INTERIM REPORT

Financial Year 2005/06
1st Half
1 March to 31 August 2005

SÜDZUCKER

Dear Shareholders,

This interim report informs you about the development of business in the first six months of the current 2005/06 financial year (March to August 2005).

Reform of the European Sugar Market Regulation

The proposal on the reform of the Common Sugar Market Regulation presented by the European Commission on 22 June 2005 is currently being debated in the Council of Ministers and in the European Parliament. The European Commission's intention is to have the new Sugar Market Regulation passed before the WTO summit in Hong Kong in December 2005. Whether this will happen is still open.

The aim of the reform proposal is to contribute towards improving the competitiveness of the European sugar industry and at the same time to provide a long-term perspective for efficient producers through to the year 2015. The core points are a phased reduction of the sugar reference price by 39 % and of the sugar beet price by 43 % from the sugar industry year 2006/07, the creation of a Restructuring Fund for purchasing quota surpluses and the partial conversion of C sugar into quota sugar.

Südzucker supports the basic tenor of the reform proposal because, firstly, it provides a reliable long-term framework to the year 2015 for efficient producers and, secondly, the inevitable consequences have been drawn from the WTO panel lost in May 2005. However, beyond that Südzucker believes it is necessary for all imports to be systematically integrated into the Sugar Market Regulation quota system, sufficient external protection to be provided and agreement to be reached with the World Trade Organisation on a redefinition of the permitted export volumes. We consider the price reductions proposed in the reform draft to be exaggerated. A smaller price reduction and participation by the beet growers in the Restructuring Fund would also accommodate the demands of the European Parliament and the third-world countries concerned.

Südzucker will defend the profitability of the Sugar segment, despite the price reductions, by focusing on the most efficient regions in Europe in terms of sugar yields.

In September 2005 the European Commission undertook a declassification, which had long been urged, of 1.9 million tonnes for the sugar industry year 2005/06. Equivalent to 10.4 % of the total

EU quota this is the biggest reduction in quota sugar production to date. This decision makes up for the fact that there had been no declassification the year before and will lead to a relaxation on the domestic markets. We assume that, as a result, the price situation on the internal market will recover significantly.

Capital-raising measures

A number of successful capital-raising measures were conducted in the reporting period. With the rights issue and the issuance of a nominal € 700 million of hybrid bonds we have considerably strengthened our capital base. The subordinated bond which has been issued for an indefinite term – Südzucker has a unilateral right to call them after 10 years – counts as equity. The tax-deductible coupon of 5.25 % reflects the currently favourable interest rate level which we have been able to lock in long-term with this issue.

The Group's equity base was further strengthened by utilizing the authorized capital agreed so at the Annual General Meeting on 28 July 2005. At the beginning of September 2005 we issued 14.6 million new shares (subscription ratio of 1 new share for every 12 shares held). With the market price trading at just over € 17.00 per share, the subscription price was fixed at € 14.00 per share. The new shares were fully subscribed and provided the Group with approximately € 200 million of fresh capital. After the rights issue the market price rose further to over € 19.00 per share on 6 October 2005. The successful placing of the new shares and the hybrid capital is evidence of the confidence which the capital markets place in the strategy and long-term outlook of the Südzucker Group.

With these capital-raising measures Südzucker has laid the foundations for a continuation of the company's dynamic, value-oriented growth. This long-range growth strategy builds on the one hand on the selective expansion of the Special Products segment with the focus on investment in the bioethanol, fruit and functional food businesses. On the other hand, with this growth, the Group aims to create the necessary basis to strengthen its competitive position in the Sugar segment within the reorganised EU sugar market and also through advantageous investment opportunities outside the European Union.

Capital expanditure

The investment drive launched in the 2003/04 financial year was continued according to plan in the reporting period. The focus was on the Special Products segment. In June 2005 the ownership interest in the Atys Group, the central pillar of our strategy in the fruit business, was increased by 6.5 % to 62.5 %. We have agreed to take over all the remaining shares by the end of the year. In addition, new fruit preparation plants were set up in Serpuchov near Moscow (Russia) and Tennessee (USA) to create capacities to keep pace with the dynamic market growth in the dairy industry (yoghurt) in Russia and the USA.

Our functional food-business was significantly strengthened with the expansion of the Palatinit plant in Offstein. Construction of the new ORAFTI plant in Chile is progressing on target. The first sowing of chicory in Chile began this summer and the new plant will come on stream in spring 2006. This additional production location will almost double ORAFTI capacities.

The bioethanol facility in Zeitz was brought on stream in May 2005. However, owing to technical start-up difficulties, production is still below the target capacity of 260,000 m^3 of bioethanol per year. We are working hard to eliminate the bottlenecks. The Europe-wide expansion of the bioethanol business is being taken forward as planned. AGRANA has begun work on the construction of a new bioethanol plant at the Pischelsdorf/Donau location. This facility is designed for an annual capacity of 200,000 m^3 and is due to come on stream in mid-2007. We continue to see good market potential. Direct blending with ethanol is under growing consideration. The German Automotive Industry Association (VDA) for instance has come out in favour of a 10 % admixture of bioethanol to mineral oil.

Revenues

In the first six months of the 2005/06 financial year Group revenues rose by € 388 million, or 17.1 %, to € 2,661 (2,273)* million, to which growth in both Sugar and Special Products contributed.

Revenues in the Sugar segment were up by 13.7 %, or € 223 million, to € 1,847 (1,624) million. Owing to the good sugar harvest the year before and the lack of declassification in 2004/05 exports of quota and C sugar were significantly higher than in the year-earlier period.

Revenues in the Special Products segment were up by 25.5 %, or € 166 million, to € 815 (649) million, which is attributable mainly to the expansion of the fruit business as planned. For the first time this included revenues from the Atys and Wink group of companies; furthermore, revenues of the Steirerobst Group had only been included for three months in the year-earlier period.

Income from operations

In the first six months of the 2005/06 financial year the Group achieved an income from operations of € 237 million and a sales margin from operations of 8.9 %. Given difficult conditions, the very good result of € 262 million posted in the year-earlier period was not matched.

The income from operations in the Sugar segment was more or less level with a year earlier at € 183 (185) million. While high exports thanks to the bumper harvest in 2004 continued to have a positive effect, the burdens from the lack of declassification by the European Commission in 2004 outweighed in the second quarter.

The income from operations in the Special Products segment declined to € 54 (77) million, with the poorer performance being attributable in the main to the start-up losses at the bioethanol plant in Zeitz. Firstly, unforeseen expenditures were incurred as a result of technical problems during the plant's commissioning. Secondly, the facility has not been operating at the targeted capacity so far but regular depreciation had still to be charged. The functional food business failed to match its year-earlier performance, which had received an exceptional boost from the "low carb" wave in the USA which has since subsided. The growth of the fruit business and a gratifying development of earnings from the starch activities in the reporting period were not able to compensate fully for these two factors.

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

Outlook

For the full year 2005/06 we forecast growth of almost 9 % in revenues to € 5.2 billion.

We expect revenues in the Sugar segment to decline as the result of significantly reduced quota sugar exports in the second half of the financial year. This decline will be due to the declassification which had been urged by the sugar industry and has now finally been undertaken by the European Commission. This will be set against strong double-digit growth in revenues from the Special Products segment as the positive effects of the enlargement of the fruit group and the contribution to revenues from the start-up of the bioethanol business feed through in the second half of the financial year.

We do not expect to match the Group's pre-year income from operations in 2005/06. Profits in the Sugar segment will continue to suffer from the negative effects of the European Commission's lack of declassification in 2004 before relief is felt from the substantial declassification now undertaken in September 2005. In addition, the massive rise in energy costs of late will burden production in the upcoming campaign. All in all, earnings performance in the Sugar segment will be below previous year. In the Special Products segment we are working hard to contain the start-up losses at the bioethanol plant and to bring the functional food business back into line with its growth in the preceding years so that – in contrast to the first half – the earnings growth from the expansion of the fruit business will materialize in the second half of 2005/06.

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 August 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). We have adjusted the reporting in the balance sheet and statement of income on the basis of the modified IAS 1 (Presentation of financial statements) of the IFRS Improvement Project. In addition to the operating result as reported in the past, income from operations now also includes elements of the formerly reported restructuring costs and special items. Income from associated companies is now reported separately. Financial income includes interest income and other financial income; the corresponding expense items are reported as financial expense.

Otherwise, the same accounting and valuation methods as applied in the preparation of the consolidated financial statements as of 28 February 2005 have been applied unchanged. The explanatory notes to the financial statements in the Annual Report for 2004/05 therefore apply accordingly. Sugar production mostly takes place in the months from September to December. The maintenance costs incurred in the first half year to 31 August 2005 for the 2005 campaign starting in September are therefore treated as an accrued item and reported under other assets. Income taxes have been calculated on the basis of the local rates of income tax taking account of the income planning for the full financial year.

In the second quarter of 2005/06 AGRANA increased its ownership interest in the Atys Group to 62.5 % and has agreed to take over all of the remaining shares in December 2005. The integration of the Atys Group in the fruit division can therefore take place a year earlier than originally planned. With 26 companies and an output of 300,000 tonnes of fruit preparations Atys is the world leader in this market segment in business with the dairy industry. Including the Dirafrost-Group acquired in October 2004 Atys has total revenues of € 450 million p. a. The Atys Group is fully consolidated for three months (April to June 2005) in the figures for the first six months, with revenues in this period of € 117 million.

GROUP BALANCE SHEET

€ million	31 August 2005	28 Februar 2005
Assets		
Intangible assets	1,722.1	1,687.6
Property, plant and equipment	2,286.5	2,076.7
Investments in associated companies	71.6	163.0
Other investments and securities	177.9	166.6
Receivables and other assets	4.4	4.8
Deffered tax assets	21.3	13.0
Non-current assets	**4,283.8**	**4,111.7**
Inventories	836.8	1,954.4
Receivables and other assets	1,159.3	856.8
Cash and cash equivalents	1,245.2	272.0
Current assets	**3,241.3**	**3,083.2**
Total assets	**7,525.1**	**7,194.9**

Liabilities and shareholders' equity		
Subscribed capital	189.4	174.8
Capital reserves	951.3	951.3
Revenue reserves	1,120.2	1,065.3
Equity attributable to shareholders of Südzucker AG	*2,260.9*	*2,191.4*
Hybrid capital	690.3	0.0
Other minority interests	525.5	546.2
Total equity	**3,476.7**	**2,737.6**
Provisions for pensions	398.7	393.0
Other provisions and accrued liabilities	118.8	200.3
Financial liabilities	1,320.0	1,215.7
Other liabilities	79.5	23.5
Deferred tax liabilities	336.6	330.2
Total non-current liabilities	**2,253.6**	**2,162.7**
Other provisions and accrued liabilities	287.7	409.6
Financial liabilities	720.7	728.6
Other liabilities	786.4	1,156.4
Total current liabilities	**1,794.8**	**2,294.6**
Total equity and liabilities	**7,525.1**	**7,194.9**
Net financial dept	795.5	1,672.3
Equity ratio	46.2 %	38.0 %

The increase in tangible assets is due in the main to the full consolidation of the Atys Group for the first time and the investments in the functional food business. The decline in investments in associated companies is also due to the full consolidation of the Atys Group, which had still been reported under this item as of 28 February 2005. The sharp decline in inventories is due to the sale of stocks of sugar from the 2004 campaign, while new production will not be added until the third quarter.

The strong increase in cash and cash equivalents is mostly attributable to the short-term investment of the proceeds from the hybrid capital issued and seasonal liquidity surpluses. Under IFRS accounting standards the hybrid capital is recognised as equity since Südzucker has not assumed any contractual payment obligation but has a unilateral right to call the bonds after ten years.

The capital increase was entered in the Mannheim Commercial Register on 29 August 2005 and the increase of € 14.6 million in the company's subscribed capital had therefore to be recognised in the financial statements as of 31 August 2005 before the shares were actually issued. The capital increase was completed at the end of the subscription period on 14 September 2005, with the result that the premiums paid on the new shares, and thus the full proceeds of approximately € 200 million from the rights issue, only have to be recognised in the equity of Südzucker AG in the third quarter of 2005/06.

The current other provisions declined owing to the payment of the EU levies for the previous financial year. There was also a decrease in current other liabilities which was mainly due to the payment meanwhile of the liabilities due to beet growers recognised at the beginning of the year.

GROUP STATEMENT OF INCOME

€ million	2nd quarter*		1st half year**	
	2005/06	2004/05	2005/06	2004/05
Revenues	**1,409.0**	**1,148.0**	**2,661.3**	**2,273.2**
Income from operations	**115.1**	**143.8**	**237.3**	**262.0**
Income from associated companies	4.5	0.3	6.4	0.5
Financial expense	(28.7)	(29.9)	(61.9)	(51.2)
Earnings before income taxes	**90.9**	**114.2**	**181.8**	**211.3**
Taxes on income	(8.9)	(29.3)	(30.0)	(50.7)
Net earnings for the year	**82.0**	**84.9**	**151.8**	**160.6**
of which attributable to Südzucker shareholders	62.2	69.1	120.5	136.0
of which attributable to hybrid capital	3.1	0.0	3.1	0.0
of which attributable to minority interests	16.7	15.8	28.2	24.6
Earnings per share (€)	**0.36**	**0.40**	**0.70**	**0.79**

As regards the analysis of the development of revenues and income from operations we refer to the general comments at the beginning of this interim report. Income from associated companies mainly represents the income from Eastern Sugar. Net financial expense saw a slight improvement in the second quarter versus a year earlier. The deterioration as a whole in the first half of 2005/06 period was due to the higher average debt as a result of capital expenditure. In the second half year relief will be felt here from the hybrid capital, which has the added advantage that the interest is tax deductible. The other minority interests in Group net earnings for the year mostly relate to the outside shareholders of the AGRANA Group.

Earnings per share have been calculated on the basis of an average number of 171.9 million shares outstanding in the first half of 2005/06 before the capital increase. This has been reduced by 2.9 million shares in accordance with Section 160 (1) of the German Stock Corporation Act (Aktiengesetz).

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

STATEMENT OF CASH FLOWS

€ million	1st half year*	
	2005/06	2004/05
Gross cash flow	**197.0**	**218.7**
Change in net current assets	351.8	337.5
Net cash flow from operating activities	**548.8**	**556.2**
Cash flow from investing activities	(154.4)	(616.5)
Cash flow from financing activities	578.8	(43.7)
Change in cash and cash equivalents	**973.2**	**(104.0)**
Cash and cash equivalents at the beginning of the period	272.0	305.6
Cash and cash equivalents at the end of the period	1,245.2	201.6

The lower negative cash flow from investing activities, which declined by € 462.1 million from € 616.5 million to € 154.4 million, is largely due to the high capital expenditure on financial investments in the year-earlier period which related in the main to the acquisition of the minority interests in Raffinerie Tirlemontoise and the expansion of the AGRANA-fruit group.

In the first six months of 2005/06 cash flow of € 578.8 million was generated from financing activities. Aside from dividend payments, this mainly represents the proceeds from the nominal € 700 million of hybrid capital that was issued.

STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

€ million	Equity attributable to shareholders of Südzucker AG	Hybrid capital	Other minority interests	Total equity
Balance at 1 March 2005	**2,191.4**	**0.0**	**546.2**	**2,737.6**
Profit after tax	120.5	3.1	28.2	151.8
Dividends	(96.1)	(3.1)	(19.0)	(118.2)
Other changes	45.1	690.3	(29.9)	705.5
Balance at 1 August 2005	**2,260.9**	**690.3**	**525.5**	**3,476.7**
Balance at 1 March 2004	**1,977.1**	**0.0**	**408.8**	**2,385.9**
Profit after tax	136.0	0.0	24.6	160.6
Dividends	(87.4)	0.0	(13.6)	(101.0)
Other changes	14.7	0.0	(95.2)	(80.5)
Balance at 1 August 2004	**2,040.4**	**0.0**	**324.6**	**2,365.0**

* 1 March to 31 August

The dividend of € 0.55 per share or € 96.1 million resolved at the Annual General Meeting of Südzucker AG on 28 July 2005 was paid on 29 July 2005. The dividends paid to minority interests relate in the main to the dividend paid by AGRANA in July 2005. The increase of € 14.6 million in subscribed capital as a result of the capital increase is included under other changes. The strong increase in other minority interests versus the first half of the previous year to € 525.5 million is mainly attributable to the capital increase at AGRANA Beteiligungs-AG in February 2005.

SEGMENT REPORTING

€ million	2nd quarter*		1st half year**	
	2005/06	2004/05	2005/06	2004/05
Revenues	**1,409.0**	**1,148.0**	**2,661.3**	**2,273.2**
Sugar	934.8	808.5	1,846.6	1.624.2
Special products	474.2	339.5	814.7	649.0
Income from operations	**115.1**	**143.8**	**237.3**	**262.0**
Sugar	89.6	105.3	183.3	185.1
Special products	25.5	38.5	54.0	76.9
Sales margin from operations in %	**8.2 %**	**12.5 %**	**8.9 %**	**11.5 %**
Sugar	9.6 %	13.0 %	9.9 %	11.4 %
Special products	5.4 %	11.3 %	6.6 %	11.8 %
Capital expenditure	**112.4**	**126.9**	**203.6**	**216.3**
Sugar	45.0	38.6	71.8	65.8
Special products	67.4	88.3	131.8	150.5
Average number of employees			**19,490**	**16,519**
Sugar			10,688	11,162
Special products			8,802	5,357

Capital expenditure

€ 203.6 million was invested in tangible fixed assets in the period from 1 March to 31 August 2005 as compared with € 216.3 million in the same period a year earlier. Capital expenditure in the Sugar segment was slightly higher than a year earlier at € 71.8 (65.8) million. € 131.8 (150.5) million was invested in the Special Products segment, with the focus on the functional food business.

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

Employees

The average number of employees in the first half of 2005/06 rose to 19,490, an increase of 2,971 versus the comparable year-earlier period. The increase results from the enlargement of the AGRANA Fruit division by the addition of the Atys 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

The capital increase at Südzucker AG was successfully completed in September 2005. The subscription period for the new shares was from 1 to 14 September 2005; all the 14,565,662 new no-par-value shares were placed at an issue price of € 14 per share.

AGRANA's overall ownership interest in Steirerobst AG was increased in September 2005 from 51% to 56% following the acquisition of shares from outside shareholders.

Changes in the Supervisory Board

Jörg Lindner, Malterdingen, retired from our Supervisory Board at the end of the Annual General Meeting on 28 July 2005. Jörg Lindner had served on the Supervisory Board and the Social Affairs Committee as an employee representative (former departmental head of the Food, Beverages and Gastronomy Trade Union) since 1989. Wolfgang Endling, Hamburg, was appointed by decision of the District Court of Mannheim on 3 August 2005 as his successor as employee representative on the Supervisory Board. Wolfgang Endling is a departmental head at the Food, Beverages and Gastronomy Trade Union in Hamburg.

IMPORTANT DATES

Report for the 3rd Quarter 2005/06

13 January 2006

Annual Press and Analysts' Conference Financial Year 2005/06

31 May 2006

Report for the 1st Quarter 2006/07

14 July 2006

Annual Shareholders' Meeting in Mannheim Financial Year 2005/06

27 July 2006

Report for the 2nd Quarter 2006/07

13 October 2006

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13 October 2005

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