# H1 2018/19

REPORT ON THE
FIRST HALF OF 2018|19

## First half of 2018|19 at a glance

- Revenue: € 1,261.0 million (-7.4%; H1 prior year: € 1,362.1 million)
- EBIT: € 63.0 million (-51.8%; H1 prior year: € 130.6 million)
- EBIT margin: 5.0% (H1 prior year: 9.6%)
- Profit for the period: € 39.9 million (-59.0%; H1 prior year: € 97.3 million)
- Equity ratio: 61.8% (28 February 2018: 61.7%)
- Gearing ratio[1]: 18.7% (28 February 2018: 16.0%)
- Number of employees (FTE)[2]: 9,461 (H1 prior year: 8,854)

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

## Contents

# Letter from the CEO

*DEAR INVESTOR,*

As expected, operating profit (EBIT) in the second quarter of the 2018|19 financial year, as in the first, remained significantly below that of the very good prior-year comparative quarter, and EBIT in the first six months thus reached only € 63.0 million (H1 2017|18: € 130.6 million).

Depressed sugar and isoglucose prices after the end of the EU quotas, as well as ethanol prices significantly lower than one year earlier, were the primary reasons for this earnings reduction. The performance of the Fruit segment continued to be satisfactory in the last three months and its EBIT in the first half of 2018|19 was moderately above that of the prior-year's good first half.

Our starch campaigns at the three Austrian starch plants are in full swing: Getting an early start, in the middle of August the AGRANA plant in Gmünd began to take starch potato deliveries and the two sites in Aschach and Pischelsdorf launched the processing of freshly harvested wet corn (maize).

The campaigns at our sugar plants are also underway. In expectation of an above-average beet harvest in Eastern Europe, the Eastern European factories already began beet processing in September, while the Austrian sites of Tulln and Leopoldsdorf did not start beet sugar production until the beginning of October, as the beet weevil infestation in Austria in the spring led to significant crop area losses.

In the Fruit segment the sales volume growth in fruit preparations is as welcome as the profit increase in the fruit juice concentrate division. The dry weather in large parts of Europe did not hurt the quantity and quality of this year's apple harvest: European apple growers are bringing in the largest crop of the past ten years.

Despite the difficult situation in the Sugar segment, we continue to pursue organic growth in the Starch and Fruit segments. In the current full 2018|19 financial year, the Group will go on investing at a rate significantly higher than depreciation. In the next few weeks, in addition to the second fruit preparations plant in China, we will also bring online the expansion of the potato processing capacity in Gmünd, Austria, and the new facility for drying potato fibre at the same location. The major € 100 million project to expand the wheat starch production in Pischelsdorf, Austria, is being implemented as planned and there is nothing standing in the way of its completion by autumn 2019.

We reaffirm our forecast for the full 2018|19 financial year, with a significant decrease in Group EBIT as a result of the current challenges, particularly in the Sugar segment. In the Starch segment we are expecting a recovery after the weak first half, although EBIT in this segment continues to be projected at a significant decrease from the prior year. In the Fruit segment, EBIT is forecast to rise.

Sincerely

**Johann Marihart**

Chief Executive Officer

# Group management report
## AGRANA Group results for the first half of 2018|19

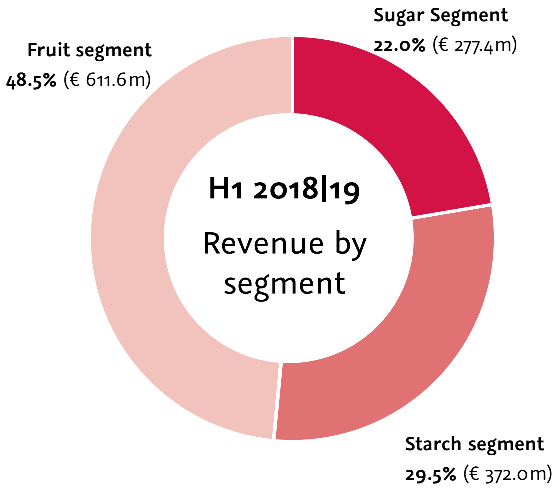
### Revenue and earnings

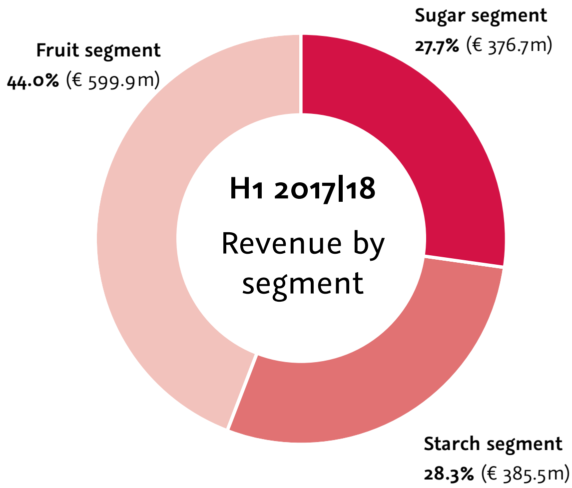
| **Consolidated income statement (condensed)** €m, except as otherwise indicated | **H1 2018\|19** | **H1 2017\|18** |
|---|---|---|
| Revenue | 1,261.0 | 1,362.1 |
| EBITDA[1] | 97.0 | 149.6 |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 57.2 | 113.4 |
| Share of results of equity-accounted joint ventures | 6.6 | 20.0 |
| Exceptional items | (0.8) | (2.8) |
| **Operating profit [EBIT]** | **63.0** | **130.6** |
| **EBIT margin** | **5.0%** | **9.6%** |
| Net financial items | (10.9) | (8.9) |
| Profit before tax | 52.1 | 121.7 |
| Income tax expense | (12.2) | (24.4) |
| Profit for the period | 39.9 | 97.3 |
| Earnings per share (€)[2] | 0.59 | 1.50 |

| **Consolidated income statement (condensed)** €m, except as otherwise indicated | **Q2 2018\|19** | **Q2 2017\|18** |
|---|---|---|
| Revenue | 630.7 | 677.9 |
| EBITDA[1] | 43.5 | 72.0 |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 23.4 | 53.7 |
| Share of results of equity-accounted joint ventures | 3.3 | 9.9 |
| Exceptional items | (0.7) | (2.8) |
| **Operating profit [EBIT]** | **26.0** | **60.8** |
| **EBIT margin** | **4.1%** | **9.0%** |
| Net financial items | (6.6) | (4.1) |
| Profit before tax | 19.4 | 56.7 |
| Income tax expense | (4.8) | (10.3) |
| Profit for the period | 14.6 | 46.4 |
| Earnings per share (€)[2] | 0.22 | 0.71 |

In the first half of 2018|19 (the six months ended 31 August 2018), **revenue** of the AGRANA Group was € 1,261.0 million, down 7.4% from the same period one year earlier, with the decrease attributable primarily to the revenue trend in the Sugar segment, but also in the bioethanol activities of the Starch segment.

**Operating profit (EBIT)** was € 63.0 million in the first six months of 2018|19, a significant decline of 51.8% from the year-ago comparative period. As expected, EBIT in the Sugar segment deteriorated significantly, to a deficit of € 4.1 million (H1 prior year: profit of € 36.6 million), owing mainly to lower selling prices than one year earlier. In the Starch segment, EBIT decreased to € 20.3 million, a reduction of 59.8% driven above all by a negative trend in the ethanol and saccharification products business. In the Fruit segment, EBIT increased moderately (by 7.6%) to € 46.8 million. The Group's **net financial items expense** amounted to € 10.9 million (prior year: € 8.9 million). After an income tax expense of € 12.2 million, corresponding to a tax rate of approximately 23.4% (H1 prior year: 20.0%), **profit for the period** was € 39.9 million (H1 prior year: € 97.3 million). **Earnings per share**[2] attributable to AGRANA shareholders decreased to € 0.59 (H1 prior year: € 1.50).




[1] EBITDA represents operating profit before exceptional items, results of equity-accounted joint ventures, and operating depreciation and amortisation.
[2] The prior-year value has been adjusted in accordance with IAS 33.64. Also see explanations regarding the stock split, on pages 7 and 20.

## Investment

In the first half of the financial year, AGRANA invested € 82.7 million, or € 24.6 million more than in the year-earlier comparative period. Capital expenditure by segment was as follows:

| Investment[1] €m, except % | H1 2018\|19 | H1 2017\|18 | Change |
|---|---|---|---|
| Fruit segment | 20.7 | 15.3 | +35.3% |
| Starch segment | 48.7 | 27.7 | +75.8% |
| Sugar segment | 13.3 | 15.1 | -11.9% |
| **Group** | **82.7** | **58.1** | **+42.3%** |

### Fruit segment:

- Various projects across all 44 production sites; key projects: Construction of the new, second fruit preparations plant in China and a new production line for carrot juice concentrate in Hungary.

### Starch segment:

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

### Sugar segment:

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

Additionally in the first half of 2018|19, € 7.0 million (H1 prior year: € 13.2 million) was invested in the equity-accounted joint ventures (the HUNGRANA and STUDEN groups; values for these entities are stated at 100% of the total).

## Cash flow

### Consolidated cash flow statement (condensed)

| €m, except % | H1 2018\|19 | H1 2017\|18 | Change |
|---|---|---|---|
| Operating cash flow before changes in working capital | 108.7 | 176.5 | -38.4% |
| Changes in working capital | 34.1 | 46.3 | -26.3% |
| Interest received and paid and income tax paid, net | (15.2) | (29.3) | +48.1% |
| **Net cash from operating activities** | **127.6** | **193.5** | **-34.1%** |
| Net cash (used in) investing activities | (83.4) | (59.1) | -41.1% |
| Net cash (used in) financing activities | (58.9) | (156.0) | +62.2% |
| **Net (decrease) in cash and cash equivalents** | **(14.7)** | **(21.6)** | **+31.9%** |
| Effects of movements in foreign exchange rates on cash and cash equivalents | (2.6) | (3.8) | +31.6% |
| Cash and cash equivalents at beginning of period | 121.0 | 198.4 | -39.0% |
| **Cash and cash equivalents at end of period** | **103.7** | **173.0** | **-40.1%** |

Operating cash flow before changes in working capital declined to € 108.7 million (H1 prior year: € 176.5 million) in the first half of 2018|19 as a result mainly of the significantly lower profit for the period. After a smaller reduction of € 34.1 million in working capital than one year earlier (H1 prior year: € 46.3 million) and after lower outflows for taxes and interest, net cash from operating activities in the first half of 2018|19 decreased to € 127.6 million (H1 prior year: € 193.5 million). Net cash used

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

in investing activities was € 83.4 million as a result of higher payments for purchases of property, plant and equipment and intangibles (H1 prior year: net cash use of € 59.1 million). An overall increase in borrowings in the first half of 2018|19 (on a net basis across current and non-current borrowings) meant that, despite a higher dividend payment, net cash used in financing activities was reduced to € 58.9 million (H1 prior year: net cash use of € 156.0 million).

# Financial position

## Consolidated balance sheet (condensed)

| €m, except % and pp | 31 August 2018 | 28 February 2018 | Change |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | **1,198.4** | **1,161.0** | **+3.2%** |
| Of which intangible assets | 273.0 | 276.8 | -1.4% |
| Of which property, plant and equipment | 806.3 | 768.9 | +4.9% |
| **Current assets** | **1,066.0** | **1,195.4** | **-10.8%** |
| Current assets | 492.2 | 654.5 | -24.8% |
| Of which trade receivables and other assets | 465.5 | 415.6 | +12.0% |
| Of which cash and cash equivalents | 103.7 | 121.0 | -14.3% |
| **Total Assets** | **2,264.4** | **2,356.4** | **-3.9%** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | **1,398.7** | **1,454.0** | **-3.8%** |
| Equity attributable to shareholders of the parent | 1,341.3 | 1,397.0 | -4.0% |
| Non-controlling interests | 57.4 | 57.0 | +0.7% |
| **Non-controlling interests** | **374.4** | **419.4** | **-10.7%** |
| Of which borrowings | 259.0 | 310.6 | -16.6% |
| **Current liabilities** | **491.3** | **483.0** | **+1.7%** |
| Of which borrowings | 125.4 | 61.6 | +103.6% |
| Of which trade and other payables | 328.2 | 378.2 | -13.2% |
| **Total equity and liabilities** | **2,264.4** | **2,356.4** | **-3.9%** |

| | | | |
|---|---|---|---|
| **Net debt** | **261.3** | **232.5** | **+12.4%** |
| **Gearing ratio**[1] | **18.7%** | **16.0%** | **+2.7pp** |
| **Equity ratio** | **61.8%** | **61.7%** | **+0.1pp** |

[1] Debt-equity ratio (ratio of net debt to total equity).

Total assets eased slightly from the 2017|18 year-end balance sheet date to € 2.26 billion at 31 August 2018 (28 February 2018: € 2.36 billion) while the equity ratio was steady at 61.8% (28 February 2018: 61.7%).

The value of non-current assets increased slightly, while current assets decreased by about 11%. The most visible reduction was that in inventories, which was seasonal in nature. On the opposite side of the balance sheet, non-current liabilities declined significantly, due primarily to the repayment of borrowings. Current liabilities rose slightly, with an increase in short-term borrowings partially offset by a significant reduction in trade and other payables.

Net debt as of 31 August 2018 stood at € 261.3 million, up € 28.8 million from the 2017|18 year-end level. The gearing ratio accordingly rose modestly to 18.7% as of the quarterly balance sheet date (28 February 2018: 16.0%).

# AGRANA capital market developments

| Share data | H1 2018\|19 |
|---|---|
| High (18 May 2018) | € 25.10 |
| Low (30 August 2018) | € 20.50 |
| Closing price (31 August 2018) | € 21.15 |
| Closing book value per share | € 21.46 |
| Closing market capitalisation | € 1,321.6m |

The 31st Annual General Meeting (AGM) of AGRANA Beteiligungs-AG on 6 July 2018 approved the payment of a dividend of € 4.50 per share for the 2017|18 financial year (prior year: € 4.00 per share); the dividend was paid in July 2018.

At the AGM it was also decided to perform a four-for-one stock split. The corresponding amendment to the Articles of Association was entered in the commercial register on 24 July 2018. In connection with the stock split, in compliance with international market standards, AGRANA's shares were assigned a new ISIN, AT000AGRANA3, replacing the old ISIN AT0000603709. The changeover of the listing on the Vienna Stock Exchange (the start of trading under the new ISIN) occurred on 27 July 2018. The actual book entry of the shares with the new ISIN and the actual retirement of the existing shares with the old ISIN, in securities accounts, was performed on 31 July 2018.

Through the stock split, the number of shares was increased from 15,622,244 to a new total of 62,488,976. The share capital remained unchanged at € 113,531,274.76 and is now divided into 62,488,976 no-par value bearer shares. Each no-par value share now represents a proportionate amount of approximately € 1.82 of the share capital.

AGRANA started the 2018|19 financial year with a share price of € 24.78 (or € 99.10 before the stock split) and closed at € 21.15 on the last trading day of August 2018, a decrease of 14.6%. Austria's blue-chip ATX equity index declined by 5.1% over the same period.

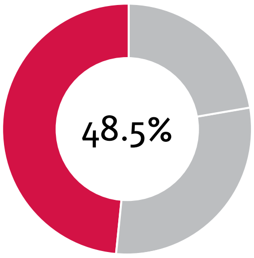
The average daily trading volume[1] in the period from March to August measured about 48,200 shares (H1 prior year: approximately 87,000 shares).

AGRANA's share price performance can be followed in the investor relations section of the Group's website at www.agrana.com. The market capitalisation at the end of August 2018 was € 1,321.6 million.

[1] Trading volume based on double counting, as published by the Vienna Stock Exchange.

# Fruit segment

## Share of Group revenue




## Financial results

| **Fruit segment** €m, except % | **H1 2018\|19** | **H1 2017\|18** |
|---|---|---|
| Revenue | 611.6 | 599.9 |
| EBITDA[1] | 63.4 | 60.7 |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 46.8 | 43.5 |
| **Operating profit [EBIT]** | **46.8** | **43.5** |
| **EBIT margin** | **7.7%** | **7.3%** |

| **Fruit segment** €m, except % | **Q2 2018\|19** | **Q2 2017\|18** |
|---|---|---|
| Revenue | 299.8 | 288.9 |
| EBITDA[1] | 29.7 | 27.0 |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 21.3 | 18.4 |
| **Operating profit [EBIT]** | **21.3** | **18.4** |
| **EBIT margin** | **7.1%** | **6.4%** |

Fruit segment revenue in the first half of 2018|19 was € 611.6 million, or somewhat above the year-earlier level. For fruit preparations, revenue remained constant despite an increase in sales volumes; the reason lay in negative currency translation effects. In the fruit juice concentrate business, revenue rose as a result of the high apple juice concentrate prices for product from the 2017 crop.

EBIT of € 46.8 million in the first six months was moderately higher than one year earlier. While the fruit preparations business saw a currency-related slight drop in earnings (as all local currencies but one weakened against the euro, in some cases sharply), EBIT in the fruit juice concentrate activities increased significantly. This reflected improved contribution margins of apple juice concentrate produced from the 2017 harvest, as well as a continued good performance in beverage bases.

## Market environment

The market-driving global consumer trends remain naturalness, sustainability and transparency, pleasure and health. In the yoghurt market, the sustainability and transparency themes are manifesting mainly through two trend directions. One is the launching of products with a strong emphasis on animal welfare (such as products using grass-fed milk and milk from pastured cows). The other is the continuing boom in vegan dairy alternatives (for example, soy milk), as many consumers want to limit or entirely give up animal products in their diet. Customer demand for clean label products – items with the shortest and clearest possible list of ingredients, and products without E number – continues to grow in importance. Another trend is that of guilt-free enjoyment, with consumers choosing small portions or package sizes and the combination of nutrient-dense products (yoghurt with protein) with new flavours (such as caramel or coffee).

For apple juice concentrate, the good crop forecasts in the major apple production regions Poland, Hungary, Germany and Italy are causing concentrate prices to come down significantly from the prior year. Apple juice concentrate prices for product from the 2018 crop in Europe are expected to be lower than last year's. The combination of low prices of European apple juice concentrate and higher Chinese prices resulting from spring frost in China is making European product competitive in the USA; the first sales have already been booked there.

Most of the berry juice concentrate produced in the 2018 processing season is already contractually placed.

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

## Raw materials and production

The strawberry harvest was completed in all regions other than South Africa. In the Mediterranean procurement markets the planned volumes were contracted, with prices very slightly above the prior year.

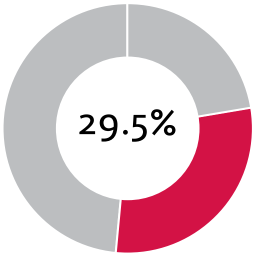
Generally speaking, this year to date, the crops relevant for the fruit preparations business (for instance, raspberry, sour cherry and pineapple) have been significantly bigger than last year. Exceptions to this are strawberry as well as blueberry, among others. About 195,000 tonnes of raw materials were processed in the first half of 2018|19 for the production of fruit preparations.

In the fruit juice concentrate business, the 2018 berry season was very satisfactory, raw material availability was good and the processing was completed for all major products.

The apple harvest volume in Europe in 2018 is expected to be above average thanks to the good growing season. This is also already apparent from the apple deliveries received in August, which were significantly higher than in the previous years. Apple crop volumes in China are projected to be significantly lower than last year, as a result of the spring frost.

# Starch segment

### Share of Group revenue




## Financial results

| STARCH SEGMENT<br>€m, except % | H1<br>2018\|19 | H1<br>2017\|18 |
|---|---|---|
| Revenue | 372.0 | 385.5 |
| EBITDA[1] | 26.6 | 42.6 |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 11.2 | 31.0 |
| Share of results of equity-accounted joint ventures | 9.1 | 19.5 |
| **Operating profit [EBIT]** | **20.3** | **50.5** |
| **EBIT margin** | **5.5%** | **13.1%** |

| STARCH SEGMENT<br>€m, except % | Q2<br>2018\|19 | Q2<br>2017\|18 |
|---|---|---|
| Revenue | 190.6 | 190.7 |
| EBITDA[1] | 13.8 | 20.8 |
| Operating profit before exceptional items and results of equity-accounted joint ventures | 6.0 | 14.9 |
| Share of results of equity-accounted joint ventures | 4.4 | 9.0 |
| **Operating profit [EBIT]** | **10.4** | **23.9** |
| **EBIT margin** | **5.5%** | **12.5%** |

Revenue in the first half of 2018|19 was € 372.0 million, a decrease of 3.5% from one year earlier. This reduction was explained largely by the price-related lower bioethanol revenue, as ethanol quotations were down significantly from a year ago. While revenue with saccharification products decreased as well, pulled down partly by the very low prices of granulated sugar, the revenue trend for native and modified starches was positive amid sustained good market demand. Revenue in feedstuff reselling was off slightly, though at a high absolute level.

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

EBIT, at € 20.3 million, was down significantly by 59.8% from the year-earlier result. This reduction was attributable largely to the considerably lower market prices for bioethanol. The profit contribution from the equity-accounted HUNGRANA was halved to € 9.1 million, the reasons being that this Hungarian site is particularly exposed to the negative trend in bioethanol market prices and, as Europe's largest manufacturer of isoglucose, is significantly impacted by declining saccharification product prices. Accordingly, the profitability of the Starch segment in the first half of the financial year in terms of the EBIT margin fell to 5.5%, from 13.1% in the comparative prior-year period.

## Market environment

The extremely difficult market setting for sugar also affected the sales volumes of liquid starch saccharification products. Low sugar prices exerted direct downward price pressure especially on isoglucose, and customers also had very little inclination to use additional quantities of starch saccharification products. Moreover, new competitors are edging into the market.

Sales volumes of native and modified starches into the food industry were stable. As a result of rising raw material costs, due mainly to reduced harvest forecasts for wheat and corn, price increases can be expected for all starches.

The principal upside driver in non-food starches continued to be the lasting high demand from the paper and corrugated board industry.

The outlook for the bioethanol business remains subdued. A significant increase in supply in the EU and higher imports from overseas are coinciding with merely moderate growth in demand. From their low spring lev-els, ethanol prices rallied as of the end of the reporting period as a consequence of logistical delivery difficulties in Europe that resulted from low river levels of the Rhine and Danube over the summer months and from higher raw material prices for wheat. On 31 August 2018, ethanol thus quoted at € 489.5 per cubic metre FOB Rotterdam. A significant European ethanol producer has recently announced that it will end production. The market's initial reaction to this announcement was muted.

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

## Raw materials and production

World grain production in the 2018|19 grain marketing year (July to June) is estimated by the International Grains Council in its forecast of 23 August 2018 at 2.06 billion tonnes, which is about 29 million tonnes less than in the prior year and falls short of the expected consumption by around 66 million tonnes. Wheat production is forecast at 716 million tonnes (prior year: 758 million tonnes; estimated 2018|19 consumption: 734 million tonnes) and the predicted output of corn is 1,064 million tonnes (prior year: 1,045 million tonnes; estimated 2018|19 consumption: 1,105 million tonnes). Total ending grain stocks are to decline by approximately 66 million tonnes to a new balance of 538 million tonnes.

Grain production in the EU-28 is estimated by Stratégié Grains in its forecast of 9 August 2018 at about 282 million tonnes (prior year: 298 million tonnes). Of this total, the soft wheat harvest is to account for about 128 million tonnes, which is significantly less than the 2017 crop of 142 million tonnes. The 2018 corn harvest in the EU is expected to reach 61 million tonnes (prior year: 59 million tonnes).

The quotations on the NYSE Euronext Liffe commodity derivatives exchange in Paris rose since the beginning of June 2018 and, on 31 August 2018, were around € 185 per tonne for corn (year earlier: € 159) and € 205 per tonne for wheat (year earlier: € 156).

### Potatoes

On 21 August 2018 the potato starch factory in Gmünd, Austria, began the processing of starch potatoes from the 2018 harvest. As a result of hot and dry weather in August, growers' fulfilment of the contracted amount of starch potatoes is expected to reach only 85%. The average starch content will be higher than last year, at about 19.5% (prior year: 18.1%).

## Corn and wheat

The receiving of freshly harvested wet corn at the corn starch plant in Aschach, Austria, began in the middle of August. Wet corn volume is expected to be slightly lower than in the prior year and is to reach about 100,000 tonnes (prior year: 114,000 tonnes); its processing should be completed at the beginning of November. Production will then switch to the use of dry corn. In the first half of 2018|19, approximately 235,000 tonnes of corn was processed, an increase from the year-earlier volume of about 207,000 tonnes.

As raw materials for the biorefinery in Pischelsdorf, Austria (producing bioethanol and wheat starch) in the first half of 2018|19, AGRANA used about 75% non-corn grains (wheat, organic wheat and triticale) and 25% corn. The total processing volume at this facility in the first six months of the financial year was approximately 412,000 tonnes (H1 prior year: 416,000 tonnes). In the middle of August 2018, Pischelsdorf began the processing of wet corn; the processing volume is predicted to be steady at last year's level of 99,000 tonnes, if not slightly higher.

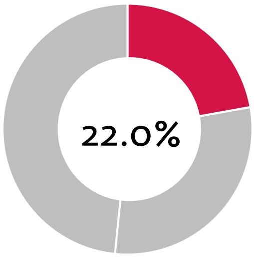
The purchasing of feedstock for the Austrian starch plants in Aschach (corn) and Pischelsdorf (wheat) from the 2017 crop is complete. Including the amounts contracted from the 2018 harvest, the bulk of the raw material supply for the 2018|19 financial year is secured.

Like the Aschach facility, the equity-accounted plant in Hungary (HUNGRANA) launched its wet corn campaign in mid-August. Wet corn processing volume at this facility is forecast to decrease to approximately 220,000 tonnes this year (prior year: 263,000 tonnes). In the first half of 2018|19, some 538,000 tonnes of corn was processed (H1 prior year: 573,000 tonnes).

At the plant in Romania, about 34,000 tonnes of corn were processed in the first six months of 2018|19, as in the prior year. Since early September, wet corn has been the feedstock here as well.

# Sugar segment

### Share of Group revenue




## Financial results

| **Sugar segment** €m, except % | **H1 2018\|19** | **H1 2017\|18** |
|---|---|---|
| Revenue | 277.4 | 376.7 |
| EBITDA[1] | 7.0 | 46.3 |
| Operating profit before exceptional items and results of equity-accounted joint ventures | (0.7) | 38.9 |
| Share of results of equity-accounted joint ventures | (2.6) | 0.5 |
| Exceptional items | (0.8) | (2.8) |
| **Operating profit [EBIT]** | **(4.1)** | **36.6** |
| **EBIT margin** | **(1.5%)** | **9.7%** |

| **Sugar segment** €m, except % | **H1 2018\|19** | **H1 2017\|18** |
|---|---|---|
| Revenue | 140.3 | 198.3 |
| EBITDA[1] | 0.0 | 24.2 |
| Operating profit before exceptional items and results of equity-accounted joint ventures | (3.9) | 20.4 |
| Share of results of equity-accounted joint ventures | (1.2) | 0.9 |
| Exceptional items | (0.7) | (2.8) |
| **Operating profit [EBIT]** | **(5.8)** | **18.5** |
| **EBIT margin** | **(4.1%)** | **9.3%** |

The Sugar segment's revenue in the first six months of 2018|19, at € 277.4 million, was off 26.4% from the first half of the prior year. This downward change was caused by a significant year-on-year reduction in sugar sales prices, as well as by lower sugar quantities sold (the latter especially in exports and the non-food sector).

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

EBIT in the first half of 2018|19 fell markedly from € 36.6 million to a deficit of € 4.1 million. The principal driving factor was the much poorer sales price environment compared to the prior year.

# Market environment

## World sugar market

For the end of the 2018|19 sugar marketing year as well (SMY, October 2018 to September 2019) the analytics firm F.O. Licht in its estimate of 16 August 2018 for the world sugar balance is forecasting a surplus. The forecast calls for production of 194.2 million tonnes, stable relative to the prior-year level (SMY 2017|18: 193.2 million tonnes). Despite predicted growth in consumption to 185.7 million tonnes (SMY 2017|18: 183.0 million tonnes), this implies a further expansion in global sugar stocks to 84.6 million tonnes (SMY 2017|18: 76.3 million tonnes).

Since the beginning of the 2018|19 financial year, world market prices have remained persistently low, due chiefly to the expectation of a significant surplus in the world sugar balance.

For 2018, despite increased use of sugar cane for ethanol production in Brazil, analysts predict significant growth in world sugar output, reflecting very good crop expectations especially in India and Thailand and continuing high (but declining) beet sugar production in Europe.

At the end of the reporting period, white sugar quoted at US$ 325.90 per tonne and raw sugar at US$ 233.69.

## EU sugar market

In May 2018, the Monitoring Agricultural Resources (MARS) section of the European Commission had still forecast a yield of 76.1 tonnes of sugar beet per hectare for SMY 2018|19. In light of the exceptionally hot and dry weather conditions in the intervening months, the August forecast then reduced this prediction to 73.8 tonnes per hectare.

According to F.O. Licht, sugar exports in the first ten months of SMY 2017|18 amounted to 2.93 million tonnes, representing a two-thirds increase in exports from the same period one year earlier.

Sugar imports, meanwhile, fell by more than 40% year-on-year. Of the import volumes, 42% came from EPA/EBA[1] countries, followed by countries with free trade agreements (e.g., Colombia, Peru, South Africa and Brazil).

In its latest forecast, the European Commission calls for the EU's sugar production in SMY 2018|19 to decrease by about 1.9 million tonnes from the prior SMY, to 19.8 million tonnes.

## EU policy

Since the liberalisation of the EU sugar market on 1 October 2017, sugar sales prices have fallen steeply, as is also evident from data in the EU sugar price reporting system. In September 2017 the average price in the EU was still € 490 per tonne, but by July 2018 it had eroded to € 346 per tonne, its lowest level since the EU price reporting system came into being in July 2006.

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

## Customers in industry and resellers

Overall sales volumes decreased in the first half of the 2018|19 financial year, due above all to significantly reduced export activities. However, the sales quantities with industrial customers (manufacturers) and with resellers (wholesalers and retailers) rose compared to the first half of the prior year. Especially the resellers category, including specialties, showed volume growth despite an aggressive price environment. The price trend is driven by the high volume of EU sugar production and low world market prices.

## Raw materials (and production)

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

[1] Economic Partnership Agreement/"Everything But Arms".

Owing to the long winter and especially the low temperatures in the second half of February 2018, the start of planting was delayed by about one to two weeks compared to the long-term average. Most of the initial planting was completed by mid-April. From the first week of April onward, severe damage was caused in the Austrian core beet production areas by an insect pest, the beet weevil[1]. A total of approximately 12,000 hectares had to be turned under, and only about 30% of this was subsequently replanted to beet. In the other beet-growing regions outside Austria, additional beet production area was lost to mud deposits, soil crusting, hail and animal pests.

The relatively very warm months of April to June 2018 led to rapid juvenile growth of the remaining beet stocks. Widespread rain, particularly in the second half of May, also strongly boosted the beet growth. During July and August, the usual regular rains in parts of the growing region in Austria, the southern Czech Republic and also in Romania did not materialise, leading to drought symptoms in some of the beet stocks. At the beginning of September the situation in these regions recovered thanks to above-average precipitation. In Slovakia and Hungary, there was sufficient rainfall.

The weather and growing conditions to date point to above-average beet yields in all countries on the currently estimated approximately 84,000 hectares of area under beet (including about 800 hectares of organic beet).

## Management of risks and opportunities

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

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

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

## Number of employees

| Full-time equivalents | H1 2018\|19 | H1 2017\|18 | Change |
|---|---|---|---|
| Fruit segment | 6,526 | 5,977 | +9.2% |
| Starch segment | 1,014 | 941 | +7.8% |
| Sugar segment | 1,921 | 1,936 | -0.8% |
| **Group** | **9,461** | **8,854** | **+6.9%** |

In the first half of 2018|19 the AGRANA Group employed an average of 9,461 full-time equivalents (H1 prior year: 8,854). The increase in personnel resulted mainly from a higher requirement for seasonal workers in the Fruit segment and from the expansion of the starch production site in Aschach, Austria.

## Related party disclosures

For disclosures on related party relationships, please refer to the interim consolidated financial statements.

## Significant events after the interim reporting date

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

[1] This pest tends to spread especially in the spring after prolonged dry periods.

# Outlook

| AGRANA Group €m | 2017\|18 Actual | 2018\|19 Forecast |
|---|---|---|
| Revenue | 2,566.3 | ↘ |
| EBIT | 190.6 | ↓↓ |
| Investment[1] | 140.9 | 185 |

↘ *Slight reduction*[2]
↓↓ *Significant reduction*[2]

As a result of the current challenges faced especially in the Sugar segment, the Group's **operating profit (EBIT)** is expected to decrease significantly in the 2018|19 financial year. **Revenue** is projected to be slightly lower than in the year before.

EBIT in the third quarter of this financial year is predicted at significantly below the year-earlier level.

| Starch segment €m | 2017\|18 Actual | 2018\|19 Forecast |
|---|---|---|
| Revenue | 752.3 | ↗ |
| EBIT | 80.2 | ↓↓ |
| Investment[1] | 59.4 | 105 |

↗ *Slight increase*[2]
↓↓ *Significant reduction*[2]

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

| Fruit segment €m | 2017\|18 Actual | 2018\|19 Forecast |
|---|---|---|
| Revenue | 1,161.4 | ↑ |
| EBIT | 75.6 | ↑↑ |
| Investment[1] | 49.4 | 50 |

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

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

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

↓↓ *Significant reduction*[2]

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

## Investment

Total **investment** across the three business segments in the financial year, now projected at approximately € 185 million, is to significantly exceed the budgeted depreciation of about € 95 million.

[1] Investment represents purchases of property, plant and equipment and intangible assets, excluding goodwill.
[2] For definitions of these quantitative terms as used here in the "Outlook" section, see page 27.

# Interim consolidated financial statements

For the first six months ended 31 August 2018 (unaudited)

## Consolidated income statement

| €000, except per-share data | First six months (1 March – 31 August) H1 2018\|19 | H1 2017\|18 | Second Quarter (1 June – 31 August) Q2 2018\|19 | Q2 2017\|18 |
|---|---|---|---|---|
| Revenue | 1,261,042 | 1,362,148 | 630,764 | 677,902 |
| Changes in inventories of finished and unfinished goods | (189,370) | (205,179) | (83,309) | (92,797) |
| Own work capitalised | 886 | 1,269 | 444 | 734 |
| Other operating income | 12,554 | 16,113 | 5,952 | 3,937 |
| Cost of materials | (691,522) | (734,313) | (357,630) | (373,451) |
| Staff costs | (155,298) | (146,617) | (78,989) | (74,164) |
| Depreciation, amortisation and impairment losses | (39,740) | (36,184) | (20,102) | (18,301) |
| Other operating expenses | (142,124) | (146,653) | (74,368) | (72,985) |
| Share of results of equity-accounted joint ventures | 6,551 | 20,012 | 3,221 | 9,959 |
| **Operating profit [EBIT]** | **62,979** | **130,596** | **25,983** | **60,834** |
| Finance income | 14,671 | 25,056 | 2,946 | 8,498 |
| Finance expense | (25,566) | (33,955) | (9,511) | (12,589) |
| **Net financial items** | **(10,895)** | **(8,899)** | **(6,565)** | **(4,091)** |
| **Profit before tax** | **52,084** | **121,697** | **19,418** | **56,743** |
| Income tax expense | (12,212) | (24,419) | (4,856) | (10,316) |
| **Profit for the period** | **39,872** | **97,278** | **14,562** | **46,427** |
| ▪ Attributable to shareholders of the parent | 36,850 | 94,019 | 13,433 | 44,650 |
| ▪ Attributable to non-controlling interests | 3,022 | 3,259 | 1,129 | 1,777 |
| Earnings per share under IFRS (basic and diluted) | € 0.59 | € 1.50[1] | € 0.21 | € 0.71[1] |

[1] This prior-year value has been restated under IAS 33.64. Further information is provided on page 20.

# Consolidated statement of comprehensive income

| €000 | First six months (1 March – 31 August) H1 2018\|19 | H1 2017\|18 | Second Quarter (1 June – 31 August) Q2 2018\|19 | Q2 2017\|18 |
|---|---|---|---|---|
| **Profit for the period** | **39.872** | **97,278** | **14,562** | **46,427** |
| Other comprehensive (expense)/income | | | | |
| ▪ Currency translation differences | (20,395) | (21,008) | (16,714) | (10,915) |
| ▪ Available-for-sale financial assets, after deferred taxes | 0 | 59 | 0 | (10) |
| ▪ Changes in fair value of hedging instruments (cash flow hedges), after deferred taxes | 1,473 | 4,195 | 572 | 679 |
| ▪ Effects from equity-accounted joint ventures | (2,440) | 435 | (1,457) | 121 |
| (Expense) to be recognised in the income statement in the future | (21,362) | (16,319) | (17,599) | (10,125) |
| Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities (IAS 19), after deferred taxes | (452) | (361) | (193) | (179) |
| Expense that will not be recognised in the income statement in the future | (452) | (361) | (193) | (179) |
| Other comprehensive (expense) | (21,814) | (16,680) | (17,792) | (10,304) |
| **Total comprehensive income/(expense) for the period** | **18,058** | **80,598** | **(3,230)** | **36,123** |
| ▪ Attributable to shareholders of the parent | 16,338 | 78,111 | (3,538) | 35,069 |
| ▪ Attributable to non-controlling interests | 1,720 | 2,487 | 308 | 1,054 |

# Condensed consolidated cash flow statement

| For the first six months (1 March – 31 August)<br>€000 | H1 2018\|19 | H1 2017\|18 |
|---|---|---|
| Operating cash flow before changes in working capital | 108,725 | 176,548 |
| Changes in working capital | 34,137 | 46,303 |
| Interest received and paid and income tax paid, net | (15,271) | (29,398) |
| **Net cash from operating activities** | **127,591** | **193,453** |
| Net cash (used in) investing activities | (83,428) | (59,087) |
| Net cash (used in) financing activities | (58,886) | (156,015) |
| **Net (decrease) in cash and cash equivalents** | **(14,723)** | **(21,649)** |
| Effect of movements in foreign exchange rates on cash and cash equivalents | (2,492) | (3,801) |
| Cash and cash equivalents at beginning of period | 120,961 | 198,429 |
| **Cash and cash equivalents at end of period** | **103,746** | **172,979** |

# Consolidated balance sheet

| €000 | 31 August 2018 | 28 February 2018 | 31 August 2017 |
|---|---|---|---|
| **Assets** | | | |
| **A. Non-current assets** | | | |
| Intangible assets, including goodwill | 273,038 | 276,815 | 278,824 |
| Property, plant and equipment | 806,314 | 768,881 | 747,781 |
| Equity-accounted joint ventures | 77,339 | 73,228 | 95,192 |
| Securities | 19,257 | 18,703 | 18,762 |
| Investments in non-consolidated subsidiaries and outside companies | 19 | 894 | 894 |
| Receivables and other assets | 9,085 | 8,816 | 10,448 |
| Deferred tax assets | 13,359 | 13,664 | 10,053 |
| | **1,198,411** | **1,161,001** | **1,161,954** |
| **B. Current assets** | | | |
| Inventories | 492,166 | 654,537 | 480,939 |
| Trade receivables and other assets | 465,535 | 415,568 | 466,316 |
| Current tax assets | 4,517 | 4,310 | 4,890 |
| Securities | 44 | 44 | 43 |
| Cash and cash equivalents | 103,746 | 120,961 | 172,979 |
| | **1,066,008** | **1,195,420** | **1,125,167** |
| **Total assets** | **2,264,419** | **2,356,421** | **2,287,121** |
| | | | |
| **Equity and liabilities** | | | |
| **A. Equity** | | | |
| Share capital | 113,531 | 113,531 | 113,531 |
| Share premium and other capital reserves | 540,760 | 540,760 | 540,760 |
| Retained earnings | 687,025 | 742,752 | 710,996 |
| Equity attributable to shareholders of the parent | 1,341,316 | 1,397,043 | 1,365,287 |
| Non-controlling interests | 57,378 | 56,954 | 57,890 |
| | **1,398,694** | **1,453,997** | **1,423,177** |
| **B. Non-current liabilities** | | | |
| Retirement and termination benefit obligations | 69,978 | 68,704 | 68,702 |
| Other provisions | 21,763 | 21,607 | 19,718 |
| Borrowings | 258,965 | 310,572 | 210,822 |
| Other payables | 17,045 | 10,832 | 13,758 |
| Deferred tax liabilities | 6,624 | 7,712 | 11,229 |
| | **374,375** | **419,427** | **324,229** |
| **C. Current liabilities** | | | |
| Other provisions | 25,118 | 29,337 | 25,249 |
| Borrowings | 125,392 | 61,629 | 171,028 |
| Trade and other payables | 328,215 | 378,220 | 329,068 |
| Current tax liabilities | 12,625 | 13,811 | 14,370 |
| | **491,350** | **482,997** | **539,715** |
| **Total equity and liabilities** | **2,264,419** | **2,356,421** | **2,287,121** |

# Condensed consolidated statement of changes in equity

| For the first six months (1 March – 31 August)<br>€000 | Equity attributable to shareholders of the parent | Non-controlling interests | Total |
|---|---|---|---|
| **2018\|19** | | | |
| **At 1 March 2018 (as published)** | **1,397,043** | **56,954** | **1,453,997** |
| Effects of initial application of IFRS 9[1] | (148) | 0 | (148) |
| **At 1 March 2018 (adjusted)** | **1,396,895** | **56,954** | **1,453,849** |
| Changes in fair value of hedging instruments (cash flow hedges), after deferred taxes | 1,473 | 0 | 1,473 |
| Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities | (453) | 1 | (452) |
| Currency translation (loss) | (21,532) | (1,303) | (22,835) |
| **Other comprehensive (expense) for the period** | **(20,512)** | **(1,302)** | **(21,814)** |
| Profit for the period | 36,850 | 3,022 | 39,872 |
| **Total comprehensive income for the period** | **16,338** | **1,720** | **18,058** |
| Dividends paid | (70,300) | (921) | (71,221) |
| Changes in equity interests and in scope of consolidation | (1,613) | (373) | (1,986) |
| Other changes | (4) | (2) | (6) |
| **At 31 August 2018** | **1,341,316** | **57,378** | **1,398,694** |

| | | | |
|---|---|---|---|
| **2017\|18** | | | |
| **At 1 March 2017** | **1,349,666** | **62,222** | **1,411,888** |
| Fair value movements under IAS 39 | 4,254 | 0 | 4,254 |
| Changes in actuarial gains and losses on defined benefit pension obligations and similar liabilities | (361) | 0 | (361) |
| Currency translation (loss) | (19,801) | (772) | (20,573) |
| **Other comprehensive (expense) for the period** | **(15,908)** | **(772)** | **(16,680)** |
| Profit for the period | 94,019 | 3,259 | 97,278 |
| **Total comprehensive income for the period** | **78.111** | **2,487** | **80,598** |
| Dividends paid | (62,489) | (7,319) | (69,808) |
| Additional contributions by other shareholders | 0 | 500 | 500 |
| Other changes | (1) | 0 | (1) |
| **At 31 August 2017** | **1,365,287** | **57,890** | **1,423,177** |

[1] Further information on the adjustments resulting from the initial application of IFRS 9 is provided from page 20.

# Notes to the interim consolidated financial statements

For the first six months ended 31 August 2018 (unaudited)

## Segment reporting

| For the first six months (1 March – 31 August) €000 | H1 2018\|19 | H1 2017\|18 |
|---|---|---|
| **Total revenue** | | |
| Fruit | 611,773 | 600,146 |
| Starch | 377,051 | 390,486 |
| Sugar | 308,103 | 417,370 |
| **Group** | **1,296,927** | **1,408,002** |
| **Inter-segment revenue** | | |
| Fruit | (195) | (247) |
| Starch | (5,052) | (4,952) |
| Sugar | (30,638) | (40,655) |
| **Group** | **(35,885)** | **(45,854)** |
| **Revenue** | | |
| Fruit | 611,578 | 599,899 |
| Starch | 371,999 | 385,534 |
| Sugar | 277,465 | 376,715 |
| **Group** | **1,261,042** | **1,362,148** |
| **Operating profit before exceptional items and results of equity-accounted joint ventures** | | |
| Fruit | 46,763 | 43,523 |
| Starch | 11,202 | 30,953 |
| Sugar | (730) | 38,902 |
| **Group** | **57,235** | **113,378** |
| **Exceptional items** | | |
| Fruit | 0 | 0 |
| Starch | 0 | 0 |
| Sugar | (807) | (2,794) |
| **Group** | **(807)** | **(2,794)** |

| For the first six months (1 March – 31 August) €000 | H1 2018\|19 | H1 2017\|18 |
|---|---|---|
| **Share of results of equity-accounted joint ventures** | | |
| Fruit | 0 | 0 |
| Starch | 9,129 | 19,537 |
| Sugar | (2,578) | 475 |
| **Group** | **6,551** | **20,012** |
| **Operating profit [EBIT]**[1] | | |
| Fruit | 46,763 | 43,523 |
| Starch | 20,331 | 50,490 |
| Sugar | (4,115) | 36,583 |
| **Group** | **62,979** | **130,596** |
| **Investment**[2] | | |
| Fruit | 20,707 | 15,312 |
| Starch | 48,732 | 27,648 |
| Sugar | 13,281 | 15,128 |
| **Group** | **82,720** | **58,088** |
| **Number of employees (FTE)**[3] | | |
| Fruit | 6,526 | 5,977 |
| Starch | 1,014 | 941 |
| Sugar | 1,921 | 1,936 |
| **Group** | **9,461** | **8,854** |

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

## Basis of preparation

The interim report of the AGRANA Group for the period ended 31 August 2018 was prepared in accordance with the rules for interim financial reporting under IAS 34, in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee. Consistent with IAS 34, the consolidated financial statements of AGRANA Beteiligungs-Aktiengesellschaft ("AGRANA Beteiligungs-AG") at and for the period ended 31 August 2018 are presented in condensed form. The interim consolidated financial statements at and for the period ended 31 August 2018 were not audited or reviewed. They were prepared by the Management Board of AGRANA Beteiligungs-AG on 1 October 2018.

The annual report 2017|18 of the AGRANA Group is available on the Internet at www.agrana.com/en/investor for viewing or downloading.

## Accounting policies

In the preparation of these interim financial statements, certain new or changed standards and interpretations became effective for the first time, as described on pages 104 to 107 of the annual report 2017|18 in the notes to the consolidated financial statements, section 2, "Basis of preparation".

The significant depreciation of the Argentine peso and the powerful interest rate rise in the first half of the 2018 calendar year, as well as the cumulative three-year inflation rate based on the statistics published in the middle of July 2018, have led to the classification of Argentina's economy as hyperinflationary for the purposes of IAS 29. AGRANA is currently assessing the concept of the application of IAS 29 to the Argentine subsidiaries. It plans to apply this standard from the second half of the 2018|19 financial year.

The impacts of the first-time application of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers), which became effective for AGRANA for the financial year beginning on 1 March 2018, are described below.

### IFRS 9 (Financial Instruments)

In accordance with the transition rules of IFRS 9, the transition effects were recognised in "other retained earnings" attributable to the shareholders of AGRANA, at 1 March 2018, using the modified retrospective approach. The transfer of investment fund units from the available-for-sale category to the category "at fair value through profit or loss" resulted in reclassifications of € 1,340 thousand from the available-for-sale reserve to other retained earnings.

The new accounting approach of recognising impairment for credit risks on receivables in accordance with the length of time overdue led to an additional portfolio-based impairment charge of € 148 thousand after deferred taxes, which was recognised in other retained earnings attributable to AGRANA's shareholders.

### IFRS 15 (Revenue from Contracts with Customers)

As a result of the transition to IFRS 15 with effect from 1 March 2018, delivery rights in the amount of € 1,642 thousand previously reported under intangible assets were classified as capitalised contract costs and recognised as non-financial assets under "other assets" according to their remaining term to maturity. This did not result in a change in equity.

The effects of IFRS 9 and IFRS 15 on the consolidated balance sheet are presented in the table on page 21.

Except for these newly effective IFRS and interpretations, the same accounting methods were applied as in the preparation of the annual consolidated financial statements for the year ended 28 February 2018 (the latest full financial year).

The notes to those 2017|18 annual consolidated financial statements therefore apply mutatis mutandis to these interim accounts. Corporate income taxes were determined on the basis of country-specific income tax rates, taking into account the tax planning for the full financial year.

## Changes in comparative information

At the 31st Annual General Meeting of AGRANA Beteiligungs-AG, Vienna, on 6 July 2018, shareholders approved a four-for-one stock split. With effect from 24 July 2018, this increased the number of shares from 15,622,244 to 62,488,976 no-par value bearer shares. The share capital of € 113,531,274.76 remained unchanged. As a result of the stock split, the prior-year values for earnings per share under IFRS were adjusted in accordance with IAS 33.64.

## Impacts of IFRS 9 and IFRS 15 at 1 March 2018

| €000 | As published 28 February 2018 | Adjustments for IFRS 9 | Adjustments for IFRS 15 | As adjusted 1 March 2018 |
|---|---|---|---|---|
| **Assets** | | | | |
| Intangible assets, including goodwill | 276,815 | 0 | (1,642) | 275,173 |
| Other assets | 870,522 | 0 | 0 | 870,522 |
| Deferred tax assets | 13,664 | 49 | 0 | 13,713 |
| **Non-current assets** | **1,161,001** | **49** | **(1,642)** | **1,159,480** |
| Inventories | 654,537 | 0 | 0 | 654,537 |
| Trade receivables | 308,294 | (197) | 0 | 308,097 |
| Other assets | 232,589 | 0 | 1,642 | 234,231 |
| **Current assets** | **1,195,420** | **(197)** | **1,642** | **1,196,865** |
| **Total assets** | **2,356,421** | **(148)** | **0** | **2,356,273** |
| | | | | |
| **Equity and liabilities** | | | | |
| Equity attributable to shareholders of the parent | 1,397,043 | (148) | 0 | 1,396,895 |
| Non-controlling interests | 56,954 | 0 | 0 | 56,954 |
| **Equity** | **1,453,997** | **(148)** | **0** | **1,453,849** |
| **Non-current liabilities** | **419,427** | **0** | **0** | **419,427** |
| **Current liabilities** | **482,997** | **0** | **0** | **482,997** |
| **Total equity and liabilities** | **2,356,421** | **(148)** | **0** | **2,356,273** |

## Basis of consolidation

The newly founded AGRANA Fruit Algeria Holding GmbH, Vienna, a wholly-owned subsidiary of AGRANA Internationale Verwaltungs- und Asset-Management GmbH, Vienna, was included in the consolidated financial statements for the first time in the financial first quarter of 2018|19, by full consolidation.

The first quarter of 2018|19 also saw the initial consolidation of Österreichische Rübensamenzucht Gesellschaft m.b.H., Vienna, a company that is 86% owned by AGRANA Zucker GmbH, Vienna, and which until then had been a non-consolidated subsidiary because of its minor significance. A positive effect of € 321 thousand upon initial, full consolidation – the difference between the acquired net assets and the acquisition cost – was recognised in other operating income.

Also in the first quarter of 2018|19, AUSTRIA JUICE Hungary Kft., Vásárosnamény, Hungary, acquired 100% of the shares of Brix Trade Kft., Nagykálló, Hungary. The initial consolidation of the company, which distributes and produces fruit juice concentrates, occurred in the first quarter of 2018|19.

As well, the deal to acquire Elafruits SPA, Akbou, Algeria, closed on 2 July 2018. In the transaction, AGRANA Fruit Algeria Holding GmbH, Vienna, acquired 48.97% of the company's shares. Elafruits SPA is fully consolidated in the Group financial statements of AGRANA Beteiligungs-AG, as management agreements give AGRANA a majority of the voting rights. In 2017, with approximately 100 employees, the company achieved revenue of about € 7 million with standard fruit preparations for yoghurts and ice-creams as well as the production of fruit purees and beverage bases. The acquisition expands AGRANA's production capacity near major customers and helps consolidate its global market leadership in fruit preparations.

The impacts of the two acquisitions on the AGRANA Group were as follows:

| €000 | Carrying amount at acquisition date |
|---|---|
| Non-current assets | 8,364 |
| Inventories | 2,159 |
| Receivables and other assets | 2,327 |
| Cash and cash equivalents | 532 |
| **Total assets** | **13,382** |
| | |
| Less non-current liabilities | (2,000) |
| Less current liabilities | (1,859) |
| **Net assets (equity)** | **9,523** |
| Less non-controlling interests | (4,089) |
| Goodwill | 432 |
| Negative goodwill | (11) |
| **Acquisition cost (all in cash)** | **5,855** |

In the first half of 2018|19, two mergers were performed: the equity-accounted HungranaTrans Kft., Szabadegyháza, Hungary, was merged with HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft., Szabadegyháza; and the fully consolidated AGRANA Fruit Brasil Participacoes Ltda., São Paulo, Brazil, was merged with AGRANA Fruit Brasil Indústria, Comércio, Importacao e Exportacao Ltda., São Paulo.

At the quarterly balance sheet date, in total in the consolidated financial statements, 65 companies besides the parent company were fully consolidated (28 February 2018 year-end: 62 companies) and twelve companies were accounted for using the equity method (28 February 2018: 13 companies).

## Seasonality of business

Most of the Group's sugar production falls into the period from September to January. Depreciation and impairment of plant and equipment used in the campaign are therefore incurred largely in the financial third quarter. The material costs, staff costs and other operating expenses incurred before the sugar campaign in preparation for production are recognised intra-year under the respective type of expense and capitalised within inventories as unfinished goods (through the item "changes in inventories of finished and unfinished goods").

## Notes to the consolidated income statement

Operating profit (EBIT) in the first half of 2018|19 was € 63.0 million (H1 prior year: € 130.6 million). The decrease resulted mainly from significantly lower earnings in the Sugar and Starch segments. Reflected in operating profit was a net exceptional items expense of € 0.8 million in the Sugar segment for restructuring measures.

The higher net financial items expense of € 10.9 million (H1 prior year: € 8.9 million) was attributable largely to a weaker currency translation result.

The Group's profit for the period was € 39.9 million (H1 prior year: € 97.3 million).

## Notes to the consolidated cash flow statement

In the six months to the end of August 2018, cash and cash equivalents declined by € 17.3 million to € 103.7 million.

Cash flow from operating activities, at € 127.6 million, was off significantly by € 65.9 million from one year earlier. The net change resulted primarily from lower profit for the period.

Net cash used in investing activities, at € 83.4 million (H1 prior year: net cash use of € 59.1 million), was above the year-ago level. The increase arose mainly from the expansion of the wheat starch plant in Pischelsdorf, Austria.

In the first half of the 2018|19 financial year, the raising of a long-term financing facility of € 45.0 million, together with a € 40.0 million increase to a syndicated credit line, more than offset the repayment of € 65.0 million of borrowings from affiliated companies in the Südzucker group. Despite the higher dividend payment of € 70.3 million (prior year: € 62.5 million) to shareholders of AGRANA Beteiligungs-AG, net cash used in financing activities improved to € 58.9 million from the year-earlier period (H1 prior year: net cash use of € 156.0 million).

## Notes to the consolidated balance sheet

Total assets decreased by € 92.0 million compared with 28 February 2018, to € 2,264.4 million. On the assets side, the reduction was driven primarily by a sharp decrease in inventories, which outweighed increases in trade receivables and property, plant and equipment. On the liabilities side, the lower balance sheet total was due largely to a decline in trade payables and a reduction in retained earnings as a result of lower profits.

With shareholders' equity of € 1,398.7 million (28 February 2018: € 1,454.0 million), the equity ratio at the end of August was 61.8% (28 February 2018: 61.7%).

## Financial instruments

To hedge risks from operating and financing activities (risks related to changes in interest rates, exchange rates and commodity prices), the AGRANA Group to a limited extent uses common derivative financial instruments. Derivatives are recognised at cost at the inception of the derivative contract and are subsequently measured at fair value at every balance sheet date. Changes in value are as a rule recognised in profit or loss. Where the hedging relationship meets the hedge accounting requirements under IFRS 9, the unrealised changes in value are recognised directly in equity.

In the table on the page 24, the financial assets and liabilities measured at fair value are analysed by their level of the fair value hierarchy. The levels are defined as follows under IFRS 7:

- Level 1 consists of those financial instruments for which the fair value represents exchange or market prices quoted for the exact instrument on an active market (i.e., these prices are used without adjustment or change in composition).
- In Level 2, the fair values are determined on the basis of exchange or market prices quoted on an active market for similar assets or liabilities, or using other valuation techniques for which the significant inputs are based on observable market data.
- Level 3 consists of those financial instruments for which the fair values are determined on the basis of valuation techniques using significant inputs that are not based on observable market data.

In the reporting period no reclassifications were made between levels of the hierarchy.

| 31 August 2018<br>€000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Securities (non-current) | 13,646 | 0 | 5,611 | 19.257 |
| Derivative financial assets at fair value through equity (hedge accounting) | 2,870 | 18 | 0 | 2,888 |
| Derivative financial assets at fair value through profit or loss (held for trading) | 0 | 2,578 | 0 | 2,578 |
| Securities (current) | 44 | 0 | 0 | 44 |
| **Financial assets** | **16,560** | **2,596** | **5,611** | **24,767** |
| Liabilities from derivatives at fair value through equity (hedge accounting) | 0 | 319 | 0 | 319 |
| Liabilities from derivatives at fair value through profit or loss (held for trading) | 84 | 6,375 | 0 | 6,459 |
| **Financial liabilities** | **84** | **6,694** | **0** | **6,778** |

| 31 August 2017<br>€000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Securities (non-current) | 13,473 | 0 | 4,398 | 17,871 |
| Derivative financial assets at fair value through equity (hedge accounting) | 3,290 | 1,640 | 0 | 4,930 |
| Derivative financial assets at fair value through profit or loss (held for trading) | 46 | 5,853 | 0 | 5,899 |
| Securities (current) | 43 | 0 | 0 | 43 |
| **Financial assets** | **16,852** | **7,493** | **4,398** | **28,743** |
| Liabilities from derivatives at fair value through equity (hedge accounting) | 1,559 | 0 | 0 | 1,559 |
| Liabilities from derivatives at fair value through profit or loss (held for trading) | 0 | 5,862 | 0 | 5,862 |
| **Financial liabilities** | **1,559** | **5,862** | **0** | **7,421** |

For cash and cash equivalents, securities, trade receivables and other assets, and trade and other payables, the carrying amount can be assumed to be a realistic estimate of fair value.

The following table presents the carrying amounts and fair values of borrowings. The fair values of bank loans and overdrafts, other loans from non-Group entities, borrowings from affiliated companies in the Südzucker group and obligations under finance leases are measured at the present value of the payments related to the borrowings:

| 31 August 2018<br>€000 | Carrying amount | Fair value |
|---|---|---|
| Bank loans and overdrafts, and other loans from non-Group entities | 299,169 | 299,498 |
| Borrowings from affiliated companies in the Südzucker group | 85,000 | 84,519 |
| Finance lease obligations | 188 | 194 |
| **Borrowings** | **384,357** | **384,211** |

| 31 August 2017<br>€000 | Carrying amount | Fair value |
|---|---|---|
| Bank loans and overdrafts, and other loans from non-Group entities | 129,016 | 131,966 |
| Borrowings from affiliated companies in the Südzucker group | 250,000 | 257,227 |
| Finance lease obligations | 2,834 | 2,851 |
| **Borrowings** | **381,850** | **392,044** |

Further details on the fair value measurement of the individual types of financial instruments and their assignment to levels of the fair value hierarchy are provided on pages 148 to 151 of the annual report 2017|18, in section 10.3, "Additional disclosures on financial instruments".

## Number of employees

In the first half of 2018|19 the AGRANA Group employed an average of 9,461 full-time equivalents (H1 prior year: 8,854). The increase in personnel resulted mainly from a higher requirement for seasonal workers in the Fruit segment and from the expansion of the starch production site in Aschach, Austria.

## Related party disclosures

Credit relationships with companies with significant influence increased to € 40.0 million (28 February 2018: € 0.0 million) and credit relationships with affiliated companies in the Südzucker group decreased to € 85.0 million (28 February 2018: € 151.3 million). Besides the repayment of borrowings to the Südzucker group of € 66.3 million, the remaining change was attributable to standard treasury management arrangements. Revenue from the Südzucker group and joint ventures decreased to € 47.2 million (H1 prior year: € 95.2 million). There were no material changes in other related party relationships since the year-end balance sheet date of 28 February 2018 or since the year-ago comparative period. Transactions with related parties as defined in IAS 24 are conducted on arm's length terms. Further information on individual related party relationships is provided in the AGRANA annual report 2017|18.

## Significant events after the interim reporting date

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

# Management Board's responsibility statement

We confirm that, to the best of our knowledge:

- the condensed consolidated interim financial statements, which have been prepared in accordance with the applicable accounting standards, give a true and fair view of the Group's financial position, results of operations and cash flows within the meaning of the Austrian Stock Exchange Act; and

- the Group's management report for the first six months gives a true and fair view of the financial position, results of operations and cash flows of the Group, within the meaning of the Stock Exchange Act, in relation to (1) the important events in the first half of the financial year and their effects on the condensed consolidated interim financial statements, (2) the principal risks and uncertainties for the remaining six months of the financial year, and (3) the reportable significant transactions with related parties.

Vienna, 1 October 2018

## The Management Board of AGRANA Beteiligungs-AG

**Johann Marihart**
**Chief Executive Officer**
Business Strategy, Production, Quality Management,
Human Resources, Communication (incl. Investor Relations),
Research & Development

**Stephan Büttner**
**Member of the Management Board**
Finance, Controlling, Treasury,
Information Technology & Organisation,
Mergers & Acquisitions, Legal, Compliance

**Fritz Gattermayer**
**Member of the Management Board**
Sales, Raw Materials, Purchasing & Logistics

**Thomas Kölbl**
**Member of the Management Board**
Internal Audit

# Further information

## Financial calendar

| | |
|---|---|
| 10 January 2019 | Results for first three quarters of 2018\|19 |
| 13 May 2019 | Results for full year 2018\|19 (annual results press conference) |
| 25 June 2019 | Record date for Annual General Meeting participation |
| 5 July 2019 | Annual General Meeting in respect of 2018\|19 |
| 10 July 2019 | Ex-dividend date |
| 11 July 2019 | Results for first quarter of 2019\|20 |
| 11 July 2019 | Record date for dividend |
| 12 July 2019 | Dividend payment date |
| 10 October 2019 | Results for first half of 2019\|20 |
| 14 January 2020 | Results for first three quarters of 2019\|20 |

## Contacts

**AGRANA Beteiligungs-AG**
Friedrich-Wilhelm-Raiffeisen-Platz 1
1020 Vienna, Austria
www.agrana.com

**Corporate Communications/Investor Relations**
Hannes HAIDER
Phone: +43-1-211 37-12905
Fax: +43-1-211 37-12926
E-mail: investor.relations@agrana.com

**Corporate Communications/Public Relations**
Markus SIMAK
Phone: +43-1-211 37-12084
Fax: +43-1-211 37-12926
E-mail: info.ab@agrana.com

## Report on the first half of 2018|19

Published 11 October 2018
Published by:
AGRANA Beteiligungs-AG
Friedrich-Wilhelm-Raiffeisen-Platz 1
1020 Vienna, Austria

## AGRANA 2017|18 Online:

https://reports.agrana.com/en

## FORWARD-LOOKING STATEMENTS

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

THE QUANTITATIVE STATEMENTS AND DIRECTION ARROWS IN THE "OUTLOOK" SECTION OF THIS REPORT ARE BASED ON THE FOLLOWING DEFINITIONS:

| Modifier | Visualisation | Numerical rate of change |
|---|---|---|
| Steady | → | 0% up to +1%, or 0% up to -1% |
| Slight(ly) | ↗ or ↘ | More than +1% and up to +5%, or more than -1% and up to -5% |
| Moderate(ly) | ↑ or ↓ | More than +5% and up to +10%, or more than -5% and up to -10% |
| Significant(ly) | ↑↑ or ↓↓ | More than +10% or more than -10% |

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

*In the interest of readability, this document may occasionally use language that is not gender-neutral. Any gender-specific references should be understood to include masculine, feminine and neuter as the context permits.*

*As a result of the standard round-half-up convention used in rounding individual amounts and percentages, this report may contain minor, immaterial rounding errors.*

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

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

AGRANA

WWW.AGRANA.COM