Interim report

Financial year 2005/06
1st Quarter
1 March to 31 May 2005

SÜDZUCKER

Dear Shareholders,

This interim report informs you about the development of business in the first three months of the current 2005/06 financial year (March to May 2005) and in particular, gives us an opportunity to update you on the discussions concerning the reform of the European Sugar Market Regulation.

Proposals on the reform of the European Sugar Market Regulation

With its proposal for the reform of the Sugar Market Regulation presented on 22 June 2005, the European Commission intends to reorganize the sugar market, strengthen the industry's competitiveness on a sustainable basis and meet its international commitments. The European Commission aims to have the new Sugar Market Regulation passed by the Council of Ministers before the WTO summit in Hong Kong in December 2005. The Sugar Market Regulation is to remain in force until 2014/15 and thus provide a long-term perspective for the competitive locations in Europe.

To implement this objective, the Commission proposes a programme for purchasing sugar quotas in the market on a voluntary basis (Restructuring Fund), the partial conversion of C-sugar into quotas and drastic price reductions, with the sugar beet price to be lowered from € 43.63 to € 25.05 per tonne and the sugar reference price lowered in two stages by a total of 39 % to € 385.50 per tonne of sugar. The price reduction is to be partly used to finance the purchase of quotas.

Südzucker supports the basic tenor of the proposal since it establishes a reliable framework for the core areas of Europe up to 2014/15. We have traditionally focused on the beet-growing regions with favourable natural conditions. However, to maintain a viable sugar production industry in Europe, it is also necessary to systematically and consistently integrate all imports into the Sugar Market Regulation quota system, provide sufficient external protection and reach an agreement with the World Trade Organization (WTO) in regards to a redefinition of the permitted export volumes. The Restructuring Fund should – as proposed by the Commission – provide adequate compensation to ensure a sustainable state of balance on the EU sugar market by purchasing all then still existing production surpluses.

We consider the proposed price reductions to be far too exaggerated. A less drastic price reduction would also accommodate the demands of the European Parliament, numerous non-governmental organizations (NGOs) as well as the relevant developing nations.

Südzucker has focused the expansion of its activities in the Sugar segment on the competitive core regions of Central Europe and thus pursued a forward-looking strategy early on. We will carefully examine the individual elements and especially the new instruments of the future Sugar Market Regulation and make any necessary adjustments. All in all, this will enable Südzucker to defend the Sugar segment's level of profitability.

Sales increased in Q1 2005/06

In the first three months of financial year 2005/06, Group sales were up by 11.3 % year on year to € 1,252 (1,125)* million.

Sales in the Sugar segment were up by 11.8 % to € 912 (816) million. Both the high level of sugar production in the 2004 campaign and the European Commission's decision not to reduce the 2004/05 quota led to a strong increase in sugar exports. The increase in sugar prices in the wake of the EU entry of the new Eastern European member states on 1 May 2004 affected sales for only one month in the year-earlier period but for the full quarter in the current year.

In our Special Products segment we were also able to grow sales in the first quarter by 10.0 % to € 340 (309) million. This increase was the result of our growth strategy in the fruit business, which we are gradually expanding in successive and focused steps. On year-on-year comparison the Steirerobst and Wink groups of companies are included for the first time in the first quarter figures for 2005/06. The starch, functional food and Freiberger businesses managed to maintain sales at the previous year level despite difficult trading conditions. The new bioethanol plant in Zeitz, which was brought on stream at the end of the first quarter, has not yet contributed to sales.

Operating profit above last year despite start-up costs

In the first three months of the 2005/06 financial year Group operating profit was up by 3.3 % to € 126 (122) million.

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

The increase in the operating results in the Sugar segment, by 14.3 % to € 96 (84) million, is mainly due to higher exports after the strong harvest in 2004. In the first quarter, this more than compensated for the burdens arising from the lack of a declassification of quotas in the 2004 campaign. The sugar companies in Eastern Europe, which for the first time operated under EU conditions for the full quarter, also contributed to the improvement in earnings.

Set against the higher operating profit in the Sugar segment there was a decline of € 8 million to € 30 (38) million in the Special Products segment. This was primarily due to start-up costs for the bioethanol plant in Zeitz and cost increases in the functional food business, which are also attributable to enlarged capacities that have not yet been fully utilised.

Outlook

For the overall year 2005/06, we expect a sales growth of just under 9 % to more than € 5.2 billion. This assumes slightly lower sugar sales of € 3.3 billion as a result of a decline in exports in the second half of the year. This decline in exports is a result of the declassification to stabilize the European sugar market, which has been pushed for by the European sugar industry for some time, and has now been announced by the European Commission for September 2005. On the other hand, sales in the Special Products segment are expected to see growth well into the double digits to € 1.9 billion on the back of the consolidation of the Atys Group and the start up of the bioethanol production.

The growth in operating profit in the Sugar segment in the first quarter is well above our expectations for the full year. The boost from exports arising from the strong harvest in 2004 will fade in the further course of the financial year and the burdens from the lack of declassification in 2004 will have a stronger impact on earnings. However, we expect the announced declassification on an adequate scale to provide relief on the market and ease the price situation.

In the Special Products segment, on the other hand, operating profit will receive a strong boost above all from the first-time consolidation of the Atys Group and the start of bioethanol production which will reverse the weak first quarter performance into a double-digit increase in profit for the full year.

Yours faithfully,
Südzucker Aktiengesellschaft
Mannheim/Ochsenfurt
The Executive Board

Assets and liabilities, financial position and results of operations

The interim financial statements of the Südzucker Group as of 31 May 2005 have been prepared according to the rules for interim financial reporting of IAS 34 in compliance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). The same accounting and valuation methods as applied in the preparation of the annual financial statements as of 28 February 2005 have been applied unchanged. The explanatory notes to the Annual Report for 2004/05 therefore apply accordingly. 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. The interest in Eastern Sugar is valued on the basis of the equity method.

In the first quarter of the previous year the Steirerobst Group and the Wink Group were not yet consolidated. As of 3 March 2005 AGRANA acquired a further 6 % shareholding in Atys Group and with it obtained a majority stake in the group. Represented with 26 group companies on all continents Atys is the world-market leader in fruit preperations for the dairy industry with a production output of 300.000 tons p.a. Inclusive of Dirafrost Group – acquired in October 2004 – Atys has group sales of around € 450 million.

At the time of preparing the interim report for the first quarter 2005/06, the companies of Atys are being changed over to group IFRS reporting and valuation standards enabling a full consolidation; in the first quarter 2005/06 Atys has been valued on the basis of the equity method.

GROUP BALANCE SHEET

€ million	31 May 2005	28 February 2005
Assets		
Intangible assets	1,689	1,688
Property, plant and equipment	2,131	2,077
Investments in associated companies	165	163
Other financial assets	170	166
Receivables and other assets	3	5
Deferred tax assets	15	13
Non-current assets	**4,173**	**4,112**
Inventories	1,369	1,954
Trade and other receivables	988	857
Cash and cash equivalents	321	272
Current assets	**2,678**	**3,083**
Total assets	**6,851**	**7,195**

€ million	31 May 2005	28 February 2005
Liabilities and shareholders' equity		
Subscribed capital	175	175
Capital reserves	951	951
Revenue reserves	1,121	1,066
Equity attributable to shareholders of Südzucker AG	*2,247*	*2,192*
Minority interest	555	546
Shareholders' equity	**2,802**	**2,738**
Provision for pensions	394	393
Deferred tax liabilities	326	330
Other provisions	130	200
Non-current financial liabilities	1,214	1,216
Other liabilities	83	24
Total non-current provisions and liabilities	**2,147**	**2,163**
Other provisions	324	410
Current financial liabilities	961	728
Trade and other payables	617	1,156
Total current provisions and liabilities	**1,902**	**2,294**
Total liabilities and shareholders' equity	**6,851**	**7,195**

The decline in total assets of the Südzucker Group as of 31 May 2005 by € 344 million versus 28 February 2005 to € 6,851 million is largely due to the sale of sugar stocks.

The equity ratio as of 31 May 2005 was 41 % as compared with 38 % on 28 February 2005. Südzucker Group's net financial debt rose due to the usual seasonal factors to € 1,854 million at the end of the reporting period from € 1,672 million as of 28 February 2005. Trade and other payables declined by € 539 million from € 1,156 million to € 617 million on 31 May 2005 largely as a result of the payment of the last sugar beet instalment in the first quarter. Other current provisions declined as a result of the payment of the EU levies for financing the Sugar Market Regulation.

GROUP STATEMENT OF INCOME

€ million	1st quarter*	
	2005/06	2004/05
Sales	**1,252**	**1,125**
Operating profit	**126**	**122**
Restructuring costs and special items	(8)	0
Operating profit after special items	**118**	**122**
Interest expense, net	(29)	(25)
Income from investments	2	0
Earnings before income taxes	**91**	**97**
Taxes on income	(21)	(21)
Net earnings for the year	**70**	**76**
of which attributable to Südzucker AG shareholders	59	67
of which attributable to minority interests	11	9
Earnings per share (€)	**0.34**	**0.39**

The charges reported under restructuring costs relate inter alia to the closure of the Malozyn sugar factory in Poland. The increase in net interest expense is the result of the higher average debt in connection with the investment offensive. At the same time income from investments improved versus the year-earlier period largely due to the results of the at-equity consolidated companies of the Atys Group. The minority interests in Group net earnings for the year mostly relate to the outside shareholders of the AGRANA Group. Earnings per share (IAS 33) have been calculated on the basis of 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) German Stock Corporation Act (Aktiengesetz).

* 1 March to 31 May

STATEMENT OF CASH FLOWS

€ million	1st quarter*	
	2005/06	2004/05
Gross cash flow	**91**	**103**
Change in net current assets	(200)	(52)
Net cash flow from operating activities	**(109)**	**51**
Cash flow from investing activities	(84)	(497)
Cash flow from financing activities	242	310
Change in cash and cash equivalents	**49**	**(136)**
Cash and cash equivalents at the beginning of the period	272	306
Cash and cash equivalents at the end of the period	321	170

STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

€ million	Group share	Minority interests	Total
Balance at 1 March 2005	**2,192**	**546**	**2,738**
Profit after tax	59	11	70
Dividends	0	0	0
Other changes	(4)	(2)	(6)
Balance at 31 May 2005	**2,247**	**555**	**2,802**
Balance at 1 March 2004	**1,977**	**409**	**2,386**
Profit after tax	67	9	76
Dividends	0	0	0
Other changes	(10)	(103)	(113)
Balance at 31 May 2004	**2,034**	**315**	**2,349**

The higher minority interests in equity of € 555 million versus the same quarter of the previous year are mainly due to the capital increase at AGRANA Beteiligungs-AG which was successfully completed in February 2005.

* 1 March to 31 May

SEGMENT REPORTING

€ million	1st quarter*	
	2005/06	2004/05
Sales	**1,252**	**1,125**
Sugar	912	816
Special products	340	309
Operating profit	**126**	**122**
Sugar	96	84
Special products	30	38
Operating margin	**10.1 %**	**10.8 %**
Sugar	10.5 %	10.3 %
Special products	8.8 %	12.3 %
Capital expenditure	**91**	**89**
Sugar	27	27
Special products	64	62
Average number of employees	**15,985**	**15,539**
Sugar	10,652	11,351
Special products	5,333	4,188

Capital expenditure

€ 91 million was invested in tangible fixed assets in the period from 1 March to 31 May 2005 as compared with € 89 million in the same period a year earlier. Capital expenditure in the Sugar segment was on the same level as a year earlier at € 27 (27) million. € 64 (62) million was invested in the Special Products segment and was centred primarily on the further expansion of capacities at Isomalt and ORAFTI.

Employees

The average number of employees in the first quarter of 2005/06 rose to 15,985, an increase of 446 versus the comparable year-earlier period. The increase results from the enlargement of the AGRANA Fruit business division by the Steirerobst Group and the Wink Group. The decline in the number of employees in the Sugar segment is mostly due to the restructuring in Eastern Europe.

Events after the interim reporting period

In mid-June we successfully placed a € 500 million hybrid bond issue with European institutional investors through Südzucker International Finance BV. This is an issue of a subordinated bond with an indefinite life and with a fixed coupon rate of 5.25% for the first ten years. The issue can be called by Südzucker after ten years.

Together with our internal financing resources, this instrument places the funding of the current investment programme on a secure basis. In addition, it provides us with the flexibility also to respond in the medium term to investment opportunities that may emerge or to needs arising for instance in connection with the forthcoming reform of the European sugar market. Furthermore, we have taken advantage of the historically favourable market conditions and locked in a long-term funding rate of 3.5% after tax. Finally, a particularly important advantage, in our view, is that on both rating agency and IFRS criteria the conditions of the issue give it more equity than debt character, thus further strengthening our traditionally solid balance sheet and financial structure as reflected in our continued good credit rating.

DIARY DATES

Annual shareholders´ meeting
Financial Year 2004/05

28 July 2005

Dividend payment

29 July 2005

Report 2nd Quarter 2005/06

14 October 2005

Report 3rd Quarter 2005/06

13 January 2006

Press and analysts conference
Financial Year 2005/06

31 May 2006

Report 1st Quarter 2006/07

14 July 2006

Annual shareholders´ meeting
Financial Year 2005/06

27 July 2006

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15 July 2005

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