S. (CZECH REPUBLIC)
  - SLOVENSKÉ CUKROVARY A.S. (SLOVAKIA)
  - S.C. AGRANA ROMANIA HOLDING AND TRADING COMP. S.R.L. (ROMANIA)
  - S.C. ZAHARUL ROMANESC S.A. (ROMANIA)
  - S.C. DANUBIANA ROMAN S.A. (ROMANIA)
  - S.C. A.G.F.D. TANDAREI S.R.L. (ROMANIA)
  - VALLØ SAFT A/S (DENMARK)
  - STEIREROBST AG (AUSTRIA)
  - ATYS S.A. (FRANCE)[1]
- **AGRANA FRUCHT GES.M.B.H. & CO KG**
- **AGRANA INTERNATIONALE VERWALTUNGS- UND ASSET-MANAGEMENT AG & CO KG**
- **AGRANA MARKETING- UND VERTRIEBSSERVICE GES.M.B.H.**
  - INSTANTINA GES.M.B.H. (AUSTRIA)
  - ZUCKERFORSCHUNG TULLN GES.M.B.H. (AUSTRIA)
  - HOTTLET SUGAR TRADING N.V. (BELGIUM)
  - PORTION PACK EUROPE HOLDING B.V. (NETHERLANDS)

Interest — Management and coordination

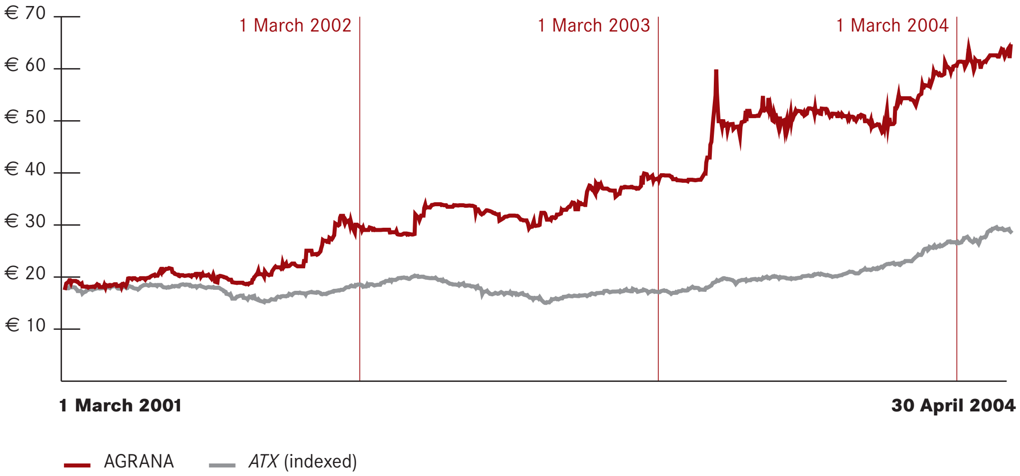
[1] Subject to approval by the pertinent competition authorities.

THE AGRANA SHARE

The AGRANA share stood at € 39.60 at the beginning of the 2003/04 financial year. It reached a high of € 61.50 on 27 February 2004 and a low of € 38.40 on 1 April 2003. It closed the financial year on 29 February 2004 at € 61.50. That translates into a gain of € 55.3 per cent during the financial year. The AGRANA share stood at € 64.50 on 30 April 2004. The company's free float market capitalization came to € 92,250 thousand at the end of the financial year. Over the same period, the *Wiener Fliesshandelsindex (ATX)* advanced by 52.6 per cent from 1,167.03 points (1 March 2003) to 1,781.0 points. It stood at 1,926.79 points on 30 April 2004.

AGRANA has been traded in the Vienna stock exchange's *Prime Market* segment since 1 January 2002. To be included in the *Prime Market* segment, issuers must observe stricter standards of transparency, quality and disclosure than those laid down in the provisions of the Austrian *Börsegesetz* (stock exchange act). Since 7 October 2002, the AGRANA share has been traded as an ordinary share under security code 60.370 (ISIN Code AT0000603709).
Besides being traded in the *Prime Market* segment on the Vienna stock exchange, the AGRANA share is also listed in the *Präsenshandel* segment on the Frankfurt stock exchange and is traded on the Stuttgart stock exchange.

AGRANA SHARE VERSUS THE *ATX* OVER A THREE-YEAR PERIOD



INVESTOR AND PUBLIC RELATIONS

During an event held for institutional investors by *Raiffeisen Centrobank AG*, Vienna, in St. Christoph am Arlberg from 8 to 11 February 2004, AGRANA's Board of Management told some 60 investors about the activities of the AGRANA Group. In particular, the Board presented AGRANA's activities in its new core fruit segment alongside its operations in the sugar and starch markets.

AGRANA had a stand at the *Gewinn* Fair in Vienna in October 2003. In addition, information about the Group's business development was provided on a regular up-to-the-minute basis in numerous press releases, at a press conference held to present the Annual Financial Statements in May 2003, and during one-to-one meetings with the media. In December 2003, we held a press conference to mark the acquisition of *Atys S.A.* in France.

DISTRIBUTION

The Board of Management and the Supervisory Board will be asking the General Meeting of Shareholders on 2 July 2004 to approve the distribution of a dividend of € 1.80 per share, as for the previous year.

EVENTS, PUBLICATIONS & DIVIDENDS CALENDAR FOR 2004|05 (PROVISIONAL)

24 May 2004	Publication of results for the 2003/04 financial year
2 July 2004	General Meeting of Shareholders
7 July 2004	Dividend ex-day and dividend pay-day
15 July 2004	Publication of results for Q1 2004/05
15 October 2004	Publication of results for H1 2004/05
21 – 23 October 2004	*Gewinn* Fair
15 January 2005	Publication of results for Q1 – Q3 2004/05

CONSOLIDATED GROUP REPORT 2003|04

FINANCIAL CONDITION AND PROFIT POSITION IN THE 2003|04 FINANCIAL YEAR

Reporting in conformity with *IFRS*

The Consolidated Financial Statements for the 2003/04 financial year were drawn up in conformity with the *International Financial Reporting Standards (IFRS)*. Reporting took place in thousands of euros (€000). Fruit juice concentrates and fruit preparations manufacturer *Vallø Saft A/S*, Køge, Denmark, acquired in April 2003, was brought into the scope of consolidation.

Profit position

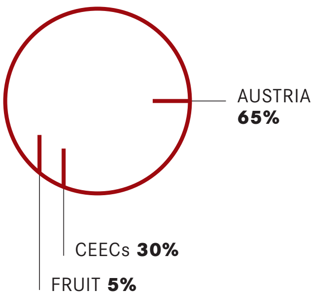
Consolidated revenues during the financial year were down 1.1 per cent at € 866,423 thousand (previous year: € 875,735 thousand). That was above all due to the 14-month 2002/03 financial years of the *AGRANA International* companies following the change in their reporting dates. The 2003/04 financial year was a normal financial year.

Despite difficult market conditions, the Austrian members of our sugar and starch divisions achieved a small increase in revenues. On the other hand, the Group-members in Hungary, the Czech Republic and Slovakia recorded declines in revenues and operating profits. Those declines attributable to the change in their reporting dates during the 2002/03 financial year, fluctuations in exchange rates, a difficult market environment and the drought-related increase in raw material prices in the maize segment.

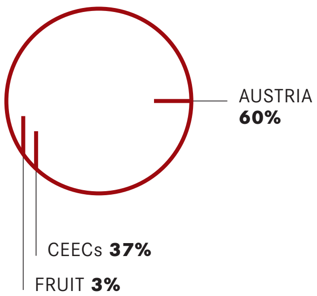
For the reasons we have described, operating profit fell by 4.5 per cent to € 76,833 thousand (previous year: € 80,476 thousand), but a very good fourth quarter fended off the decline of 13 per cent that was still being forecast after the three quarters ended 30 November 2003. Improved sales and the systematic continuation of structural and cost optimization programmes in every Group company had a beneficial impact. The net loss from investing and financial activities of € 6,055 thousand in the 2003/04 financial year did not include any of the previous year's extraordinary income from selling interests (2002/03: sale of interests in *Leipnik-Lundenburger Invest Beteiligungs-AG*). In addition, the detrimental development of the exchange rates of a number of Eastern European currencies versus the euro in the period up to the reporting date also dented earnings, resulting in a decline in profit before tax to € 70,741 thousand. That compared with € 87,245 thousand in 2002/03. However, our favourable tax position offset some of that drop in profit, enabling AGRANA to return consolidated earnings for the year of € 56,539 thousand. That was the second-best result in the Group's history.

Net cash from profit came to € 100,889 thousand (previous year: € 105,015 thousand).

REVENUES 2003|04



OPERATING PROFIT 2003|04



THE SUBSIDIARIES OF *AGRANA BETEILIGUNGS-AG*

AGRANA ZUCKER UND STÄRKE AG

AGRANA Zucker und Stärke AG is the operating company of our Austrian sugar and starch divisions. It has sugar factories in Hohenau, Leopoldsdorf and Tulln (all in Lower Austria), a potato starch factory in Gmünd (Lower Austria) and maize starch factories in Aschach (Upper Austria) and Hörbranz (Vorarlberg).
In addition, *AGRANA Zucker und Stärke AG* holds all our foreign subsidiaries in the sugar, starch and fruit segments. However, their coordination and operational management are the remit of *AGRANA Internationale Verwaltungs- und Asset-Management AG & Co KG* (responsible for the sugar and starch companies in Hungary, the Czech Republic, Slovakia and Romania) and *AGRANA Frucht Ges.m.b.H. & Co KG* (responsible for all companies in the Fruit Division).
AGRANA Zucker und Stärke AG recorded revenues of € 467,900 thousand during the 2003/04 financial year (previous year: € 463,300 thousand).

AGRANA MARKETING- UND VERTRIEBSSERVICE GES.M.B.H.

AGRANA Marketing- und Vertriebsservice Ges.m.b.H. (AMV) sells the products of the Austrian subsidiaries of *AGRANA Zucker und Stärke AG* to the food trade (branded products) and the food and animal feed industries and is also responsible for marketing the entire product line of *AGRANA Zucker und Stärke AG* 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 Mühlenbetriebsges.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*).
AMV recorded revenues of € 436,000 thousand during the 2003/04 financial year (previous year: € 439,000 thousand).

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

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

AGRANA aims to expand its core business operations in the sugar and starch segments by acquiring interests in Central and Eastern Europe, and it plans in particular to become a major player in the countries neighbouring Austria that joined the European Union in the course of its recent eastward enlargement. Within those countries, AGRANA's primary focus will be on exploiting opportunities to apply its production and marketing expertise in its core sugar and starch segments and on developing those segments to ensure their competitiveness within the European Union. AGRANA's plans are based 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.

AGRANA FRUCHT GES.M.B.H. & CO KG

AGRANA Frucht Ges.m.b.H. & Co KG was set up during the 2003/04 financial year. It is responsible for the operational management of all subsidiaries in the fruit segment of *AGRANA Zucker und Stärke AG*.

Fruit preparations and fruit juice concentrates make up a new business segment for the AGRANA Group. We undertook this diversification after carefully examining the strategic options. The key steps in its implementation took place rapidly within the space of a year, starting in April 2003, with the takeover of *Vallø Saft* in Denmark and purchases of stakes in *Steirerobst* in Austria and the *Atys Group* in France. The segment will be fully consolidated as of the 2006/07 financial year and will generate additional revenues of approximately € 750 million.

One key consideration in the choice of our new business segment was that it should be a new field of operation in close proximity to our existing core segments—sugar and starch—and, as a consequence, be suited to AGRANA's range of experience and capabilities. At the same time, we wanted our new strategic business segment to be big enough (i.e. comparable in scale to our sugar and starch segments) to enable us to achieve a first- or second-placed ranking in the European and global markets. Another important requirement was the new segment's compatibility with our core capabilities. In other words, it should involve supplying the food and beverage industries and should, therefore, be a *business-to-business* segment.

We will be reporting on our core sugar, starch and fruit segments from page 18.

THE SUGAR DIVISION

PREVAILING CONDITIONS

Conditions in general

The *WTO* Ministers' Conference held in Cancun in September 2003 ended without any concrete results, jeopardizing the completion of the *WTO* negotiations by year-end 2004. The decisive reason for its failure was the absence of agreement between the EU and the USA on the one side and a coalition of 22 developing and emerging countries on the other regarding adoption of the so-called *Singapore Issues*, namely investment, competition, transparency in government procurement and trade facilitation. The EU and the USA had agreed a joint negotiating document ahead of the conference that proposed the reduction of trade-distorting internal subsidies by the developed countries and went beyond the proposals developed during GATT's Uruguay Round. In addition, it would have granted the developing countries special preference and duty-free quotas and the retention of protection for sensitive products.

The world sugar market

Total world sugar production during 2003/04 has been estimated at about 146 million metric tons, compared with approximately 149 million metric tons in 2002/03. Consumption is estimated to have risen to 143 million metric tons (previous year: 139 million metric tons). Consequently, a small reduction in inventories to 69.4 million metric tons has been extrapolated for the 2003/04 sugar marketing year.

The average world market price of white sugar (as quoted in London) stood at US$ 231.50 per metric ton at the beginning of the 2003/04 financial year (average in March 2003) and fell steadily until November 2003 to reach US$ 190.73 per metric ton (average in November 2003). The price of white sugar recovered slightly between December 2003 and February 2004 to average US$ 209.82 per metric ton in February 2004 in conjunction with an average dollar exchange rate of US$ 1.26/€ in February. At the end of the financial year (29 February 2004), white sugar cost US$ 221.60 per metric ton at an exchange rate of US$ 1.24/€. The world market price of white sugar continued to recover in March 2004.

The EU sugar market

Because of the dry summer of 2003, sugar production in the EU during the 2003/04 sugar marketing year (1 July 2003 through 30 June 2004) was down on the previous year's total of 18.4 million metric tons at an estimated 16.4 million metric tons. Areas under beet fell by 7 per cent to 1.7 million hectares in the 2003 harvest year.

The EU sugar CMO

In the spring of 2003, the European Commission initiated internal debate within the so-called *Interservice Steering Group (ISG)* regarding possible reform of the EU sugar CMO. In September 2003, EU Commissioner for Agriculture Fischler presented three possible reform scenarios for the EU sugar sector:

- **Option 1:** Maintenance of the status quo: continuation of the existing sugar CMO with flexible production quotas and a system of interventions extending beyond the year 2006.
- **Option 2:** Medium-term expiry of production quotas at the same time as stabilization of the EU's internal production by bringing the internal market price of sugar into line with the prices of non-preference imports.
- **Option 3:** Complete liberalization of the sugar market (i.e. abolition of intervention and production quotas, no external safeguards).

In the course of debate about those options, EU Commissioner for Agriculture Fischler announced in November 2003 his intention to present a paper on reform of the sugar CMO in the first half of 2004. The *Comité Européen des Fabricants de Sucre (CEFS)* and the beet growers' *Confédération Internationale des Betteraviers Européens (CIBE)* demanded consideration of a further fixed quotas option that had been included in the proposals made by the EU's internal *ISG* but was no longer contained in the Commission communication. Under that option, there would be quotas for both sugar and isoglucose volumes produced in the EU and for import volumes. In the context of reform of the sugar CMO, the *CIBE* and *CEFS* pointed to the high competitiveness of isoglucose production given the associated low net raw material costs. Calculations and studies prove that the assumption that isoglucose production would only increase slightly if quotas were abolished is a crass misjudgement and that white sugar production from sugar beet would fall by far more than is being predicted by the EU Commission.
At the beginning of March 2004, the LDCs (least developed countries) that had been granted duty-free access to the European internal market for all products but arms ("Everything but arms" agreement) officially applied to the European Commission for the re-opening of negotiations of the agreement with respect to the sugar sector. From 2009, sugar is also to enjoy duty-free access. The new proposal from the favoured LDCs also considers a quota, albeit alongside an extension of the arrangement to the year 2015/16.

Western Balkans agreement

Because of the inadequate transparency of merchandise flows and possible fraud, the European Commission suspended the preferential arrangement giving sugar from Serbia and Montenegro duty-free access within the scope of the Western Balkans agreement in May 2003, and the suspension has now been extended to August 2004.

EU sugar quotas

As in 2002/03, the European Commission carried out a temporary sugar-quota cut of a total of 215,313 metric tons (cut of 206,646 metric tons in white sugar quotas, the remainder in quotas for isoglucose and inulin) for the 2003/04 sugar marketing year. In Austria, that reduced the "A" sugar quota to 309,343 metric tons and the "B" sugar quota to 72,204 metric tons, giving a total reduction of 5,779 metric tons to 381,547 metric tons.

The European Union's eastward enlargement

The European Commission's Management Committee for Sugar decided on a series of measures that impinged on the 10 new members' EU accession:

- Proofs of arrival for exports to non-member countries as the basis for calculating the right to export refunds: Further to a resolution of the Management Committee, the European Union suspended export refunds to the 10 acceding countries. That was a part of the transitional provisions designed to help the agricultural sectors of the acceding countries come into line with EU standards upon joining the European Union.
- Transitional measures were laid down for the sugar sector from 1 May 2004. They cover all processed products containing sugar with an added sugar content or added sugar-equivalent content of more than 10 per cent.

- The self-financing mechanism and refund system will apply in the new member-states as of 1 July 2004.
- Possible surplus inventories: The European Commission will define ceilings for each new member-state to be observed by not later than 1 November 2004. Surplus inventories must be taken off the market by their holders without community intervention by not later than 30 April 2005.

Traceability

From 1 January 2005, all animal feed and food manufacturers must ensure traceability from raw materials to the finished product ("from the farm to the fork") in conformity with EU Directive 178/2002.

GM labelling

The EU directive on genetically modified foodstuffs and animal feed and regarding traceability and the labelling of GM organisms (GMOs) has 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 change in writing.

SUGAR IN AUSTRIA

The sugar sector's development during the financial year ended was shaped by a rise in revenues generated by an increase in domestic sugar sales to 338,000 metric tons (previous year: 309,000 metric tons) alongside a fall in the world market price of sugar, lower molasses prices, higher costs and increased outlay on environmental protection. Revenues in the sugar segment totalled € 328,000 thousand (previous year: € 324,200 thousand).

Crop growth, harvest and production

AGRANA concluded beet-cultivation contracts with 9,700 Austrian beet farmers (previous year: 10,000 Austrian beet farmers) for an area under beet of 43,400 hectares (previous year: 44,600 hectares) during the financial year ended. Because of the extremely dry summer of 2003, harvested and processed beet totalled just 2.5 million metric tons (previous year: 3.0 million metric tons). The per-hectare yield averaged 57.5 metric tons of beet (previous year: 68.5 metric tons). The extracted total of 386,200 metric tons of white sugar (previous year: 455,800 metric tons) was just over the sugar quota in place for the sugar marketing year (381,547 metric tons) at 101.2 per cent of quota.

The campaign lasted 68 days, which was shorter than the previous year's 83-day campaign. Despite an increased sugar content of 17.14 per cent (previous year: 16.48 per cent), our three sugar factories' daily throughput was static at the previous year's high level of 36,750 metric tons, and they were able to increase their daily sugar output by 3.5 per cent. That was above all thanks to a practically glitch-free campaign and a whole number of detailed optimizations. In addition, capital investments further reduced their usage of process materials and supplies.

Nearly half of all beet deliveries reached us by rail, and for the first time, 40,000 metric tons were also transported by boat on the Danube from Enns to Tulln, guaranteeing supplies to Tulln even when the Austrian railway system was at a standstill because of a strike. Favourable weather conditions during the harvest ensured a smooth supply of beet to the sugar factories.

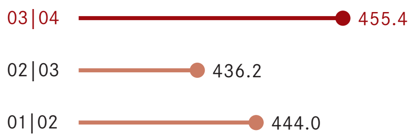
Markets

AGRANA Marketing- und Vertriebsservice Ges.m.b.H. is responsible for marketing and selling our sugar products. Sugar sales during the 2003/04 financial year totalled 455,400 metric tons, which was 19,200 metric tons or 4.4 per cent up on the previous year's total of 436,200 metric tons.

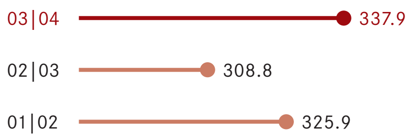
Advertising of AGRANA's *Wiener Zucker* (Viennese sugar) brand continued to be based on the slogan *Die Zuckerseiten des Lebens* (the sweet sides of life), which represent everything that is good, beautiful, pleasant and sweet in life. During the *Top-Spot* awards, the public voted into fourth place our TV spot featuring a testimonial from soccer star Hans Krankl. The response to AGRANA's TV spots was very positive. We published adverts in the printed media on thematic focuses like jam making, baking, and so on. Those advertising activities were backed up by product placements in cooking programmes and by our recipe services for consumers (available by phone, fax or Internet).

The year's new introductions to the market under the *Wiener Zucker* banner were fructose and sugar for diabetics. They were immediately listed throughout Austria. We were particularly pleased with the development of sales of the *Zuckerillo* sugar-stick line launched towards the end of the previous financial year.
Household sugar sales during the 2003/04 financial year were virtually unchanged compared with the previous year's total of 66,900 metric tons at 66,300 metric tons. Sales of speciality sugars developed pleasingly, growing by 2.3 per cent. Brown sugar varieties such as sugar candy, brown sugar and demerara sugar cubes did very well. Thanks to the good apricot harvest in the previous year, sales of preserving sugar were again very high at 5,100 metric tons, which translates into year-on-year growth of 9.2 per cent.
Sales of bagged sugar fell by 8.1 per cent. That was mainly attributable to imports of foreign sugar from Croatia and Italy. Because of the excellent quality of the grapes harvested in 2003, sales of sugar to vintners were also down on the year.
Sales of sugar to the food industry increased by 1.6 per cent to 215,800 metric tons. That was primarily thanks to the suspension of the Western Balkans agreement and the resulting fall in sugar imports from Serbia and Montenegro.
Sales in the *other foods* segment grew by a pleasing 7.4 per cent to 67,800 metric tons. Because of the increased difficulty of exporting to Germany (can/bottle deposit), sales to manufacturers of soft drinks fell by 2 per cent. Sales to the confectionery industry grew by 1.3 per cent on the year.
High production refunds (caused by low sugar prices in the world market) in conjunction with the costliness of starch-based saccharification products caused by high raw material prices increased sugar sales in the fermentation and chemical segments to 37,000 metric tons (previous year: 8,900 metric tons).

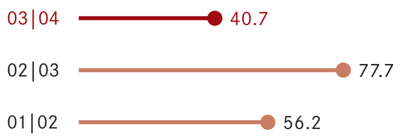
SUGAR SALES IN AUSTRIA
(1,000s of metric tons)



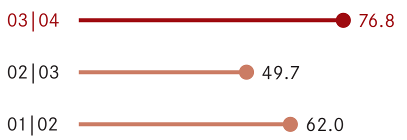
Of which
DOMESTIC SUGAR SALES
(1,000s of metric tons)



QUOTA SUGAR EXPORTS
(1,000s of metric tons)



"C" SUGAR EXPORTS
(1,000s of metric tons)



Exports to non-member countries during the 2003/04 financial year consisted mainly of sales to Romania, Croatia, Macedonia, Bosnia and Herzegovina and Moldova. Exports of quota sugar and exports to non-member countries were nearly 8 per cent down on the year at 117,600 metric tons. Because of the poor supply of animal feed following the drought, we were able sell dried pulp–a by-product of sugar extraction–for 10 per cent more than in 2002/03.
The molasses market came under pressure from a glut before the start of the 2003 campaign, but relief subsequently came from increased sales to the mixed feed industry of nearly 16,000 metric tons at good prices to tide it over the poor supply of harvested fodder.

Investment

The division's capital expenditure during the 2003/04 financial year came to € 4.9 million. Among other things, that money was spent on optimizing production plant and on necessary replacement investments. In particular, the renovation of the centrifuge in Hohenau, the new pulp press and the reconstruction of the pressed pulp conveyor system in Leopoldsdorf and a new preliming trough in Tulln improved quality and energy usage and reduced our consumption of process materials and supplies. As a result, our need for limestone fell by another 2.8 per cent compared with the previous year's already very good figure, putting us up among the most efficient limestone users. The reduction made up for increases in the prices of lime and coke.

SUGAR IN HUNGARY

Prevailing conditions

Domestic sales in the Hungarian sugar market totalled 320,000 metric tons during 2003 (previous year: 320,000 metric tons). There was an increase in imports from Poland at the beginning of 2003, but the Hungarian authorities put a stop to them by raising tariff safeguards. Preferred import quotas totalling 8,000 metric tons were set for sugar from Poland, Slovakia, the Czech Republic and EU countries for the period from November 2003 through April 2004.
2003 was a year of powerfully fluctuating exchange rates, rising interest rates and a hike in Hungarian VAT from 12 to 15 per cent on 1 January 2004.

The new sugar market regime in place from the time of Hungary's accession to the EU on 1 May 2004 was finalized in February 2004. Agreement regarding the new EU-compliant inter-trade agreement valid from the 2004 harvest year was reached in March 2004.
During Hungary's EU accession negotiations, its national sugar quotas after accession were set at 400,454 metric tons of "A" sugar and 1,230 metric tons of "B" sugar, making 401,684 metric tons in all. In addition, Hungary was given isoglucose quotas of 127,627 metric tons of "A" isoglucose and 10,000 metric tons of "B" isoglucose, making 137,627 metric tons in all.
Magyar Cukor Rt.'s sugar quotas total 147,137 metric tons (146,686 metric tons of "A" sugar and 451 metric tons of "B" sugar), giving AGRANA 36.63 per cent of Hungary's total sugar quotas.

Magyar Cukor Rt., Budapest

During the 2003/04 financial year, *Magyar Cukor* recorded revenues of € 65,400 thousand (previous year: € 83,300 thousand, albeit over a period of 14 months following the change in reporting date).

Magyar Cukor Rt.'s two sugar factories (Petőháza and Kaposvár) processed 637,100 metric tons of beet (previous year: 958,000 metric tons) into 86,400 metric tons of sugar (previous year: 131,400 metric tons) during a campaign lasting 53 days. The beet had a sugar content of 15.2 per cent, which was down on the previous year's figure of 15.6 per cent. Because of extremely dry weather during the summer of 2003, just 70 per cent of the contracted total of 900,000 metric tons of beet could be harvested in our Hungarian catchment area. Per-hectare beet yields averaged 34.3 metric tons during the 2003/04 financial year, which was substantially less than the previous year's average yield of 44.3 metric tons. The catchment area of the Petőháza sugar factory was particularly hard-hit.

Massive sugar imports damaged sugar sales by *Magyar Cukor*, reducing them by 10 per cent on the year. However, it proved possible to maintain prices and defend our market share despite stiffer competition.

The *Koronas Cukor* sugar range held its ground well in the marketplace.

Most of the company's capital expenditure during the financial year ended was on environmental protection, optimizing energy usage and extending and optimizing capacities. Construction of the sewage clarification plant at the Petőháza sugar factory got underway.

SUGAR IN THE CZECH REPUBLIC

Prevailing conditions

A renewed attempt to reach agreement on a Czech sugar market regime began in September 2003. Once again, it was challenged as unconstitutional; a ruling is expected in mid-2004. Nonetheless, the Czech agricultural ministry is among other things preparing all the statutory changes needed for the entry into force of an EU-compliant sugar regime and the concomitant transitional provisions as of 1 May 2004.

Inter-trade agreements between beet growers and the sugar industry were concluded at regional level in the Czech Republic during 2002. They will be inforce for between three and five years. The adjustments and amendments needed to create an EU-compliant inter-trade agreement are under preparation and should be incorporated into the existing agreements by not later than the start of the 2004 campaign.

The sugar quotas granted to the Czech Republic in the course of accession negotiations total 454,862 metric tons, made up of 441,209 metric tons of "A" sugar and 13,653 metric tons of "B" sugar. AGRANA's share of the Czech Republic's national sugar quotas was set at 18.98 per cent or 86,344 metric tons.

Moravskoslezské Cukrovary a.s., Hrusovany

This company recorded revenues of € 44,000 thousand during the 2003/04 financial year (previous year: € 61,100 thousand, albeit over a period of 14 months following the change in reporting date).

During the 2003 campaign, our Czech sugar factories (Hrusovany and Opava) processed 621,600 metric tons of sugar beet (previous year: 760,200 metric tons) into 101,500 metric tons of sugar (previous year: 113,000 metric tons). The beet had a sugar content of 18.3 per cent (previous year: 16.6 per cent) and a concentrated juice purity of 92.5 per cent (previous year: 93.3 per cent). Because of the extremely dry weather, the per-hectare beet yield was just 41.1 metric tons (previous year: 54.1 metric tons).

Since the legality of the Czech sugar market regime is still unclear, the Czech market is in the sway of intensified competition, severe pressure on prices and a battle for market share between the country's various sugar companies.

Given the market's instability and the forthcoming period of transition to an EU regime, the situation remains unlikely to improve in 2004.

Domestic sugar sales by *Moravskoslezské Cukrovary a.s.* came to 64,600 metric tons and the company's sugar exports totalled 32,700 metric tons, whereby the retail component of its sales was well above the overall market average at over 47 per cent. AGRANA's *Korunni Cukr* sugar brand is very well-known in the Czech Republic.

The company's capital expenditure of € 2.5 million during the financial year focused among other things on rebuilding the boiling house at the Opava sugar factory and on investments in the production, environmental protection and energy optimization fields.
Moravskoslezské Cukrovary a.s. was ISO-certified in November 2003.

SUGAR IN SLOVAKIA

Prevailing conditions

Government instrument No. 89/2003, in force from March 2003, regulated convergence with EU conditions in the sugar beet and sugar sectors in the period up to 1 May 2004.
The intervention agency of the Slovakian ministry of agriculture apportioned the national sugar quota on the basis of that instrument.
During Slovakia's accession negotiations, it was granted a total sugar quota of 207,432 metric tons made up of 189,760 metric tons of "A" sugar and 17,672 metric tons of "B" sugar. Our subsidiary *Slovenské Cukrovary a.s.* was allocated a quota of 56,671 metric tons, made up of 51,843 metric tons of "A" sugar and 4,828 metric tons of "B" sugar. That is 27.32 per cent of the total national quota.
In November 2003, the Slovakian sugar beet growers association *(ZPCR-SR)* and the confederation of sugar manufacturers *(SCS)* concluded a national inter-trade agreement valid until EU accession. Following EU accession on 1 May 2004, the agreement was amended as neccessary to conform to the EU sugar CMO and was renewed by both parties.

Slovenské Cukrovary a.s., Rimavská Sobota

This company recorded revenues of € 27,100 thousand during the 2003/04 financial year (previous year: € 28,700 thousand, albeit over a period of 14 months following the change in reporting date).
Its sugar factories at Rimavská Sobota and Sered processed 346,100 metric tons of sugar beet (previous year: 369,500 metric tons) into 48,100 metric tons of white sugar (previous year: 46,000 metric tons) during 2003. The beet had a sugar content of 15.9 per cent (previous year: 14.8 per cent) and a concentrated juice purity of 91.1 per cent (previous year: 92.4 per cent). The dry weather reduced the per-hectare beet yield to 34.3 metric tons (previous year: 40.4 metric tons).
Sales during 2003/04 totalled 53,600 metric tons, made up of 31,300 metric tons sold domestically and 22,300 metric tons of exports. Sixty-one per cent of domestic sugar volumes were sold to the food trade and 39 per cent were sold to industry. Our *Korunny Cukor* sugar brand has become firmly established in the Slovakian food trade. At the end of the 2003/04 financial year, *Slovenské Cukrovary a.s.* had a market share of 28 per cent in the Slovakian sugar market.
Capital expenditure during the 2003/04 financial year came to € 1.4 million. Most of that total was spent on rebuilding the boiling house at Rimavská Sobota and installing new pulp presses in Sered, and *Slovenské Cukrovary a.s.* also invested in product improvements, environmental protection and energy optimization.
Both AGRANA sugar factories in Slovakia (the *Slovenské Cukrovary a.s.* factories in Rimavská Sobota and Sered) were ISO-certified.

SUGAR IN ROMANIA

Prevailing conditions

Domestic sugar sales in Romania totalled 511,000 metric tons during 2003 (previous year: 521,000 metric tons). Approximately 90 per cent of that total was refined from imported unrefined sugar. Just 10 per cent was extracted from domestically grown sugar beet.
Despite the beneficial development of conditions for beet growing in Romania (hike in the duty charged on imports of unrefined sugar from 30 to 45 per cent and hike in the white sugar tariff from 45 to 90 per cent as of October 2003), it proved impossible to boost sugar beet growing in Romania. Furthermore, the 2003 crop was hit by extremely dry weather.

The world market price of unrefined sugar was very unstable during 2003. It stood at US¢ 9/lb at the beginning of 2003 but then fell steadily, reaching US¢ 6/lb by the end of February 2004.
White sugar imports from Moldova dented prices from January to May 2003, although the trough during the first half was offset by new tariff safeguards in place from October.
Our revenues in the Romanian sugar segment totalled € 59,900 thousand during the 2003/04 financial year (previous year: € 58,900 thousand, albeit over a period of 14 months following the change in reporting date).

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 and starch companies. AGRANA has its own sales network with branches spread across Romania.
We continued to extend the sugar line. Besides a variety of 50 kg bag products, it includes an extended range of sugars for the food trade (reintroduction of icing sugar, cube sugar and sugar sticks).
AGRANA Romania has a presence in virtually every supermarket chain in Romania with its *Margaritar Zahar* brand and simultaneous sales of 1 kg sugar portions packed in polyethylene bags. It is market leader in the 1 kg segment with a retail market share of about 80 per cent. AGRANA's sugar sales in Romania totalled 160,000 metric tons during the 2003/04 financial year, giving it a market share of 31 per cent.

S.C. Zaharul Romanesc S.A., Buzau

The sugar factory in Buzau extracted 101,900 metric tons of white sugar from unrefined imported sugar during 2003. The company achieved considerable improvements in production yields both in Buzau and at the Roman sugar factory.
It doubled its 1 kg packaging capacity and took steps to cut energy consumption. A combination of rationalizations and product optimizations led to a marked increase in efficiency.

S.C. Danubiana Roman S.A., Roman

Persistent frosts delayed beet planting, and extreme heat during the crop's growing season led to drought damage. A total of just 114,600 metric tons of beet (previous year: 216,200 metric tons) was processed into 13,700 metric tons of white sugar (previous year: 18,400 metric tons) during 2003. The concentrated juice had a purity of 91.38 per cent (previous year: 89.2 per cent), and polarization averaged 14.7 per cent (previous year: 12.6 per cent). The Roman sugar factory extracted 50,900 metric tons of white sugar from sugar beet and imported unrefined sugar (previous year: 55,000 metric tons).
Capital expenditure at the Roman sugar factory doubled its 1 kg packaging capacity. In addition, action was taken to reduce energy consumption. There too, rationalizations and product optimizations led to a marked increase in efficiency.

THE STARCH DIVISION

PREVAILING CONDITIONS

Reform of the Common Agricultural Policy

On 26 June 2003, the 15 EU agriculture ministers reached agreement on the reform of the Common Agricultural Policy *(CAP)*. The cornerstones of the reform are the decoupling of subsidies from production, the tying of subsidies to adherence to environmental protection requirements combined with deductions for breaches, modulation (the diversion of parts of direct payments to wider rural development), the retention of milk quotas until 2014 combined with the retention of support prices and the introduction of a decoupled milk premium to compensate for the cut in the intervention price, no reductions in intervention prices for cereals, and the retention of the agreed EU funding basis for CAP of € 48,500 billion.
In the potato starch segment, the reform will retain a minimum price of € 178.31 per metric ton of potato starch. Forty per cent of the direct payment to growers of € 110.54 per metric ton of starch potatoes will be decoupled from production and integrated into the single farm payment. The starch production refund will be retained. Austria will implement the so-called *single farm payment scheme*, in principle completely decoupling payments.
The section on prevailing conditions in the sugar market from page 18 reports on the *WTO* negotiations and the traceability requirements that will be imposed on all animal feed and food and beverage manufacturers from January 2005.

STARCH IN AUSTRIA

Business developed satisfactorily during the 2003/04 financial year. Because of the weather, potato starch output was very low, reducing sales of potato starch products to 43,000 metric tons. That was 23 per cent less than in the previous year. On the other hand, there was another increase in maize-processing capacities, and the opening up of new markets and the development of market niches boosted sales. Overall, starch sales by volume (maize and potato starch) were static on the year. Starch sales by value came to € 139,900 thousand (previous year: € 139,300 thousand). Despite the increase in raw material costs in the maize starch segment, operating profit was up on the previous financial year thanks to the optimization of cost structures and the product portfolio.

The following action was taken ahead of planting in 2003 to ensure a sustained supply of raw material to the Gmünd potato starch factory:

- Halving of the organizational levy
- Increase in the transportation allowance
- Introduction of a grower advice service

Terms for the 2004 crop were made much more attractive to further encourage starch potato growing. The new agreement provides for freight-paid acceptance of clean starch potatoes by AGRANA ex farm or ex terminal and distance-based compensation for direct deliveries to the factory.
The extremely dry summer of 2003 and the resulting maize shortages increased the price of maize by up to 50 per cent on the year.

Crop growth, harvest and production

Long hot periods during the growth of the starch potato crop in the summer of 2003 led to a massive harvest loss of 30 per cent of the contracted total. During the 2003 campaign, 1,942 farmers (previous year: 2,113 farmers) delivered just 149,600 metric tons of starch and organic starch potatoes (previous year: 200,000 metric tons) for processing in a campaign that lasted 92 days (previous year: 110 days). The potatoes had a starch content of 18.3 per cent (previous year: 17.1 per cent). Starch production fell 33 per cent short of our EU potato starch quota of 47,691 metric tons. We concluded cultivation contracts for 233,000 metric tons of starch and organic starch potatoes for the 2004 harvest year (previous year: 213,000 metric tons).
Three hundred and seventy-nine growers delivered a total of 11,900 metric tons (previous year: 14,400 metric tons) of potatoes and organic potatoes for the food industry. They were used to manufacture long-life potato products and organic products.

During the 2003/04 financial year, the Aschach maize starch factory took delivery of and processed 280,900 metric tons of maize (previous year: 267,000 metric tons). Processing throughput averaged 807 metric tons a day, which was well above the factory's nominal capacity of 750 metric tons a day. The gas-turbine power plant met the entirety of the factory's heat and power needs, and we were also able to supply electricity to the public grid.

Markets

Despite the fall-off in starch potato volumes in the aftermath of the dry weather, it proved possible to sustain sales of starch products with the help of maize starch products. As a result, sales by volume during the 2003/04 financial year were static on 2002/03.

The NON-FOOD segment (technical starches) accounted for 26 per cent of aggregate sales by volume. In spite of the weakening economy, they grew by 2.5 per cent during the financial year.
Domestic sales by volume to the paper industry declined in a period of severe downward pressure on prices, but it proved possible to sustain the level of exports. Overall, sales by volume were nearly 7 per cent down on the year.
Total sales by volume to the corrugated cardboard industry in Austria fell, but exports increased, resulting in a 12 per cent advance in overall sales by volume. Prices recovered from year-end 2003 following severe pressure on prices during the first half.
Sales by volume to the textile industry fell by 21 per cent. That was attributable to a drop in exports to Asia as a result of very low US dollar exchange rates and to imports of Chinese and Thai tapioca starch into Asian markets. The Turkish market, which had been stagnating because of the War on Iraq, was very slow to recover.
Sales by volume to the construction industry increased by 40 per cent.

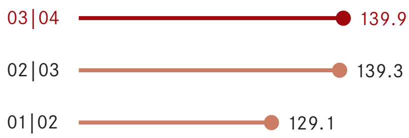
Sales by volume in the FOOD segment (starches for the food industry) fell by 5 per cent. That was above all due to the reduced availability of potato starch as a result of the drought. Sales of long-life potato products were up on the year in both volume and value terms.

Volumes in the organic segment grew by 5.5 per cent, although powerful pressure on prices did cause a small decline in revenues. For more than 10 years, AGRANA has been processing organically grown potatoes and maize into organic starches, organic saccharification products and organic long-life potato products (potato flakes and dried potatoes) at the Gmünd and Aschach factories and, since 2003, in Hörbranz. Those products are sold throughout the food industry and are primarily used in products such as—to name just a few—fruit preparations, confectionery, baby foods, cakes and pastries and delicatessen products. AGRANA also makes household products that include mashed potato and dumpling mixes for major European manufacturers of branded products. Roughly 90 per cent of AGRANA's output of organic products is exported (EU countries, Switzerland, North America and Southeast Asia). The Gmünd, Aschach and Hörbranz factories are certified organic producers within the meaning of *Council Regulation (EC) 2092/91* (as amended).
AGRANA has been manufacturing GM-free maize-based and waxy maize-based products in Aschach since 1998. Ingredients are tested in a 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. Testing and certification are carried out in accordance with the Austrian *Codex*, Germany's *Verordnung zur Änderung der Neuartige Lebensmittel- und Lebensmittelzutaten-Verordnung* and Switzerland's *Lebensmittelverordnung*. The product line includes native starches, pregelatinized starches, malto-dextrine and dried glucose syrups for use, for example, in blancmanges, 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.

Investment

Another spray drying tower was successfully put into operation at the Gmünd potato starch factory. Among other things, it is being used in the manufacture of spray-dried baby foods. A new drum drying plant was installed, and bagging on both lines was automated at the same time.
We completed planning processes ahead of the increase in maize-processing capacities at the Aschach maize starch factory to 1,000 metric tons a day. The first phase of that investment began at the end of the 2003/04 financial year. Enlargement will take place in three yearly stages and will be completed in the 2006/07 financial year.

STARCH SALES IN AUSTRIA
(€mn)



Of which
EXPORTED
(Per cent)

STARCH IN HUNGARY

Prevailing conditions

During Hungary's EU accession negotiations, its national isoglucose quotas were set at 127,627 metric tons of "A" isoglucose and 10,000 metric tons of "B" isoglucose, making 137,627 metric tons in all. Those quotas are wholly at *Hungrana*'s disposal as the only company in the Hungarian isoglucose market.
Dry weather also made maize scarce in Hungary. Above all, it caused an explosion in raw material prices.

HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft., Szabadegyhaza

This company's shares are held equally by *AGRANA Zucker und Stärke AG* with a subsidiary of *Tate & Lyle* and by *ADM (Szabadegyházai Szolgáltató és Vagyonkezelö Kft)*.
Hungrana recorded revenues of € 112,300 thousand during the 2003/04 financial year (previous year: € 138,400 thousand, albeit over a period of 14 months following the change in reporting date).
Tight raw material supplies following the drought reduced maize-processing volumes by 3 per cent on the year to 408,000 metric tons. The extremely dry weather increased maize prices by 50 per cent on the year.

STARCH IN ROMANIA

Prevailing conditions

The Romanian starch and glucose market grew a little, but it is still relatively small by the standards of other countries.

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

Our Romanian maize starch factory recorded revenues of € 3,300 thousand during the 2003/04 financial year. Production having only begun in 2002, no prior-year revenue comparisons are available.
The extremely dry summer of 2003 also led to a poor maize harvest in Romania, resulting in a 100 per cent increase in the price of our raw material in the maize starch segment. *S.C. A.G.F.D. Tandarei s.r.l.* processed 13,000 metric tons of maize.
Capital expenditure during 2003 focused mainly on optimizing capacities and quality and getting ready to make oxidized starches.
Domestic starch sales, most of which were to the food and paper industries, developed very well. The company had market shares of about 33 per cent in both the glucose and the maize starch market. Prices were up on the year, mainly because of the increase in raw material costs. New packaging units (*Big Bags*, small glucose containers) were added to the line.

THE FRUIT DIVISION

The fruits preparations and fruit juice concentrates segment is a new field of activity for the AGRANA Group. The decision to diversify into this segment was taken after professional screening of the available strategic options. The key steps in its implementation took place within the space of a year, starting with the takeover of Denmark's *Vallø Saft* in April 2003 and continuing with the acquisition of stakes in Austria's *Steirerobst* and the *Atys Group* in France. The segment is to be fully consolidated as of the 2006/07 financial year. It will boost the Group's revenues by about € 750 million.

The key consideration in the choice of our new business segment was that it should, on the one hand, be a new field of operation close to our existing core segments–sugar and starch–and, as a consequence, be appropriate to AGRANA's range of experience and expertise. On the other hand, we wanted our new strategic business segment to be big enough to enable us to achieve a first- or second-placed ranking in the European and global markets. Another crucial requirement was that the new segment should involve supplying the food and beverage industries (i.e. not supplying consumers). In other words, it should be a *business-to-business* segment.

VALLØ SAFT A/S, DENMARK

We acquired 99.34 per cent of Denmark's *Vallø Saft A/S*, domiciled in Køge, on 11 April 2003. The remaining shares were transferred in January 2004, so AGRANA now holds a 100 per cent stake.

Vallø Saft is one of Europe's leaders in the apple and fruit juice concentrates market. It has in particular been able to establish itself at the high-quality end of the red berries (berry fruits) segment. It has been marketing its apple and fruit juice concentrates particularly successfully in Central and Western Europe, the UK and Scandinavia.

The company has two factories. Its main site is in Denmark (Køge). It built a new factory in Lipnik, Poland (southeast of Warsaw) in 1997 and increased its capacity in 2001 and 2002.

Vallø Saft's buying strategy extends beyond Europe. Its products guarantee high quality for its customers. *Vallø Saft*'s specialities include processing cherries and berries, turning redcurrants, blackcurrants, raspberries and strawberries as well as elderberries, arnica berries and many other fruits into berry juice concentrates.

The company processed 122,000 metric tons of raw fruit (apples and berries) during its 2003 financial year.

Vallø Saft's revenues during its 2003 financial year came to € 39 million. It employed 120 people in Denmark and Poland. *Vallø Saft* was already accounted for as a fully consolidated member of the Group in our 2003/04 financial year.

STEIRERROBST AG, AUSTRIA

At the close of the 2003/04 financial year, AGRANA had a total stake of 34 per cent (direct and indirect) in *Steirerobst AG*, which is domiciled in Gleisdorf, Styria.
Steirerobst has carried out very successful geographical diversification during the past few years. It has one factory each in Austria, Hungary, Poland, Romania and the Ukraine. The company's home factory is in Gleisdorf. It makes apple juice concentrates and fruit preparations. Its R&D centre of excellence, located in Gleisdorf, guarantees innovative power and high product quality throughout the *Steirerobst Group*. The company is excellently positioned in its strategic raw material markets (Hungary, Poland, Ukraine). It has successfully achieved vertical integration in the raw materials field in the Ukraine, where it grows apples and berries on land leased on a long-term basis. The company's own crop management system ensures not just high quality but also the unbroken traceability of the fruit from the farm to the customer. The key markets for its Ukrainian fruit products are neighbouring countries. Because of high rates of growth in the Russian market, it is building a new fruit preparations factory near Moscow.
The company is a longstanding supplier to Europe's beverage bottlers and dairy companies and will continue to pursue that successful path. It buys its raw material inputs from around the world and also purchases them locally during the months when fresh fruit is harvested in Europe.
The *Steirerobst Group* is one of Europe's largest fruit juice concentrates and fruit preparations enterprises.
During the 2003 financial year, the company processed a total of 286,000 metric tons of raw fruit into 40,200 metric tons of apple and berry juice concentrates and 51,500 metric tons of fruit preparations.
Steirerobst AG recorded revenues of € 107 million during the 2003 financial year. It had 650 year-round employees.

ATYS S.A., FRANCE

On 27 January 2004, French investment company *Butler Capital Partners* signed the contract for AGRANA's gradual takeover of the *Atys Group*. The takeover will be completed in four stages up to the end of 2006. At the time of writing, it was still pending approval by a number of national competition authorities.
The *Atys Group* is the world's leader in fruit preparations. It has 20 factories in 16 countries in every continent.
In Europe, *Atys* has factories in France, Germany, Austria, Poland, the Czech Republic, Bulgaria and Turkey. Those factories supply customers across Europe (focus on the dairy, baking and ice cream industries as well as on supplying SMEs).
The *Atys Group*'s key customers include a multitude of industrial dairies located in every continent.
Fruit preparations are fresh products with very limited shelf lives, so they make considerable demands on manufacturing facilities and organizational structures. They are also very energy-intensive (boiling, cooling, freezing), call for high standards of hygiene and necessitate energy-optimized manufacturing processes.
The company recorded revenues of € 405.6 million during its 2003 financial year. It had 1,900 year-round and 650 temporarily employed staff around the world.

THE ENVIRONMENT

AGRANA has spent approximately € 180,000 thousand on environmental protection in Austria over the past 15 years. That was roughly half of total capital expenditure by the Group's sugar and starch divisions over the same period. The principal emphases have been energy and water management.

The success of AGRANA's efforts to protect the environment is amply illustrated by the sugar factories' energy usage. The processing heat and electrical energy needed to process the sugar beet (i.e. to evaporate its water content of about 75 per cent) is created by combined heat and power generating plants (steam and gas turbines). The highly efficient use of energy resources decreases our consumption of fossil fuels and also cuts specific emissions. Since 1996, AGRANA has only been burning natural gas. Thanks to our capital outlay on reducing energy consumption, our specific energy usage has fallen by more than 30 per cent since 1990. Over the same period, CO_2 emissions have been cut by 34 per cent, making a significant contribution to lessening harm to the environment. The Austrian sugar industry has therefore already achieved the Kyoto target of a 13 per cent reduction in CO_2 emissions in Austria between 1990 and 2010.

Roughly half of the beet delivered to the sugar factories in Hohenau, Leopoldsdorf and Tulln arrives by rail. For the first time, we also transported sugar beet from Enns to Tulln by boat during the 2003 campaign. About one third of the potato volumes processed at the starch factory in Gmünd arrive by rail.

Hygiene is essential when manufacturing foodstuffs. *AGRANA Zucker und Stärke AG* applies a Hazard Analysis Critical Control Point *(HACCP)* system. It is constantly updated in line with the latest research.

AGRANA uses hop extracts and natural resins for disinfecting purposes in its sugar extraction plants. The technique was developed by *Zuckerforschung Tulln Ges.m.b.H.* International patents are pending.

The greatest possible use of closed circuits and the state-of-the-art biological sewage clarification systems installed at all our sugar and starch factories in Austria have optimized our management of water resources and sewage. Processing and treating the earth stuck to the beet when it arrives at the factory is also of considerable ecological importance. Having been drained, the soil is stabilized in so-called soil cassettes with a storage period of three years. 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.

We have greatly improved the sound insulation and filter systems at all our factories during the past few years to control noise and dust pollution. Extensive measures were 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 now cleans exhaust flows from the by-product lines. Those improvements have reduced odour and noise pollution by more than half.

We offer 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. Soil analyses using electro-ultra-filtration *(EUF)* enable us to develop precise fertilization recommendations, in turn making sure that each plant only gets exactly what it needs to grow in addition to the nutrients already available in the soil without over-fertilizing the land or dirtying the ground water below. The inter-trade agreement between AGRANA and Austria's beet growers includes rewards for participating in those analyses.

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 50 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

Alongside hop and pine resin products, we have now successfully developed the use of palm nut oil products to combat the unwanted development of microorganisms and to control the desired limited fermentation of lactic acid in extraction towers in our sugar factories. A patent has been applied for. Our new palm nut products were presented for the first time at an American sugar congress in April 2004 and have been offered to other sugar makers under licence.

The technique that has been used at the Tulln factory for a number of years to admix milk of lime in exactly the right quantities during juice purification was successfully implemented in sugar factories with filter stations during the 2003 campaign. Further improvements were carried out to the metering system, leading to significantly reduced consumption of lime during the 2003 beet campaign.

The introduction of the Syrup and Magma Rapid Analysis *(SIMAS)* system developed by *ZFT*, which makes it possible to gauge juice qualities without any labour-intensive input, significantly reduced the Austrian sugar factories' laboratory costs.

ZFT's agricultural department carried out field tests in every problematic area of practical beet growing. One of its focuses was on cutting application rates. As a testing laboratory certified under *EN ISO/IEC 17025*, *ZFT* also carried out tests and studies needed for the registration of crop varieties and plant protection chemicals.

The activities of the certified testing department at *Zuckerforschung Tulln* were scrutinized during a number of internal audits to check compliance with current quality standards and adherence to procedural and testing standards. The certifying authority (*Bundesministerium für Wirtschaft und Arbeit*; federal ministry of economics and labour) periodically checked the *Zuckerforschung Tulln* testing department's proper changeover to the current *ÖNORM* standard *EN 17025* (formerly *EN 45001*) and awarded it an unqualified certificate for the certified areas of its activities. The officially certified testing department at *ZFT* also received an extended authorization to test plant protection chemicals for sugar beet.

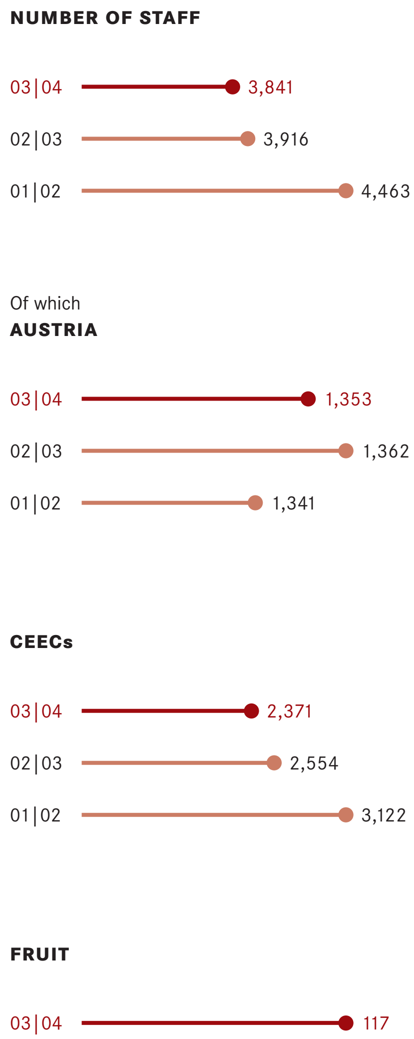
Healthy soil and sustainable soil fertility are the key prerequisites for reliable and cheap beet production. Soil-processing trials paid special attention to the planting of intermediate crops. *ZFT* prepared fertilization recommendations for sugar beet and potatoes on the basis of tests of 12,500 soil samples using electro-ultra-filtration *(EUF)*.
Trials on a total of about 4,500 plots were carried out by *ZFT* itself or jointly with, among others, breeders, manufacturers of plant protection chemicals, public testing agencies, private consultancy firms and vocational colleges.
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.

THE STARCH DIVISION

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 in new areas of application, and we strive for close collaboration with manufacturers when carrying out that development work. Giving concentrated 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. Here too, working closely with starch users has proven important. Product development work in the cement-based plaster and tile adhesive segments has been particularly prominent, and we are also continuing to develop newer fields of use such as shotcrete.
In the textiles segment, we continued to optimize the existing product line, which has been very successful, and added a range of special starch products for selected applications.
We have further goals in the paper and paper-processing sectors. Our principal focus in the corrugated cardboard segment is the optimization of existing adhesive systems.
Services are also a priority alongside our research work. We use a mobile laboratory to provide the paper industry with prompt and professional analytical and applications support on a direct on-the-spot basis.
A new starch adhesive for use by paper bag manufacturers has done very well in initial practical trials. It combines excellent adhesive properties with rapid adhesion.
Development work in the food starches segment centred on the development of modified waxy maize starches for use in a wide variety of areas such as mayonnaises, creams and fruit preparations.
Steadily rising demand has created a growing need for organic starches with improved technological properties. Intensive trials have made it possible to enhance the properties of maize starches and waxy maize starches for use in the organic products segment.
Pilot plants for extracting maize starch and potato starch have given us valuable information about the industrial processability of individual potato, waxy maize and maize varieties and have enabled us to evaluate the characteristics and possible applications of pure starches.
We continued our small-scale precision trials in the combating of potato weeds, phytophthora and potato beetle near Tulln as part of our development of a potato testing facility that meets the requirements for a certified testing department.

STAFF AND SOCIAL REPORT

The AGRANA Group employed an average of 3,841 staff during the 2003/04 financial year (previous year: 3,916). That total was made up of 1,353 employees in Austria (previous year: 1,362), 2,371 employees working for foreign Group-members in the sugar and starch segments (previous year: 2,554), and 117 employees working for Danish fruit juice concentrates manufacturer *Vallø Saft*, which was consolidated for the first time in the year under review (previous year: no employees). That translates into a reduction of nine employees in Austria (decrease of 26 in the Sugar Division, increase of 17 in the Starch Division).
The number of staff working for foreign Group-members in the sugar and starch segments fell by 183.
The Group's average total workforce during the year was 75 smaller than in 2002/03.
On our reporting date (29 February 2004), 1,247 people were working for the consolidated members of the Group in Austria (previous year: 1,244), 2,229 were working for foreign Group-members in the sugar and starch segments (previous year: 2,198), and 107 (previous year: no employees) were working in the Fruit Division *(Vallø Saft)*, making 3,583 employees in all (previous year: 3,442). The increase was mainly attributable to the addition of 107 employees working for the Fruit Division and to staffing adjustments in Romania.
The Austrian members of the AGRANA Group spent € 495 thousand on basic and advanced staff training during the 2003/04 financial year (previous year: € 473 thousand). The primary focuses of that outlay were information technology, personality development seminars and honing the English-language skills of all staff-members working in international departments as well as on-the-job training and apprentice training.
Management and behavioural training consisted of a number of further training programmes targeting management skills and personality development as well as in-house workshops for management staff at the Group's Austrian and foreign companies. In addition, training modules in presentation techniques and project management were organized for young management personnel, and a meeting was held for them at which they had an opportunity to exchange views and converse with other members of the organization.
Apprentice training is an important aspect of our activities. Our Austrian Group-members had 69 apprentices in training during the 2003/04 financial year.
The most common apprenticeship professions were engine fitter and chemical laboratory assistant and the combined trades of engine fitter/lathe operator and works electrician/process control technician.
Since the beginning of 2003, the AGRANA Group has been running a programme called *AGRANA-Fit* that aims to improve and preserve the health of staff-members and increase their health-awareness. The programme launched with check-ups in which 45 per cent of our employees took part. Further focuses of the programme are diet, exercise, smoking, stress and a healthy lifestyle.



RISK REPORT

Risk management is 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 within the scope of regular reporting activities 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 summarized as follows:

MARKET RISKS

EU enlargement

In its core sugar segment, AGRANA has interests in the Czech Republic, Slovakia and Hungary. Following those countries' accession to the European Union, we may briefly experience market distortions caused by delays in bringing conditions into line with the EU sugar CMO.

The EU sugar CMO

The reform announced for mid-2006 still depends on a number of uncertain external factors:

- The decision pending from the *WTO* panel on "C" sugar could seriously limit European sugar makers' exporting opportunities if the panel reaches a ruling that is to the European Union's disadvantage.
- Another cut in the European market's external safeguards is under discussion in the *WTO*'s Doha Development Round.
- The European Union's "Everything but arms" *(EBA)* agreement has given the LDCs duty-free access for sugar imports from 2009.

All those factors could jeopardize the EU sugar CMO and might therefore cause material changes to the market policy conditions under which the European sugar industry operates.

PROCUREMENT RISKS

Availability of raw materials

As a processor of raw materials from primary agricultural sources, AGRANA is affected by the procurement risks that arise from weather conditions and the development of agricultural policy in general. Because of drought-related failures of the potato and, above all, maize harvests, our raw material costs rose considerably in 2003. Although a carry-over system diminishes the risk attached to failing to fully utilize sugar beet quotas, we have nonetheless increased areas under beet for the 2004 harvest.

In order to stimulate starch potato growing, we have extended the area around the factory in which potatoes are grown by reimbursing growers' transportation costs. Contracted areas have increased by about 7 per cent in 2004 as a result. Current high maize prices and the cut in set-aside from 10 per cent to 5 per cent have boosted maize planting, in turn improving the harvest outlook.

The increase in raw material prices that will result from accession to the EU has made growing our raw materials sufficiently lucrative for farmers in the new EU member-states.

ENVIRONMENTAL RISKS

Kyoto emission certificates

The Austrian sugar industry was granted sufficient CO_2 emission certificates during the national allocations process, but just half of the needs of the Aschach maize starch factory (following its ongoing enlargement) are covered. The factory's allowance is thus about 15,000 metric tons of CO_2 short of its requirements, which could cost it a total of between € 300,000 and € 450,000 a year.

LEGAL RISKS

Competition authority approval of acquisitions by the Group's new Fruit Division

Our acquisition of the *Atys Group* required separate approval in the United States of America, France, Germany, Austria, Mexico, Hungary, the Czech Republic and Slovakia. Competition authorities in France, Mexico and Hungary have already approved the merger, and approval in the United States is expected before the end of April. The acquisition was initially disallowed in Germany (which accounts for 10 per cent of the *Atys Group*'s revenues), but we are appealing against the decision.

All the necessary competition authority approvals have already been obtained for the *Vallø Saft* and *Steirerobst* acquisitions.

OUTLOOK FOR 2004|05

THE AUSTRIAN SUGAR DIVISION

The Austrian Sugar Division concluded cultivation contracts with 9,500 farmers to plant some 44,750 hectares with beet for the 2004 harvest. That was an increase in area of 3 per cent, motivated by the low beet volumes harvested in 2003 as a result of the drought. The beet's growth this year has been in line with the long-term average. We anticipate a beet harvest of 2.7 million metric tons.

The inter-trade agreement was amended with regard to dried pulp refining and the basis of assessment for "C1" beet volumes for the 2003, 2004 and 2005 harvest years, and a premium was introduced for participating in *EUF* soil analyses.

Domestic sugar sales in March 2004 were 6,200 metric tons up on the same period of the previous year at 30,600 metric tons, whereby household sugar sales grew by 3 per cent to 6,000 metric tons but sales to industrial customers were 32 per cent or nearly 6,000 metric tons up on the year. The market may experience temporary upsets caused by imports in the wake of EU enlargement. However, the problem will be limited in duration and will cease once the EU sugar CMO has been fully implemented.

Our three Austrian sugar factories will be investing € 10,900 thousand this year. Capital expenditure will focus primarily on process control, production systems, pallet storage and backup control of the high-rack warehouse as well as on food and beverage security (traceability).

THE AUSTRIAN STARCH DIVISION

Cultivation contracts for the 2004 harvest were concluded for 233,000 metric tons of starch and organic starch potatoes and 16,300 metric tons of potatoes and organic potatoes for the food industry. Areas under maize in the 2004/05 financial year are likely to be static on the year.

The Starch Division will be investing € 23,200 thousand during the 2004/05 financial year. Capital expenditure will focus mainly on the first stage of the next increase in the daily processing capacity of the Aschach maize starch factory (to 1,000 metric tons of maize) and on installing an extrusion plant at the potato starch factory in Gmünd.

SUGAR AND STARCH ABROAD

The AGRANA sugar factories have contracted the following quantities of beet for the 2004 harvest:

- Hungary 1,130,000 metric tons of beet
- Czech Republic 651,600 metric tons of beet
- Slovakia 400,000 metric tons of beet

No beet contracts have been concluded for the 2004/05 financial year in Romania because it has proven impossible to conclude the minimum number of contracts needed for a beet campaign. AGRANA will only be refining imported unrefined sugar in Romania in 2004.
AGRANA's subsidiaries in Hungary, the Czech Republic and Slovakia were ideally prepared for accession to the EU on 1 May 2004.

Hungary

An inter-trade agreement has been concluded between Hungary's beet growers and its sugar industry. In addition, beet contracts have been brought into line with EU standards. They are already in effect for the 2004 campaign. Preparations for EU membership in Hungary proceeded in an orderly manner. Since sugar inventories throughout Hungary are currently low, we anticipate few problems transferring sugar volumes into the new EU system.
The selling price of sugar has been steadily raised towards EU price levels. However, there are uncertainties that could jeopardize further increases in prices and volumes after EU accession.

The Czech Republic

Enlargement of the European Union will cause turbulence in the Czech sugar market. Developments during the 2004/05 financial year will mainly depend on three factors:

- The adjustment of Czech sugar prices to bring them into line with Western Europe. The sugar industry will be compelled to undertake price adjustments because of rising costs, including above all raw material costs.
- The need to sell the EU sugar quota of 455,000 metric tons, which is well in excess of net domestic demand, because the industry cannot depend on receiving the full amount of export refunds.
- The bigger market that will now be competing with Czech sugar, which has to date been relatively well safeguarded.

Those three factors may even reduce the Czech industry's domestic sugar sales to below last year's total of about 300,000 metric tons.

Slovakia

The Slovakian sugar market regime introduced in March 2003 made it possible to increase Slovakian prices significantly last year. However, volumes in the market were undermined by imports, so domestic sales only came to roughly 135,000 metric tons. The sugar quota of 207,432 metric tons granted to Slovakia by the EU will therefore create a situation like that of the Czech Republic.

Romania

Sugar sales developed well during the first calendar quarter of the 2004/05 financial year. Thanks to the development of its own nationwide sales network, AGRANA's market share has continued to grow.

THE FRUIT DIVISION

Competition authorities in France, Hungary and Mexico have already approved our acquisition of the *Atys Group*. Approval in the USA has been announced, and approval in the Czech Republic, Slovakia and Austria is to be expected in the near future. The *Bundeskartellamt* (federal office of fair trading) as the authority of original jurisdiction in Germany disallowed the acquisition, but AGRANA will be challenging the decision in the Land's court of appeal in Düsseldorf.
We anticipate further growth in the fruit segment. Among other things, *Steirerobst* will be putting up a new fruit preparations factory near Moscow. Building work will commence in May 2004.

CONSOLIDATED FINANCIAL STATEMENTS FOR 2003|04

of the AGRANA Group applying *IFRS*

CONSOLIDATED INCOME STATEMENT FOR THE 2003/04 FINANCIAL YEAR

from 1 March 2003 through 29 February 2004

	Note	2003/04 €000	Previous year €000
1. Sales revenues	(1)	866,423	875,735
2. Change in stocks of finished and unfinished products	(2)	1,814	(25,324)
3. Other capitalized self-produced items	(2)	1,483	1,432
4. Other operating income	(3)	17,222	21,810
5. Expenditure on materials and other purchased inputs	(4)	(548,276)	(533,419)
6. Expenditure on staff	(5)	(96,411)	(97,393)
7. Depreciation/amortization/write-downs of intangible non-current assets (without goodwill) and tangible non-current assets	(6)	(39,930)	(40,351)
8. Other operating expenses	(7)	(125,492)	(122,014)
9. Profit (loss) from operating activities (subtotal of items 1 – 8)		**76,833**	**80,476**
10. Amortization/write-downs of goodwill		(37)	(4,950)
11. Net income from restructuring	(8)	0	(382)
12. Profit/(loss) from ordinary activities (subtotal of items 1 – 11)		**76,796**	**75,144**
13. Net interest income	(9)	(1,463)	(1,778)
14. Net income from interests held as investments	(10)	3,225	3,372
15. Other profit (loss) from investing and financial activities	(11)	(7,817)	10,507
16. Profit/(loss) from investing and financial activities (subtotal of items 13 – 15)		**(6,055)**	**12,101**
17. Profit before income tax		**70,741**	**87,245**
18. Income tax expense	(12)	(13,199)	(19,934)
19. Profit after income tax		**57,542**	**67,311**
20. Minority interests in consolidated earnings for the year		(1,003)	(1,929)
21. Consolidated earnings for the year		**56,539**	**65,382**
Earnings per share	(13)	€ 5.13	€ 5.93
Diluted earnings per share	(13)	€ 5.13	€ 5.93

CONSOLIDATED CASH FLOW STATEMENT FOR THE 2003/04 FINANCIAL YEAR

from 1 March 2003 through 29 February 2004

	Note	2003/04 €000	Previous year €000
Profit after income tax		57,542	67,311
Depreciation/amortization/write-downs of non-current assets		40,017	45,803
Write-ups of non-current assets		(186)	(124)
Changes in long-term provisions		5,393	(6,586)
Gains (losses) arising from the inclusion of associates		(1,589)	122
Gains (losses) arising from disposals/ retirements of non-current assets		(288)	(1,511)
Net cash from profit	(14)	100,889	105,015
Changes in inventories		(7,600)	19,853
Changes in accounts receivable and deferred tax assets		(12,120)	(9,839)
Changes in other provisions		(8,923)	2,733
Changes in accounts payable		11,289	(24,668)
Effect of changes in foreign exchange rates on non-fund positions		554	(1,098)
Net cash from operating activities	(14)	**84,089**	**91,996**
Proceeds from disposals/retirements of non-current assets		12,136	24,374
Expenditure on investments in tangible and intangible non-current assets		(28,479)	(34,024)
Expenditure on financial investments		(36,820)	(13,039)
Changes in the scope of consolidation		(15,580)	0
Net cash from investing activities	(15)	**(68,743)**	**(22,689)**
Changes in long-term financial obligations		(49,722)	(4,357)
Changes in short-term financial obligations		(4,119)	9,320
Distribution		(20,690)	(15,189)
Net cash from financing activities	(16)	**(74,531)**	**(10,226)**
Net increase (decrease) in cash and cash equivalents		(59,185)	59,081
Effect of changes in foreign exchange rates on cash and cash equivalents		(151)	77
Revaluations in accordance with *IAS 39*		(263)	254
Cash and cash equivalents at beginning of period		156,527	97,115
Cash and cash equivalents at end of period		**96,928**	**156,527**
Of which available-for-sale securities		46,835	103,675
Of which means of payment		50,093	52,852

CONSOLIDATED BALANCE SHEET DATED 29 FEBRUARY 2004

		Note	29 February 2004 €000	End of previous year €000
ASSETS	**A. Non-current assets**	(17)		
	I. Intangible non-current assets		29,379	22,238
	II. Tangible non-current assets		266,229	265,840
	III. Financial investments		119,910	58,215
			415,518	**346,293**
	B. Current assets			
	I. Inventories	(18)	291,585	259,107
	II. Accounts receivable and other assets	(19)	127,120	132,243
	III. Deferred tax assets	(20)	4,061	2,916
	IV. Shares and other securities	(21)	46,835	103,675
	V. Cash, cheques, bank balances		50,093	52,852
			519,694	**550,793**
	Total assets		**935,212**	**897,086**
EQUITY AND LIABILITIES	**A. Equity**	(22)		
	I. Share capital		80,137	80,137
	II. Capital reserves		213,463	213,463
	III. Retained earnings reserves		156,309	106,750
	IV. Consolidated earnings for the year		56,539	65,382
			506,448	**465,732**
	B. Minorities		**9,374**	**9,273**
	C. Provisions			
	I. Provisions for retirement benefits, severance/redundancy payments and anniversary bonuses	(23a)	55,574	57,415
	II. Provisions for deferred taxes	(23b)	25,651	21,528
	III. Provisions for other taxes and other provisions	(23c)	83,471	84,824
			164,696	**163,767**
	D. Accounts payable	(24)		
	I. Financial obligations		120,508	140,369
	II. Other accounts payable		134,186	117,945
			254,694	**258,314**
	Total equity and liabilities		**935,212**	**897,086**
	Contingent liabilities	(25)	3,532	4,161

CONSOLIDATED EQUITY STATEMENT FOR THE 2003/04 FINANCIAL YEAR

	Share capital	Capital reserves	Retained earnings reserves: Revaluation reserve	Retained earnings reserves: Other retained earnings reserves	Retained earnings reserves: Exchange differences	Earnings for the year	Total
	€000	€000	€000	€000	€000	€000	€000
On 29 February 2004							
On 1 March 2003	80,137	213,463	1,653	117,454	(12,357)	65,382	465,732
Consolidated earnings for the year	0	0	0	0	0	56,539	56,539
Distribution	0	0	0	0	0	(19,849)	(19,849)
Changes in foreign exchange rates	0	0	0	0	(3,563)	0	(3,563)
Revaluations *(IAS 39)*	0	0	7,499	0	0	0	7,499
Allocated to reserves	0	0	0	45,533	0	(45,533)	0
Other changes	0	0	0	90	0	0	90
On 29 February 2004	**80,137**	**213,463**	**9,152**	**163,077**	**(15,920)**	**56,539**	**506,448**
				156,309			
Previous year							
On 1 March 2002	80,137	213,463	2,212	86,215	(12,170)	44,325	414,182
Consolidated earnings for the year	0	0	0	0	0	65,382	65,382
Distribution	0	0	0	0	0	(14,335)	(14,335)
Changes in foreign exchange rates	0	0	0	0	(187)	0	(187)
Revaluations *(IAS 39)*	0	0	(559)	0	0	0	(559)
Allocated to reserves	0	0	0	29,990	0	(29,990)	0
Other changes	0	0	0	1,249	0	0	1,249
On 28 February 2003	**80,137**	**213,463**	**1,653**	**117,454**	**(12,357)**	**65,382**	**465,732**
				106,750			

CONSOLIDATED NON-CURRENT ASSETS STATEMENTS FOR THE 2003/04 FINANCIAL YEAR

	Costs of purchase and/or conversion							
	1 March 2003 €000	Effect of change in scope of consoli-dation €000	Exchange differences €000	Additions €000	Reallo-cations €000	Disposals/ retirements €000	Revalua-tions *(IAS 39)* €000	29 February 2004 €000
I. Intangible non-current assets								
1. Commercial privileges, licences, software	16,949	0	(76)	817	116	235	0	17,571
2. Goodwill	21,712	6,615	(12)	0	0	0	0	28,315
	38,661	6,615	(88)	817	116	235	0	45,886
II. Tangible non-current assets								
1. Land, land-equivalent rights, buildings	254,965	7,339	(1,646)	4,093	756	892	0	264,615
2. Technical plant and machinery	534,678	15,017	(3,315)	15,272	3,042	5,229	0	559,465
3. Other plant, office furniture and equipment	58,547	(6)	(420)	4,769	130	2,124	0	60,896
4. Prepayments, plant under construction	5,136	0	(104)	3,528	(4,044)	4	0	4,512
	853,326	22,350	(5,485)	27,662	(116)	8,249	0	889,488
III. Financial investments								
1. Interests in subsidiaries	3,381	0	0	0	0	0	0	3,381
2. Interests in associates	28,038	0	0	11,271	(24,658)	3,050	0	11,601
3. Interests held as investments in other enterprises	182	0	(1)	22,937	24,658	25	10,200	57,951
4. Loans to companies in which the Group has interests held as investments	254	0	(5)	40	0	40	0	249
5. Securities classified as non-current assets	33,271	0	(4)	4	0	10,888	1,219	23,602
6. Other loans	137	0	(7)	51	0	49	0	132
7. Prepayments for financial investments	0	0	0	27,000	0	0	0	27,000
	65,263	0	(17)	61,303	0	14,052	11,419	123,916
Total non-current assets	**957,250**	**28,965**	**(5,590)**	**89,782**	**0**	**22,536**	**11,419**	**1,059,290**

Depreciation/amortization/write-downs								Book values	
1 March 2003 €000	Effect of change in scope of consoli-dation €000	Exchange differences €000	Depreciation, amortization, write-downs during year €000	Reallo-cations €000	Disposals/ retirements €000	Write-ups €000	29 February 2004 €000	29 February 2004 €000	28 February 2003 €000
16,423	0	(69)	317	11	204	0	16,478	1,093	526
0	0	(8)	37	0	0	0	29	28,286	21,712
16,423	0	(77)	354	11	204	0	16,507	29,379	22,238
138,444	703	(743)	8,978	0	643	14	146,725	117,890	116,521
401,593	6,381	(2,301)	26,512	3	4,903	170	427,115	132,350	133,085
47,209	(6)	(280)	4,123	0	1,851	2	49,193	11,703	11,338
240	0	0	0	(14)	0	0	226	4,286	4,896
587,486	7,078	(3,324)	39,613	(11)	7,397	186	623,259	266,229	265,840
2,015	0	0	0	0	0	0	2,015	1,366	1,366
3,050	0	0	0	0	3,050	0	0	11,601	24,988
35	0	0	20	0	25	0	30	57,921	147
254	0	(5)	0	0	0	0	249	0	0
1,694	0	0	30	0	12	0	1,712	21,890	31,577
0	0	0	0	0	0	0	0	132	137
0	0	0	0	0	0	0	0	27,000	0
7,048	0	(5)	50	0	3,087	0	4,006	119,910	58,215
610,957	**7,078**	**(3,406)**	**40,017**	**0**	**10,688**	**186**	**643,772**	**415,518**	**346,293**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of the AGRANA Group

GENERAL PRINCIPLES

The *IFRS*-compliant Consolidated Financial Statements of the AGRANA Group for 2003/04 were drawn up in conformity with the standards *(IFRS, IAS)* published by the *International Accounting Standards Board (IASB)* inclusive of the interpretations issued by the *International Financial Reporting Interpretations Committee (IFRIC)* as applicable to the financial year under review.

We apply new *IASB* standards from the time of their entry into force. Their application and changes in our recognition and measurement policies are elucidated in the pertinent sections in the Notes. Following the recommendation of the *IASB*, AGRANA applied *IFRS 3* ahead of time in conjunction with the revised versions of *IAS 36* and *IAS 38*:

- *IFRS 3* — *Business Combinations*
- *IAS 36* (revised) — *Impairment of Assets*
- *IAS 38* (revised) — *Intangible Assets*

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

The financial statements of all the principal fully consolidated Group-members and of all fully consolidated Group-members that were subject to compulsory audits under national legislation, whether domestic or foreign, were audited by independent auditors and were granted unqualified auditors' certificates. The auditors also attested the proper transition between local annual financial statements drawn up in conformity with commercial law and the *IFRS*-compliant individual financial statements drawn up 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 Group-members 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 Group-members of minor significance. On the reporting date, 23 companies (previous year: 20 companies) were accounted for in the Consolidated Financial Statements as fully consolidated Group-members. Two companies (previous year: two companies) underwent proportionate consolidation in proportion to the stake held in them by the Group.

Changes in the scope of consolidation came about as follows:

Additions

- *Vallø Saft A/S*, Køge, Denmark
  Activity: production of fruit juice concentrates | Acquired: April 2003 | Stake: 100 per cent

- *Vallø Saft Polska SP z.o.o.*, Lipnik, Poland
  Activity: production of fruit juice concentrates | Acquired: April 2003 | Stake: 100 per cent

- *AGRANA Frucht Gesellschaft m.b.H.*, Vienna
  Activity: management | Acquired: May 2003 | Stake: 100 per cent

- *AGRANA Frucht Gesellschaft m.b.H. & Co KG*, Vienna
  Activity: management | Founded: May 2003 | Stake: 100 per cent

The associated acquisitions cost a total of € 15,707 thousand.

Excluded

- *S.C. Romecanica s.r.l.*, Roman, Romania

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

	At time of acquisition	29 February 2004
	€000	€000
Non-current assets	17,048	16,168
Current assets	32,124	31,943
Total assets	**49,172**	**48,111**
Equity	9,119	6,938
Provisions and accounts payable	40,053	41,173
Total equity and liabilities	**49,172**	**48,111**

	2003/04
	€000
Revenues	38,696
Profit from operating activities	2,219
Earnings for the year	(1,927)

HUNGRANA Kft., which is jointly managed, and its subsidiary *Hungranatrans Kft.*, Szabadegyhaza, Hungary, in which *AGRANA Zucker und Stärke AG*, 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 € 16,040 thousand (previous year: € 17,675 thousand), current assets of € 22,578 thousand (previous year: € 18,253 thousand), equity of € 15,622 thousand (previous year: € 17,206 thousand) and provisions and accounts payable of € 22,996 thousand (previous year: € 18,721 thousand). In the Income Statement, those companies were recorded with revenues of € 56,165 thousand (previous year: € 68,986 thousand).

Eight companies (previous year: one company) were accounted for as associates using the equity method. The following companies were added to the list of companies accounted for using the equity method:

- *Steirische Agrarbeteiligungsgesellschaft m.b.H.*, Raaba
  Activity: holding company | Acquired: July 2003 | Stake: 25.1 per cent

- *Steirerobst AG*, Gleisdorf, and its five subsidiaries
  Activity: production of fruit juice concentrates and fruit preparations |
  Acquired: July 2003 | Stake: 16.7 per cent direct (34.42 per cent in all)

Reporting date

During the 2002/03 financial year, the reporting dates of all the *AGRANA International* companies were harmonized with the Consolidated Group's reporting date, namely the last day of February, insofar as that was allowed by national statutory provisions. Special reporting-date financial statements were drawn up for the Romanian Group-members for the period up to and including that date. Consequently, the Group-members in Central and Eastern Europe were brought into the Consolidated Financial Statements for 2002/03 with respect to a period of 14 months (i.e. to include January and February 2003). That must be taken into account when comparing figures for the 2003/04 financial year with figures for 2002/03.

	2003/04	2002/03	2002/03
	12 Months	14 Months	12 Months
	€000	€000	€000
Revenues	866,423	875,735	835,437
Profit after tax	57,542	67,311	65,184
Consolidated earnings for the year	56,539	65,382	63,374

The new additions to the circle of fully consolidated Group-members—*Vallø Saft A/S*, Køge, Denmark, and *Vallø Saft Polska SP z.o.o.*, Lipnik, Poland—were included with a reporting date of 31 December 2003. As allowed by *IAS 27*, interim financial statements were not prepared because their reporting dates did not differ from the Consolidated Group's reporting date by more than three months.

Accounting for the *Steirerobst Group* using the equity method was based on its consolidated financial statements as of and for the period ended 31 December 2003.

Consolidation

▮ Capital underwent consolidation using the *purchase method*, offsetting costs against the Group's interest in the equity of the Group-members concerned as at the time of their acquisition. Resulting goodwill was recorded under non-current assets insofar as its fair value differed from its book value. Goodwill remaining after first-time consolidation was captured under *Intangible non-current assets*.

▮ Up to and including 2002/03, goodwill was amortized over its expected useful life (generally over 20 years on a straight-line basis) in conformity with *IAS 22*.

▮ *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 can lead to a write-down (impairment-only approach).

▮ Interests in associates were accounted for using the equity 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 conformity 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 conformity 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 non-current 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 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 concerned on the grounds that foreign Group-members were trading autonomously from a financial, commercial and organizational point of view.

▮ Their non-current assets, other assets and debts were translated on that basis applying the middle rates of exchange ruling on the reporting date. Expenses and income were translated at annual average rates of exchange.

▮ The financial statements of the Romanian Group-members were drawn up 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 success. Transactions were translated into euros as at the time of being booked. Consequently, it was not necessary to translate financial statements as laid down by *IAS 29*.

▮ The following exchange rates were applied to companies employing a reporting date of 29 February 2004:

		Rate on reporting date		Average rate	
Country	Currency	2003/04	2002/03	2003/04	2002/03
		€	€	€	€
Romania	€ (EUR)	1.00	1.00	1.00	1.00
Slovakia	Sk (SKK)	40.53	41.89	41.30	42.57
Czech Republic	Kč (CZK)	32.45	31.77	32.03	30.91
Hungary	Ft (HUF)	257.18	243.76	257.04	242.93

▮ The following exchange rates were applied to companies consolidated for the first time with a reporting date of 31 December 2003:

Country	Currency	Rate on reporting date 2003/04	Average rate 2003/04
		€	€
Denmark	DKr (DKK)	7.44	7.43
Poland	Zl (PLN)	4.73	4.41

Recognition and measurement

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

▮ Acquired goodwill is recorded under *Intangible non-current assets*. Until 28 February 2003, goodwill was amortized on a straight-line basis over a useful life of 20 years. As from 1 March 2003, goodwill and intangible non-current 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.

▮ To satisfy the provisions of *IFRS 3* in conjunction with *IAS 36* and to facilitate the detection of any impairments of goodwill, AGRANA generally structures its cash-generating units along business segment lines (sugar, starch and fruit).

▮ Below, the book value of each cash-generating unit is measured by allocating assets and liabilities, including ascribable goodwill and intangible assets. Unscheduled write-downs are carried out if the amount recoverable on a cash-generating unit declines below its book value inclusive of goodwill.

▮ When testing for impairment using discounted cash flow analysis, AGRANA only recognizes discounted expected future cash flows from cash-generating units. The measurement of cash flows from each cash-generating unit is based on business plans with a plan horizon of five years. Plan calculations make allowance for possible risks associated with future amendments to the EU sugar CMO.

▮ The weighted average cost of capital is used as the basis for discounting future cash flows, whereby equity costs are based on a 4.83 per cent yield on a 30-year federal bond plus reasonable charges for risks. The costs of borrowed capital are brought into the measurement of the weighted average cost of capital on the basis of actual circumstances.

▮ We established that the goodwill recognized in the Consolidated Financial Statements was free from impairments. No unscheduled write-downs were needed during the 2003/04 financial year.

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

- Tangible non-current assets were valued at cost of purchase and/or conversion less depreciation and unscheduled write-downs. Besides material and labour costs, overheads on a prorated basis were captured 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 *Accounts payable* (prepaid income) and are subject to release in accordance with the useful lives of those assets.

- For the most part, depreciation of tangible non-current 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 conformity 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.

- Interests in associates, insofar as not of minor significance, were accounted for at their book values using the equity method.

- Interests in non-consolidated subsidiaries and other interests held as investments were generally measured to 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 market values, whereby changes in valuations were carried to a special reserve in equity.

▮ Where was substantial evidence of impairment and if the estimated recoverable amount of a financial investment 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 *average price method* was used. In conformity 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 reporting 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 promised performance-based retirement benefit, severance/redundancy payment and anniversary bonus obligations of 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 5.25 per cent (previous year: 5.75 per cent).

▮ 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 processes taking place during consolidation and on the basis of realizable carry-forwards 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 non-current 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 on 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 resolution 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 the Balance Sheet was drawn up.

Deferred tax assets were recognized as a separate item within current assets, whereas 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 accounts payable were recognized at amounts payable. Accounts payable in foreign currencies were recognized at the middle rates of exchange ruling on the reporting 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 they were caused.

SEGMENT REPORT

Because of the homogeneity of the enterprise, *segment reporting* by business segment was unnecessary. Segmentation along geographical lines showed the following pattern of development:

	2003/04			2002/03		
	Revenues	Assets	Investments	Revenues	Assets	Investments
	€000	€000	€000	€000	€000	€000
Austria	564,737	644,733	12,975	566,917	662,644	19,759
Hungary	128,682	110,752	5,686	159,347	117,948	6,979
Czech Republic	43,990	43,894	2,603	60,950	42,795	1,052
Slovakia	27,102	33,076	2,054	28,491	31,405	1,715
Romania	63,215	54,720	2,478	60,030	42,294	4,519
Denmark	36,401	24,380	145			
Poland	2,296	23,657	2,538			
Total	**866,423**	**935,212**	**28,479**	**875,735**	**897,086**	**34,024**

Revenues and assets are stated at their consolidated amounts. Figures for investments encompass additions to intangible non-current assets (without goodwill) and tangible non-current assets.
The breakdown into regions is based on company domiciles.

NOTES TO THE INCOME STATEMENT

(1) Sales revenues

By business segment

	2003/04			2002/03		
	Revenues	Of which sugar and starch	Of which other	Revenues	Of which sugar and starch	Of which other
	€000	€000	€000	€000	€000	€000
Revenues from the sale of self-produced items	751,639	693,673	57,966	754,414	728,662	25,752
Revenues from the sale of goods purchased for resale	110,432	6,804	103,628	115,111	13,601	101,510
Service revenues	4,352	0	4,352	6,210	0	6,210
Total	**866,423**	**700,477**	**165,946**	**875,735**	**742,263**	**133,472**

See the Segment Report (above) for a regional breakdown.

(2) Changes in inventories and other capitalized self-produced items

	2003/04	2002/03
	€000	€000
Change in stocks of finished and unfinished products	1,814	(25,324)
Other capitalized self-produced items	1,483	1,432

(3) Other operating income

	2003/04	2002/03
Income from	€000	€000
Disposals/retirements of non–current assets other than financial investments	783	1,833
Disposals of current assets	83	1,064
Release of provisions	4,019	2,247
Storage levy reimbursements	0	856
Group levies (non-consolidated companies)	788	572
Services rendered to third parties	971	1,103
Insurance benefits and payments for damages	160	887
Leases	1,112	1,211
Exchange differences	1,785	3,551
Release of valuation reserves for accounts receivable	740	430
Amounts invoiced on	2,814	2,624
Other items	3,967	5,432
Total	**17,222**	**21,810**

(4) Expenditure on materials and other purchased inputs

	2003/04	2002/03
Expenditure on	€000	€000
Raw materials	328,286	330,886
Goods purchased for resale	120,986	104,202
Process materials and supplies	82,604	83,779
Purchased services	16,400	14,552
Total	**548,276**	**533,419**

(5) Expenditure on staff

	2003/04	2002/03
	€000	€000
Wages and salaries	75,148	75,136
Social security levies	20,185	21,059
Expenditure on retirement benefits and obligations	239	175
Expenditure on severance/redundancy payments and obligations	839	1,023
Total	**96,411**	**97,393**

Allocations to the provisions for retirement benefits, severance/redundancy payments and anniversary bonuses were recognized in *Expenditure on staff* but without their interest component. Net interest expense arising from those items was recognized under *Profit (loss) from investing and financial activities* at the amount of € 3,266 thousand (previous year: € 3,288 thousand).

Average number of staff employed during the financial year

	2003/04	2002/03
By employee category		
Blue-collar *(Arbeiter)*	2,739	2,816
White-collar *(Angestellte)*	1,033	1,041
Apprentices	69	59
Total	**3,841**	**3,916**
By region		
Austria	1,353	1,362
Romania	1,042	1,175
Slovakia	317	336
Czech Republic	387	382
Hungary	625	661
Denmark	40	0
Poland	77	0
Total	**3,841**	**3,916**

(6) Depreciation/amortization/write-downs

	2003/04			2002/03		
	Total	Scheduled	Un-scheduled	Total	Scheduled	Un-scheduled
	€000	€000	€000	€000	€000	€000
Intangible non-current assets	317	317	0	488	488	0
Tangible non-current assets	39,613	38,179	1,434	39,863	39,819	44
Depreciation/amortization/ write-downs recognized in Profit (loss) from operating activities	**39,930**	**38,496**	**1,434**	**40,351**	**40,307**	**44**
Goodwill	37	37	0	4,950	1,621	3,329
Depreciation/amortization/ write-downs recognized in Profit (loss) from ordinary activities	**39,967**	**38,533**	**1,434**	**45,301**	**41,928**	**3,373**
Financial investments	50	0	50	502	0	502
Depreciation/amortization/ write-downs affecting Profit (loss) from investing and financial activities	**50**	**0**	**50**	**502**	**0**	**502**
Depreciation/amortization/ write-downs as per the Non-Current Assets Statement	**40,017**	**38,533**	**1,484**	**45,803**	**41,928**	**3,875**

(7) Other operating expenses

	2003/04	2002/03
	€000	€000
Production contribution and additional levy	7,304	6,228
Operating and administrative expenses	46,128	49,579
Selling and freight costs	32,686	30,759
Advertising expenses	8,886	8,524
Other taxes	1,834	3,489
Losses arising from disposals/retirements of non-current assets	361	322
Third-party operating expenses	13,988	7,654
Other	14,305	15,459
Total	**125,492**	**122,014**

(8) Net income from restructuring

This entry of € 382 thousand related to the disposal of non-current assets in the course of structural streamlining in Romania.

(9) Net interest income

	2003/04	2002/03
	€000	€000
Income from other securities and loans classified as financial investments	7,889	5,801
Other interest income and similar income	2,222	3,289
Of which arising from subsidiaries	[167]	[8]
Interest expense and similar charges	(11,574)	(10,868)
Of which arising from subsidiaries	[(66)]	[(182)]
Total	**(1,463)**	**(1,778)**
Of which arising from subsidiaries	[101]	[(174)]

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 € 3,266 thousand (previous year: € 3,288 thousand).

(10) Net income from interests held as investments

	2003/04	2002/03
Income from	€000	€000
Subsidiaries	454	1,172
Associates	819	(122)
Other interests held as investments	1,182	1,957
Release of negative goodwill	770	365
Total	**3,225**	**3,372**

(11) Other profit (loss) from investing and financial activities

	2003/04	2002/03
	€000	€000
Profits from the sale of interests held as investments	69	13,530
Write-downs to financial investments	(50)	(502)
Write-downs to available-for-sale securities	(1,760)	(1,305)
Exchange gains	2,243	413
Exchange losses	(4,990)	(43)
Assumptions of profits and liabilities	(2,500)	0
Other income	319	144
Other expenses	(1,148)	(1,730)
Total	**(7,817)**	**10,507**

(12) Income tax expense

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

	2003/04	2002/03
	€000	€000
Actual tax expense	13,804	28,230
Of which Austrian	[8,862]	[20,390]
Of which foreign	[4,942]	[7,840]
Deferred taxes	(605)	(8,296)
Of which Austrian	[(241)]	[(8,531)]
Of which foreign	[(364)]	[235]
Total	**13,199**	**19,934**
Of which Austrian	[8,621]	[11,859]
Of which foreign	[4,578]	[8,075]

Deferred taxes of € 3,468 thousand (previous year: € 185 thousand) were carried to the revaluation reserve *(IAS 39)* without being recognized in the Income Statement.

Transition from profit before income tax to income tax expense

	2003/04	2002/03
	€000	€000
Profit before income tax	70,741	87,245
Austrian tax rate	34%	34%
Theoretical tax expense	**24,052**	**29,663**
Change versus theoretical tax expense because of		
Divergent applicable tax rate	(4,207)	(7,560)
Reduction in tax burden due to deduction of tax-exempt income	(5,084)	(2,243)
Increase in tax burden due to non-tax-deductible expenses and additional tax debits	3,561	74
Non-temporary differences arising from consolidation	(6,666)	0
Changes in tax rates, out-of-period tax	1,543	0
Income tax expense	**13,199**	**19,934**
Effective tax rate	**19%**	**23%**

The figure for theoretical tax expense results from applying Austria's corporation tax rate of 34 per cent.
Because the announced tax reform in Austria had yet to be enacted by the *Nationalrat* (national assembly), the prior tax rate was retained when calculating tax deferrals. The application of the announced rate of 25 per cent tax that is to be levied on Austrian corporates would have reduced deferred tax assets by € 445 thousand and reduced deferred tax liabilities by € 5,577 thousand.
Tax deferrals were based on differences between valuations in the Consolidated Financial Statements and the individual tax bases for taxes imposed in individual countries and on carryforwards of unused tax losses.
In the interests of cautious planning, tax deferrals only took into account carryforwards of unused tax losses to the extent that a taxable profit of a kind that could be expected to suffice for the utilization of the pertinent deferred tax asset was foreseeable within the ensuing three years.

(13) Earnings per share

		2003/04	2002/03
Consolidated earnings for the year	(€000)	56,539	65,382
Number of shares		11,027,040	11,027,040
Earnings per share			
Diluted and undiluted	(€)	5.13	5.93

Because of the harmonization of reporting dates, *Consolidated earnings for the year* includes the results of the *AGRANA International* companies over a period of 14 months in 2002/03. Earnings per share over 12 months in 2002/03 came to € 5.75 on the basis of consolidated earnings for the year of € 63,374 thousand.
Assuming that the General Meeting of Shareholders approves the proposed appropriation of profit for the 2003/04 financial year, *AGRANA Beteiligungs-AG* will be distributing € 19,849 thousand (previous year: € 19,849 thousand).

NOTES TO THE CASH FLOW STATEMENT

The Cash Flow Statement drawn up 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 accounts payable to banks were not included.
The effects of acquisitions were eliminated and recorded in the entry for *Changes in the scope of consolidation*.
Non-cash movements in exchange rates were already eliminated within the scope of the pertinent items on the Balance Sheet.

(14) Net cash from operating activities

Net cash from profit came to € 100,889 thousand (previous year: € 105,015 thousand), which was 11.6 per cent of revenues (previous year: 12.0 per cent of revenues). Distributions arising from *other* interests held as investments came to € 1,182 thousand (previous year: € 1,850 thousand). After allowing for changes in working capital, net cash from operating activities amounted to € 84,089 thousand (previous year: € 91,996 thousand).
Net cash from operating activities included the following interest and tax payments:

	2003/04	2002/03
	€000	€000
Interest received	11,075	9,090
Interest paid	7,983	7,741
Tax paid	23,826	19,568

(15) Net cash from investing activities

€ 68,743 thousand (previous year: € 22,689 thousand) was needed to finance our investing activities.
Expenditure on capital investments in tangible and intangible non-current assets fell to € 28,479 thousand (previous year: € 34,024 thousand).
Proceeds from disposals/retirements of non-current assets came to € 12,136 thousand (previous year: € 24,374 thousand).
Expenditure on financial investments rose to € 36,820 thousand (previous year: € 13,039 thousand). That total consisted above all of the prepayment for *Atys S.A.* and expenditure on the acquisition of an interest in the *Steirerobst Group*.
€ 15,662 thousand of the movement in cash and cash equivalents arising from the change in the scope of the Consolidated Group comprised the cost of acquiring *Vallø Saft A/S* and € 82 thousand thereof was made up of the increase in cash and cash equivalents caused by that company's first-time consolidation.
The change in non-current assets included the sum of € 22,897 thousand incoming from *other* interests held as investments. That addition resulted from the assumption of an account receivable from a company in which we held an interest for investment. As a non-cash inflow, it was excluded from *Net cash from investing activities*.

(16) Net cash from financing activities

Financial obligations of € 53,841 thousand were redeemed during the 2003/04 financial year. *Distributions* resulted predominantly from the cash dividends payable to the shareholders of *AGRANA Beteiligungs-AG*.

NOTES TO THE BALANCE SHEET

(17) Non-current assets

▮ A breakdown of the non-current asset items subsumed under one heading on the Balance Sheet and of their development is provided in the Non-Current Assets Statement.

▮ Consolidated holdings of intangible and tangible non-current assets came to € 28,479 thousand (previous year: € 34,024 thousand). Goodwill and undisclosed reserves arising from the first-time consolidation of subsidiaries were recorded in the Non-Current Assets Statement under *Changes in the scope of consolidation*.

▮ *Intangible non-current assets* includes in particular the goodwill arising from corporate acquisitions during and after the 1995/96 financial year, capitalized in accordance with *IFRS 3* (previously *IAS 22*), and also includes purchased computer software and industrial property rights, similar rights and prepayments at the amount of € 371 thousand.

▮ Under *IFRS 3*, goodwill can no longer be amortized, so write-downs as contained in the financial statements for the first three quarters of 2003/04 totalling € 1,262 thousand had to be written back.

▮ The cash-generating units in the Czech Republic accounted for € 8,811 thousand of total goodwill, and the cash-generating units in Slovakia accounted for € 8,575 thousand thereof.

▮ 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.

▮ Financial investments totalled € 80,997 thousand at the end of the year under review (previous year: € 27,992 thousand). The Non-Current Assets Statement shows capital investments totalling € 61,303 (previous year: € 13,039 thousand). The difference of € 19,694 thousand (previous year: € 14,953 thousand) was accounted for by fully consolidated subsidiaries.

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

▮ *Interests in associates* increased by € 11,271 thousand (previous year: decrease of € 122 thousand). The allocation of profit recorded by companies accounted for using the equity method came to € 819 thousand (previous year: deduction of € 122 thousand), and the remainder of the increase, totalling € 10,452 thousand, resulted from interests acquired.

▮ Prepayments for financial investments recognized at € 27,000 thousand arose from the acquisition of a 25 per cent stake in *Atys S.A.* The full approval of the competition regulators was still pending at the time of reporting.

(18) Inventories

29/28 February	2004	2003
	€000	€000
Raw materials, process materials, supplies	36,975	26,992
Unfinished products	18,475	1,293
Finished products and goods	236,133	230,821
Prepayments	2	1
Total	**291,585**	**259,107**

(19) Accounts receivable and other assets

29/28 February	2004	2003
	€000	€000
Accounts receivable for goods and services	84,412	64,702
Accounts receivable from subsidiaries	7,985	2,011
Of which with a maturity of more than 1 year	[69]	[118]
Accounts receivable from associates	1,725	2,655
Of which with a maturity of more than 1 year	[0]	[185]
Accounts receivable from other companies in which the Group has interests held as investments	18	549
Tax credits	18,499	19,500
Other assets	13,525	42,069
Of which with a maturity of more than 1 year	[1,039]	[1,301]
Deferred items	956	757
Total	**127,120**	**132,243**
Of which with a maturity of more than 1 year	[1,108]	[1,604]

Accounts receivable from subsidiaries derived exclusively from accounts with excluded Group-members.
Other assets contains accounts receivable from public institutions and sundry receivables.

(20) Deferred tax assets

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

29/28 February	2004	2003
	€000	€000
Deferred tax assets		
Provisions for retirement benefits, severance/redundancy payments and anniversary bonuses	2,735	4,139
Inventories and accounts receivable	1,046	1,513
Other provisions and other liabilities	1,725	2,349
Carryforwards of unused tax losses	1,303	140
Total deferred tax assets	**6,809**	**8,141**
Reconciliation of deferred tax assets and deferred tax liabilities with respect to the same tax authority	(2,748)	(5,225)
Net deferred tax assets	**4,061**	**2,916**

Prior-year figures were adjusted to allow for a change in the breakdown of provisions.
The calculation of deferred tax liabilities gave net deferred tax liabilities of € 25,651 thousand (previous year: € 21,528 thousand). This item is elucidated under point 23 (b).

(21) Securities

Shares and other securities were recognized at the amount of € 46,835 thousand (previous year: € 103,675 thousand). This item consists mainly of fixed-interest securities held as part of our liquidity reserves.

(22) Equity

- Subscribed capital came to € 80,136.625 thousand on the reporting date. It was subdivided into 11,027,040 no-par shares.

- The development of the Group’s equity is detailed in a separate Equity Statement.

(23) Provisions

29/28 February	2004	2003
	€000	€000
Provisions for		
Retirement benefits	33,740	35,393
Severance/redundancy payments	16,948	17,288
Anniversary bonuses	4,886	4,734
Deferred taxes	25,651	21,528
Other taxes	20,750	31,607
Other	62,721	53,217
Total	**164,696**	**163,767**

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 scope of the Austrian Group-members:

29/28 February	2004	2003
	Per cent	Per cent
Wage/salary trend	2.50	2.50
Interest rate	5.25	5.75

Abroad, we modified our assumptions to suit prevailing circumstances.

Provisions developed as follows:

	Retirement benefits	Severance/ redundancy payments	Anniversary bonuses
	€000	€000	€000
2003/04 financial year			
Balance-sheet provision on 1 March 2003	**35,393**	**17,288**	**4,734**
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

	Retirement benefits €000	Severance/ redundancy payments €000	Anniversary bonuses €000
Benefits payments	(3,614)	(2,054)	(508)
Allocated to plan assets	(228)	0	0
Balance-sheet provision on 29 February 2004	**33,740**	**16,948**	**4,886**
Disregarded actuarial (gain) loss	2,883	(1,943)	0
Fair value of plan assets	1,578	0	0
Present value on 29 February 2004	**38,201**	**15,005**	**4,886**
Previous year			
Balance-sheet provision on 1 March 2002	**38,013**	**17,365**	**4,449**
Service cost	129	776	208
Interest cost	2,079	945	264
Actuarial (gain) loss	0	(15)	321
Total recognized in profit for the period	2,208	1,706	793
Benefits payments	(3,534)	(1,783)	(508)
Allocated to plan assets	(1,294)	0	0
Balance-sheet provision on 28 February 2003	**35,393**	**17,288**	**4,734**
Disregarded actuarial (gain) loss	1,070	(1,662)	0
Fair value of plan assets	1,294	0	0
Present value on 28 February 2003	**37,757**	**15,626**	**4,734**

There were no expenses on or income from changes in benefit promises and benefit payments or as a result of changes in our assumptions.
The projected unit credit value shows staff members' benefit rights measured as the circumstances were on the reporting 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* (± 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:

29/28 February	2004	2003
	€000	€000
Deferred tax liabilities		
Non-current assets	1,406	1,731
Inventories and accounts receivable	15,420	11,542
Extraordinary fiscal items in individual financial statements	9,205	10,425
Other provisions	2,368	3,055
Total deferred tax liabilities	**28,399**	**26,753**
Reconciliation of deferred tax assets and deferred tax liabilities with respect to the same tax authority	(2,748)	(5,225)
Net deferred tax liabilities	**25,651**	**21,528**

The calculation of deferred tax assets gave net deferred tax assets of € 4,061 thousand (previous year: € 2,916 thousand) as elucidated under point 20.

c) Provisions for other taxes and other provisions

	1 March 2003	Effect of changes in foreign exchange rates	Effect of change in scope of consoli-dation	Released	Used	Added	29 February 2004
	€000	€000	€000	€000	€000	€000	€000
Provisions for taxes	**31,607**	**(13)**	**469**	**2,242**	**17,355**	**8,284**	**20,750**
Other provisions							
Provisions for obligations arising from the EU sugar CMO	14,478	0	0	307	13,830	15,818	16,159
Provisions for the costs of meeting recultivation obligations, clearing landfills and removing waste residues	17,887	(45)	0	2,641	837	7,578	21,942
Provision for expenditure on staff	7,699	(26)	345	113	6,083	6,718	8,540
Sundry provisions	13,153	(77)	262	957	8,636	12,335	16,080
Total	**53,217**	**(148)**	**607**	**4,018**	**29,386**	**42,449**	**62,721**
Provisions for taxes and other provisions	**84,824**	**(161)**	**1,076**	**6,260**	**46,741**	**50,733**	**83,471**
Of which long-term provisions	15,598						21,434
Of which short-term provisions	69,226						62,037

(24) Accounts payable

	29 February 2004	Of which with a maturity of			28 February 2003	Of which with a maturity of		
		Up to 1 year	> 1 to 5 years	> 5 years		Up to 1 year	> 1 to 5 years	> 5 years
	€000	€000	€000	€000	€000	€000	€000	€000
Bonds	672	672	0	0	0	0	0	0
Accounts payable to banks	119,836	111,194	8,049	593	140,369	89,229	50,058	1,082
Financial obligations	**120,508**	**111,866**	**8,049**	**593**	**140,369**	**89,229**	**50,058**	**1,082**
Prepayments for orders	29	29	0	0	142	142	0	0
Accounts payable for goods and services	99,551	99,452	64	35	91,790	91,498	203	89
Accounts payable to subsidiaries	9,596	9,596	0	0	3,330	3,330	0	0
Prepaid income	4,392	4,392	0	0	5,123	5,123	0	0
Other accounts payable	20,618	17,094	2,460	1,064	17,560	13,196	2,972	1,392
Of which tax	[1,710]	[1,510]	[200]	[0]	[2,370]	[2,119]	[204]	[47]
Of which relating to social security	[1,715]	[1,715]	[0]	[0]	[1,117]	[1,117]	[0]	[0]
Other accounts payable	**134,186**	**130,563**	**2,524**	**1,099**	**117,945**	**113,289**	**3,175**	**1,481**
Total	**254,694**	**242,429**	**10,573**	**1,692**	**258,314**	**202,518**	**53,233**	**2,563**

More detailed information about accounts payable to banks is provided in the section on financial instruments and derivative financial instruments.
On the reporting date, the following collateral was in place to secure accounts payable to banks:

29/28 February	2004	2003
	€000	€000
Real-estate liens	0	9,758
Other liens	0	7,344
Total	**0**	**17,102**

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

(25) Contingent liabilities and other financial obligations

29/28 February	2004	2003
	€000	€000
Bills	104	83
Sureties	1,213	1,214
Guarantees, cooperative liabilities	1,899	1,551
Letters of comfort	316	1,313
Contingent liabilities	**3,532**	**4,161**
Present value of finance lease instalments due within 4 years	128	50
Orders for capital investments in tangible non-current assets	4,901	3,117
Other financial obligations	**5,029**	**3,167**
Total	**8,561**	**7,328**

NOTES ON FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

To steer seasonally fluctuating cash flows, conventional investments are undertaken (call-money, time-deposit and securities investments), 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 for its entire term, 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 non-current assets and securities and with receivables arising from derivative hedges by only transacting business with counterparties of the highest credit standing.

The most important primary investment and borrowing instruments held on 29 February 2004 broke down as follows, by balance-sheet item:

Non-current assets: securities	Contracted currency	Market value	Book value as per the domestic balance sheet
		€000	€000
Stocks, *Ges.m.b.H.* (Ltd. Co.) shares,	€	8,558	6,768
shares in cooperatives	Kč	183	183
Debt instruments issued by corporates	€	13,149	12,541
Total		**21,890**	**19,492**

Current assets: securities	Contracted currency	Market value	Book value as per the domestic balance sheet
		€000	€000
Stocks, *Ges.m.b.H.* (Ltd. Co.) shares,	€	1,384	1,384
shares in cooperatives	Ft	29	29
Debt instruments issued	€	34,561	34,526
by foreign sovereigns	€	98	98
Debt instruments issued by corporates	€	10,763	10,582
Total		**46,835**	**46,619**

Current assets: cash and cash equivalents	National currency	Book value as per the domestic balance sheet (= market value)
		€000
Time deposits and	€	45,756
other banks balances	Ft	2,215
	Sk	339
	Kč	825
	ROL	862
	DKr	6
	Zl	90
Total		**50,093**

Unrealized differences between cost and the market values recognized on the Balance Sheet were carried to the revaluation reserve and were not recognized in the Income Statement.

Financial obligations	Contracted currency	Interest rate (nominal)	Book value
		Per cent	€000
Maturity of up to 1 year	€	3.18	69,045
	Ft	12.64	19,180
	Kč	2.70	4,623
	Sk	6.00	17,395
	ROL	23.40	1,171
	DKr	2.65	452
Maturity of more than 1 to 5 years	€	4.60	4,248
	DKr	7.67	3,801
Maturity of more than 5 years	€	2.62	593
Total			**120,508**

Accounts payable were recognized at amounts payable. In the case of payables denominated in foreign currencies, nominal values were translated into euros applying the foreign exchange rates ruling on the reporting date. Consequently, market 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 instruments that are commonly used and 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 risks, and regulate internal reporting and functional firewalls. Compliance with those guidelines and the proper management and valuation of transactions are regularly monitored by an impartial internal unit.

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

	Nominal values		Market values	
29/28 February	2004	2003	2004	2003
	€000	€000	€000	€000
Forward exchange contracts	24,246	0	(351)	0
Currency options	0	4,112	0	(5)
Raw material futures	1,483	2,893	41	(179)
Total	**25,729**	**7,005**	**(310)**	**(184)**

Nominal values

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

Market values

Market values were measured to quoted market prices on the reporting date without offsetting any countermovements in the values of hedged items.
The market 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

Z & S Zucker und Stärke Holding AG holds roughly 86 per cent of AGRANA's ordinary share capital. *Z & S Zucker und Stärke Holding AG* is not required to draw up consolidated financial statements because it is 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 *Z & S Zucker und Stärke Holding AG*. AGRANA's Consolidated Financial Statements are accounted for in the consolidated financial statements of *Südzucker AG*, Mannheim/Ochsenfurt. There were no material business dealings with related parties during the year under review.
Remunerations paid by the company to members of the Board of Management of *AGRANA Beteiligungs-AG* totalled € 790 thousand (previous year: € 738 thousand). Remunerations paid to members of the Supervisory Board totalled € 165 thousand (previous year: € 111 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 € 1,279 thousand (previous year: € 1,246 thousand) was recorded under *Provisions*.

Vienna
29 April 2004

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 29 FEBRUARY 2004

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

Name of company	Location	Country	Stake in share capital Direct Per cent	Indirect[1] Per cent
Interests in fully-consolidated Group-members				
AGRANA Frucht Gesellschaft m.b.H.	Vienna		100.00	–
AGRANA Frucht Gesellschaft m.b.H. & Co KG	Vienna		100.00	–
AGRANA Internationale Verwaltungs- und Asset-Management AG	Vienna		100.00	–
AGRANA Internationale Verwaltungs- und Asset-Management AG & Co KG	Vienna		100.00	–
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	Vienna		100.00	–
AGRANA Zucker und Stärke Aktiengesellschaft	Vienna		98.91	1.09
Agrofrucht, Handel mit landwirtschaftlichen Produkten Gesellschaft m.b.H.	Vienna		–	100.00
Brüder Hernfeld Gesellschaft m.b.H.	Vienna		–	100.00
INSTANTINA Nahrungsmittel Entwicklungs- und Produktions Gesellschaft m.b.H.	Vienna		66.67	–
RUMA Handelsges.m.b.H.	Hagenbrunn		–	100.00
AGRANA Magyarország Értékesitési Kft.	Budapest	Hungary	–	87.36
Elsö Hazai Cukorgyártó és Forgalmazó Kft.	Budapest	Hungary	–	99.19
INSTANTINA Hungária Élelmiszergyartó és Kereskedelmi Kft.	Petöhaza	Hungary	–	66.67
Magyar Cukorgyártó és Forgalmazó Rt.	Budapest	Hungary	–	87.32
Moravskoslezské Cukrovary a.s.	Hrusovany	Czech Republic	–	97.54
Slovenské Cukrovary a.s.	Rimavská Sobota	Slovakia	–	100.00
S.C. A.G.F.D. Tandarei s.r.l.	Tandarei	Romania	–	99.97
S.C. Zaharul Romanesc S.A.	Buzau	Romania	–	86.51
S.C. Danubiana Roman S.A.	Roman	Romania	–	96.15
S.C. Romana Prod s.r.l.	Roman	Romania	–	96.16
S.C. AGRANA Romania Holding and Trading Company s.r.l.	Bucharest	Romania	–	100.00
Vallø Saft A/S	Køge	Denmark	–	100.00
Vallø Saft Polska SP z.o.o.	Lipnik	Poland	–	100.00

[1] 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[1] Per cent
Companies accounted for using the equity method				
Österreichische Rübensamenzucht Gesellschaft m.b.H.	Vienna		–	86.00
Steirerobst AG	Gleisdorf		–	34.42
Steirische Agrarbeteiligungsgesellschaft m.b.H.	Raaba		–	25.10
Hungariaobst Kft.	Hadhazi	Hungary	–	34.42
Podilljaobst TOF	Winniza	Ukraine	–	34.27
Luka TOF	Winniza	Ukraine	–	34.36
Polobst SP z.o.o.	Gora Kalvaria	Poland	–	34.42
Steirerobst o.o.o.	Moscow	Russia	–	34.42
Excluded Group-members				
Leipnik-Lundenburger Unterstützungs-einrichtung Gesellschaft m.b.H.	Vienna		–	100.00
Sugana Altersvorsorge-Einrichtung Gesellschaft m.b.H.	Vienna		–	100.00
Zuckerforschung Tulln Ges.m.b.H.	Vienna		100.00	–
Dr. Hauser Gesellschaft m.b.H.	Garmisch-Partenkirchen	Germany	–	51.00
Hottlet Sugar Trading N.V.	Berchem	Belgium	25.10	–
Schoko-Schwind Kft.	Kecskemet	Hungary	–	100.00
AGRANA Skrob s.r.o.	Hrusovany	Czech Republic	–	100.00
AGRANA Zucker und Stärke AG & Co KG	Hörbranz		–	100.00
Companies for which we waived use of the equity method				
Fruktex Kft.	Gutorfölde	Hungary	–	34.42
S.C. Caracrimex S.A.	Carei	Romania	–	34.17
PFD-Processed Fruit Distribution Ltd.	Nicosia	Cyprus	–	34.42
S.C. Caraobst s.r.l.	Carei	Romania	–	34.42
Companies accounted for by proportionate consolidation				
HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	Szabadegyhaza	Hungary	–	50.00
Hungranatrans Kft.	Szabadegyhaza	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
(from 10 July 2003)

Ferdinand GASSAUER-FLEISSNER, Vienna
Vice-Chairman
(to 9 July 2003)

Hans-Jörg GEBHARD, Eppingen

Christoph KIRSCH, Weinheim/Bergstrasse

Hermann SCHULTES, Zwerndorf

Richard SCHWAIGER, Aiterhofen

Christian TEUFL, Vienna
(from 10 July 2003)

Staff Council delegates:

Ernst HERZIG, Breitenfurt

Harald TOTH, Leopoldsdorf

Peter VYMYSLICKY, Leopoldsdorf

Erich WEISSENBÖCK, Gmünd

Board of Management

Johann MARIHART, Limberg
Chairman

Walter GRAUSAM, Vienna

Klaus KORN, Ochsenfurt
(to 30 September 2003)

Markwart KUNZ, Worms
(from 1 October 2003)

AUDITORS' REPORT AND CERTIFICATE [TRANSLATION]

We audited the attached Consolidated Financial Statements of *AGRANA Beteiligungs-Aktiengesellschaft*, Vienna, as of and for the period ended 29 February 2004, which were drawn up in conformity with the *International Financial Reporting Standards (IFRS)* as published by the *International Accounting Standards Board (IASB)*. Those Consolidated Financial Statements were the responsibility of the enterprise's management. Our responsibility was to give an auditors' opinion on those Consolidated Financial Statements on the basis of our audit.

We performed our audit observing the principles governing the proper execution of audits as valid in Austria and the *International Standards on Auditing (ISA)*. Those standards require an audit to be planned and executed in such a way that a sufficiently sound judgement can be reached as to whether financial statements are free from material misstatements. The audit included a random-sample supported examination of the evidence substantiating the amounts and other disclosures furnished in the financial statements. It also included an evaluation of the accounting principles applied and material estimates undertaken by the enterprise's management and an appraisal of the overall testimony provided by the financial statements. We believe that our audit constituted a sufficiently reliable basis for our audit opinion.

It is our conclusion that the Consolidated Financial Statements do in all material respects provide as true and fair a view as possible of the assets and financial condition of *AGRANA Beteiligungs-Aktiengesellschaft*, Vienna, on 29 February 2004, and of its profit position and cash flows during the financial year ended, in compliance with *IFRS*.

Vienna
30 April 2004

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, Certified Accountant and Tax Consultant
Robert Breitner, Tax Consultant

PERFORMANCE INDICATORS

[For the reader's convenience, the original abbreviations have been retained.]

Abbreviation	Indicator *Definition*	2003/04 €000	Previous year €000
BFS	**Gross financial dept** *Accounts payable to banks plus payables arising from bills plus financial obligations of non-consolidated Group-members*	121,880	141,199
CE	**Capital employed** *SAV + IAV + WC*	521,499	494,352
Distribution yield	*Distribution per share divided by the share's closing price*	2.9%	4.6%
EBIT 1	**Earnings before interest and tax** (Item 9 of Income Statement) *Profit from operating activities*	76,833	80,476
EBIT margin 1	*EBIT 1 times 100 divided by revenues*	8.9%	9.2%
EBIT 2	**Earnings before interest and tax** (Item 12 of Income Statement) *Profit from ordinary activities after amortization of goodwill*	76,796	75,144
EBIT margin 2	*EBIT 2 times 100 divided by revenues*	8.9%	8.6%
EBITDA	**Earnings before interest, tax, depreciation and amortization** (Items 7 + 10 + 12 of Income Statement) *EBIT plus depreciation/amortization plus amortization of goodwill*	116,763	120,445
EBITDA margin	*EBITDA times 100 divided by revenues*	13.5%	13.7%
EKQ	**Equity ratio** *Equity divided by total capital*	54.2%	51.9%
EPS	**Earnings per share** *Consolidated earnings for the year divided by the number of shares*	€ 5.13	€ 5.93
EVS	**Equity value per share** *Equity divided by the number of shares*	€ 45.93	€ 42.24
FCF	**Free cash flow** *Net cash from operating activities plus net cash from investing activities*[1]	15,346	69,307
Gearing	*NFS divided by (equity plus minority interests in equity) times 100*	4.8%	(3.2%)
IAV	**Intangible non-current assets with goodwill**	29,379	22,238
KGV (Ultimo)	**P/E ratio** *Closing price divided by EPS*	12.00	6.70
NFS	**Net financial dept** *Gross financial dept less (cash plus cheques plus other bank balances)*	24,952	(15,328)
ROCE	**Return on capital employed** *(Profit from operating activities less amortization of goodwill) divided by capital employed*	14.7%	15.3%
ROS	**Return on sales** *Profit before tax times 100 divided by revenues*	8.2%	10.0%
SAV	**Tangible non-current assets**	266,229	265,840
WC	**Working capital** *Short-term current assets minus short-term debts*	225,891	206,274

[1] Net cash from operating activities less capital investments (in quarterly reports)

ANNUAL FINANCIAL STATEMENTS FOR 2003|04

of *AGRANA Beteiligungs-AG* applying *RLG*

BALANCE SHEET DATED 29 FEBRUARY 2004

		29 February 2004 €000	End of previous year €000
ASSETS	**A. Non-current assets**		
	I. Intangible non-current assets	70	12
	II. Tangible non-current assets	736	930
	III. Financial investments	275,154	262,184
		275,960	**263,126**
	B. Current assets		
	I. Accounts receivable and other assets	48,184	99,341
	II. Securities	20,582	20,582
	III. Cash, bank balances	20,164	47
		88,930	**119,970**
	Total assets	**364,890**	**383,096**
EQUITY AND LIABILITIES	**A. Equity**		
	I. Share capital	80,137	80,137
	II. Capital reserves	213,463	213,463
	III. Retained earnings reserves	19,377	18,136
	IV. Net profit	19,853	19,867
	Of which profit carryforward: € 18 thousand (previous year: € 12 thousand)		
		332,830	**331,603**
	B. Untaxed reserves	**7**	**13**
	C. Provisions		
	I. Provision for retirement benefits, severance/redundancy payments and anniversary bonuses	1,204	1,319
	II. Provision for taxes and other provisions	6,984	8,207
		8,188	**9,526**
	D. Accounts payable		
	I. Financial obligations	21,802	39,970
	II. Other accounts payable	2,063	1,984
		23,865	**41,954**
	Total equity and liabilities	**364,890**	**383,096**
	Contingent liabilities	1,034	3,982

INCOME STATEMENT FOR THE 2003/04 FINANCIAL YEAR

from 1 March 2003 through 29 February 2004

	2003/04 €000	Previous year €000
1. Sales revenues	287	284
2. Other operating income	12,802	13,086
3. Expenditure on staff	(7,386)	(7,421)
4. Depreciation/amortization/write-downs of intangible and tangible non-current assets	(389)	(333)
5. Other operating expenses	(6,103)	(8,109)
6. Profit (loss) from operating activities (subtotal of items 1 – 5)	**(789)**	**(2,493)**
7. Income from interests held as investments Of which from subsidiaries: € 20,517 thousand (previous year: € 21,029 thousand)	20,517	21,133
8. Income from other securities classified as financial investments	177	402
9. Other interest income and similar income Of which from subsidiaries: € 425 thousand (previous year: € 1,341 thousand)	3,935	2,698
10. Income from the disposal of financial investments	194	12,386
11. Expenditure on financial investments and available-for-sale securities	(1,200)	(238)
12. Interest expense and similar charges	(1,750)	(1,742)
13. Profit (loss) from investing and financial activities (subtotal of items 7 – 12)	**21,873**	**34,639**
14. Profit/(loss) from ordinary activities (subtotal of items 1 – 12)	**21,084**	**32,146**
15. Income tax expense	(14)	(6,098)
16. Earnings for the year	**21,070**	**26,048**
17. Released from untaxed reserves	7	7
18. Allocated to retained earnings reserves	(1,242)	(6,200)
19. Profit carryforward from previous year	18	12
20. Net profit	**19,853**	**19,867**

AUDITORS' CERTIFICATE [TRANSLATION]

We audited the Annual Financial Statements for the year ended 29 February 2004 as drawn up by the Board of Management of *AGRANA Beteiligungs-AG* in accordance with the provisions of commercial law applying in Austria, thereby observing the principles of our profession in Austria regarding the proper execution of audits. Having completed our audit, we granted the full German Annual Financial Statements of *AGRANA Beteiligungs-AG*, Vienna, for the year ended 29 February 2004 the following unqualified Auditors' Certificate in accordance with *§ 274 Abs 1 HGB* (commercial code):

"According to our mandatory examination thereof, the accounting records and the Annual Financial Statements comply with the statutory requirements. The Annual Financial Statements conform to the principles of proper accounting and provide as true and fair a view as possible of the company's assets, financial condition and profit position. Management's Report is in conformity with the Annual Financial Statements."

Vienna
30 April 2004

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
Certified Accountant
and Tax Consultant

Robert Breitner
Tax Consultant

PROPOSAL REGARDING PROFIT APPROPRIATION

	2003/04 €000
The financial year from 1 March 2003 through 29 February 2004 closed with net profit of	**19,852.622**
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 € 1.80 per ordinary share (no-par share) on 11,027,040 dividend-bearing ordinary shares, that is a **Total distribution** of	**19,848.672**
To be carried forward to a new account	3.950
	19,852.622

SUPERVISORY BOARD'S REPORT

During the 2003/04 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 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 2003/04 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' Certificate. 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 2003/04 financial year.

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

The Supervisory Board has approved the Annual Financial Statements prepared by the Board of Management for the 2003/04 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 2003/04 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.
In particular, it thanks Supervisory Board member Klaus Korn, who left the Board of Management in September 2003. Markwart Kunz has succeeded him.

Vienna
May 2004

The Chairman of the Supervisory Board

Christian Konrad

IMPORTANT ADDRESSES

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