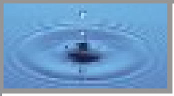
Overview

The Südzucker Group



2004/05

SÜDZUCKER

The Südzucker Group

"REFLECT AND ACT UPON THE TASKS FOR TODAY AND TOMORROW TO PROTECT THE INTERESTS AND LEGITIMATE CONCERNS OF OUR SHAREHOLDERS, CUSTOMERS, STAFF AND FUTURE GENERATIONS."

Südzucker is an international organisation, using agricultural raw materials to produce safe and high-quality products, particularly foodstuffs for the food processing industry and consumers.

In addition to the traditional sugar segment, in which Südzucker is the market leader in Europe, it has a dynamically growing special products segment, incorporating functional food (Palatinit/ORAFTI), starch, portion pack items, bakery additives, deep-frozen products (pizzas), fruit additives/fruit-juice concentrates and bioethanol.

The group's strategic objectives are to stay on a steady path of profitability whilst maintaining sound balance sheet and financial structures.

Südzucker thus concentrates on those activities in which it has a competitive advantage from its existing core competencies. The group's significant strengths include a close connection to agriculture, know-how in the sugar industry and innovative power supported by its internal research infrastructure. Those new business activities which have been set up in parallel with the sugar segment have an affinity to the core business, enabling business risks to be kept within reasonable limits.

Group report 2004/05

Südzucker Group continued its success story in 2004/05. Our strength lies in the fact that we are a broadly-based group with a magnificent growth portfolio, which we are successfully expanding with an investment offensive exceeding € 2 billion in the last three years alone. In the sugar segment, we concentrate on maximizing our competitive raw material base, extending European market leadership and cementing our position by concentrating on quality and service. In the functional food sector, we are rigorously expanding our position on global markets, particularly by customer-oriented innovation, using the trend towards high-quality wellness products. This also applies to the successful expansion of our global fruit division. By commencing production of bioethanol, we are also securing our participation in a forward-looking market with high growth potential.

Our objective is to rigorously and continuously increase the value of the company and its shares in the interests of our shareholders, staff and society.

2004/05 was not only a good year for financial figures, but was also a year in which the group prepared for the recommendations to change the EU sugar market regulation. We have used this foreseeable change to concentrate our efforts even more on the structures, opportunities and challenges of our markets. Thanks to its strengths and resources, our group is in a position to successfully counter the pressures imposed on it. A further and decisive positive competitive advantage for the Südzucker Group is the close co-operation with its sugar beet suppliers. We have already proved in the past that we possess the creativity, solidarity and dynamism to grow and work profitably despite difficult conditions.

Although the existing sugar market regulation ensures a functioning EU sugar market, it is currently being questioned by the EU commission. We acknowledge the need for a debate on the future of the sugar market regulation. As part of its recommendations made in July 2004, the commission has expressed its intention to set out a long-term perspective for efficient production in the EU. We welcome this intention, as it confirms our strategy for the sugar segment of concentrating on the best European sugar beet growing areas. However, when making its recommendations, the commission is called upon to implement its intentions to achieve this objective.

Group revenues and profits

Our group's financial success is based on our strategic and organisational re-positioning, and is reflected in the positive numbers set out in the 2004/05 consolidated financial statements. Group revenues increased by 5.5 % to € 4.8 billion (€ 4.6 billion)* and operating profit grew even further, by 9.2 % to € 523 million (€ 479 million).

Revenues for the sugar segment grew by 3.6 % to € 3.5 billion (€ 3.4 billion) and operating profit increased by 7.7 % to € 360 million (€ 335 million). This growth in sales and profitability is mainly attributable to the success of the eastern European sugar companies.

Turnover in the special products segment rose by 11.0 % to € 1.3 billion (€ 1.2 billion) and operating profit grew by 12.5 % to € 163 million (€ 144 million).

Due to these positive factors, the group's operating margin rose to 10.8 % (10.5 %). Following the substantial volume of capital expenditures, despite the increase in profits, return on capital employed (ROCE) amounted to 11.3 % (11.7 %). Net earnings for the year rose by 16.3 % to € 358 million (€ 307 million) and earnings per share to € 1.73 (€ 1.48). This positive development is also reflected in the recommended dividend of € 0.55 per share.

Restructuring costs and special items could also be improved as well as operating profit, by € 46 million to € 13 million.

Financial results deteriorated from net expense of € 53 million in 2003/04 to net expense of € 79 million in 2004/05. This was due to the increase in net interest expense as a result of substantial capital expenditures. Financial results include income totalling € 16 million from the Atys Group, stated at equity for the first time, and from Eastern Sugar.

Earnings before income taxes amounted to € 458 million and were thus € 64 million, or 16.2 %, above the € 394 million achieved in 2003/04. The group's effective income tax rate could be maintained at 21.7 % (21.9 %). This was partly due to the Austrian corporation tax reform, leading to a reduction in corporation tax rates from 34 % to 25 %. Furthermore, income tax rates are some 19 % in the eastern European EU countries. With taxes on income amounting to € 99 million (€ 86 million), net earnings after tax for 2004/05 amounted to € 358 million, or 16.6 % higher than the € 307 million achieved in 2003/04. Südzucker shareholders' share of these net earnings amounted to € 298 million, 17.1 % more than in 2003/04. This amounts to net earnings per share of € 1.73, compared with € 1.48 in 2003/04.

* The numbers in brackets relate to the previous year.

Cash flow statement

2004/05 was marked by capital expenditures on tangible assets of € 500 million, € 193 million higher than the € 307 million expenditures in 2003/04. A major part of this expenditure was the construction within one year of a bioethanol production plant at Zeitz, with a total capital expenditure volume of some € 200 million. Capital expenditures in expanding Isomalt production capacity at Offstein continued. The growing demand for Raftiline®/Raftilose® products has been reflected by the construction of a second ORAFTI production plant in Chile.

Südzucker used the opportunity to acquire 14.2 % of the shares in Raffinerie Tirlemontoise from institutional investors for € 368 million. Overall, the holding in R.T./SLS Group was increased to 99.6 %, with 0.4 % of the shares held by Belgian sugar beet farmers. Together with the increase in holdings of Atys, Steirerobst and the acquisition of Wink, € 590 million was invested in financial assets.

Total capital expenditures of € 1,090 million were primarily financed by shareholders' equity, on the one hand from increased operating cash flow of € 550 million (€ 522 million) and on the other hand by capital increases at AGRANA and Z+S Holding AG in February 2005, from which cash flows of € 248 million increased group equity.

The remainder was financed by current and non-current third-party funds. After considering the effects of changes in working capital, group companies included in the consolidated financial statements for the first time and dividend payments, net third-party debt amounted to € 1,672 million (€ 1,100 million).

Balance sheet

Südzucker Group's total assets increased by € 1,157 million, or 19.2 %, to € 7,195 million (€ 6,038 million). This increase was significantly influenced by capital expenditures in bioethanol and expanding Palatinit and ORAFTI capacity. For financial assets, the increase was mainly due to the expansion of the fruit group, with an uplift to 50 % in the investment in Atys Group. The increase of € 261 million in intangible assets is primarily due to the acquisition of 14.2 % of Raffinerie Tirlemontoise.

Shareholders' equity rose by € 352 million, from € 2,386 million on 29 February 2004 to € 2,738 million at 28 February 2005. Increases due to net earnings for the year of € 358 million and capital increases of € 248 million were partly offset by dividend payments of € 102 million and a decrease in minority interest due to the acquisition of 14.2 % of Raffinerie Tirlemontoise S.A.. The ratio of shareholders' equity to total liabilities and shareholders' equity of 38.0 % and the ratio of net financial debt to shareholders' equity of 61.1 % underline the group's sound financing ratios. € 1,216 million of net financial debt is financed long-term by debentures and convertible bonds.

Personnel

Südzucker Group employed an average of 17,494 (17,973) staff worldwide during 2004/05. The change is mainly due to a decline in the number of employees in Poland following the restructuring program carried out there, and strong growth in the fruit division.

Research and development

The main areas of research and development for the Südzucker Group include developing new products and product variances, optimizing production processes and supporting marketing and business development activities.

The range of work covers agricultural production, developments relating to the sugar, fruit additives, starch, inulin and ethanol divisions and their end-products (such as special sugar varieties and products, sugar substitutes and other functional carbohydrates), through to applications in the food, feed and non-food areas. Activities include product and process development, process optimization, product safety, application technology, analytical consulting, nutritional science and patents.

These tasks are carried out by some 250 staff at five group locations. National and international co-operation with universities and research institutes supplement the group's own work in some fields of research. The total budget for research and development amounted to some € 27 million (€ 26 million) in 2004/05.

		2004/05	2003/04
Employees (average during the year)		17,494	17,973
Total assets	€ million	7,195	6,038
Non-current assets	€ million	4,094	3,359
Shareholders' equity	€ million	2,738	2,386
as % of total liabilities and shareholders' equity	%	38.1	39.5
Medium-term and long-term third-party liabilities	€ million	2,163	2,039
Total shareholders' equity, medium-term and long-term liabilities	€ million	4,901	4,425
as % of non-current assets	%	119.7	131.7
Current assets less current liabilities	€ million	807	1,066
Capital expenditures in tangible assets[1]	€ million	500	307
Investments in financial assets[2]	€ million	590	181
Total capital expenditures	€ million	1,090	488
Gross cash flow from operating activities	€ million	550	522
as % of sales	%	11.4	11.4
Revenues	€ million	4,827	4,575
of which foreign	€ million	3,495	3,135
Personnel expense	€ million	585	565
Operating profit	€ million	523	479
as % of sales	%	10.8	10.5
Operating margin	%	10.8	10.5
ROCE	%	11.3	11.7
Net earnings for the year	€ million	358	307
as % of sales	%	7.4	6.7
Earnings per share	€	1.73	1.48
Beet processing	1,000 t	31,053	26,717
Beet processing capacity	1,000 t/day	341	359
Sugar production	1,000 t	5,132	4,442
Sugar sales volumes	1,000 t	4,690	4,746
Dividend per €1 ordinary share	€	0.55[3]	0.50
Total dividend distribution	€ million	96	87

[1] Including intangible assets.
[2] Including acquisitions of consolidated subsidiaries.
[3] Proposed.

SÜDZUCKER

SUGAR SEGMENT	2004/05	
Revenues	3,518	€ million
Operating profit	360	€ million
Operating margin	10.2	%
ROCE	10.3	%
Capital expenditures in tangible assets	144	€ million
Investments in financial assets	473	€ million
Employees	12,001	
Beet processed	31.0	million t
Sugar production	5.1	million t

GERMANY

- 11 sugar factories
- Sugar production: 1,806,000 t

FRANCE

- 5 sugar factories and one refinery
- Sugar production: 1,111,000 t

BELGIUM

- 3 sugar factories
- Sugar production: 660,000 t

POLAND

- 12 sugar factories
- Sugar production: 518,000 t

AUSTRIA

- 3 sugar factories
- Sugar production: 458,000 t

ROMANIA

- 2 sugar factories (of which 1 refinery)
- Sugar production: 183,000 t

HUNGARY

- 2 sugar factories
- Sugar production: 161,000 t

CZECH REPUBLIC

- 2 sugar factories
- Sugar production: 113,000 t

SLOVAKIA

- 2 sugar factories
- Sugar production: 65,000 t

MOLDOVA

- 3 sugar factories
- Sugar production: 58,000 t

SPECIAL PRODUCTS SEGMENT	2004/05	
Revenues	1,309	€ million
Operating profit	163	€ million
Operating margin	12.4	%
ROCE	14.3	%
Capital expenditures in tangible assets	356	€ million
Investments in financial assets	117	€ million
Employees	5,493	

ORAFTI/PALATINIT

- Development, production and marketing of food ingredients such as inulin, oligofructose, fructose syrup, Isomalt and rice starch products

STARCH

- Development, production and marketing of starch for use in the food and non-food sectors
- 2 production locations in Austria; processing of 280,000 t of corn and 204,000 t of potatoes
- 1 production location in Hungary and Romania

PORTIONPACK EUROPE

- Production and marketing of portion pack articles

SURAFTI

- Production and sale of food ingredients on sugar basis

FREIBERGER

- Development, production and marketing of deep-frozen pizzas, pastas and baguettes as well as chilled pizzas
- 5 production locations

BIOETHANOL

- Development, production and marketing of bioethanol for the energy sector
- 3 production locations

FRUIT

- Development, production and marketing of fruit additives and fruit-juice concentrates
- 37 production locations world-wide (of which 14 outside Europe)

Sugar segment

Overview

The figures for the sugar segment relate to Südzucker AG, Südzucker International, , Raffinerie Tirlemontoise, Saint Louis Sucre and AGRANA. The segment also includes the agricultural and animal feed divisions.

Key figures for the sugar segment

		2004/05	2003/04
Revenues	€ million	3,518	3,395
Operating profit	€ million	360	335
Operating margin	%	10.2	9.9
ROCE	%	10.3	10.3
Capital expenditures in tangible assets	€ million	144	206
Investments in financial assets	€ million	473	109
Employees		12,001	13,812
Beet processing	million t	31.0	26.7
Sugar production	million t	5.1	4.4

Growth of 3.6 % in revenue for the sugar segment, from € 3,395 million to € 3,518 million, was primarily due to positive developments in eastern Europe, where EU expansion on 1 May 2004 led to an expected sharp rise in revenues, from € 373 million to € 562 million. On the other hand, in the EU 15 area there was a decrease in revenues of some 2.2 %. This was due to low sugar production during the 2003 campaign, whereby less sugar was available for export in 2004/05. Further negative factors were price pressure and a reduction in mixed feed and molasses revenues.

The increase in operating profit in the sugar segment was due to the positive performance of the eastern European sugar entities. Admission to the EU of the eastern European EU candidate states, in which Südzucker, with a sugar quota share of 24 %, is more strongly represented than in the original EU 15, led to a sharp increase in profitability. Indeed, the eastern European companies achieved a better operating margin than the entities in the EU 15. The inclusion for the whole year of Śląska Spółka Cukrowa holding company, in which nine Silesian sugar factories are combined (2003/04: 9 months), boosted this positive performance still further. Results of the German, Belgium, French and Austrian sugar companies were negatively affected by price reductions, particularly for exports of quota sugar to countries outside the EU, lower C-sugar contributions to profitability and higher energy and coking coal costs.

For ease of comparison, the figures for the campaign and sales quantities for the past financial year are divided into EU 25, EU 15, new EU member states and other countries.

Sugar production from beet and refining

Group
The total area of sugar beet under cultivation for the Südzucker Group in 2004/05 was 495,200 hectares (498,800 hectares). With an average of 9.7 tonnes per hectare (8.4 tonnes per hectare) the sugar yield was sharply higher than for the previous year. In total, 4.80 million tonnes (4.17 million tonnes) of sugar was processed from 31.1 million tonnes (26.7 million tonnes) of sugar beet and, including the refinery of raw sugar, sugar production within the group reached 5.13 million tonnes (4.44 million tonnes). The higher sugar beet quantities and closure of seven factories (1 in Belgium, 6 in Poland) led to a campaign lasting 91 days (75 days) and thus to better plant utilisation.

EU 25
The area of sugar beet under cultivation for Südzucker companies in the EU 25 was 479,600 hectares (477,800 hectares). However, the increase in beet harvested was much sharper, growing to 30.6 million tonnes (26.3 million tonnes). Sugar production rose to 4.74 million tonnes (4.11 million tonnes) due to a high sugar yield of 9.9 tonnes per hectare (8.6 tonnes per hectare).

EU 15
The area of beet under cultivation for the companies in the EU 15 remained unchanged from the previous year at 361,400 hectares (361,400 hectares), whereby the beet harvest increased to 25.2 million tonnes (21.6 million tonnes) and the sugar yield to 10.8 tonnes per hectare (9.4 tonnes per hectare). This resulted in a sugar production from beet of 3.89 million tonnes (3.39 million tonnes).

New EU member states
The area of beet under cultivation for Südzucker companies in the new member states which joined the EU in 2004 rose to 118,200 hectares (116,500 hectares). The amount of beet harvested increased even further, to 5.4 million tonnes (4.7 million tonnes) and the sugar yield was 7.2 tonnes per hectare (6.2 tonnes per hectare). A total of 0.86 million tonnes (0.72 million tonnes) of sugar was produced.

Other countries
The area of beet under cultivation for Südzucker International in Moldova rose by 11 % compared with the previous year to 15,600 hectares (14,100 hectares). With plant concentration of 71,000 per hectare, sugar yields were 3.7 tonnes per hectare (2.7 tonnes per hectare), considerably higher than the previous year. 0.06 million tonnes (0.04 million tonnes) of sugar were processed in 57 (41) campaign days from 0.5 million tonnes (0.3 million tonnes) of beet. No sugar beet was planted for AGRANA International in Romania in 2004. 0.18 million tonnes (0.13 million tonnes) of sugar were produced from refining.

Sugar sales volumes

Group
The most significant event in the past year was the expansion of the European Union by ten member states. The Südzucker Group was involved early in the most important beet-growing countries, Poland, The Czech Republic, Slovakia and Hungary, and achieved a quota share of 24 %, whereby Poland is of the greatest importance with respect to sugar production.

The introduction of the sugar market regulation with its guaranteed intervention price, so successfully used in the EU countries, initially led to insecurity in the new member states. Price levels increased overnight, leading to a reduction in purchases in the first few months of EU membership. The EU took measures to prevent inventory building at former, lower prices, in order to counter speculation, but such measures were not rigorously enforced.

Despite a relatively smooth merger of these markets, price differences between the old and new EU member states led to problems. It was not only prices that were different, but also quality, both absolutely and relative to the consistency of individual quality parameters. This also applies to supplier services, such as just-in-time or short-term deliveries and delivery guarantees, upon which our customers have based their own logistics processes for many years. Hence, our customers are prepared to pay a bonus for such services. Our competitors attempt to minimise these quality deficiencies or compensate for them by offering lower prices. In this price/quality environment a new market differentiation will emerge, with our customers using very varied quality strategies.

The reduction in quotas (declassification), which was not made in September 2004, also had a negative effect on sugar exports.

The GATT obligations made by the EU limit the opportunity of using quota sugar exports, both for quantity and value. In order to adhere to these self-imposed limits, the EU commission can use declassification to make flexible adjustments to quotas. The lack of declassification in September 2004, due to a mistaken estimate by the EU, led to supply pressures. For the current financial year we expect declassification of 1.5 million tonnes of sugar in September 2005, which will give considerable relief to the market.

The consolidated total sales volumes for all group companies amounted to 4,689,600 tonnes (4,746,000 tonnes) of sugar in 2004/05, almost at the same level as for the previous year. This is due on the one hand to a decline of 2.2 % in domestic sales compared with the previous year and, on the other hand, to an increase of 1.3 % in exports.

EU 25
Total sales volumes of EU group companies in 2004/05 were 4,430,200 tonnes (4,526,300 tonnes) of sugar, a decline of 2.1 % over the previous year. Sales quantity decreases of 3.8 % in Germany and of 3.2 % in the EU were only offset by a 1.9 % increase in exports to other countries.

EU 15
Sales quantities of the EU 15 companies reached 3,819,700 tonnes (3,868,100 tonnes) of sugar in 2004/05.

New EU member states
The companies in the countries which joined the EU on 1 May 2004 suffered a decrease of 7 % in sales quantities to 610,500 tonnes (658,200 tonnes) of sugar. Domestic sales quantities were some 9 % lower than for the previous year, partly due to joining the EU and related problems.

Other countries
The east European sugar companies outside the EU recorded total sales of 259,400 tonnes (227,300 tonnes) of sugar, an increase of 14 % in 2004/05. With higher domestic sales quantities of some 19 %, exports declined significantly.

Special products segment

Overview

The special products segment includes the ORAFTI/Palatinit, starch, PortionPack, Surafti and Freiberger divisions as well as the fruit activities and bioethanol.

In the special products segment, the climb in revenues continued with an increase of € 129 million, or 11.0 %, from € 1,180 million to € 1,309 million. About half this increase in turnover was due to continuing growth in the functional food, Freiberger and starch divisions. Sales growth in the special products segment was boosted by the integration of Steirerobst (9 months for 2004/05) and Stateside (only 6 months in 2003/04).

A double-digit profit increase of 12.5 %, to € 163 million, was recorded by the special products segment. Eliminating the special effects of changing Freiberger's financial year in 2003/04, this segment's growth would be even stronger. The main driver of this expansion continues to be the functional food division, with strongly above-average growth rates. Normalisation of raw materials costs led to a clear improvement in profitability in the starch division.

Key figures for the special products segment

		2004/05	2003/04
Revenues	€ million	1,309	1,180
Operating profit	€ million	163	144
Operating margin	%	12.4	12.2
ROCE	%	14.3	17.2
Capital expenditures in tangible assets	€ million	356	101
Investments in financial assets	€ million	117	72
Employees		5,493	4,161

ORAFTI/Palatinit

Palatinit GmbH was able to continue its dynamic growth in 2004/05 with Isomalt, the sugar substitute. All leading confectionery producers, whether in Japan, South America, the USA or Europe, have confectionery containing Isomalt in their product range, as sugar-free candy and chewing gum, which are traditionally strong market segments for Isomalt, continue to record satisfactory growth globally.

The trend towards food with low glycemic effects, increasingly supported by nutritional science, is having an effect on the market. Many products have been launched on the market with carbohydrates which are either slowly or only partly metabolised and thus lead to a lower increase in blood sugar and insulin. Isomalt from Palatinit possesses related nutritional physiological and sensory properties and is thus exceptionally well suited as an additive for these products.

The ORAFTI Group successfully operates in the food ingredients division with nutritional-specific and functional products prepared on a chicory basis as well as rice ingredients and syrups on a fructose basis.

ORAFTI was also able to progress further with its chicory-based inulin products in 2004/05, despite increased competition on the market. Market penetration could be significantly increased in the active food ingredients division (inulin and oligofructose for nutrition). This has resulted in many new products, including brands, with Raftiline® or Raftilose® as additives being brought to market by the larger food companies. Construction of a new plant to process chicory to inulin was started in Chile; work is progressing according to plan. The liquid sweeteners division was again successful on the market with its fructose-based, customer-tailored products despite the unfavourable summer weather for sales volumes. A breakthrough on the market could be achieved by the bio-based chemicals division. The first customers are starting to use Inutec, active surface materials. Despite increased competition, particularly from Asia, and negative foreign currency rates, Remy Industries has also achieved growth with its rice-based food additives.

Starch

AGRANA has responsibility for Südzucker Group's corn- and potato-based starch operations.

In **Austria** total sales quantities of starch and supplementary products could be increased by 3.5 % compared with the previous year, to 331,700 tonnes (320,300 tonnes) in 2004/05. Revenues increased by 12 % due to our successful special product strategy. **Hungrana**, the Hungarian corn-based starch and isoglucose factory, in which AGRANA holds 50 %, processed 357,700 tonnes (408,000 tonnes) of corn. Hungrana has a EU market share of 27 % in isoglucose, with 137,000 tonnes. Hungrana produced 22,000 m^3 of bioethanol, and an expansion to 50,000 m^3 is planned to meet the growing market for this fuel additive. 21,100 tonnes (13,400 tonnes) of corn were processed to corn-based starch and glucose at the Romanian corn-based starch factory **S.C. A.G.F.D. Tandarei**. Demand by the processing industry for starch-based products has increased sharply due to the economic recovery in Romania. Furthermore, Tandarei could also show a sharp increase in market share and now holds one-third of the market for home-grown corn-based starch and glucose.

Special products segment

PortionPack Europe
PortionPack Europe Group specialises in portion packs for the catering and wholesaler sectors and has a leading position in Europe. This group of companies, which has grown rapidly over the past few years, could almost maintain revenues at € 112 million (€ 114 million) in a difficult market environment and improved its operating profit.

Surafti
The Surafti Group produces and sells fondants and other sugar-based special products to the European bakery industry. Existing, mature structures have been more efficiently designed in order to remain competitive. Revenues could be well maintained in 2004/05 at € 98 million (€ 97 million).

Freiberger
Freiberger Group, allocated to the special products segment, produces deep-frozen and chilled pizzas, deep-frozen pastas and baguette-based meals and is the EU's largest deep-frozen pizza manufacturer, with a market share of some 20 %.

The group's strategy, with its substantial independence from brand name articles, was successful in the past year and led to overall satisfactory operating results. The group's market position in Germany was maintained despite a difficult overall economic environment, and exports could be improved.

With modern production facilities at the head office in Berlin, in Muggensturm in Baden, in Austria and Great Britain as well as further sales outlets in France and Poland, Freiberger is well-positioned throughout Europe to rigorously use its existing growth potential in an expanded EU in the future.

Fruit
In 2003, the Südzucker Group began establishing a fruit-juice concentrate and fruit additives division via AGRANA. Activities are concentrated on fruit additives and fruit-juice concentrates in the business-to-business area. Fruit additives are mainly produced from fruit, sugar and setting material. Major customers are dairies, the bakeries industry and ice cream producers. Fruit-juice concentrates are mainly based on juice from apples and berries. Both the market for fruit additives and the market for fruit-juice concentrates show a positive growth trend.

The expansion of the new division is proceeding as planned. The Danish concentrate producer Vallø Saft A/S was 100 % acquired in 2003/04. A majority holding has meanwhile been acquired in Steirerobst AG, the Austrian fruit additives and concentrates producer.

The cornerstone of the fruit division is the French Atys Group. By purchasing the Belgium company Dirafrost at the end of September 2004, Atys has acquired a specialist supplier of deep-frozen fruits and fruit purées. Atys also started operations at a new fruit additives factory in Centerville, Tennessee. In order to further strengthen the fruit-juice concentrates division, the Wink Group, Bingen was acquired in January 2005.

The fruit division achieved revenues of some € 630 million in 2004/05 (based on a pro forma calculation of all companies). Global market share amounts to some 37 % for fruit additives and some 9 % for fruit-juice concentrates.

Bioethanol

As from the beginning of 2004, biological fuels, including in mixed fuels, were exempted from mineral oil tax in Germany for the period from 1 January 2004 to 31 December 2009. The required political and economic stage was thus set for developing a market for biological-based fuels.

As a result, Südzucker has considerably expanded the group's bioethanol activities which, to date, have been based on a plant attached to the Eppeville sugar factory in France and on a joint venture in Hungary. At the beginning of February 2004 the foundation stone was laid for a state-of-the-art plant at Zeitz, Saxony-Anhalt.

Production and product marketing is made via Südzucker Bioethanol GmbH using the new CropEnergies brand name. The plant, which is planned to process an annual 700,000 tonnes of wheat, will reach its full daily capacity of some 760 m^3 of bioethanol in autumn 2005 and can produce more than 260,000 m^3 ethanol annually for marketing to the oil and petrochemicals industry. Furthermore, some 260,000 tonnes of the high-value protein feedstock DDGS (distillers dried grains with solubles) will be produced, to be sold primarily to the mixed-feed industry under the ProtiGrain® brand name. In addition, an annual 30,000 megawatts of electricity will be fed into the national grid.

Südzucker share

Share price movement

Südzucker's share price initially rose to € 17.31 in June 2004 before falling back to € 14.15 in November 2004. At 28 February 2005, the Südzucker share price was € 16.18 and thus showed an increase of 4.1 % compared with its price at the end of the previous year. When considering the dividend distribution of € 0.50 for 2003/04, the rise compared with the previous year was 7.3 %. Thus, the Südzucker share price performed better than the Food & Beverage industry index within the Dow Jones STOXX 600, which only rose by 1.4 % over the same period.

Long-term increase in value

The Südzucker share has proven to be an attractive investment long-term, both in absolute and relative terms. An investor acquiring Südzucker shares for the equivalent of € 10,000 on 1 March 1988, using cash dividends to re-invest in new shares and taking up pre-emptive rights to participate in capital increases, would have had a portfolio with a value of € 67,642 on 28 February 2005. This represents an average annual growth of 11.9 %. Over the same period, the DAX only rose by an annual 8.8 %. and the MDAX by 10.5 %.

Südzucker share data

		2004/05	2003/04
Dividend	€	0.55[1]	0.50
Dividend yield	%	3.4	3.2
Price of the end of the year[2]	€	16.18	15.55
Market capitalisation of the end of the year	€ million	2,828	2,718
Number of issued € 1 shares		174,787,946	174,787,946
Key ratios			
Earnings per share	€	1.73	1.48
Cash flow per share	€	3.15	3.03
Price-earnings ratio		9.4	10.7
Price-cash flow ratio		5.1	5.1
ROCE	%	11.3	11.7

[1]Proposed. [2]Closing price Frankfurt stock exchange.

Market capitalisation and indices

Our market capitalisation increased by € 110 million to € 2,828 million at 28 February 2005. The Südzucker share's weighting in the German MDAX, a major index for capital markets and a measure for fund managers, is 1.6 %. As well as the MDAX, the Südzucker share is included in other international indices. These include MSCI in Germany, the Dow Jones STOXX 600 and the FTSE Euromid index.

Turnover of Südzucker shares increased sharply over the entire year, by 10 % to € 1.9 billion, and this now represents twice the free float market capitalisation. The increased liquidity of the Südzucker share is underlined by its average daily share turnover, which rose to 479,000 (452,000) shares per trading day.

Shareholder structure

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) continues to hold a majority of 56 % with its own shares and those shares held by them on trust for their own shareholders. Other investors include our Austrian shareholders, via ZSG, with 10 %. Hence, 34 % of Südzucker shares are widely held (free float).

Investor relations

As in the past, our activities have been particularly directed towards informing analysts, institutional investors, rating agencies and our private shareholders timely about Südzucker. The annual general meeting and our internet homepage have a central part to play in informing our private shareholders about strategy and performance of the business.

Ratings

Südzucker AG is rated by the leading rating agencies Moody´s Investor Service and Standard & Poor´s. In March 2004 Moody´s issued a rating of A 3. Thus, the two rating agencies have issued the same long-term rating of A 3 and A- respectively. The outlook is rated by Moody´s as "negative" and by Standard and Poor´s as "stable".

Higher dividend for 2004/05

The executive board and supervisory board will recommend to the annual general meeting on 28 July 2005 that the dividend be increased from € 0.50 € to € 0.55 per share. The total distribution will then increase from € 87 million to € 96 million. With this dividend recommendation we are sticking to our results-based dividend policy, which has led to an average increase of 11 % p.a. in the amounts distributed to our shareholders over the past 25 years.

Imprint

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May 2005

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