Interim report

Financial Year 2004/05
1st Half
1 March to 31 August 2004

SÜDZUCKER

Dear Shareholders,

With this interim report we inform you about the way business has developed in the first six months of the current 2004/05 financial year (March to August 2004).

General

In July the Council of Agricultural Ministers debated the EU Commission's position paper on the reform of the European Sugar Market Regulation. The concept proposes quota reductions of 16 % and a lowering of the intervention price for sugar by 33 %. Furthermore a cut of around 43 % in sugar beet prices with a compensation level of 60 % is proposed. This concept goes much too far in our view. As expected, the Council was unable to reach a consensus since it is widely felt that this concept would result in beet production being discontinued in many regions of the EU, especially in the south, north and some parts of eastern Europe. It is unlikely that the Commission will table a final legislative proposal for the reform of the market regulation during its current term of office. Rather, it is generally expected that this will follow under the auspices of the newly instated Commission around the middle of 2005, especially as such a proposal will, in our view, also need to take account of the outcome of the panel complaint filed with the WTO by the leading sugar-exporting countries headed by Brazil. At the present time it is not possible to predict in any detail or with reasonable reliability what the outcome of these proceedings will be. However, it is clearly the Commission's political resolve to maintain beet sugar production in Europe and to strengthen the most efficient – and thus the most competitive – regions within the EU. In order to find acceptable ways of shifting production and of providing adequate compensation for any producers and beet growers who are forced to withdraw from the market, the Commission needs to develop a coherent overall concept.

The strategy we have always pursued of focusing exclusively on regions best suited to beet cultivation has thus proven right. Whatever further substantive changes are made to the reform concept and whatever the details finally worked out, Südzucker will exploit the competitive advantages afforded by its locations to the full and take further steps to defend the profitability of its sugar business. In the first half of the financial year we acquired all the outstanding minority interests, apart from the farming interests (0.4 %), in Raffinerie Tirlemontoise and Saint Louis Sucre. This will significantly enhance our earnings per share after allowing for financing costs.

With the investment program launched in the functional food, bioethanol and fruit juice concentrates & fruit preparations businesses Südzucker is continuing to extend its growing specialities segment, which is unaffected by the sugar market regulation. In the functional food business the expansion of capacities at Palatinit and ORAFTI is proceeding on target and is enabling us to meet the continued strong growth in demand. Construction of the bioethanol plant in Zeitz is also progressing according to plan so it is likely to be brought on stream in spring 2005.

To further strengthen the fruit business an agreement was signed for the acquisition of the entire assets of the Bingen-based Wink Group. With sales in the region of € 36 million and 200 employees, Wink is one of the leading fruit juice concentrate producers in Europe and has four plants, with two in Hungary and one each in Poland and Romania. The head office, with the administration and central logistics operations, is in Bingen. After attaining global market leadership in fruit preparations for the dairy industry with Atys and Steirerobst, this acquisition makes Südzucker the market leader for fruit juice concentrates in Europe. The acquisition is subject to antitrust approval.

Atys, in which we will acquire a majority voting interest in the coming financial year under the current phased acquisition plan, has, in its turn, acquired Dirafrost S.A. of Belgium, a specialist producer in the fruit segment, in order to extend its existing know-how and product range. Dirafrost achieved sales of € 42 million in 2003 with 320 employees. It has factories in Belgium, Serbia and Morocco.

Sales

In the 1st half of the 2004/05 financial year Group sales were up by € 34 million, or 1.5 %, to € 2,273 million (PY: € 2,239 million).

Sales in the Sugar segment were slightly down at € 1,624 million (PY: € 1,655 million). This reflects the poor harvest and thus lower sugar production in the west European sugar business. Less sugar was available for export, resulting in lower sales revenues versus the previous year, especially in the second quarter. A different picture was presented by our sugar business in eastern Europe, where the accession to the EU as of 1 May 2004 brought the expected strong boost to sales. However, this was not able to compensate fully for the decline in sales in western Europe since entry to the EU only had effect for four of the six months in the first half year.

The sales growth of 11.2 % to € 649 million (PY: € 584 million) reported for our Special Products segment was influenced by two counteracting special factors. Owing to the adjustment of its financial year, Freiberger had been included in the previous year's figure for eight months instead of six. On the other hand, sales were boosted in the current year by the first time full consolidation of Steirerobst in the fruit business and Stateside in the pizza business, which has not been included in the previous year. In the Special Products segment sales growth just reached the double digits again on a comparable basis.

Operating profit

Group operating profit was up 14.7 % to € 267 million (PY: € 232 million) in the first half year, while operating margin rose to 11.7 % (PY: 10.4 %).

In the Sugar segment profits were up 12.8 % to € 189 million (PY: € 168 million), boosted by the entry of the east European sugar companies into the EU. Performance in western Europe was held back by lower exports.

In the Special Products segment operating profit rose faster than sales, with growth of 19.7 % to € 78 million (PY: € 65 million). The operating margin was raised to 12.0 % (PY: 11.1 %). This performance was driven primarily by the continued fast-growing functional food business. Significant contributions were also made by the pizza and starch businesses.

Outlook

While the profit growth of 14.7 % in the first half year comfortably matched our targets for both segments, the Sugar segment will be burdened by higher-than-budgeted costs in the second half. Despite our favourable and flexible energy mix of oil, gas and coal we have not been able to evade entirely the sharp rise in prices on the energy markets in recent weeks and months. The development of the market prices for coke, which we use to fuel our lime kilns, has been even more extreme, with a fivefold increase on the pre-year level at the peak.

In the Special Products segment the growth trend looks set to continue at Freiberger and especially in the functional food business. Together with the positive effects from the first-time consolidation of Steirerobst and Stateside, we expect a further significant advance in sales and operating profit. This trend should continue at a faster pace in the coming financial year along with our investments in the functional food, bioethanol and fruit businesses.

At the Südzucker Group level we expect sales growth of approximately 5 % for 2004/05 and a more-than-proportional advance in operating profit.

Yours faithfully,
Südzucker AG Mannheim/Ochsenfurt
The Executive Board

Assets and liabilities, financial position and results of operations

The interim accounts of the Südzucker Group have been prepared in accordance with the rules of IAS 34. The same accounting and valuation methods as applied in the preparation of the Group's consolidated annual financial statements as of 29 February 2004 have been applied unchanged. Income taxes have been calculated on the basis of the local rates of income tax in the respective countries taking account of the planning for the full financial year.

Sugar is produced primarily in the months from October to December. For this reason, the depreciation charges for seasonally-used facilities are mainly incurred in the third quarter.

Maintenance costs incurred in the first half year for the coming 2004 production season are allocated within the year and are reported under "other assets".

The International Financial Reporting Standard (IFRS) 3 adopted in March 2004 was already applied by Südzucker in the 2003/04 financial year. As from 1 March 2003 goodwill has no longer been amortised on a regular basis but is tested for impairment. The goodwill amortisation of € 35.0 million still contained in the first half figures for the previous year has therefore been adjusted in the interest of comparability. Without this adjustment, net earnings would have been up by € 28.9 million, or 22 %, to € 160.6 million (PY: € 131.7 million).

The British Stateside Group was not yet consolidated in the first-half figures for the previous year, while the Steirerobst Group became a fully consolidated subsidiary of the Südzucker Group as from the second quarter after AGRANA increased its stake in Steirerobst AG's majority shareholder to 54 %.

GROUP BALANCE SHEET

€ million	31 August 2004	29 February 2004
Assets		
Intangible assets	1,683.2	1,426.5
Tangible assets	1,925.9	1,664.6
Financial assets	289.0	267.8
Receivables and other assets	2.0	5.5
Deferred tax assets	19.3	18.2
Non-current assets	**3,919.4**	**3,382.6**
Inventories	766.6	1,645.3
Receivables and other assets	871.9	704.2
Cash and cash equivalents	201.6	305.6
Current assets	**1,840.1**	**2,655.1**
Total assets	**5,759.5**	**6,037.7**

LIABILITIES AND SHAREHOLDERS' EQUITY		
Subscribed capital	174.8	174.8
Capital reserves	951.3	951.3
Revenue reserves	914.3	851.0
Equity attributable to shareholders of Südzucker AG	*2,040.4*	*1,977.1*
Minorities interests	324.6	408.8
Shareholders' equity	**2,365.0**	**2,385.9**
Provision for pensions	383.7	379.1
Deferred tax liabilities	333.5	333.0
Other provisions and accrued liabilities	223.9	222.6
Non-current financial liabilities	1,158.1	1,079.6
Other liabilities	26.2	24.9
Total non-current provisions and liabilities	**2,125.4**	**2,039.2**
Other provisions and accrued liabilities	276.4	415.4
Current financial liabilities	393.8	325.9
Other liabilities	598.9	871.3
Total current provisions and liabilities	**1,269.1**	**1,612.6**
Total liabilities and shareholders' equity	**5,759.5**	**6,037.7**

Intangible assets rose mainly as a result of the goodwill arising from the acquisition of the minority interests in Raffinerie Tirlemontoise and Saint Louis Sucre.

The growth in tangible fixed assets is mainly due to the construction of the bioethanol plant in Zeitz, the expansion of production capacities at ORAFTI and Palatinit and the full consolidation of Steirerobst for the first time. The pronounced decline in inventories was due in large part to sales of sugar from the 2003 season stockpiled at the beginning of the year, while new production will not be added until the third quarter.

The rise in short-term receivables and other assets is mainly due to the interim capitalisation of expenses incurred in advance for the upcoming production season and the first full consolidation of Steirerobst.

The main reason for the decrease in other short-term provisions is the payment of the first instalment of the EU levies for the past financial year for which provisions had been set aside at the beginning of the year, while other short-term liabilities declined primarily as a result of the discharge of the liabilities to sugar beet growers still carried at the beginning of the year. The equity ratio stood at 41.1 % on 31 August 2004, up from 39.5 % as of 29 February 2004.

Net financial debt as of 31 August 2004 amounted to € 1,350 million as compared with € 1,100 million on 29 February 2004.

GROUP STATEMENT OF INCOME

€ million	2nd quarter*		1st half year**	
	2004/05	2003/04	2004/05	2003/04
Sales	**1,148.0**	**1,114.3**	**2,273.2**	**2,238.9**
Operating profit	**144.7**	**118.4**	**266.6**	**232.4**
Restructuring costs and other items	(8.2)	13.9	(8.2)	9.8
Financial expense, net	(22.3)	(8.2)	(47.1)	(29.6)
Earnings before income taxes	**114.2**	**124.1**	**211.3**	**212.6**
Taxes on income	(29.3)	(30.6)	(50.7)	(45.9)
Net earnings for the year	**84.9**	**93.5**	**160.6**	**166.7**
of which attributable to Südzucker shareholders	69.1	77.5	136.0	138.7
of which attributable to minority interests	15.8	16.0	24.6	28.0
Earnings per share (€)	**0.40**	**0.45**	**0.79**	**0.81**

For details of the development of sales and operating profit please refer to the first part of this interim report. Restructuring costs and other items relate mainly to changes in the market value of financial instruments. The rise in net financial expense is due to the falling away of the investment income from the Spanish affiliate Ebro Puleva S. A. that was still included in the previous year's figure and higher interest charges. Taxes on income represent the figure calculated by applying the effective tax rate budgeted for the full financial year to pretax profit in the period covered by the interim report. The change in earnings attributable to minority interests is attributable on the one hand to the falling away of the minority interests in profits at Raffinerie Tirlemontoise and Saint Louis Sucre that were still included in the previous year's figure since these minority interests were taken over by Südzucker AG at the beginning of the financial year. On the other hand, the figure is affected by the strong rise in earnings attributable to minority interests at the east European subsidiaries as a result of the very positive performance at these companies.

The calculation of earnings per share (IAS 33) for the 2003/04 financial year was based on an unchanged number of 171,865,546 shares. The number of shares has been reduced by 2,922,400 shares in accordance with Section 160 (1) Aktiengesetz (German Stock Corporation Act).

* 1 June to 31 August
** 1 March to 31 August

STATEMENT OF CASH FLOWS

€ million	1st half year*	
	2004/05	2003/04
Gross cash flow	**218.7**	**213.2**
Change in net current assets	337.5	359.2
Net cash flow from operating activities	**556.2**	**572.4**
Cash flow from investing activities	(616.5)	(230.7)
Cash flow from financing activities	(43.7)	(372.7)
Change in cash and cash equivalents	**(104.0)**	**(31.0)**
Cash and cash equivalents at the beginning of the period	305.6	427.5
Cash and cash equivalents at the end of the period	201.6	396.5

The net cash outflow of € 616.5 million from investing activities includes investments of € 216.3 million in tangible fixed assets and investments of € 411.8 million in financial assets, which mainly relate to the acquisition of the minority interests in RT and the expansion 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	136.0	24.6	160.6
Dividends	(87.4)	(13.6)	(101.0)
Other changes	14.7	(95.2)	(80.5)
Balance at 31 August 2004	**2,040.4**	**324.6**	**2,365.0**
Balance at 1 March 2003	**1,825.2**	**395.8**	**2,221.0**
Profit after tax	103.7	28.0	131.7
Dividends	(87.4)	(14.5)	(101.9)
Other changes	10.8	(26.4)	(15.6)
Balance at 31 August 2003	**1,852.3**	**382.9**	**2,235.2**

The dividend of € 0.50 per share approved at the Annual General Meeting of Südzucker AG on 29 July 2004 was paid on 30 July 2004. The total dividend payout came to € 87.4 million.

* 1 March to 31 August

The profit distributions to minority interests that are included relate mainly to dividends paid by AGRANA in July 2004. The decline in minority interests by a total of € 84.2 million from € 408.8 million to € 324.6 million mostly reflects the acquisition of the minority interests in Raffinerie Tirlemontoise and Saint Louis Sucre.

SEGMENT REPORTING

€ million	2nd quarter*		1st half year**	
	2004/05	2003/04	2004/05	2003/04
Sales	**1,148.0**	**1,114.3**	**2,273.2**	**2,238.9**
Sugar	808.5	844.5	1,624.2	1,655.1
Special products	339.5	269.8	649.0	583.8
Operating profit	**144.7**	**118.4**	**266.6**	**232.4**
Sugar	105.4	92.2	188.9	167.5
Special products	39.3	26.2	77.7	64.9
Operating margin	**12.6 %**	**10.6 %**	**11.7 %**	**10.4 %**
Sugar	13.0 %	10.9 %	11.6 %	10.1 %
Special products	11.6 %	9.7 %	12.0 %	11.1 %
Capital expenditure	**126.9**	**67.5**	**216.3**	**168.3**
Sugar	38.6	39.9	65.8	129.2
Special products	88.3	27.6	150.5	39.1
Average number of employees			**16,519**	**16,250**
Sugar			11,162	12,900
Special products			5,357	3,350

Capital expenditure

€ 216.3 million (PY: € 168.3 million) was invested in tangible fixed assets in the period from 1 March to 31 August 2004. The decline in capital expenditure in the Sugar segment to € 65.8 million (PY: € 129.2 million) is largely due to the fact that the previous year's figure had included the acquisition of the 67,000 tonnes maximum quota from Béghin Say. By contrast, capital spending in the Special Products segment rose to € 150.5 million (PY: € 39.1 million) as a result of the construction of the bioethanol plant in Zeitz and the further expansion of capacities at Isomalt and ORAFTI.

Employees

The average number of employees in the first half of 2004/05 rose to 16,519, an increase of 269 versus the comparable previous year's period.

* 1 June to 31 August
** 1 March to 31 August

Changes in the Supervisory Board and Executive Board

The following members retired from our Supervisory Board at the end of the Annual General Meeting on 29 July 2004:

- Helmut Drescher, Wattenheim. Herr Drescher had been a member of the Supervisory Board as employee representative since 1982 and had been a member of the Executive Committee of the Supervisory Board, the Audit Committee, the Mediation Committee and the Social Affairs and Welfare Committee.

- Erich Muhlack, Regensburg. Herr Muhlack had been a member of the Supervisory Board as representative of the managerial grade employees since 1987.

- Richard Schwaiger, Aiterhofen. Herr Schwaiger had been a member of the Supervisory Board since 1995 and was Chairman of the Audit Committee and a member of the Agricultural Committee and the Social Affairs and Welfare Committee.

- Klaus Viehöfer, Grana. Herr Viehöfer had been a member of the Supervisory Board as employee representative since 2002.

The following persons were elected as their successors by the Annual General Meeting or the employees' electoral body:

- Egon Fischer, Offstein, as employee representative. Herr Fischer is Deputy Chairman of the Staff Council of the Central Research, Development & Services Division in Offstein.

- Erhard Landes, Donauwörth. Herr Landes is President of the Bavarian Sugar Beet Growers Association.

- Dr. Arnd Reinefeld, Offstein, as representative of the managerial grade employees. Herr Reinefeld is plant manager in Offstein and Gross-Gerau.

- Ronny Schreiber, Einhausen, as employee representative. Herr Schreiber is Chairman of the Staff Council of Head Office Mannheim.

To prepare for succession at top management level Thomas Kölbl (42) was appointed as deputy member of the Executive Board with effect from 1 June 2004. Herr Kölbl has been with the company for 14 years.

IMPORTANT DATES

Report for the 3rd Quarter 2004/05

14 January 2005

Annual Press and Analysts' Conference for the 2004/05 Financial Year

25 May 2005

Report for the 1st Quarter 2005/06

15 July 2005

Annual Shareholders' Meeting in Mannheim for the 2004/05 Financial Year

28 July 2005

Report for the 2nd Quarter 2005/06

14 October 2005

SÜDZUCKER AG

Südzucker Aktiengesellschaft
Mannheim/Ochsenfurt

P.O. Box 10 28 55
68028 Mannheim

Maximilianstraße 10
68165 Mannheim

Telephone +49 621 421-0
Fax +49 621 421-393

Investor relations
investor.relations@suedzucker.de

Public relations and business press
public.relations@suedzucker.de

For more information about the Südzucker Group please contact our website:
http://www.suedzucker.de

15 October 2004

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