

Interim report

Financial year 2004/05

1st Quarter

1 March to 31 May 2004



SÜDZUCKER

Dear Shareholders,

This interim report provides you with information on the way business has developed in the first three months of the current financial year 2004/05 (March to May 2004).

Strategic development

At its meeting on 14 July 2004, the EU Commission approved the memorandum on the reform of the European Sugar Market Regulation and passed this on to the Council of Ministers, who will debate it at their meeting on 19/20 July 2004. The Commission's suggestion assumes quota reductions of 16 %, lowering of the intervention price for sugar by 33 % and curtailing the price of beet by some 43 % before the envisaged compensation levels. It is questionable whether the Council of Ministers will accept these proposals, as this concept would result in beet plantations being discontinued in many regions of the EU especially in the south, north and to some extent in eastern Europe.

Südzucker has always been, and remains, opposed to non-solidary proposals that would, in many rural areas of Europe, result in enormous job losses and drastic losses of income. In case of an implementation of these proposals, it will be of crucial importance for production to take place in Europe's best suited beet cultivation areas. In this case, Südzucker will have to make maximum use of its competitive advantages arising from its locations and will have to adopt further measures to defend its profitability. With the investment offensive introduced in the Functional Food, Bioethanol and Fruit Juice Concentrates and Fruit Preparations divisions, Südzucker will also be extending its growing speciality business, which is unaffected by the market regulations.

Change in sales

Group sales remained stable in the first three months of the financial year 2004/05 at € 1,125 (1,125)* million.

* The amounts in brackets relate to the same period in the previous year.

In the Sugar segment, sales rose by 0.6 % to € 816 (811) million. Results achieved in this way more than compensated for the drop in western Europe due to the poor harvest in 2003 that was caused by the effects of the weather, thanks to the addition of the Silesian sugar businesses. The positive effect of the accession of the Eastern European states into the EU on 1 May 2004 will accelerate during the financial year; however, as at the reference date at the end of the quarter on 31 May 2004, it has not yet been possible for any significant effects from the change in the peripheral conditions to have manifested themselves.

The successful development of our Special products segment is not reflected in the slight fall in sales in the first quarter, down € 1.4 % to 310 (314) million. The reason for this is the adjustment of the financial year of Freiberger applied the previous year, in line with the Südzucker financial year. This meant that in the first quarter of the previous year Freiberger was included in accounts for five months instead of three. Adjusted to this special effect, we now find a distinct rise in sales of just under 10 % for this segment, based to a large degree on the steady growth of Functional Food products and growth at Freiberger.

Operating profit

In the first three months of the financial year 2004/05, the Group's operating profits rose to € 122 (114) million, lifting operating margin to 10.8 (10.1) %.

The rise in operating profit in the Sugar segment to € 84 (75) million is mainly attributable to the Eastern European sugar companies.

The operating profit of € 38 (39) million in the Special products segment is not directly comparable with the figures for the previous year due to the special effect represented by Freiberger. Here, too, there is a distinct improvement in profits on comparable basis, attributable to Functional Food and Freiberger. It has been possible to produce another slight increase in the already excellent operating margin, bringing it up to 12.4 (12.3) %.

Outlook

The financial year 2004/05 will be positively affected in terms of sales and operating profits by the accession of the 10 new EU countries on 1 May and the continuing growth in the Special products segment.

Südzucker is even better represented in the acceding countries than in the previous EU, and as a result has further extended its leading position in Europe. The distinctly positive effect on profits resulting from the extension of the EU will be the more visible over the next three quarters of the current financial year. This will more than compensate the downturn in western Europe after the poor harvest in 2003. In the Special products segment we are assuming continued growth in Functional Food and at Freiberger, as well as positive contributions to profits from the ongoing extension of the fruit juice concentrates and fruit additives divisions. The distinct contribution to profits that we are anticipating from our continued investments in the Functional Food, Bioethanol and Fruit divisions will begin to appear from 2005/06 onwards.

Overall, in 2004/05 we are anticipating a clear increase in operating profits and, as a result, a continuation of the growth trend recorded in previous years.

Yours faithfully,
SÜDZUCKER AKTIENGESELLSCHAFT
Mannheim/Ochsenfurt
The Executive Board

Assets and liabilities, financial position and results of operations

The interim report of the Südzucker Group has been produced in accordance with the rules for interim reporting as per IAS 34. The balance sheet and evaluation methods applied for the production of the Group's annual accounts on 29 February 2004 are unchanged. Income taxes have been calculated on the basis of the rates of income tax for the specific countries, taking due account of the plan for the financial year as a whole. Sugar is primarily produced in the months of October to December. For this reason, the depreciation of seasonally-used facilities mainly occurs in the 3rd quarter. Maintenance costs incurred in the 1st quarter for the coming 2004 campaign are allocated within the year and are recorded under "Receivables and other assets".

The International Financial Reporting Standard (IFRS) 3 passed on March 2004 has already been applied by Südzucker for the 2003/04 financial year. With effect from 1 March 2003, goodwill no longer be depreciated as planned, but will be tested for impairment. Goodwill amortizations in last years Q 1-figures, amounting to € 17.4 million have therefore been adjusted to facilitate comparison. In the same quarter of the previous year, the Polish Slaska Spolska Cukrowa Group, the British Stateside Group and the Danish Vallø Saft Group had not yet been included.

GROUP BALANCE SHEET

€ million	31 May 2004	29 February 2004
Assets		
Intangible assets	1,683.6	1,426.5
Property, plant and equipment	1,744.0	1,664.6
Financial assets	311.1	267.8
Deferred tax assets	21.8	18.2
Non-current assets	3,760.5	3,377.1
Inventories	1,169.1	1,645.3
Receivables and other assets	776.9	709.7
Cash and cash equivalents	169.6	305.6
Current assets	2,115.6	2,660.6
Total assets	5,876.1	6,037.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Subscribed capital	174.8	174.8
Capital reserves	951.3	951.3
Revenue reserves	908.0	851.0
<i>Equity attributable to shareholders of Südzucker AG</i>	<i>2,034.1</i>	<i>1,977.1</i>
Minorities interests	314.8	408.8
Shareholders' equity	2,348.9	2,385.9
Provision for pensions	381.0	379.1
Deferred tax liabilities	332.8	333.0
Other provisions and accrued liabilities	228.1	222.6
Non-current financial liabilities	1,130.6	1,079.6
Other liabilities	25.8	24.9
Total non-current provisions and liabilities	2,098.3	2,039.2
Other provisions and accrued liabilities	318.9	415.4
Current financial liabilities	600.7	325.9
Other liabilities	509.3	871.3
Total current provisions and liabilities	1,428.9	1,612.6
Total liabilities and shareholders' equity	5,876.1	6,037.7

The reduction in the balance-sheet total of the Südzucker Group at 31 May 2004 as opposed to 29 February 2004 by € 161.6 million to € 5,876.1 million is attributable to (for one thing) selling off sugar stock. Against this, fixed assets increased due to the acquisition of the minority holdings in Raffinerie Tirlémontiose (RT) and Saint Louis Sucre (SLS), the investments in the construction of a Bioethanol plant in Zeitz and the extension of the AGRANA fruit section. The equity capital ratio as at 31 May 2004 stood at 40.0 %, up from 39.5 % at 29 February 2004. The net financial debts of the Südzucker Group at the end of the reporting period rose - due to the investments in the acquisition of the minority holdings in RT/SLS, the extension of the ARANA fruit section and the Bioethanol Plant to € 1561.7 million, up from € 1,099.8 million at 29 February 2004. The remaining liabilities fell - due in particular to the payment of the outstanding instalments of the Beet payments for 2003 - by € 362.0 million to € 509.3 million at 31 May 2004.

GROUP STATEMENT OF INCOME

€ million	1st quarter*	
	2004/05	2003/04
Sales	1,125.2	1,124.6
Operating profit	121.9	114.0
Restructuring costs and other items	0.0	(4.1)
Financial expense, net	(24.8)	(21.4)
Earnings before income taxes	97.1	88.5
Taxes on income	(21.4)	(15.4)
Net earnings for the year	75.7	73.1
of which attributable to Südzucker shareholders	66.9	61.1
of which attributable to minority interests	8.8	12.0
Earnings per share (€)	0.39	0.36

The reduction in financial results arises out of the investment profits from the Spanish Ebro Puleva S.A., which have been included last year on a proportional basis.

The calculation of the profit per share (IAS 33) in the 2003/04 financial year was based on an unchanged number of 171,865,546 shares. The number of shares was reduced by 2,922,400 according to § 160 para. 1 Stock Corporation Law.

* 1 March to 31 May

STATEMENT OF CASH FLOWS

€ million	1st quarter*	
	2004/05	2003/04
Gross cash flow	103.3	104.8
Change in net current assets	(52.2)	(53.3)
Net cash flow from operating activities	51.1	51.5
Cash flow from investing activities	(496.7)	(164.9)
Cash flow from financing activities	309.6	94.5
Change in cash and cash equivalents	(136.0)	(18.9)
Cash and cash equivalents at the beginning of the period	305.6	427.5
Cash and cash equivalents at the end of the period	169.6	408.6

The cash flow from investment activity amounting to € 496.7 million includes tangible asset investments of € 89.4 million and financial investments of € 410.2 million, relating primarily to the acquisition of the RT minority holdings and the extension of the AGRANA Fruit Group.

STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

including minority interests

€ million	Group share	Minority interests	Total
Balance at 1 March 2004	1,977.1	408.8	2,385.9
Profit after tax	66.9	8.8	75.7
Dividends	0.0	0.0	0.0
Other changes	(9.9)	(102.3)	(112.7)
Balance at 31 May 2004	2,034.1	314.8	2,348.9
Balance at 1 March 2003	1,825.2	395.8	2,221.0
Profit after tax	61.1	12.0	73.1
Dividends	0.0	(1.1)	(1.1)
Other changes	(4.8)	(1.5)	(6.3)
Balance at 31 May 2003	1,881.5	405.2	2,286.7

The reduction in minority holdings in equity capital from € 408.8 million by a total of € 94.0 million reflects the acquisition of the minority holdings in the RT/SLS Group.

* 1 March to 31 May

SEGMENT REPORTING

€ million	1st quarter*	
	2004/05	2003/04
Sales	1,125.2	1,124.6
Sugar	815.7	810.6
Special products	309.5	314.0
Operating profit	121.9	114.0
Sugar	83.5	75.3
Special products	38.4	38.7
Operating margin	10.8 %	10.1 %
Sugar	10.2 %	9.3 %
Special products	12.4 %	12.3 %
Capital expenditure	89.4	100.8
Sugar	27.2	89.3
Special products	62.2	11.5
Average number of employees	15,539	13,573
Sugar	11,351	10,229
Special products	4,188	3,344

Investments

Investments in tangible assets over the period from 1 March to 31 May 2004 amounted to € 89.4 million after standing at € 100.8 million in the previous year. The reduction in investments in the Sugar segment, down to € 27.2 (89.3) million, is basically the result of the acquisition in the previous year of the 67,000 tonnes maximum quota from Béghin Say by SLS. Conversely, investments in the Specialities segment rose to € 62.2 (11.5) million due to the construction of the Bioethanol Plant in Zeitz and the further extension of capacities at Isomalt and Orafti.

Employees

The average number of workers employed in the 1st quarter of 2004 rose over the figure for the same period in the previous year by 1,966, to 15,539. This increase was due, in particular, to consolidation of the Silesian sugar factories and the Stateside Group.

Important dates

Annual General Meeting in Mannheim Financial Year 2003/04

29 July 2004

Dividend payment

30 July 2004

Report 2nd quarter 2004/05

15 October 2004

Report 3rd quarter 2004/05

14 January 2005

Accounting press conference and analysts' conference Financial year 2004/05

25 May 2005

Report 1st quarter 2005/06

15 July 2005

Annual General Meeting in Mannheim Financial year 2004/05

28 July 2005

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