Q2
2008/09

Interim Report

First half year 2008/09

March 1 – August 31, 2008

Release date: October 15, 2008

- Group revenues up by 6 % to € 3.0 (2.8) billion €
- Group operating profit declines to € 81 (120) million
- Outlook financial year 2008/09: increase in range for group revenues and confirmation of operating profit target

SÜDZUCKER

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This interim report is also available in German. PDF files (German and English) can be downloaded from the company's home page. www.suedzucker.de/en/downloads/

On the following pages, the numbers in brackets represent the corresponding prior year's figures or item.

Südzucker AG's financial year is not aligned with the calendar year. The reporting periods are therefore defined as follows:
Second quarter: June 1 to August 31
First half year: March 1 to August 31

Overview

Group figures as of August 31, 2008

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Revenues	1,527.6	1,483.6	3.0	2,997.5	2,821.9	6.2
EBITDA	59.1	106.7	-44.6	162.3	197.6	-17.9
EBITDA-Margin	*3.9 %*	*7.2 %*		*5.4 %*	*7.0 %*	
Depreciation	-40.9	-39.9	2.5	-80.8	-77.2	4.7
Operating profit	18.2	66.8	-72.8	81.4	120.4	-32.4
Operating Margin	*1.2 %*	*4.5 %*		*2.7 %*	*4.3 %*	
Restructuring costs and special items	-4.9	-4.5	8.9	113.1	-27.9	–
Income from operations	13.3	62.3	-78.7	194.5	92.5	> 100.0
Net earnings for the period attributable to Südzucker shareholders	15.3	33.0	-53.7	123.4	38.0	> 100.0
Earnings per share (€) (undiluted)	0.08	0.17	-54.1	0.65	0.20	> 100.0
Cash flow	41.7	106.6	-60.9	217.0	180.9	20.0
Investments fixed assets	101.3	129.1	-21.5	167.5	220.4	-24.0
Net financial debt (as of reporting date)				1,592.1	970.6	64.0
Average number of employees				18,047	19,435	-7.1

Südzucker share

Market data

		2nd quarter		1st half year	
		2008/09	2007/08	**2008/09**	2007/08
Average price	€/share	12.01	15.17	13.10	14.94
Highest price	€/share	14.32	16.66	15.02	16.66
Lowest price	€/share	11.11	13.41	11.11	13.41
Closing XETRA® price (as of reporting day)	€/share	11.59	14.12	11.59	14.12
Average trading volume/day	k shares	1,227	913	1,221	947
Number of issued shares	million	189.4	189.4	189.4	189.4
Market capitalisation (as of reporting day)	€ million	2,195	2,674	2,195	2,674

Performance

Südzucker shares underperformed the market in the first six months of the 2008/09 business year, declining 20 %, compared to a 5 % drop in the MDAX® index. At the end of trading on August 31, 2008, the stock closed at € 11.59.

Overview

First half year 2008/09

- Group revenues up by 6 % to € 3.0 (2.8) billion.

- Group operating profit declines to € 81 (120) million, mainly because of a write-down of last harvest apple juice concentrate inventories of € 32 million.

- Sugar segment profit increases because restructuring levy on the high market withdrawal of the prior year eliminated:
  - Revenues: +3 % to € 1,731 (1,679) million
  - Operating profit: € 48 (32) million

- Special products segment reports strong growth, but announced lower profits driven by high commodity prices:
  - Revenues: +21 % to € 858 (708) million
  - Operating profit: € 54 (70) million

- Fruit segment significantly impacted by inventory write-down in fruit juice concentrates division:
  - Revenues: -6 % to € 408 (435) million
  - Operating profit: € -21 (19) million

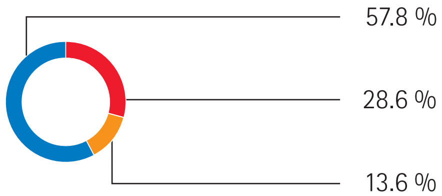
Forecast for the 2008/09 financial year

- Continued normalization in the EU sugar market will contribute to further profit improvements in the sugar segment in the second half of the year.

- Revenue range raised to € 5.8–6.0 (5.8) billion.

- Operating profit range of € 230–260 (233) million confirmed.

Revenues by segment
1st half 2008/09



Operating profit by segment
1st half 2008/09

Sugar segment
Special products segment
Fruit segment

Economic environment | Sugar segment

World market

The most recent estimate of the world sugar balance for the 2007/08 campaign by F. O. Licht in July 2008 states that world sugar inventories will increase by 13.5 million tonnes to 84.2 million tonnes, or 53.6 % of consumption, based on 170.4 million tonnes of production and 156.9 million tonnes of consumption. Initial estimates for the 2008/09 campaign indicate a decrease in production, indicating a slow down of former inventory growth rates. Quoted prices for raw sugar (New York) recovered during the second quarter, returning to the same level as at the beginning of the financial year. At the end of August, raw sugar was being quoted at USD 281 per tonne, or € 191 per tonne. Quoted prices for white sugar on London's LIFFE commodity futures exchange followed a similar trend, with prices at USD 398 per tonne or € 270 per tonne at the end of August.

EU sugar market regulation

The EU sugar market regulation reform – assuming stable domestic consumption – forced EU quota sugar production to be cut by approximately 6 million tonnes from an original level of approximately 18 million tonnes. To accomplish this, export opportunities were eliminated and the EU agreed to import obligations toward the LDC (least developed countries) and ACP (African, Caribbean and Pacific) countries. In September 2007, the EU agricultural ministry clearly increased incentives for beet growers and sugar producers to return quotas to the restructuring fund for the 2008/09 sugar marketing year (October 1, 2008 – September 30, 2009). A total of 5.6 million tonnes of quota, which came into effect already in the 2008/09 sugar marketing year, was subsequently returned to the restructuring fund as of March 31, 2008 (0.1 million tonnes effective as of the 2009/10 sugar marketing year). Only a further 0.4 million tonnes are thus required to reach the commission's goal of 6 million tonnes. At this point, the EU sugar market would be structurally balanced. The missing quota returns can still be voluntarily surrendered up until January 31, 2009 – however, under significantly less favorable terms. If there are no further voluntary quota returns, or if the quantity returned is insufficient, the commission will apply a final uncompensated quota reduction at the beginning of 2010. The amount will be equal to the difference between 0.4 million tonnes and the quantity returned. This reduction will affect mainly companies that to date have failed to voluntarily surrender their fair share of quota to the restructuring fund.

For the 2008/09 sugar marketing year, Südzucker Group surrendered a total of 871,000 tonnes of quota to the restructuring fund against compensation, thereby largely avoiding the risk of a final uncompensated cut. Of the total quota returned, 256,000 tonnes were attributable to what is known as the second wave, which ended on March 31, 2008. The associated restructuring aid is shown under special items in the first quarter of the 2008/09 financial year.

The EU commission has decided on a duty-free import allotment of non-quota sugar for the 2008/09 sugar marketing year. In return, producers will be permitted to export 700,000 tonnes of non-quota sugar or isoglucose. The commission thus responded especially to the requirements of industrial sugar users in weak beet sugar growing regions. On the other hand, the EU commission gave efficient agricultural regions an opportunity to increase exports without compensation.

WTO

After several days of negotiations, the World Trade Organization meeting ended abruptly on July 29, 2008 without producing any results. The goal of the negotiations was to achieve a breakthrough on further reducing trade barriers in the industrial goods, services and agricultural sectors after years of discussions. The United States, India and China in particular were unable to bridge their differences. A resolution in 2008 is thus unlikely.

Economic environment | Special products segment

EU legislation regarding renewable energies guidelines close to finalization

Draft guidelines tabled by the EU commission for introducing and implementing sustainably produced biofuels are currently being discussed by various committees.

Various European parliamentary committees have spoken out in favor of introducing the sustainability criteria. However, these criteria should not be restricted to only environmental aspects, such as ensuring that greenhouse gas emissions are reduced, but should also address social concerns. On September 11, 2008, the leading industry committee released a conclusion on the biofuel proportion target after refining the draft guideline. It recommends that the binding biofuel proportion of 10 % for the year 2020 contained in the draft guideline be retained, subject to a positive review in 2014. Furthermore, the industry committee has recommended an interim target of 5 % for the biofuel proportion, effective 2015. Of this amount, an initial quota of 1 % in 2015 and 4 % in 2020 is to be comprised of fuels from the socalled 2nd generation (cellulose, recycled materials and algae), as well as electricity or hydrogen from renewable resources. In addition, the minimum requirements regarding the ability of biofuels to reduce greenhouse gas emission are to be adjusted. It is expected that the European Parliament and the European Council will reach a decision on the draft guideline in October 2008. In parallel with the activities surrounding the renewable energy guideline, a decision is also expected on an amendment to the fuel quality guideline. The focus of the discussion is currently on the sustainability criteria for biofuels, which are to be made consistent in the two draft guidelines. The fuel quality guideline is envisaged to form the basis for increasing the technical blend limit of bioethanol in fuels for Otto engines from 5 % to 10 % by volume.

In Germany, discussions are in full swing about how to reach the biofuel ratio of 6.25 % for diesel and Otto engine fuel as stipulated by the biofuel quota legislation for 2009. The discussion is being driven by the Federal Ministry for the Environment's decision to refrain from raising the minimum biofuel ratio in gasoline from 5 to 10 % by volume at the present time. A reduction in the total proportion for the year 2009 is also being talked about as a result of these discussions.

Greenhouse gas reductions from European bioethanol significantly underestimated

In August 2008, the Institute for Energy and Environmental Research (IFEU) in Heidelberg released a study regarding the sustainability of bioethanol from cereals and sugar beets, in which it stated that the potential greenhouse gas reductions and positive energy balances resulting from European bioethanol have been significantly underestimated to date. In fact, greenhouse gas reductions are up to four times higher than previously calculated. 1st generation bioethanol reduces greenhouse gases at least as much as the 2nd generation biofuels and exhibits a comparable energy balance. These results are primarily due to the fact that animal feed, which is a byproduct of bioethanol production, was often ignored in previous studies, or its impact was not completely taken into consideration. The results of the study also put the debate about "food or fuel" on a new footing. The animal feeds DDGS (Distiller's Dried Grains with Solubles), vinasse, beet pellets and gluten produced alongside bioethanol are used for food and animal feed production. When processing wheat, about 2,700 kilograms of animal feed per hectare are produced for about each 2,700 liters of bioethanol. For example, approximately 1.3 hectares of soybeans would have to be planted for the soybean meal used as a substitute for animal feed. By producing bioethanol, and thereby also animal feed in Europe, the need to import these goods is reduced, which frees up agricultural land in other countries for food production.

Price developments for agricultural commodities

Prospects for an excellent global grain harvest in 2008/09 led to a steep price drop in the past few months. In its latest estimate on September 12, 2008, the United States Department of Agriculture estimated that worldwide grain production (excluding rice) will rise by 4.5 % to about 1,763 million tonnes. Contrary to estimates at the beginning of the year therefore, not only is wheat production expected to increase, but also that of coarse grains (particularly corn and rye). As a result, for the first time in four grain marketing years, global cereal production will again exceed worldwide grain consumption of about 1,745 million tonnes (+3.7 %), which will cause inventories to increase moderately, to about 277 million tonnes (+2.8 %).

The EU commission also increased its harvest estimate in August 2008. According to the forecast, the EU's 2008/09 grain harvest will be about 301 million tonnes, 17.6 % higher than the year prior. As a result of the improving trend in the supply situation, one month futures for wheat on the MATIF futures exchange in Paris were being quoted at € 186 per tonne at the end of August, which compares to € 284 per tonne at the beginning of the financial year. Despite a slight increase in inventories, it is expected that speculative transactions on the world futures markets and the associated relatively high volatility of grain and animal feed prices will continue.

The strong demand for animal feed continues unabated as a result of the increased worldwide consumption of meat. Despite the excellent harvest projections, the US Department of Agriculture continues to forecast excess demand for corn. As a result, high protein alternatives such as soybean meal and DDGS are becoming increasingly important. Price declines in the animal feed market were thus lower than in the grain markets, particularly in the soybean segment. After reaching another historic high of over USD 16.30 per bushel (about € 375 per tonne) on the Chicago Board of Trade (CBOT) in mid July, one-month futures for soybeans had declined to USD 13.32 per bushel (about € 334 per tonne) by the end of August. In Europe, soybean meal quotations were equally volatile during the same period. After reaching highs of about € 350 per tonne at the end of June and beginning of July, the quoted price dropped to about € 275 per tonne in early August, and then had returned to € 315 per tonne by the end of August.

Business performance

Revenues and operating profit | Group

Revenues

In the first half year of 2008/09, consolidated group revenues rose about 6 % to € 2,997.5 (2,821.9) million as a result of continued robust growth in the special products segment. The sugar segment's second quarter revenues were slightly lower than in the strong quarter of the year prior. Revenue growth therefore weakened in the first half year. The fruit segment's revenues in the first half year continued to trail last year's result.

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Sugar	880.8	897.2	-1.8	1,730.9	1,678.6	3.1
Special products	448.2	368.1	21.8	858.2	708.2	21.2
Fruit	198.6	218.3	-9.0	408.4	435.1	-6.1
Group total	**1,527.6**	**1,483.6**	**3.0**	**2,997.5**	**2,821.9**	**6.2**

Operating profit

In the first half year 2008/09, consolidated operating profit declined to € 81.4 (120.4) million. While the sugar segment after a weaker second quarter, posted a total operating profit for the first half year still considerably higher than a year prior, the special product segment's operating profit declined notedly as expected. The fruit segment's operating profit also fell significantly in the first half year due to a write-down in the second quarter of € 32.4 million for last harvest apple juice concentrate inventories.

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Sugar	21.7	22.5	-3.8	48.4	31.6	53.3
Special products	26.0	33.8	-23.1	54.1	70.1	-22.7
Fruit	-29.5	10.5	–	-21.2	18.7	–
Group total	**18.2**	**66.8**	**-72.8**	**81.4**	**120.4**	**-32.4**

Revenues and operating profit | Sugar segment

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Revenues	880.8	897.2	-1.8	1,730.9	1,678.6	3.1
EBITDA	34.3	35.6	-3.7	73.9	56.8	30.1
EBITDA-Margin	*3.9 %*	*4.0 %*		*4.3 %*	*3.4 %*	
Depreciation	-12.6	-13.1	-3.8	-25.4	-25.2	0.9
Operating profit	21.7	22.5	-3.8	48.4	31.6	53.3
Operating Margin	*2.5 %*	*2.5 %*		*2.8 %*	*1.9 %*	

The sugar segment's revenues were up 3.1 % to € 1,730.9 (1,678.6) million in the first half year of 2008/09. While shipments in the EU continued to rise during the second quarter, export volumes expectedly were sharply lower than last year's high level.

The segment generated a higher operating profit; it rose to € 48.4 (31.6) million in the first half year. The elimination of the substantial charges in the first half year of 2007/08 more than offset further declines in margins caused by the second phase of the EU producer's margin reductions and, following the price declines during the previous financial year, even lower market prices than last year. Last year's first half year results included substantial restructuring levies on the significant market withdrawal expected at that time for the 2007/08 sugar marketing year. The weaker operating profit growth in the second quarter is mainly due to the significantly lower export volumes than in the prior year.

Revenues and operating profit | Special products segment

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Revenues	448.2	368.1	21.8	858.2	708.2	21.2
EBITDA	44.8	51.1	-12.3	90.8	103.3	-12.1
EBITDA-Margin	*10.0 %*	*13.9 %*		*10.6 %*	*14.6 %*	
Depreciation	-18.8	-17.3	8.9	-36.7	-33.2	10.4
Operating profit	26.0	33.8	-23.1	54.1	70.1	-22.7
Operating Margin	*5.8 %*	*9.2 %*		*6.3 %*	*9.9 %*	

The special products segment's revenues climbed € 150.0 million or 21.2 % to € 858.2 (708.2) million in the first half year of 2008/09. The strong revenue growth, carried mainly by the bioethanol and starch divisions, continued unabated. The growth is mainly attributable to capacity expansions in both divisions, as well as increased trading activities in the bioethanol division. The other divisions were also able to generate higher revenues.

As expected, the operating profit of € 54.1 (70.1) million in the first half year of 2008/09 was € 16.0 million or 22.7 % below the prior year's level. As announced in the prior quarter, this is attributable to the significantly higher raw material costs, which could only partially be passed on to customers, particularly in the starch and bioethanol divisions. Even substantially higher production levels and increased use of sugar beet syrup in the production of bioethanol in the bioethanol division could not compensate the higher costs. This charge was even higher as a result of the loss generated by the second-quarter commencement of regular operations at the bioethanol plant in Pischelsdorf. The BENEO, Freiberger and PortionPack divisions' operating profit were according to budget.

Revenues and operating profit | Fruit segment

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Revenues	198.6	218.3	-9.0	408.4	435.1	-6.1
EBITDA	-20.0	20.0	–	-2.4	37.5	–
EBITDA-Margin	–	*9.2 %*		–	*8.6 %*	
Depreciation	-9.5	-9.5	-0.5	-18.7	-18.8	-0.4
Operating profit	-29.5	10.5	–	-21.2	18.7	–
Operating Margin	–	*4.8 %*		–	*4.3 %*	

The fruit segment's revenues declined by 6.1 % in the first half year of 2008/09, coming in at € 408.4 (435.1) million. This is mainly due to the continued weak clearance sales of apple juice concentrate inventories from the previous year. Even higher sales than last year could not offset the decline. In addition, shipments in the fruit preparation division were lower than a year prior. However, here revenues were only slightly lower than last year thanks to the higher margins.

The fruit segment's operating profit in the first half year came in at -€ 21.2 (18.7) million, significantly below last year's result. In the fruit preparation division, the impact of slightly lower shipments and higher raw material prices were fully offset by improved margins and efficiency gains, enabling the business unit to maintain the prior year's level.

The fruit concentrate division on the other hand felt the full impact in the second quarter of the substantially higher raw material price level for apples caused by the prior year's poor harvest and weak sales of the prior year's inventories, which led to a quarterly loss. This year's apple juice concentrate was produced using very expensive input materials because of last year's poor apple harvest. The resulting higher production costs cannot be covered under current market conditions. The apple juice concentrate inventories were therefore written down by € 32.4 million in the second quarter in anticipation of the expected market price level.

Income statement | Group

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Revenues	**1,527.6**	**1,483.6**	**3.0**	**2,997.5**	**2,821.9**	**6.2**
Operating profit	18.2	66.8	-72.8	81.4	120.4	-32.4
Restructuring costs and special items	-4.9	-4.5	8.9	113.1	-27.9	–
Income from operations	**13.3**	**62.3**	**-78.7**	**194.5**	**92.5**	**> 100.0**
Income from associated companies	14.5	3.6	> 100.0	17.5	20.4	-14.4
Financial result	-26.1	-18.6	40.3	-47.4	-33.8	40.2
Earnings before income taxes	**1.7**	**47.3**	**> 100.0**	**164.6**	**79.1**	**> 100.0**
Taxes on income	2.2	5.3	-57.7	-39.1	-0.4	> 100.0
Net earnings for the year	**3.9**	**52.6**	**> 100.0**	**125.5**	**78.7**	**59.4**
of which attributable to Südzucker shareholders	15.3	33.0	-53.7	123.4	38.0	> 100.0
of which attributable to hybrid capital	6.6	7.5	-12.0	13.2	13.2	0.0
of which attributable to minority interest	-18.0	12.1	–	-11.1	27.5	–
Earnings per share (€)	**0.08**	**0.17**	**-54.1**	**0.65**	**0.20**	**> 100.0**

Income from operations in the first six months of the 2008/09 financial year, consisting of an operating profit of € 81.4 (120.4) million and a result from restructuring and special items of € 113.1 (-27.9) million, came in at € 194.5 (92.5) million.

The sugar segment's share of the **result from restructuring and special items** is € 119.7 (-27.8) million. Südzucker Group had already participated in the 2nd wave of the voluntary quota renouncements in the first quarter of 2008/09 by surrendering 0.26 million tonnes of sugar quota, for which it received € 141 million from the EU restructuring fund. Against this there were expenses for closing the Raciborz, Wroclaw and Wroblin factories in Poland. By shutting down three additional locations, Südzucker has continued to systematically optimize its production structure and maximize the associated cost savings. Last year, the restructuring expenses itemized here were for factory closures in Germany and the optimization of the packing organization in France.

The result from restructuring and special items of -€ 6.6 (-0.1) million in the special products segment is attributable to startup costs for the bioethanol plants in Belgium and Austria.

Income from associated companies at € 17.5 (20.4) million consists mainly of prorated income from Eastern Sugar B.V and the prorated earnings from the sugar distribution joint venture, Maxi S.L.R., Bozen/Italy.

Financial results in the first six months of the 2008/09 financial year deteriorated year-on-year by -€ 13.6 million to -€ 47.4 (-33.8) million, which was largely attributable to higher average debt.

After deducting **income taxes** in the amount of € 39.1 (0.4) million, **consolidated net income** for the year was reported at € 125.5 (78.7) million. Last year, income taxes were calculated on a one-time special basis as a result of the revaluation of the existing deferred German taxes, which was required as a result of the tax reforms for 2008 that were approved in July 2007.

The other minority interests in the group consolidated net earnings of -€ 11.1 million are primarily held by the co-owners of the AGRANA Group.

Earnings per share came in at € 0.65 per share, which compares to € 0.20 per share during the same period last year. This figure includes the full one-time earnings impact from the restructuring aid resulting from the quota returned during the 2nd wave in March 2008, which had already been collected in the first quarter of 2008/09.

Cash flow | Group

€ million	1st half year		
	2008/09	2007/08	Change %
Cashflow	**217.0**	**180.9**	**20.0**
Decrease (+) in working capital	**5.9**	**20.5**	**-71.2**
Investments in fixed assets			
Sugar	42.1	60.0	-29.8
Special products	114.3	143.8	-20.5
Fruit	11.1	16.6	-32.9
Group total	**167.5**	**220.4**	**-24.0**
Acquisitions	**11.3**	**12.0**	**-5.8**
Dividends paid	**-133.7**	**-159.7**	**-16.3**

The **cash flow** increase of € 36.1 million to € 217.0 (180.9) million is due to the significant rise in the group's consolidated net profit. The change in working capital came in at € 5.9 (20.5), € 14.6 million less than last year.

Investments in fixed assets (including intangible assets) in the period from March 1 to August 31, 2008 were reduced to € 167.5 million as per budget, down from € 220.4 million last year. Capital expenditures of € 42.1 (60.0) million in the sugar segment were primarily for replacement items and completion of the Bosnian raw sugar refinery in Brčko. The special products segment invested € 114.3 (143.8) million. Most of this was for the construction of the bioethanol plant in Wanze/Belgium and expansion of the bioethanol plant in Zeitz. Last year, expenditures were still earmarked for the bioethanol plant in Pischelsdorf/Austria.

A dividend of € 75.7 million was paid to Südzucker AG's shareholders one day after the annual general meeting on July 30, 2008 from the **profit distribution** of € 133.7 (159.7) million. The remaining profit distribution relates to hybrid capital and other minority interests, mainly the co-owners of our AGRANA subsidiary.

Balance sheet | Group

€ million	31.08.2008	31.08.2007	Change %
Assets			
Non-current assets	4,311.2	4,094.6	5.3
Current assets	2,895.4	3,096.4	-6.5
Total assets	**7,206.6**	**7,191.0**	**0.2**
Liabilities and shareholders' equity			
Shareholders' equity	3,318.8	3,304.8	0.4
Non-current liabilities	2,012.5	2,326.5	-13.5
Current liabilities	1,875.3	1,559.7	20.2
Total liabilities and shareholders' equity	**7,206.6**	**7,191.0**	**0.2**
Net financial debt	1,592.1	970.6	64.0
Equity ratio	46.1 %	46.0 %	
Asset cover	123.7 %	137.5 %	

The substantial € 216.6 million rise in non-current assets to € 4,311.2 (4,094.6) million is primarily due to the receivables from the EU restructuring fund as a result of the quota returns during the 1st and 2nd wave. These are due to be paid in June 2009 and February 2010. The high capital expenditures on bioethanol plants, the raw sugar refinery in Bosnia and expansion of the cornstarch and isoglucose production facilities led to an increase in fixed assets. This was offset by the disposal of additional acquired quotas under the terms of the quota return program, which had been reported under intangible assets last year.

Current assets declined by € 201.0 million to € 2,895.4 (3,096.4) million. The higher trade receivables resulting from the increased sales activities in the sugar segment are offset by budgeted lower cash and cash equivalents caused by increased financing requirements.

After the profit distributions in the second quarter, equity remains at € 3.3 billion and the equity ratio at 46 %, unchanged from last year's level.

The decline of € 314.0 million in long-term debt resulted in a final total of € 2,012.5 (2,326.5) million. This is primarily because the convertible bond in the amount of € 250 million due on December 8, 2008 was reclassified as a current liability.

Current liabilities rose by € 315.6 million to € 1,875.3 (1,559.7) million. The increase resulted from taking on some short-term debt and reclassifying the convertible bond.

Net financial debt came in at € 1,592.1 (970.6) million, which is € 621.5 million higher than on August 31, 2007 and as per budget. The increase was due to capital spending on expanding the bioethanol production capacity and working capital financing requirements, which were primarily defined by the EU restructuring levies that had to be paid.

Employees | Group

	1st half year	
	2008/09	2007/08
Sugar	8,514	9,891
Special products	4,058	3,902
Fruit	5,475	5,642
Group total	**18,047**	**19,435**

The average number of persons employed by the group in the first six months of the 2008/09 financial year was 18,047, down from last year's 19,435. The decrease of 1,377 employees in the sugar segment was due to factory closures and downsizing. The expansion of the bioethanol business led to an increase in the number of employees in the special products segment.

Opportunities and risks

Südzucker uses an integrated system for the early identification and monitoring of group-specific risks. Successful risk management is based on achieving an appropriate balance between opportunities and risks. The company's risk culture is characterized by risk-aware management, clearly assigned responsibilities, independence in risk controlling and by the implementation of internal controls.

Detailed information about the opportunities and risks management system and the group's risk situation can be found in the 2007/08 annual report under the "Opportunities and risks" section on pages 49–54.

Currently there are no apparent risks that threaten the organization's continued existence.

Outlook

We are now forecasting consolidated revenues of between € 5.8 and € 6.0 billion for the 2008/09 financial year in total. We are expecting a slight revenue decline in the sugar segment, revenues at last year's level in the fruit segment and further growth in the special product's segments revenues.

We are forecasting a group's **operating profit** of between € 230 and € 260 million. The expected strong recovery in the sugar segment is offset by the substantially lower earnings in the special products segment due to significantly higher commodity costs. Despite the fruit segment's losses in the first half year, we are now forecasting a final result for the total year that is slightly in positive territory.

Forecasting continues to be hampered by the uncertainties of the ongoing restructuring of the EU sugar market.

We are now forecasting revenues slightly below last year's in the **sugar segment** for the overall financial year. This is mainly due to the significantly lower quota sugar production during the new campaign as a result of the quota returns. We confirm our forecast regarding the recovery of operating profit to the level of at least € 120 million. We aim to achieve this as a result of the normalization in the European sugar market during the 2008/09 sugar market year; that is, in the 2nd half of our financial year, supplemented by further cost reductions. This will more than offset the negative impact of the further staged reduction in factory margins and sharply rising energy prices.

In the **special products segment**, we expect the robust revenue growth to continue during the 2008/09 financial year, particularly in the bioethanol and starch divisions. With the start of regular operations at Pischelsdorf in late May and the completion and commissioning of the planned expansion in Zeitz in June 2008, together with the operational test of the production plant in Wanze at the end of 2008, the bioethanol division is tracking market growth. Operating profit in the special products segment will however drop sharply in 2008/09, as already stated in the annual forecast, as a result of the dramatic increase in commodity prices in the starch and bioethanol divisions and operating losses associated with the startup of the additional bioethanol facilities in Pischelsdorf.

Because of the lower selling prices for fruit juice concentrates, we are not expecting the **fruit segment's** revenues for the year in total to increase, in spite of the fact that the fruit preparation division will achieve its budgeted revenue growth. We are now forecasting that operating profit will be slightly on the plus side for the overall financial year. The operating loss in the first half year of fiscal 2008/09 was caused by the one-time charges resulting from the write-down of fruit juice concentrate inventories. We expect the fruit concentrate business to return to normal in the second half of the year as we head into the harvest season, which is expected to be normal. We expect that this normalization and the continuation of the satisfactory growth demonstrated to date by the fruit preparation division will more than offset the losses of the first half year.

Income statement

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Revenues	**1,527.6**	**1,483.6**	**3.0**	**2,997.5**	**2,821.9**	**6.2**
Change in work in progress and finished goods inventories and internal costs capitalised	-660.8	-597.9	10.5	-1,200.9	-1,033.2	16.2
Other operating income	18.8	44.8	-58.0	183.8	70.2	> 100.0
Cost of materials	-560.5	-476.7	17.6	-1,143.9	-997.5	14.7
Personnel expenses	-128.8	-135.3	-4.8	-259.2	-283.9	-8.7
Depreciation	-41.1	-39.0	5.4	-89.0	-84.3	5.5
Other operating expenses	-141.9	-217.2	-34.7	-293.8	-400.7	-26.7
Income from operations	**13.3**	**62.3**	**-78.7**	**194.5**	**92.5**	**> 100.0**
Income from associated companies	14.5	3.6	> 100.0	17.5	20.4	-14.4
Financial income	11.5	14.8	-22.3	31.2	29.4	6.1
Financial expense	-37.6	-33.4	12.6	-78.6	-63.2	24.4
Earnings before income taxes	**1.7**	**47.3**	**> 100.0**	**164.6**	**79.1**	**> 100.0**
Taxes on income	2.2	5.3	-57.7	-39.1	-0.4	> 100.0
Net earnings for the year	**3.9**	**52.6**	**> 100.0**	**125.5**	**78.7**	**59.4**
of which attributable to Südzucker shareholders	15.3	33.0	-53.7	123.4	38.0	> 100.0
of which attributable to hybrid capital	6.6	7.5	-12.0	13.2	13.2	0.0
of which attributable to minority interest	-18.0	12.1	–	-11.1	27.5	–
Earnings per share (€)						
Undiluted	**0.08**	**0.17**	**-54.1**	**0.65**	**0.20**	**> 100.0**
Diluted	0.08	0.18	-53.2	0.63	0.21	> 100.0

Cash flow statement

€ million	1st half year	
	2008/09	2007/08
Net earnings for the period	125.5	78.7
Depreciation and amortisation of intangible assets, fixed assets and other investments	89.4	84.3
Other items	2.1	17.9
Cash flow from operating activities	**217.0**	**180.9**
Gain on disposal of items included in the non-current assets and securities	-15.1	-14.2
Decrease (+) in working capital	5.9	20.5
I. Net cash flow from operating activities	**207.8**	**187.2**
Capital expenditure on fixed assets and intangible assets	-167.5	-220.4
Acquisitions of, and investments in, non-current financial assets	-11.3	-12.0
Capital expenditures	**-178.8**	**-232.4**
Cash received on disposal of non-current assets	40.4	46.6
Cash paid (+)/received (-) on the purchase/sale of securities in current assets	22.5	-11.5
II. Cash flow from investing activities	**-115.9**	**-197.3**
Capital increase	0.0	3.8
Dividends paid	-133.7	-159.7
Receipt (+) of financial liabilities	100.6	16.8
III. Cash flow from financing activities	**-33.1**	**-139.1**
Change in cash and cash equivalent (Total of I., II. und III.)	**58.8**	**-149.2**
Cash and cash equivalent at the beginning of the period	216.6	830.3
Cash and cash equivalent at the end of the period	**275.4**	**681.1**

Balance sheet

€ million	31.08.2008	31.08.2007	Change %	29.02.2008	Change %
Assets					
Intangible assets	1,163.5	1,330.4	-12.5	1,162.4	0.1
Fixed assets	2,618.3	2,476.5	5.7	2,537.9	3.2
Shares in associated companies	81.1	72.3	12.2	64.1	26.5
Other investments and loans	94.7	117.5	-19.4	115.1	-17.8
Securities	19.8	22.0	-9.8	19.5	1.5
Receivables and other assets	273.4	39.8	> 100.0	303.9	-10.0
Deferred tax assets	60.4	36.1	67.3	60.1	0.4
Non-current assets	**4,311.2**	**4,094.6**	**5.3**	**4,263.0**	**1.1**
Inventories	1,142.0	1,146.8	-0.4	2,295.7	-50.3
Trade receivables and other assets	1,318.8	1,127.1	17.0	967.8	36.3
Current tax receivables	22.7	19.7	15.3	16.5	37.7
Securities	136.5	121.7	12.2	157.8	-13.5
Cash and cash equivalents	275.4	681.1	-59.6	216.6	27.2
Current assets	**2,895.4**	**3,096.4**	**-6.5**	**3,654.4**	**-20.8**
Total assets	**7,206.6**	**7,191.0**	**0.2**	**7,917.4**	**-9.0**
Liabilities and shareholders' equity					
Subscribed capital	189.4	189.4	0.0	189.4	0.0
Capital reserves	1,137.6	1,137.6	0.0	1,137.6	0.0
Revenue reserves	762.2	737.7	3.3	713.8	6.8
Equity attributable to shareholders of Südzucker AG	*2,089.2*	*2,064.7*	1.2	*2,040.8*	2.4
Hybrid capital	683.9	683.9	0.0	683.9	0.0
Other minority interests	545.7	556.2	-1.9	574.8	-5.1
Shareholders' equity	**3,318.8**	**3,304.8**	**0.4**	**3,299.5**	**0.6**
Provision for pensions and similar obligations	403.5	402.0	0.4	401.7	0.4
Other provisions	181.0	198.3	-8.7	211.3	-14.4
Non-current financial liabilities	1,248.5	1,468.6	-15.0	1,232.6	1.3
Other liabilities	17.7	20.4	-13.1	21.0	-15.7
Deferred tax liabilities	161.8	237.2	-31.8	165.2	-2.1
Non-current liabilities	**2,012.5**	**2,326.5**	**-13.5**	**2,031.8**	**-1.0**
Other provisions	142.0	52.4	> 100.0	181.5	-21.7
Current financial liabilities	775.3	326.8	> 100.0	669.0	15.9
Trade and other payables	929.2	1,154.9	-19.5	1,716.9	-45.9
Current tax liabilities	28.8	25.6	12.5	18.7	54.1
Current liabilities	**1,875.3**	**1,559.7**	**20.2**	**2,586.1**	**-27.5**
Total liabilities and shareholders' equity	**7,206.6**	**7,191.0**	**0.2**	**7,917.4**	**-9.0**

Changes in shareholders' equity

€ million	Equity of Südzucker-Shareholders	Hybrid capital	Other minority interest	Shareholders' equity
1 March 2008	**2,040.8**	**683.9**	**574.8**	**3,299.5**
Profit after tax	123.4	13.2	-11.1	125.5
Income and expense directly reco-gnized in equity	-1.0		6.9	5.9
Dividends	-75.7	-13.2	-21.1	-110.0
Capital increase				0.0
Other changes	1.7		-3.8	-2.1
31 August 2008	**2,089.2**	**683.9**	**545.7**	**3,318.8**
1 March 2007	**2,106.6**	**683.9**	**571.4**	**3,361.9**
Profit after tax	38.0	13.2	27.5	78.7
Income and expense directly reco-gnized in equity	1.7		-5.5	-3.8
Dividends	-104.1	-13.2	-18.7	-136.0
Capital increase			3.8	3.8
Other changes	22.5		-22.3	0.2
31 August 2007	**2,064.7**	**683.9**	**556.2**	**3,304.8**

Net income and other revenues and expenses to be recognized directly in equity

€ million	1st half year	
	2008/09	2007/08
Net earnings for the period	**125.5**	**78.7**
Fair value changes in available for sale securities and cash flow hedges	-14.9	-10.9
Foreign currency translation differences from consolidation	20.8	7.1
Total income and expense directly recognized in equity	**5.9**	**-3.8**
Total income and expense for the period	**131.4**	**74.9**
of which attributable to Südzucker AG shareholders	122.4	39.7
of which attributable to hybrid capital	13.2	13.2
of which attributable to other minority interest	-4.2	22.0

Segment report

€ million	2nd quarter			1st half year		
	2008/09	2007/08	Change %	**2008/09**	2007/08	Change %
Südzucker Group						
Gross revenues	1,590.9	1,542.3	3.2	3,120.5	2,936.3	6.3
Consolidation	-63.2	-58.7	7.7	-123.0	-114.4	7.6
Revenues	1,527.6	1,483.6	3.0	2,997.5	2,821.9	6.2
EBITDA	59.1	106.7	-44.6	162.3	197.6	-17.9
EBITDA-Margin	*3.9 %*	*7.2 %*		*5.4 %*	*7.0 %*	
Depreciation	-40.9	-39.9	2.5	-80.8	-77.2	4.7
Operating profit	18.2	66.8	-72.8	81.4	120.4	-32.4
Operating Margin	*1.2 %*	*4.5 %*		*2.7 %*	*4.3 %*	
Restructuring costs and special items	-4.9	-4.5	8.9	113.1	-27.9	-
Income from operations	13.3	62.3	-78.7	194.5	92.5	> 100.0
Investments in fixed assets	101.3	129.1	-21.5	167.5	220.4	-24.0
Average number of employees				18,047	19,435	-7.1
Sugar						
Gross revenues	926.7	955.9	-3.1	1,819.4	1,793.0	1.5
Consolidation	-45.8	-58.7	-21.9	-88.5	-114.4	-22.6
Revenues	880.8	897.2	-1.8	1,730.9	1,678.6	3.1
EBITDA	34.3	35.6	-3.7	73.9	56.8	30.1
EBITDA-Margin	*3.9 %*	*4.0 %*		*4.3 %*	*3.4 %*	
Depreciation	-12.6	-13.1	-3.8	-25.4	-25.2	0.9
Operating profit	21.7	22.5	-3.8	48.4	31.6	53.3
Operating Margin	*2.5 %*	*2.5 %*		*2.8 %*	*1.9 %*	
Restructuring costs and special items	-2.8	0.0	-	119.7	-27.8	-
Income from operations	18.9	22.5	-16.2	168.1	3.8	> 100.0
Investments in fixed assets	24.1	39.4	-38.9	42.1	60.0	-29.8
Average number of employees				8,514	9,891	-13.9
Special products						
Gross revenues	465.6	368.1	26.5	892.7	708.2	26.1
Consolidation	-17.4	0.0	-	-34.5	0.0	-
Revenues	448.2	368.1	21.8	858.2	708.2	21.2
EBITDA	44.8	51.1	-12.3	90.8	103.3	-12.1
EBITDA-Margin	*10.0 %*	*13.9 %*		*10.6 %*	*14.6 %*	
Depreciation	-18.8	-17.3	8.9	-36.7	-33.2	10.4
Operating profit	26.0	33.8	-23.1	54.1	70.1	-22.7
Operating Margin	*5.8 %*	*9.2 %*		*6.3 %*	*9.9 %*	
Restructuring costs and special items	-2.1	-4.5	-52.7	-6.6	-0.1	-
Income from operations	23.9	29.3	-18.4	47.6	70.0	-32.0
Investments in fixed assets	70.3	79.8	-11.9	114.3	143.8	-20.5
Average number of employees				4,058	3,902	4.0
Fruit						
Gross revenues	198.6	218.3	-9.0	408.4	435.1	-6.1
Consolidation	0.0	0.0	-	0.0	0.0	-
Revenues	198.6	218.3	-9.0	408.4	435.1	-6.1
EBITDA	-20.0	20.0	-	-2.4	37.5	> 100.0
EBITDA-Margin	–	*9.2 %*		–	*8.6 %*	
Depreciation	-9.5	-9.5	-0.5	-18.7	-18.8	-0.4
Operating profit	-29.5	10.5	-	-21.2	18.7	-
Operating Margin	–	*4.8 %*		–	*4.3 %*	
Restructuring costs and special items	0.0	0.0	-	0.0	0.0	-
Income from operations	-29.5	10.5	-	-21.2	18.7	-
Investments in fixed assets	6.9	9.9	-30.1	11.1	16.6	-32.9
Average number of employees				5,475	5,642	-3.0

Principles of preparation of the consolidated interim statements

Südzucker Group's consolidated interim report dated August 31, 2008 was prepared in accordance with International Accounting Standard IAS 34 (Interim Financial Reporting) as per the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB).

The same valuation methodology and financial principles as those used for the consolidated financial statements presented on February 29, 2008 were applied in preparing this interim report. The relevant notes to the 2007/08 annual report therefore also apply here. Income taxes were calculated on the basis of local corporate income tax rates in consideration of the income tax forecast for the entire financial year.

The Südzucker Group's 2007/08 annual report can be viewed and downloaded at **www.suedzucker.de/en/downloads/**.

Sugar is primarily produced in the months of October to December. This is why depreciation on systems used for the campaign is primarily applied to the third-quarter results. Maintenance costs arising prior to that time for the upcoming 2008 campaign are accrued for during the fiscal year and are included under other assets.

Companies included in the consolidation

Alcohol Trading Company Limited, London/Great Britain has been fully consolidated since the second quarter. The company is engaged in wholesaling of alcohol. Yongji Andre Juice Co. Ltd., Yongji/China, a joint venture company of AGRANA Juice GmbH and Yantai North Andre Co., Ltd., has been consolidated on a prorated basis since the second quarter. This is the second joint venture for producing apple juice concentrate that AGRANA has founded in China.

Earnings per share

The calculation of earnings per share according to IAS 33 from March 1 to August 31, 2008 is based on 189.4 million shares. No convertible bond shareholders exercised conversion rights during the reporting period. Assuming that the holders of the convertible bond dated December 8, 2008 exercise their right to convert to shares, the diluted earnings per share are € 0.08 for the second quarter and € 0.63 for the first half year.

Inventories

€ million 31 August	2008	2007
Raw materials and supplies	321.2	310.9
Work in progress and finished goods		
Sugar	511.6	572.6
Specialties	141.5	117.9
Fruit	114.8	94.0
Merchandise	52.8	51.4
	1,142.0	**1,146.8**

Inventories of € 1,142.0 (1146.8) million are comparable to last year's level.

In the sugar segment, the higher volume of quota sugar compared to last year because there was no EU market withdrawal in the 2007/08 sugar marketing year already had to be depreciated last fiscal year.

In the fruit segment, forecasts for the apple harvest that started at the end of August in Europe continued to become firmer in the second quarter of 2008/09 and point to a significantly higher harvest yield than last year. The market prices for apple juice concentrate from the new harvest are therefore substantially lower than last year. This required a write-down of € 32.4 million on the net sales revenue expected from apple juice concentrate inventories from the previous year's harvest.

Trade receivables and other assets

€ million 31 August	2008	to 1 year	over 1 year	2007	to 1 year	over 1 year
	Remaining term			Remaining term		
Trade receivables	842.2	842.2	0.0	733.0	733.0	0.0
Receivables due for restructuring assistance, from export recoveriers etc.	458.2	197.7	260.5	42.0	42.0	0.0
Other tax recoverable	44.0	44.0	0.0	106.2	106.2	0.0
Other assets	247.8	234.9	12.9	285.7	245.9	39.8
	1,592.2	**1,318.8**	**273.4**	**1,166.9**	**1,127.1**	**39.8**

The € 109.2 million increase in trade receivables to € 842.2 (733.0) million is due to a number of factors including our expanded sales activities in the sugar segment.

The receivables due from the EU consisting of restructuring aid, export recoveries, etc. of € 458.2 (42.0) million encompass the restructuring aid of € 446.5 million from the EU restructuring fund granted to Südzucker Group for the current year. Südzucker will receive these monies as two lump sum payments; € 178.6 (40%) million in June 2009 and € 267.9 (60%) million in February 2010.

Trade payables and other liabilities

€ million 31 August	2008	to 1 year	over 1 year	2007	to 1 year	over 1 year
	Remaining term			Remaining term		
Trade payables	364.0	364.0	0.0	369.9	369.9	0.0
Liabiliities from restructuring levy	197.1	197.1	0.0	291.5	291.5	0.0
Liabiliities from additional quota	0.0	0.0	0.0	163.6	163.6	0.0
Other liabilities	381.3	363.6	17.7	342.5	322.1	20.4
On-account payments received on orders	4.5	4.5	0.0	7.8	7.8	0.0
	946.9	**929.2**	**17.7**	**1,175.3**	**1,154.9**	**20.4**

Financial liabilities, securities and cash (net financial debt)

€ million 31 August	2008	to 1 year	over 1 year	2007	to 1 year	over 1 year
	Remaining term			Remaining term		
Bonds	1,114.7	298.7	816.0	1,088.4	9.8	1,078.6
– of which convertible	278.0	278.0	0.0	271.5	9.8	261.7
Liabilities to banks	908.7	476.4	432.3	705.9	316.3	389.6
Liabilities from finance leasing	0.4	0.2	0.2	1.1	0.7	0.4
Financial liabilities	**2,023.8**	**775.3**	**1,248.5**	**1,795.4**	**326.8**	**1,468.6**
Securities (non-current assets)	-19.8			-22.0		
Securities (current assets)	-136.5			-121.7		
Cash and cash equivalents	-275.4			-681.1		
Net financial debt	**1,592.1**			**970.6**		

Related parties

The related parties described in our 2007/08 notes to the financial report under item (39) remain unchanged.

Statement from legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for proper interim financial reporting the interim consolidated financial statements give a true and fair view of the assets, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Mannheim, October 15, 2008
Südzucker Aktiengesellschaft Mannheim/Ochsenfurt
The executive board

Dr. Theo Spettmann	Dr. Wolfgang Heer	Dr. Thomas Kirchberg
Thomas Kölbl	Prof. Markwart Kunz, PhD	Johann Marihart

Forward looking statements/forecasts

This interim report contains forward looking statements based on assumptions and estimates made by the executive board of Südzucker AG. Although the executive board may be convinced that these assumptions and estimates are reasonable, the future actual developments and future actual results may vary considerably from the assumptions and estimates due to many external and internal factors. For example, matters to be mentioned in this connection include current negotiations relating to the world trade agreement (WTA), changes to the overall economic situation, changes to market regulations, consumer behavior and state food and energy policies. Südzucker AG takes no responsibility and accepts no liability for future developments and future actual results achieved being the same as the assumptions and estimates included in this interim report.

SÜDZUCKER AG

Financial calendar

Third quarter report 2008/09	January 14, 2009
Annual earnings press and analysts' conference for fiscal 2008/09	May 27, 2009
First quarter report 2009/10	July 15, 2009
Annual general meeting for fiscal 2008/09	July 21, 2009
Second quarter report 2009/10	October 15, 2009

Contacts

Investor relations
Nikolai Baltruschat
investor.relations@suedzucker.de
Phone: +49 621 421-240
Fax: +49 621 421-463

Financial press
Rainer Düll
public.relations@suedzucker.de
Phone: +49 621 421-409
Fax: +49 621 421-425

Südzucker Group on the Internet

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

Publisher

Südzucker Aktiengesellschaft
Mannheim/Ochsenfurt
Maximilianstraße 10
D-68165 Mannheim
Phone: +49 621 421-0

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