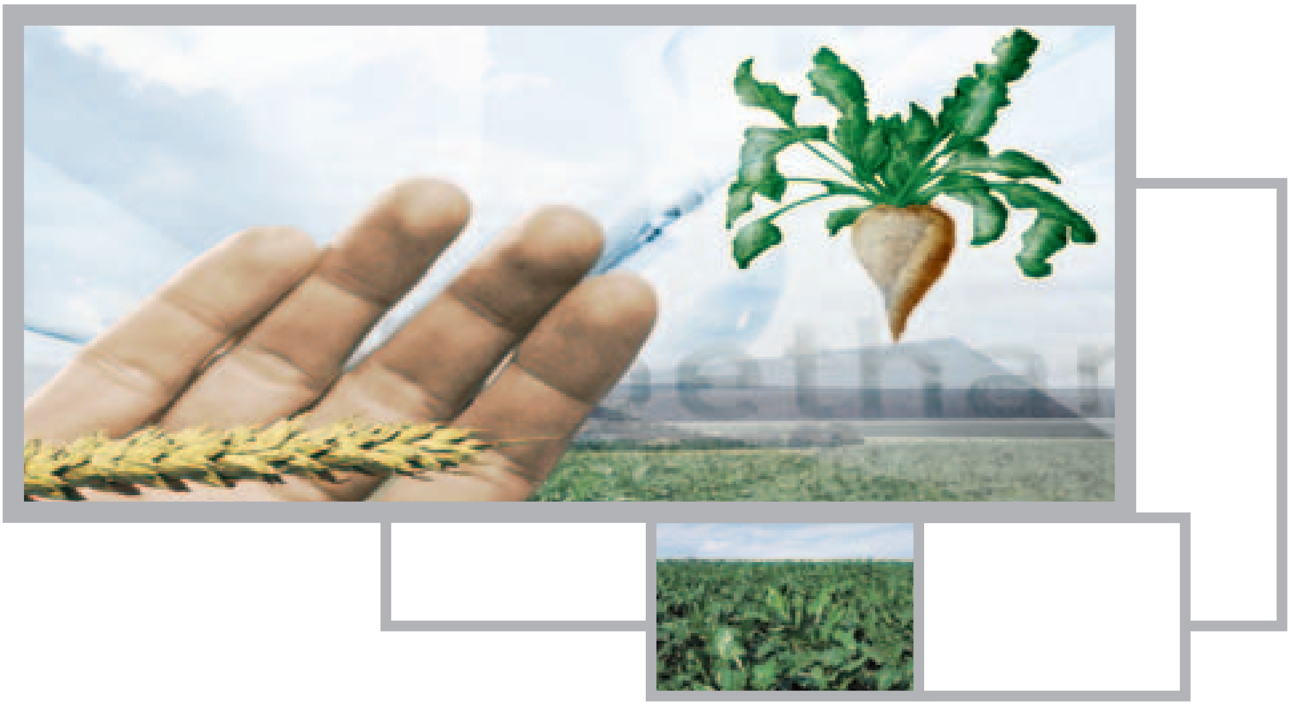
Annual Report Südzucker AG 2004/05



SÜDZUCKER

Südzucker Aktiengesellschaft
Mannheim/Ochsenfurt

Group Annual Report

for 2004/05

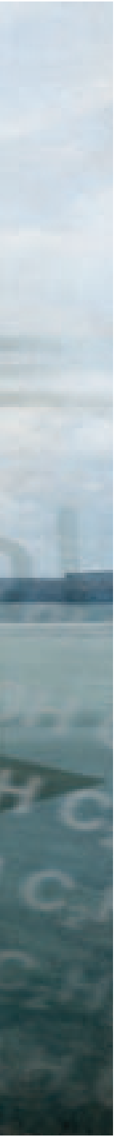
1 March 2004 to

29 February 2005

Using its **CropEnergies** brand, Südzucker started producing bioethanol and animal feed from wheat and sugar beet at a new and innovative plant in 2005.
Four double-page spreads set out the benefits of Südzucker's bioethanol to investors, consumers, agriculture and the environment. We are committed to natural, sustainable growth.

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.

Contents

The numbers in brackets in this annual report relate to the previous year.

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Key figures

		IFRS/IAS 2004/05	IFRS/IAS 2003/04	IAS 2002/03
Group				
Employees (average during the year)		17,494	17,973	14,855
Total assets	€ million	7,195	6,038	5,826
Non-current assets	€ million	4,094	3,359	3,237
Shareholders' equity	€ million	2,738	2,386	2,221
as % of total liabilities and shareholders' equity	%	38.1	39.5	38.1
Medium-term and long-term third-party liabilities	€ million	2,163	2,039	1,813
Total shareholders' equity, medium-term and long-term liabilities	€ million	4,901	4,425	4,034
as % of non-current assets	%	119.7	131.7	124.6
Current assets less current liabilities	€ million	807	1,066	797
Capital expenditures in tangible assets[1]	€ million	500	307	207
Investments in financial assets[2]	€ million	590	181	46
Total capital expenditures	€ million	1,090	488	253
Gross cash flow from operating activities	€ million	550	522	580
as % of sales	%	11.4	11.4	13.2
Revenues	€ million	4,827	4,575	4,384
of which foreign	€ million	3.495	3,135	3,024
Personnel expense	€ million	585	565	526
Operating profit[3]	€ million	523	479	520
as % of sales	%	10.8	10.5	11.9
Net earnings for the year	€ million	358	307	315
as % of sales	%	7.4	6.7	7.2
Earnings per share	€	1.73	1.48	1.52
Beet processing	1,000 t	31,053	26,717	29,744
Beet processing capacity	1,000 t/day	341	359	336
Sugar production	1,000 t	5,132	4,442	4,707
Sugar sales volumes	1,000 t	4,690	4,746	4,514
Dividend per € 1 ordinary share	€	0.55[4]	0.50	0.50
Total dividend distribution	€ million	96	87	87

[1] Including intangible assets.
[2] Including acquisitions of consolidated subsidiaries.
[3] Until 1997/1998 adjusted income from ordinary operating activities per German accounting principles (HGB).
[4] Proposed.

IAS 2001/02	IAS 2000/01	IAS 1999/2000	IAS 1998/99	HGB 1997/98	HGB 1996/97	HGB 1995/96
23,638	28,415	29,579	25,619	20,394	19,239	19,539
5,843	4,947	4,677	4,588	3,597	3,622	3,196
3,303	2,387	2,450	2,436	1,662	1,741	1,605
2,010	1,703	1,619	1,553	904	1,016	867
34.4	34.4	34.6	33.8	25.1	28.1	27.1
1,928	1,598	1,502	1,523	1,123	1,094	1,097
3,938	3,301	3,121	3,076	2,028	2,110	1,964
119.2	138.3	127.4	126.3	122.0	121.1	122,4
635	914	671	640	366	369	359
219	215	233	238	209	213	194
1,671	37	87	209	184	209	77
1,890	252	320	447	393	422	271
551	498	472	464	480	437	410
11.5	10.7	10.5	10.3	11.5	11.3	10.7
4,776	4,664	4,517	4,504	4,187	3,885	3,826
2,672	2,404	2,407	2,404	2,075	1,923	1,852
684	728	720	711	654	620	622
465	392	329	308	279	259	242
9.7	8.4	7.3	6.8	6.7	6.7	6.3
280	209	174	140	167	146	114
5.9	4.5	3.8	3.1	4.0	3.8	3.0
1.45	1.30	1.04	0.89	1.02	0.89	0.78
25,030	22,251	23,432	21,224	20,294	19,718	19,416
342	290	279	245	245	233	233
4,010	3,491	3,596	3,078	3,169	3,103	2,819
4,694	3,617	3,414	3,282	3,149	2,816	2,851
0.47	1.34	0.87	0.33	0.33	0.33	0.30
82	193	120	47	46	43	36

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

THE GROUP

Revenues
Operating profit
Operating margin
ROCE
Capital expenditures in tangible assets
Investments in financial assets
Employees

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 one refinery)
- Sugar production: 183,000 t

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

THE 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

	2004/05
	€ 4,827 million
	€ 523 million
	10.8 %
	11.3 %
	€ 500 million
	€ 590 million
	17,494

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, Isomalt and rice-based 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 marketing of sugar-based food ingredients

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)

Supervisory board

Dr. Hans-Jörg Gebhard
Chairman
Eppingen
Chairman of the Association of Süddeutscher Zuckerrübenanbauer e. V.

Dr. Christian Konrad
Deputy chairman
Vienna, Austria
Chairman of the supervisory board of AGRANA Beteiligungs-AG, Vienna

Franz-Josef Möllenberg**
Deputy chairman
Rellingen
Chairman of the Food and Catering Union

Heinz Christian Bär
Karben – Burg Gräfenrode
Vice-president of the Deutschen Bauernverbands e. V.

Gerlinde Baumgartner**
Osterhofen
Member of the works council of the Plattling works of Südzucker AG Mannheim/Ochsenfurt

Dr. Ulrich Brixner
Dreieich
Chairman of the executive board of DZ BANK AG

Ludwig Eidmann
Groß-Umstadt
Chairman of the Association of Hessen-Nassauischen Zuckerrübenanbauer e. V.

Dr. Jochen Fenner
from 11 May 2005
Gelchsheim
Chairman of the Association of Fränkischer Zuckerrübenbauer e. V.

Egon Fischer**
from 29 July 2004
Offstein
Deputy chairman of the works council ZAFES Offstein Südzucker AG Mannheim/Ochsenfurt

Manfred Fischer**
Feldheim
Chairman of the central works council of Südzucker AG Mannheim/Ochsenfurt

Paul Freitag
† 9 April 2005
Oberickelsheim-Rodheim
Chairman of the Association of Fränkischer Zuckerrübenbauer e. V.

Erwin Hameseder
Mühldorf, Austria
Managing director of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.

Hans Hartl**
Ergolding
State area chairman of the Food and Catering Union in Bavaria

Klaus Kohler**
Bad Friedrichshall
Chairman of the works council of the Offenau works of Südzucker AG Mannheim/Ochsenfurt

Erhard Landes
from 29 July 2004
Donauwörth
Chairman of the Association of bayerischer Zuckerrübenanbauer e. V.

Jörg Lindner**
Malterdingen
Former divisional officer Food and Catering Union

Ulrich Müller
Illsitz
Chairman of the Association of Sächsisch-Thüringischer Zuckerrübenanbauer e. V.

Dr. Arnd Reinefeld**
from 29 July 2004
Offstein
Manager of the Südzucker AG Mannheim/Ochsenfurt Offstein and Groß-Gerau works

Ronny Schreiber**
from 29 July 2004
Einhausen
Chairman of the works council Mannheim head office Südzucker AG Mannheim/Ochsenfurt

Ernst Wechsler
Westhofen
Chairman of the Association of Hess.-Pfälzischen Zuckerrübenanbauer e. V.

Roland Werner**
Saxdorf
Chairman of the works council of the Brottewitz works of Südzucker AG Mannheim/Ochsenfurt

Members who retired at the conclusion of the annual general meeting on 29 July 2004:

Helmut Drescher**
Wattenheim
Former chairman of the central works council of Südzucker AG Mannheim/Ochsenfurt

Erich Muhlack**
Regensburg
Former manager of the Südzucker AG Mannheim/Ochsenfurt Plattling, Rain and Regensburg works

Richard Schwaiger
Aiterhofen
Honorary chairman of the Association of bayerischer Zuckerrübenanbauer e. V.

Klaus Viehöfer**
Grana
Former member of the works council of the Zeitz works of Südzucker AG Mannheim/Ochsenfurt

* *A listing of other board memberships is set out on page 106 of this annual report.*
** *Employee representative.*

Executive board

Dr. Theo Spettmann
(Spokesman)
Ludwigshafen

Sugar sales
Strategic corporate planning/
group development/investments
Public relations
Organisation/IT
Food law/consumer policy/ quality control
Personnel and social matters
Marketing

Albert Dardenne
Melin, Belgium

Administrateur délégué of
Raffinerie Tirlemontoise S.A.
ORAFTI
Surafti
PortionPack

Dr. Christoph Kirsch
Weinheim/Bergstraße

Finance
Accounting
Financial management/controlling
Operational corporate policy
Taxation
Legal matters
Property/insurance
Procurement of supplies
and consumables

Thomas Kölbl (deputy)
from 1 June 2004
Mannheim

Prof. Dr. Markwart Kunz
Worms

Production/technical
Research/development/services
Procurement of capital goods/
maintenance materials, services
Palatinit
Bioethanol (Germany, Hungary)

Johann Marihart
Limberg, Austria

Chairman of the executive board of
AGRANA Beteiligungs-AG
Raw material crops/starch
South-eastern Europe

Dr. Rudolf Müller
Ochsenfurt

Agricultural policies
Beet/animal feed and by-products
Farms
Research and development in the
agricultural area
Audit
Poland

Frédéric Rostand
Paris, France

Chairman of the executive board of
Saint Louis Sucre S.A.
Bioethanol (France)/cane sugar

Members of the executive board. From left.
Dr. Rudolf Müller, Frédéric Rostand, Dr. Christoph Kirsch, Dr. Theo Spettmann, Prof. Dr. Markwart Kunz, Albert Dardenne, Johann Marihart, Thomas Kölbl.

We invite our shareholders to the

annual general meeting

to be held at the Congress Centre Rosengarten, Rosengartenplatz 2, 68161 Mannheim,
on Thursday 28 July 2005, at 10.30 a.m.

1. Presentation of the annual financial statements, the approved consolidated financial statements and the management report of Südzucker AG Mannheim/Ochsenfurt and the group for 2004/05, together with the report of the supervisory board
2. Appropriation of retained earnings
3. Ratification of the acts of the executive board for 2004/05
4. Ratification of the acts of the supervisory board for 2004/05
5. Establishment of new authorised capital
6. Changes to the by-laws (UMAG)
7. Election of auditors for 2005/06

Proposals regarding the resolutions

Item 2 on the agenda:
The executive board and supervisory board propose that the retained earnings of € 96,185,083.52 be appropriated as follows:

Distribution of a dividend of € 0.55 per share on 174,787,946 ordinary shares	€	96,133,370.30
Carried forward to the new year	€	51,713.22
Retained earnings	€	96,185,083.52

The dividend will be distributed on 29 July 2005.

Items 3 and 4 on the agenda:
The executive board and supervisory board recommend that their actions for 2004/05 be ratified.

Item 5 on the agenda:
The executive board and the supervisory board recommend that authorised capital be established in order to enable the company to meet any need for capital quickly and flexibly. Up to 17.5 million new shares would be available for issue for cash totalling a maximum of € 205 million.

Shareholders will have pre-emptive rights to subscribe to the new shares, and it is not foreseen that such pre-emptive rights will be waived.

Hence, the executive board and supervisory board recommend that the following resolution be adopted:

a) The executive board is empowered until 30 June 2010, with the approval of the supervisory board, to increase the company's share capital in one or more tranches by up to a total of € 17,500,000.00 (in words: seventeen million five hundred thousand euros) by issuing new bearer shares for cash totalling up to € 205,000,000.00 (in words: two hundred and five million euros) (authorised capital).

The new shares are to be offered to existing shareholders as pre-emptive rights. The amount of each capital increase is to be calculated in such a manner that there are no rounding amounts.

The supervisory board is empowered to change § 4 of the by-laws following the complete or partial increase of the share capital or upon expiry of the period of empowerment.

b) The following paragraph 5 is to be added to § 4 of the by-laws:

"(5) The executive board is empowered until 30 June 2010, with the approval of the supervisory board, to increase the company's share capital in one or more tranches by up to a total of € 17,500,000.00 (in words: seventeen million five hundred thousand euros) by issuing new bearer shares for cash totalling up to € 205,000,000.00 (in words: two hundred and five million euros) (authorised capital).

The new shares are to be offered to existing shareholders as pre-emptive rights. The amount of each capital increase is to be calculated in such a manner that there are no rounding amounts."

Item 6 on the agenda:
The government's draft law on corporate integrity and modernisation of the disputs law (UMAG) foresees, amongst other matters, a change to the requirements relating to attendance at the annual general meeting. The by-laws will be able to to make attendance at the annual general meeting or the exercise of voting rights dependent upon shareholders registering before the meeting. Furthermore, the by-laws can set out for bearer sharers how the entitlement to attend the annual general meeting or exercise voting rights is to be evidenced. In addition, UMAG contains a requirement for determining the period of notice to be given when calling an annual general meeting.

The government has declared its intention that the UMAG will enter into force on 1 November 2005.

In anticipation of the future requirements set out in the UMAG and also particularly in order to clarify the legal position regarding the conditions for attendance at the company's next annual general meeting on 27 July 2006, the executive board and supervisory board recommend that the following changes to the by-laws be resolved:

1. § 14 of the by-laws is amended as follows:

   "The annual general meeting will be announced by the executive board or, in those instances prescribed by the law, by the supervisory board, at least 30 days before the day upon the expiry of which the shareholders must register to attend the meeting (see § 15 paragraph 2)."

2. § 15 paragraphs 2 and 3 are amended as follows:

   "2. Only those shareholders are entitled to attend the annual general meeting and exercise their voting rights who have registered in writing at the address given in the invitation to the annual general meeting at the latest by the end of the seventh day before the day of the annual general meeting.

   3. Shareholders must also provide evidence of their entitlement to attend the annual general meeting and exercise their voting rights. For this purpose, evidence provided in writing by the custodial bank or financial services institution of their share ownership is sufficient. The evidence must be provided in German or English as at the day set out in § 123 paragraph 3 sentence 3 AktG; it is to be submitted to the address set out in the invitation to the annual general meeting."

3. The executive board is instructed to file these changes in the by-laws for entry in the company's commercial register when, and only when, the relevant provisions set out in UMAG relating to registration and attendance at the annual general meeting enter into force.

Item 7 on the agenda:
The supervisory board proposes that Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, be appointed auditors for 2005/06.

Attendance at the annual general meeting/proxy voting rights

Ordinary shareholders are entitled to attend the annual general meeting and to exercise their voting rights on condition they deposit their shares by 21 July 2005 at the latest, either with the company or a securities depository bank, a German notary public or at branches of the banks listed below, and to leave them in the safe custody of these depositories until after the annual general meeting:

Deutsche Bank AG
DZ BANK AG
Dresdner Bank AG

If shares are deposited with a notary public or securities depository bank, the original certificate of deposit or a notarised copy thereof must be submitted to the company by 22 July 2005 at the latest.

Shareholders shall be deemed to have deposited their shares in the proper manner if their shares are held at another bank with the agreement of an officially-recognised depository until the annual general meeting has been concluded.

Shareholders who deposit their shares can exercise their voting rights without personally attending the annual general meeting by authorising whomsoever they elect (for example a bank or a shareholder association) to exercise their voting rights.

The company also offers its shareholders the opportunity to appoint persons named by the company, who are authorised to act as voting representatives and who are required to comply with proxy voting instructions. Shareholders who wish to appoint a person named by the company to act as their voting representative require an entrance ticket to the annual general meeting. A power of attorney to the benefit of a person named by the company to act as voting representative requires explicit voting instructions regarding the resolution concerned. A power of attorney must be in writing. The documentation and information required will be received by shareholders together with their entrance tickets.

Shareholders' opposing resolutions and voting recommendations are to be submitted only to the following address by the end of 13 July 2005:

Südzucker AG Mannheim/Ochsenfurt
Investor Relations
Maximilianstraße 10
68165 Mannheim
Telefax: +49 (0) 621/421-463
e-mail: investor.relations@suedzucker.de

Shareholders' proposed resolutions and voting recommendations will be published immediately after their receipt at the following internet address:

www.suedzucker.de/investorrelations/de/
hauptversammlung/

Any comments thereon made by the company are also published at this website address. The invitation to the annual general meeting and the annual report are also available at this address.

The invitation will be published in the electronic Federal Gazette on 27 May 2005.

Mannheim, May 2005

Südzucker Aktiengesellschaft Mannheim/Ochsenfurt
The executive board

Dear shareholders,

2004/05 was a year in which Südzucker concentrated on further developing the group's structure and integrating companies within the group. Particular attention was directed to discussions of the future format of the sugar market regulation.

The supervisory board fulfilled its duties set out in the law and the company's by-laws and closely tracked and advised on the executive board's management of operations on an ongoing basis. At its four meetings in 2004/05, the supervisory board intensively discussed all matters relevant for the company relating to the group's position, the group's strategic development, its existing and new operating activities, matters concerning the future of the EU sugar market regulation, as well as many other specific topics. Based on regular written reports, the supervisory board discussed all significant transactions with the executive board and carefully supervised management and, in this connection, advised management on the strategic development of the company and significant individual matters. Between meetings, the executive board reported orally and in writing on events of significant importance for the company. The chairman of the supervisory board also attended executive board meetings and met regularly with the spokesman of the executive board to discuss all significant events in many working meetings. This ensured a timely and extensive flow of information between the supervisory board and executive board. Significant regular oral and written reports by the executive board included the position and development of the company, business policy and profitability, as well as corporate, treasury, capital expenditure, research and personnel budgets. The supervisory board also had a number of discussions on the effects of a new format for the sugar market regulation, corporate governance, and opportunities for the bioethanol, fruit and functional food products divisions.

As in the previous year, the supervisory board extensively discussed the topic of corporate governance. After Südzucker had already met the recommendations set out in the German corporate governance code issued by the government commission, the executive board and supervisory board resolved on 24 November 2004 to adopt these recommendations in the current version of the code also in the future, with one exception relating to executive board and supervisory board remuneration.

Südzucker shows the remuneration of the executive board and supervisory board divided into fixed and performance-related components. Südzucker AG has no share option program. The recommendation of the code to show individual remuneration of members of the executive board and supervisory board has not been followed as, in our opinion, the resulting intrusion in the private sphere bears no reasonable relation to the usefulness of such practice. We assess the code as being balanced and practicable and thus see no reason to prepare company-specific principles.

At its meetings, the audit committee dealt with accounting policy matters such as the new treatment of goodwill, risk management and investment controlling, as well as monitoring the independence of the external auditors.

Based on the resolution of the annual general meeting, the audit committee appointed PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, to audit the financial statements for 2004/05. A declaration of independence was received from PwC Deutsche Revision AG and checked before its appointment. This review revealed that there were no, in particular no financial, relations between Südzucker and PwC Deutsche Revision AG which could lead to doubt as to the independence of the external auditors.

Together with the external auditors, the audit committee discussed in detail the documentation supporting the financial statements and reported to the supervisory board. In accordance with the recommendations of the German corporate governance code, the chairman of the audit committee is not the same person as the chairman of the supervisory board.

Helmut Drescher, Erich Muhlack, Richard Schwaiger and Klaus Viehöfer resigned their memberships of the supervisory board as at the close of the annual general meeting on 29 July 2004. Egon Fischer, Erhard Landes, Dr. Arnd Reinefeld and Ronny Schreiber were appointed as members of the supervisory board in their place. The supervisory board thanks the retiring members for their long and constructive co-operation within the supervisory board and for their work for the benefit of the company.

Paul Freitag, chairman of the Verband Fränkischer Zuckerrübenbauer e.V., died suddenly and unexpectedly on 9 April 2005. Paul Freitag applied extraordinary efforts and energy in representing the interests of the Franconian and south German sugar industry. He was a member of the executive board of the association of Franconian beet farmers from 1978 and chairman from 1993, was a member of the supervisory board of the Süddeutsche Zuckerrübenverwertungsgenossenschaft from 1979 and its chairman from 1993, as well as being a member of the supervisory board of Südzucker AG Mannheim/Ochsenfurt from 1993. As such, he made a significant contribution to the development of the south German sugar beet industry and the successful growth of the Südzucker Group. The supervisory board loses a significant personality in Paul Freitag and the company owes him a great debt of thanks. Dr. Jochen Fenner, chairman of the Verband Fränkischer Zuckerrübenbauer e.V., was appointed to the supervisory board in his place with effect from 11 May 2005.

In order to ensure continuity within the executive board, the supervisory board appointed Thomas Kölbl to be deputy member of the executive board with effect from 1 June 2004.

The financial statements of Südzucker AG and the management report for 2004/05, including the bookkeeping, were audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and they issued an unqualified audit report. This also applies to the consolidated financial statements, prepared using IFRS, and to the group management report. As set out in § 292a of the German Commercial Code, the attached IFRS consolidated financial statements exempt the group from preparing consolidated financial statements in accordance with German accounting rules. The supervisory board has had sight of all documentation relating to the financial statements and the recommendation by the executive board on appropriation of earnings, including the long-form audit report issued by the auditors. They have been examined by the audit committee and the supervisory board and discussed in the presence of the auditors. The supervisory board agrees with the results of the audit carried out by the external auditors and, as a result of its own examination, determined no matters which would lead to any reservations.

At its meeting on 24 May 2005, the supervisory board approved the financial statements of Südzucker AG and the consolidated financial statements for 2004/05 and thus adopted the financial statements of Südzucker AG. They also agreed the executive board's recommendation on appropriation of earnings, with a proposed distribution of a dividend of € 0.55 per share.

In view of the information provided by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, the executive board has prepared a report on related party transactions in accordance with § 312 Stock Corporation Law. The external auditors have audited this report, reported in writing on the results of their audit and issued the following opinion:

"As a result of our audit, which we carried out in accordance with professional standards, we confirm that:

1. the facts set out in the report are correct,

2. charges to the company for business transactions listed in the report were not unreasonably high,

3. with respect to the matters listed in the report, there were no reasons for a materially different conclusion than that taken by the executive board."

The supervisory board reviewed and approved the results of the audit by the external auditors. Following its own audit, the supervisory board found no reasons to contradict the declaration of the executive board at the end of the report.

Together with the executive board, the members of the supervisory board would like to pay their respects to those active and former employees of the group who passed away during the year. The supervisory board thanks the executive board and all employees of Südzucker AG and its affiliated companies for their performance during the year.

Mannheim, 24 May 2005

THE SUPERVISORY BOARD
Dr. Hans-Jörg Gebhard
Chairman

Sound and transparent corporate governance ensures that management and control of a company is directed towards responsible and lasting value added. It encourages the trust of national and international investors, financial markets, business partners, staff and the general public in the management and control of Südzucker Group.

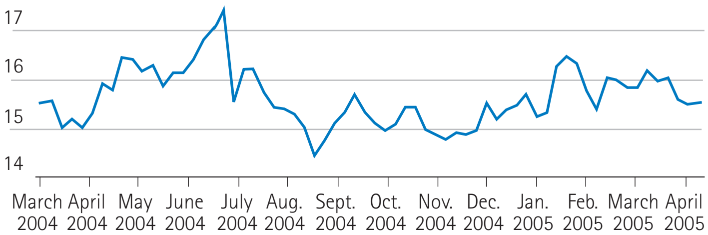
Sound corporate governance is of great importance to the group's success. Constructive co-operation between the executive board and supervisory board has traditionally been one of our company's significant success factors. The executive board and supervisory board have joint responsibility for ensuring that Südzucker regularly reviews and continuously develops its corporate governance activities throughout the group.

Südzucker views the German corporate governance code in its current version dated 21 May 2003 to be balanced and practical. The principles embedded in the code are substantially in line with our understanding of corporate governance. For this reason, and as in previous years, we have waived preparation of additional principles for the company itself.

The only recommendation set out in the code which we do not follow is the presentation of executive board and supervisory board remuneration by individual. We consider that there is no reasonable balance between interference in the private sphere of individuals and the usefulness of detailing individual remuneration. As in previous years, we set out the total remuneration of the executive board and supervisory board, divided into fixed and variable elements, in note (34) to the financial statement in this annual report. Südzucker has no share option program.

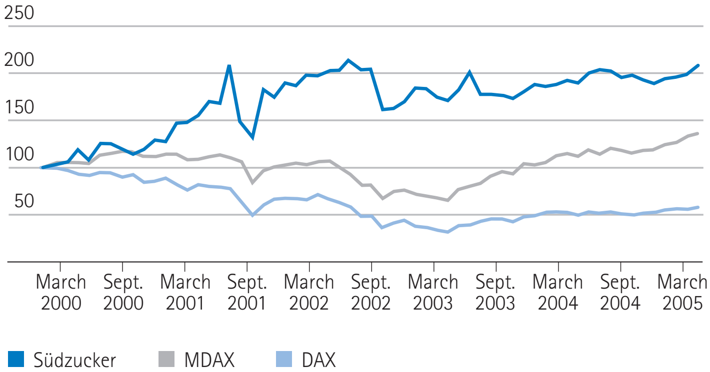
The executive board and supervisory board submitted a declaration of compliance with the German corporate governance code on 24 November 2004. This can be viewed on our website under www.suedzucker.de/investorrelations/de/governance/.

Südzucker share price movement
From March 2004 to April 2005
in €

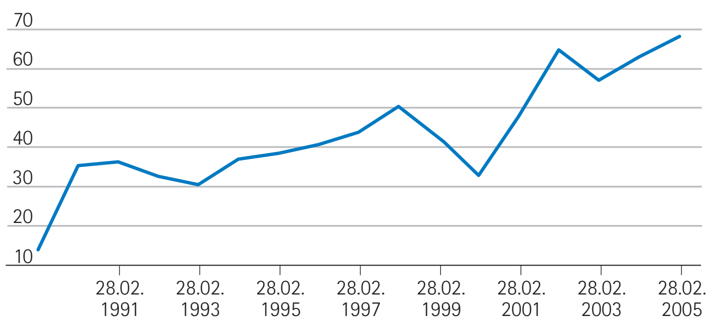


Latest quotation: www.suedzucker.de/en/investorrelations/shares

Südzucker share price movement compared with the DAX/MDAX
(Indexed)
Index



Long-term increase in Südzucker share value
assuming re-investment of dividend (excluding tax credit) and rights
Value in € thousands



Capital market environment and share price movement

Global stock exchanges trended sideways in the first half of 2004/05. The lack of economic momentum, high oil price levels and a weaker US dollar led to reticent investor behaviour. Tentative buying interest in the last few months of the year led to a rise of 7.0 % in the DAX, to 4,350 points. Hence, following the major losses suffered over the past few years, the DAX was able to recover to more than half its highest level of 8,136 points achieved in 2000. On the other hand, the MDAX rose by 18.4 % to 5,772 points in the last few months of the year, slightly below its historic high of 5,815 points.

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 and Beverage industry index within the Dow Jones STOXX 600, which only rose by 1.4 % over the same period.

The price/earnings ratio was 9.4 compared with an average PE of 16.4 for the DAX, or 19.9 for the MDAX.[1]

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 (beginning of the financial year in which the merger with Zuckerfabrik Franken took place), 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 %.

In a broad-based evaluation of more than 6,000 companies world-wide, "Focus Money", a business magazine, filtered out, together with Thomson Financial Datastream, those companies which have recorded an uninterrupted stream of profits (before interest and taxes) over the past 25 years. Südzucker performed extremely well and, with an average annual growth of 13.1 % p.a. over this long period of time, was number one of all German companies.[2]

Ratings

Südzucker AG is rated by the leading rating agencies Moody´s Investor Service and Standard and 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".

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.

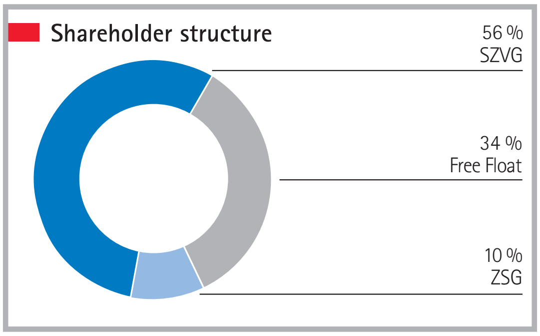
Turnover of Südzucker shares increased sharply over the entire year, by 10 % to € 1.9 billion, and this now represents twice the free float market capitalisation. The increased liquidity of the Südzucker share is underlined by its average daily share turnover, which rose to 479,000 (452,000) shares per trading day.[3]

[1] *Source: The Deutsche Bank German Equities Universe, 24.02.05.*
[2] *Source: Focus Money, 14/2005.*
[3] *Source: Clearstream Banking.*

Südzucker share data

		2004/05	2003/04
Dividend	€	0.55[1]	0.50
Dividend yield	%	3.4	3.2
Price at the end of the year[2]	€	16.18	15.55
Market capitalisation at end of 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.



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.

2,700 shareholders, 300 more than in the previous year, attended the annual general meeting in Mannheim on 29 July 2004, whereby the presence of shareholders holding capital with voting rights declined by 0.8 percentage points to 81.5 %. Following intensive discussions, all the points on the agenda were resolved by a majority of more than 99 %.

There was a continuing increase in the number of hits to our internet homepage, www.suedzucker.de.

We provide comprehensive information on our website about Südzucker and the Südzucker share to our shareholders, investors, analysts and all other interested parties. Quarterly reports can be downloaded from our website on the day they are released, thus contributing towards providing rapid, real-time information to all interested parties. The most recent update of our website has again resulted in an expansion in the volume of information provided. Links to our group companies supplement and add to the information about Südzucker Group.

We organised roadshows at Europe's financial centres and in New York for our institutional investors and analysts and, in addition, took part in many individual discussions. The increased interest in Südzucker is also shown in a further rise in the number of participants at the DVFA analysts' conference in Frankfurt in May 2004, held after our financial statement conference. We also had the opportunity of describing Südzucker Group's strategy and business activities to a broader public at other analyst and investor conferences, as well as at the Mannheim capital market forum, attended by some 600 private investors in September 2004.

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 € 87.4 million to € 96.1 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.

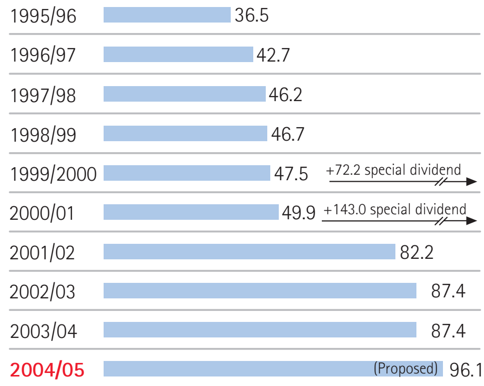
Over the past few years, dividend returns have developed into an important investment criterion for capital markets. Using the dividend recommendation of € 0.55 per share, the Südzucker share has a return of 3.4 %. The average dividend return for the DAX is 2.5 %, and for the MDAX is 1.9 %[1].

When considering the rules for paying tax on half of dividend distributions, the dividend return is more advantageous than fully taxable interest, such as 2.1 % for 3-month EURIBOR or 3.7 % for a 10-year federal government bond (Bund) (at 28 February 2005).

[1] *Source: The Deutsche Bank German Equities Universe, 24.02.05.*

Growth in dividends

in € million



Südzucker AG securities data

Südzucker ordinary shares

DE 000 729 700 4

Exchange: XETRA, Frankfurt, Stuttgart, Munich, Hamburg, Berlin, Düsseldorf, Hanover (OTC)

6.25 % bond 2000/2010

DE 000 178 080 7

Exchange: Frankfurt (official), Stuttgart and Berlin (OTC)

5.75 % bond 2002/2012

DE 000 846 102 1

Exchange: Frankfurt (official), Stuttgart and Düsseldorf (OTC)

3.0 % convertible bond 2003/2008

DE 000A0 AABH 1

Exchange: Frankfurt (official), Stuttgart (OTC)

Diary dates

Report 1st Quarter 2005/06	15 July 2005
Annual shareholders' meeting 2004/05	28 July 2005
Report 2nd Quarter 2005/06	14 October 2005
Report 3rd Quarter 2005/06	13 January 2006
Press and analysts conference 2005/06	31 May 2006
Report 1st Quarter 2006/07	14 July 2006
Annual shareholders' meeting 2005/06	27 July 2006

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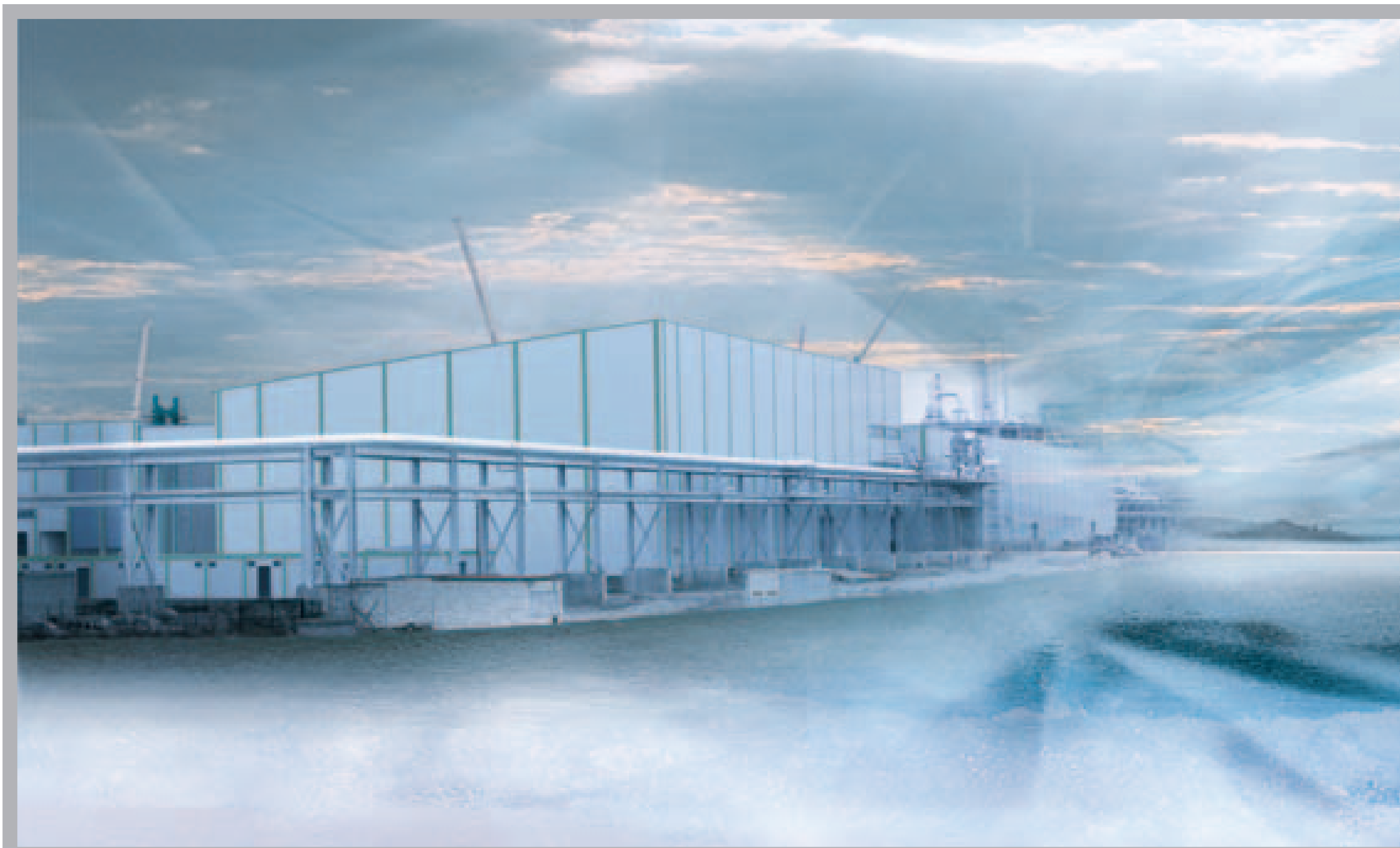
to fulfil prospects



a s

THE IDEA:
Energy from renewable raw materials, such as corn and sugar beet, to fuel a mobile future.

THE PROSPECTS:
Bioethanol reduces our dependence on oil, relieves the environment and affords new agricultural opportunities. Südzucker is right at the forefront, with Europe's largest bioethanol plant.

Dear shareholders,

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 maximising 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. We see the key to success in a sustained corporate strategy based on innovation and earnings power. The correct response to future restrictions within the European sugar market has been our timely expansion of the special products segment, in which we invested € 473 million in 2004/05 alone.

Our dual strategy of optimising the sugar segment in all its facets and, at the same time, securing future growth by establishing a broadly-based innovation and capital expenditure initiative within our core competencies, is working.

AGRANA's newly-established fruit division, with its global activities, will alone achieve revenues of € 800 million in the next two years; our bioethanol factory in Zeitz, the largest plant of its type in Europe, started operations in 2005.

Part of our growth has been achieved internally, by gaining market share, introducing new product categories and entering into new markets. We grow through acquisitions when they are strategically in line with our core business, have high-quality revenues, allow us to expand our market share and meet our earnings targets. However, the acquisition must always conform with our corporate culture and meet the sustainability criterion.

Our group's financial success is based on our strategic and organisational repositioning, 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), despite the EU commission not making a temporary reduction in quotas, which led to an additional one million tonnes of sugar burdening the market.

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.

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. For example, we again systematically reviewed business processes at all our domestic and foreign group companies for further improvements and continued implementation of our long-term efficiency improvement program at all sugar factories. These measures contributed towards enabling us to defend our position in a difficult market and help secure employment. This program is supported by a group-wide human resources strategy of encouraging and intensifying co-operation in the personnel *area across borders and entities. 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.*

The major framework for sugar activities within the EU is the sugar market regulation, which has been in place for more than 30 years. This has led to a fair balance of interests between consumers and producers, as foreseen in the Treaties of Rome and the current draft of the EU constitution. It is now taken for granted that the supply of sugar is provided by domestic production. Sugar is a low-cost food, the sugar intervention price has been stable for more than 20 years and, viewed internationally, is low in comparison to purchasing power.

As a result of the sugar market regulation, farmers receive a fair and foreseeable revenue stream from their sugar beet. Structural change is not hindered, as shown by the increase in the area of sugar beet under cultivation per farm and the rise in quantities processed per factory due to the concentration of factory locations. Sugar production in the EU has the world's highest environmental and quality standards, and employment complies with EU social standards. Sugar processors are competitive on world markets with their products, as EU sugar is made available for export at world market prices, with export refunds provided by farmers and the sugar industry.

The developing countries, least-developed countries (LDCs) and countries from the African, Caribbean and Pacific economic area (ACP countries) are included in the EU sugar market regulation with fixed import rights at guaranteed and fair prices.

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.

We see the continued inclusion of all import quantities in the future quota system recommended by the commission as a basic condition for achieving this objective. Imports must have a balanced relationship to domestic production. The demand for regulated import quantities at guaranteed prices for LDCs is supported not only by NGOs (non-governmental organisations), but above all by the LDCs themselves.

Major framework conditions also include taking a responsible position in the current WTO negotiations, in other words ensuring protection against grey imports and a long-term expiry period for export recoveries. The WTO negotiation partners hope to achieve agreement on an agricultural treaty by the conclusion of their conference in Hong Kong at the end of 2005.

After the appellate body, the WTO appeals board, supported the panel against EU sugar export policies in all significant points, we expect the EU to make every effort to optimize implementation of the export opportunities for sugar provided by the WTO.

Sugar production cannot be maintained at current volumes in all the regions of Europe. We thus expect a fair solution based on the principles of the sugar market regulation. A voluntary exit from sugar production must be a real alternative for the less competitive regions within the EU. Restructuring costs and capital expenditures in alternatives must be provided, with appropriate measures taken to encourage these changes. We accept a price reduction in the range of the first step recommended by the commission in July 2004, as long as the funds thus made available can be used for a limited period of time to finance the restructuring needed.

Farmers, employees and entities are jointly appealing for this concept to be implemented. In Germany, the Co-operative of German Beet Farmers Associations (ADR), the German Farmers Association (DBV), the Food and Catering Union (NGG) and the Economic Sugar Union (WVZ) have joined forces to establish a "keep sugar" initiative, intended to point out the dangers to Germany as a sugar-producing country of overdoing the reform of the sugar market regulation.

The commission has announced that it will submit specific recommendations on continuing the sugar market regulation on 22 June 2005.

Already in 2004/05, discussion of the sugar market regulation was not without influence on events in the EU sugar market. Südzucker Group is prepared for a more difficult market situation and has optimised its own marketing organisation throughout the group to meet varying customer demands, aiming to improve its competitive position by particularly concentrating on customer-tailored service and quality.

We have again planned to do much in 2005/06. Despite the difficult position, it is our aim to improve the company's value on behalf of our shareholders on a lasting basis, whereby innovation and capital expenditures, particularly in new products and markets, education and training, all contribute. We aim to achieve *our objectives for earnings and growth by maintaining a high degree of flexibility, including constantly developing and reviewing our portfolio and activities.*

The executive board wishes to thank you, our shareholders, for the trust that you have given us in 2004/05 and we will use all our efforts to ensure that this trust continues to be justified in the future.

Your sincerely,

Südzucker AG Mannheim/Ochsenfurt
The executive board

Group results

		2004/05	2003/04
Revenues	€ million	4,827	4,575
Operating profit	€ million	523	479
Operating margin	%	10.8	10.5
ROCE	%	11.3	11.7
Capital expenditures in tangible assets	€ million	500	307
Investments in financial assets	€ million	590	181
Employees		17,494	17,973

Group revenues and profits

Südzucker Group revenues rose by € 252 million, or 5.5 % in 2004/05, to € 4,827 million (€ 4,575 million). Operating profit grew over-proportionately by 9.2 %, or € 44 million, from € 479 million in 2003/04 to € 523 million, the highest-ever profits for the Südzucker Group.

Growth of 3.6 % in revenues 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.

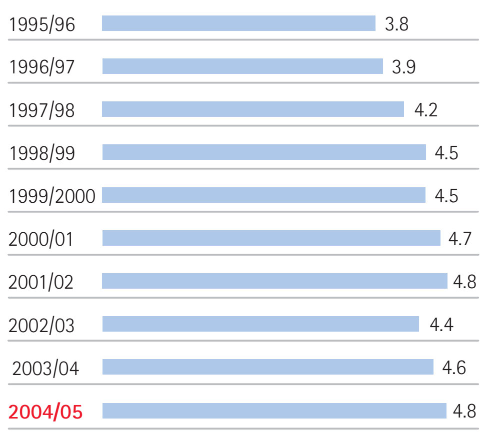
In the special products segment, the climb in revenues continued with an increase of € 129 million, or 11.0 %, from € 1,180 million to € 1,309 million. About half this increase in turnover was due to continuing growth in the functional food, Freiberger and starch divisions. Sales growth in the special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

Operating profit was marked by a sound performance in the special products segment and a rise in profitability at the eastern European sugar companies. An improvement of 7.7 % in the sugar segment, from € 335 million to € 360 million, was again exceeded by profit increases in the special products segment. The latter was able to boost operating profits by 12.5 %, from € 144 million to € 163 million.

Operating margin (operating profit as a percentage of revenues) could be improved from 10.5 % in 2003/04 to 10.8 % in 2004/05 for the group as a whole.

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: nine months), boosted this posi-

Change in revenues
in € billion



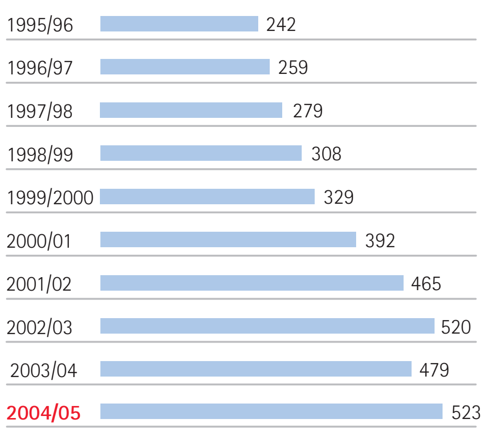
tive performance still further. Results of the German, Belgium, French and Austrian sugar companies were negatively affected by price reductions, particularly for exports of quota sugar to countries outside the EU, lower C-sugar contributions to profitability and higher energy and coking coal costs.

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.

At 11.3 %, return on capital employed (ROCE), or operating profit as a percentage of capital employed, remained almost at the same level as in 2003/04 (11.7 %), due to improved profitability offset by more capital employed.

As operating profit restructuring costs and other special items could also be improved as well, by € 46

Change in operating profit
in € million



million to € 13 million. A significant reason for this was the lack of restructuring expenses, caused in the previous year by the closure of sugar factories in Belgium and Poland as well as by Südzucker's part-time early retirement program. Further special income arose from the successful placing of a package of Fresenius shares and the sale of the remaining 10 % shareholding in KWS Saat AG. On the other hand, there were charges arising from pellets which could not be used as animal feed.

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.

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 proceeds 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.

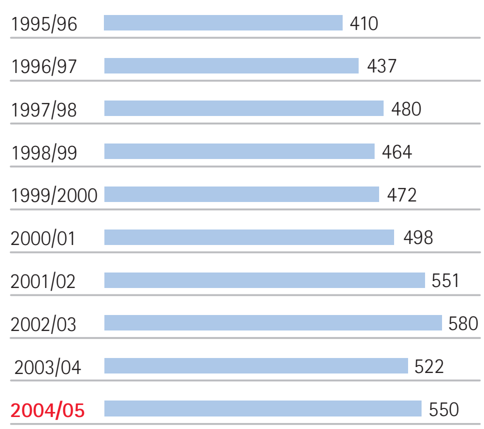
Shareholders' equity rose by € 352 million, from € 2,386 million on 29 February 2004 to € 2,738 million at 28 February 2005. Increases due to net earnings for the year of € 358 million and capital increases of € 248 million were partly offset by dividend payments of € 102 million and a decrease in minority 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.

Recommendation on appropriation of profits

The executive board and supervisory board will recommend a dividend of € 0.55 per share to the annual general meeting on 28 July 2005. With share capital of € 174.8 million entitled to dividends, the amount distributed will be € 96.1 million. The dividend will be paid on 29 July 2005.

Gross cash flow from operating activities

€ million



Südzucker uses an integrated system for the timely identification and monitoring of specific risks for the group. A successful treatment of risks is based on achieving an appropriate balance of opportunities and risks. The company's risk culture is marked by encouraging risk-awareness, setting clear responsibilities, independence in risk controlling, adequate supervision by management and implementing internal controls.

The risk management system is an integrated part of the entire budgeting, monitoring and reporting process for all relevant subsidiaries and is based on the systematic identification, evaluation, control and documentation of risks.

Südzucker Group's risk management system

Südzucker Group's risk management system is based on risk controlling at operating level and on strategic controlling of investments, an internal monitoring system used by the group internal audit department, and an early warning system for determining risks endangering the existence of the group as a going concern.

Strategic controlling of investments and risk controlling at operating level

The main thrust of strategic controlling of investments is strategic planning at segment and business division levels. Significant developments influencing the business are recorded and assessed. Opportunities and risks are considered based on market and competitive analyses, and these form the basis for management decisions.

Investment controlling also supervises the achievement of business objectives and monitors group companies using uniform key ratios. It evaluates the investment portfolio with the aim of optimising the investment structure, and provides assistance with acquisitions and disposals.

Operating risk controlling is implemented by the operating controlling department. The executive board is kept continuously informed via an extensive reporting system and, if relevant, by ad hoc reports.

Internal monitoring system/internal audit

The group's internal audit department carries out its control functions at the parent company and group companies and reports to the executive board. It checks and evaluates the security, financial viability and correctness of business processes, together with the effectiveness of the internal control system.

Early warning system to determine risks endangering the company as a going concern

The possible effects of international and national trade agreements and market regulations are already analysed at an early stage and assessed as part of the risk management system.

The future structure of the EU sugar market regulation is of particular importance to the Südzucker Group.

The reform of the sugar market regulation continues to be the subject of controversial discussion. Discussions within the council of agricultural ministers have clearly shown that the EU commission cannot find a majority in favour of the recommendation it passed to the council of ministers in July 2004. Ten EU member states from countries in southern, northern and eastern Europe, whose sugar economy is endangered by the reform, have informed the agricultural commissioner, appointed on 23 November 2004, that they reject the recommendations.

Negotiations are currently progressing at the current Doha round on specific modalities for agricultural reform. The objective is to achieve agreement before the next WTO summit meeting in Hong Kong in December 2005.

On 28 April 2005, the appellate body, the WTO's appeals committee, confirmed the results of the WTO panel finding against the EU's sugar policy in 2004. This will result in a decrease in EU sugar production. The extent and timing are decisively dependent on specific implementation recommendations to be made by the EU.

The commission recommendations and political discussions over the past few months have shown that there is a political will within the EU to strengthen the competitiveness of beet sugar production and to offer a sustained perspective for efficient producers. This confirms our strategy of concentrating on the best sugar beet production areas. The EU commission is called upon to design its legislative recommendations and to defend them in international negotiations in order to achieve its declared objectives.

The EU commission has announced that it wishes to present legislative recommendations to reform the sugar market regulation on 22 June 2005. It is thus to be reckoned that the changes in the market regulation will be fully effective following a transitional phase. Südzucker will use this transitional phase to undertake those measures required to maintain the sugar segment's earnings power.

The executive board has determined no other matters which could endanger the group's existence as a going concern.

Südzucker is subject to market risks arising from changes in foreign exchange rates, interest rates and equity share prices, and, to a limited extent, uses derivatives to hedge risks arising from operating activities and planned funding needs for capital expenditures. Südzucker Group mainly hedges against the following risks:

Interest rate change risks for money market interest, mainly resulting from liquidity fluctuations due to the campaign, or existing or planned floating rate loans.

Foreign currency risks mainly arising from sugar sales on the global market in US dollars as well as payment obligations in foreign currencies.

Product price risks arising from world sugar market price fluctuations and price fluctuations in the energy sector.

Normal market instruments such as interest rate swaps, interest caps, interest futures and foreign currency futures are used to hedge these risks. Use of these instruments is regulated as part of the risk management system by group guidelines, which set limits based on the underlying transactions, define authorisation procedures, forbid the use of derivative financial instruments for speculative purposes, minimise credit risks and regulate the internal reporting system and segregation of duties. Compliance with these guidelines and the proper processing and valuation of transactions are regularly checked by persons other than those involved in the transactions.

Standards have been developed to monitor risks arising from matters relating to product quality and safety, which are checked by carrying out continuous controls. These steps are primarily carried out as part of the quality control program.

The integration of quality management, safety at work and environmental management establishes optimal conditions for identifying risks timely and for implementing steps to minimise risk.

Events after the balance sheet date

On 3 March 2005 AGRANA acquired a further 6 % of the shares in Atys Group, France and increased its investment in the world-wide fruit additives company to 56 %. Atys will be fully consolidated in 2005/06.

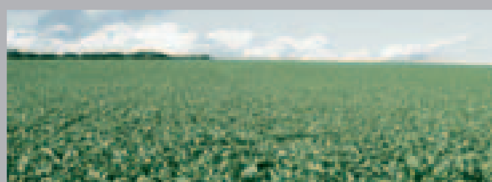
Outlook

Profitability in the sugar segment will again be negatively affected by unsatisfactory price developments for exports, particularly to countries outside the EU, in 2005/06. We estimate that there will be a reasonable declassification by the EU commission for the 2005 campaign, which will lead to relief for the market and the overall price situation.

Growth in revenues and operating profit in the special products segment will continue in 2005/06. Significant contributions to results will be achieved from the inclusion of Atys in the AGRANA fruit group. With the commencement of bioethanol production in early 2005, Südzucker will play a major role in the growth market of biological fuels as the largest German producer of ethanol. The profitability of the special products segment will benefit from this as the year progresses.

seeds

to nourish



markets

THE SEEDS:

700,000 t of wheat a year is the main source of raw material for our bioethanol, a new opportunity to plant 100,000 hectares of land.

THE MARKETS:

We supply an annual 260,000 m^3 of bioethanol to the oil industry.

Bioethanol use in Germany is in the starting blocks.

Brazil shows its potential.

Market developments

Global market

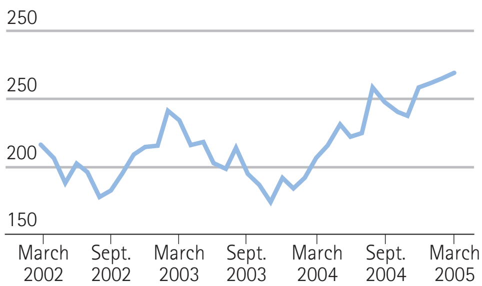
The global sugar market price moved satisfactorily in the course of 2004/05 and could recover the decrease it suffered in the previous year. In particular prices in US dollars rose on white sugar markets over the twelve months by US$ 60 per tonne, or 29 %, from some US$ 205 per tonne to US$ 265 per tonne. Due to the continuing weakness of the US dollar prises in euros were lower and only increased by € 35 per tonne, or 21 %, from € 165 per tonne to € 200 per tonne.

Big Bags with sugar for the global market.

The higher prices were due to at first cautious, but then more and more downward adjustments of several million tonnes to global production estimates made by an increasing number of market observers. Both India and the EU recorded significantly worse harvests than in previous years. The 2003 harvest was the second worst in the past 15 years and had a knock-on effect on 2004.

Global market sugar prices
March 2002 to March 2005

London, white sugar, in US$/tonne,
nearest forward trading month

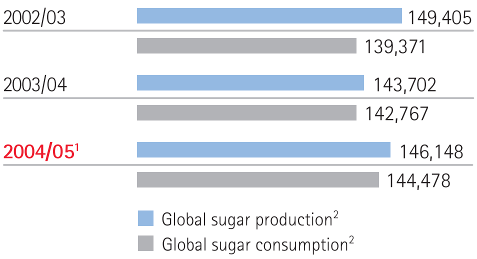


As a result of the rise in oil prices and political moves to encourage biological fuels, such as those made in the EU, ethanol demand, and hence ethanol production, is increasing world-wide. In particular the large cane-sugar producing countries such as Brazil have assigned at least part of their cane sugar to ethanol production, rather than producing sugar. More than 50 % of cane sugar was processed to alcohol in the past year. Brazil intends to increase its 30 % global market share of raw and white sugar still further. 34 new mills will be built to meet this objective. Brazil already has 50 % of the global market share of raw sugar exports, compared with 7 % only ten years ago. A similar development can also be noted for white sugar exports. Its market share of 19 % in 1994 has been continually expanded to 25 % today. This country thus now has a greater role in white sugar exports than the EU, which had been market leader for many years. Following one of its most successful years, the Brazilian sugar and alcohol industry intends to increase its cane sugar harvest by 180 million tonnes, or 55 %, from 330 million tonnes in 2004/05 to 510 million tonnes by 2009.

There was a further decline of 1.9 million tonnes in global sugar inventories in 2003/04, from 70.1 million tonnes to 68.2 million tonnes. This inventory reduction was favoured by an increase of some 2.5 % in global sugar consumption.

Latest estimates for the 2004/05 campaign show a plus of 2.5 million tonnes compared with the previous year, with production of 146 million tonnes of sugar. Based on previous rates of consumption this could lead a slight surplus. Some analysts are currently expecting significantly lower production and estimate a global deficit which could lie between 3 and 5 million tonnes. Thus it is possible to be cautiously optimistic with respect to further price improvements.

Global sugar production and consumption
1,000 t raw value



	Beet sugar as a percentage of total production[3]	Inventories at 31 August as a percentage of consumption[2]
2002/03	25.0	49.7
2003/04	24.2	46.5
2004/05[1]	26.2	45.1

[1] Estimate.
[2] F. O. Licht's Europäisches Zuckerjournal No. 9 dated 09.03.2005 "Second Estimate of Global Sugar Levels 2004/05".
[3] F. O. Licht's Europäisches Zuckerjournal No. 5 dated 16.02.200 "Second Estimate of Global Sugar Production 2004/05".

European Union

Ten new member states joined the EU on 1 May 2004. The transitional measures agreed were substantially implemented. The sugar market was negatively affected by the lack of declassification.

Entry negotiations between the EU and Romania and Bulgaria in the agricultural area have meanwhile been completed. Romania received a quota of 109,164 tonnes for sugar from beet, 329,636 tonnes for sugar from imported raw sugar and 9,981 tonnes of iso-glucose, Bulgaria received a production quota of 203,500 tonnes sugar, of which 198,749 tonnes are from refining imported raw sugar.

The EU lifted its import ban on sugar from Serbia and Montenegro, which had been in force for 15 months, on 22 July 2004. Preferential market access for sugar from Serbia was re-implemented as from 7 August 2004; in the meantime, customs-free import quotas totalling 193,000 tonnes of sugar have been fixed for these countries. Bilateral negotiations with Croatia are required.

The commission's calculation of available recovery budget NA I goods for the 2004/05 budget year (1 October 2004 – 30 September 2005) determined that existing funds were adequate for the expanded EU. Hence, the particularly active processing market has not yet been affected.

On the recommendation of the EU commission, in autumn 2004 it was agreed despite our express appeal that there would be no declassification of quotas for the current 2004/05 sugar year. This decision proved to be in error, so that the commission estimates a quota sugar excess of 0.7 million tonnes for 2004/05. Furthermore, when tendering export licences, only those with high deductions to recovery rates were issued. The overall situation on the market has led to various sugar companies, including Raffinerie Tirlemontoise and the Südzucker sugar companies in Poland, using the intervention for the first time since its introduction in 1968. We expect a reasonable declassification for the 2005/06 sugar year, which will relieve the market and lead to lower prices.

A base production levy of 2 % on A- and B-sugar (€ 12.638 per tonne of sugar) and an additional levy on B-sugar of 27.050 % (€ 170.929 per tonne of sugar) was fixed for the 2003/04 sugar year.

Performance of the divisions

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. 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.

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	1,000 t	31.0	26.7
Sugar production	1,000 t	5.1	4.4

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 were 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 (one in Belgium, six 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).

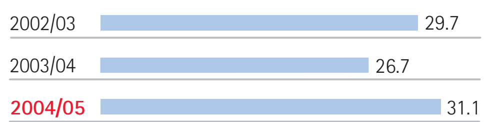
EU 15

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).

In **Germany**, the area of sugar beet under cultivation in 2004 for **Südzucker AG** increased slightly to 174,400 hectares (172,000 hectares) due to a minor expansion of the area under cultivation in regions in which only low beet yields could be achieved in the previous year due lack of rain.

The sugar beet was sown under good soil and weather conditions, which remained optimal during the initial growing phase. In the west, beet plants suffered in June and July from lack of rainfall and the remaining significant lack of water in the sub-soil from the winter months. However, sufficient rainfall in August also led to good growing conditions in this region. The beet plants showed a high level of concentration, at some

Group beet processing
in million tonnes



90,000 plants per hectare and, due to beneficial weather conditions, yields were also above-average in October.

1.81 million tonnes (1.44 million tonnes) of sugar were produced from 11.5 million tonnes (8.9 million tonnes) of beet with a sugar yield of 10.4 tonnes per hectare (8.3 tonnes per hectare). The campaign started at the Zeitz and Brottewitz works on 16 September 2004. The campaign lasted between 79 days in Regensburg and 107 days in Brottewitz, with an average duration of 92 days (74 days).

The generally good campaign was severely affected as from the beginning of November 2004 by the discovery for the first time of minute traces of animal parts during the official examination of beet molasses pellets. In agreement with the supervisory authorities, extensive control measures were carried out on delivery of beet molasses pellets, pressed pellets and beet parts.

At Raffinerie Tirlemontoise in Belgium sowing and the initial growing phase of sugar beet plants were made under perfect conditions, leading to a high concentration of 92,000 plants per hectare. Due to good growing conditions, the sugar yield was 11.2 tonnes per hectare (11.1 tonnes per hectare) on the 58,700 hectares (60,600 hectares) under cultivation. The beet harvest of 4.2 million tonnes (4.0 million tonnes) began on 17 September 2004 and the campaign lasted 101 days (79 days) to yield 0.66 million tonnes of sugar (0.67 tonnes of sugar).

At Saint Louis Sucre, France the area of sugar beet under cultivation declined by 2 % to 83,500 hectares (85,600 hectares). Beet plants grew well at Saint Louis Sucre due to the extremely beneficial sowing and early growing conditions. The average plant concentration was 100,000 per hectare. Sufficient moisture and warmth ensured good growth conditions during the entire vegetation phase. The sugar yield was 11.5 tonnes per hectare (10.4 tonnes per hectare). During the 100 day (91 day) campaign, which commenced on 12 September 2004, 0.96 million tonnes (0.89 million tonnes) of sugar were processed from 6.6 million tonnes (6.2 million tonnes) of beet. Sugar production, including refining, totalled 1.11 million tonnes (1.04 million tonnes).

At AGRANA, Austria the area under cultivation rose by 3 % to 44,700 hectares (43,200 hectares). In the early growing phase some crops, which were resistant to the pesticides normally used in the country, were damaged by beetle. However, growing conditions were good overall so that, with a sugar yield of 10.2 tonnes per hectare (8.9 tonnes per hectare), sharply higher production levels could be achieved than in the previous year. 0.46 million tonnes (0.39 million tonnes) of sugar were produced from 2.9 million tonnes (2.5 million tonnes) of beet in the 76 days (68 days) of the campaign.

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.

The area of beet under cultivation at Südzucker International in Poland decreased by 3.7 % to 70,000 hectares (72,700 hectares). With adequate moisture levels, the beet plants grew quickly, plant concentration reached 85,000–90,000 plants per hectare, and the sugar yield was higher than in the previous year at 7.4 tonnes per hectare (6.7 tonnes per hectare). Overall, 0.52 million tonnes (0.49 million tonnes) of sugar were processed in the 84 (66) campaign days from 3.2 million tonnes (3.1 million tonnes) of beet.

AGRANA International increased the area under cultivation in Hungary by 27 % to 23,500 hectares (18,600 hectares) in 2004 to meet its quotas. With an average number of plants at 75,000 per hectare the sugar harvest was 6.8 tonnes per hectare (4.7 per hectare). The 1.1 million tonnes (0.6 million tonnes) of beet harvested were processed in 95 days (53 days) to 0.16 million tonnes (0.09 million tonnes) of sugar. In The Czech Republic the area of beet under cultivation declined by 7 %, to 14,000 hectares (15,100 hectares). With a plant concentration of 95,000 per hectare the sugar yield was 8.0 tonnes per hectare (6.7 tonnes per hectare). 0.11 million tonnes (0.10 million tonnes) of sugar were produced from the beet harvest of 0.7 million tonnes (0.6 million tonnes) in 84 days (82 days). In Slovakia the area of beet under cultivation increased by 6 % to 10,700 hectares (10,100 hectares). With some 85,000 beet plants per hectare, the sugar yield was 6.0 tonnes per hectare (4.8 tonnes per hectare) and, in a 102 day (73 day) campaign, 0.06 million tonnes (0.05 million tonnes) of sugar were processed from 0.5 million tonnes (0.3 million tonnes) of beet.

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.

Active transponder – new identification system for beet deliveries

Previously, barcodes were used to identify beet transported to sugar factories. An active transponder was used for the first time at the Rain factory to identify beet traffic during the 2004 campaign. Transponders are electronic data media which are already used in many areas, from marking goods in retail stores to identifying individuals at factories.

The active transponder can be read and input electronically at distances of up to 100 meters. Thus, when the beet is loaded on the field, the beet farmer's data can be transferred from the loader to the truck without the driver getting out. The data can then be read electronically on the weighing station in the beet yard. The active transponder thus represents a significant contribution to safety during the beet transportation process.

As an improvement over the barcode card, the transponder also permits additional information, such as origin and time of loading, to be recorded timely and thus facilitates the audit trail of beet deliveries back to the field.

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 countries outside the EU.

EU 15

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

Südzucker AG's sales quantities fell by 7.8 % to 1,564,600 tonnes (1,696,600 tonnes) of sugar due to a decline in exports as a result of the reduction in quantities available. Domestic sales quantities almost reached the same level as for the previous year, whereby exports had to be reduced by 25 % due to the lower production in 2003, and quantities delivered within the EU were also lower than for the previous year.

The good domestic results are primarily due to the increase in quantities delivered to the retail food industry. On the other hand, deliveries to the sugar processing industry were lower than quantities for the previous year. This is primarily due to sales to the alcohol-free drinks industry, which could not repeat the high levels achieved in previous year, when sales of drinks were excellent during the unusually hot summer of 2003. Slight declines in the chocolate and sugar-based goods sectors were partly offset by increased sales quantities to the milk processing industry.

In the food retail sector, investments in the International Food Standard (IFS), a uniform supplier certification concept, are now paying off. IFS certification is a seal of quality which, amongst other things, helps to differentiate us from cheap imports from neighbouring eastern European countries. Expenditures made to enable customer demands to be precisely met, as well as other services, have also given us a competitive advantage. We will retain this advantage by taking further measures in future.

The trend towards own-label brands remains unchecked, including for sugar, and is making ever greater inroads into all retail marketing channels. Südzucker is countering this trend by innovative product designs, particularly in the special products area. A historic record level of sales quantities could be achieved for preserving sugar, due to the good fruit harvest in southern Germany.

Overall sales quantities at **Raffinerie Tirlemontoise, Belgium** were 804,400 tonnes (673,200 tonnes) of sugar in 2004/05, up 19.5 % from the previous year. This growth results primarily from exports. Increases in domestic sales quantities compare with a decrease in the EU area. Sales quantities to food retailers were at the same level as the previous year, whereas sales quantities to the sugar processing industry increased by 1.6 %. This was due equally to special factors and higher sales quantities to the chocolate industry.

On the other hand, sales quantities to the alcohol-free drinks, milk products and bakeries sectors declined.

Sales quantities at **Saint Louis Sucre, France** were 1.5 % higher than for the previous year at 1,063,200 tonnes (1,047,000 tonnes) of sugar. Domestic sales quantities fell by 4.8 %, whereby sales quantities to food retailers decreased by 2.8 % and to the sugar processing industry by 5.9 % compared with the previous year. Sales quantities within the EU were also down, whereas exports to other countries rose by 15.9 %.

Sales quantities at **AGRANA, Austria** were 14.1 % lower than for 2003/04 at 387,500 tonnes (451,300 tonnes) of sugar, due to lack of available supplies. Sales quantities were down both domestically and for exports whereby, on the other hand, EU deliveries were the same as for the previous year. Domestic sales quantities were 8.8 % down on 2003/04, with retail sales almost at the same level as the previous year and deliveries to the processing industry considerably lower than in 2003/04, down by 11.6 %. This was particularly due to a decrease in sales to the food and chemicals industries. Furthermore, the domestic market has been confronted since autumn 2004 with massive deliveries from the new EU member states, in particular The Czech Republic and Slovakia.

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.

Cukier Królewski (Poland) suffered a decline of 10 % in sugar sales quantities to 344,900 tonnes (383,300 tonnes) of sugar in 2004/05. Domestic sales quantities were some 4 % lower than for the previous year due to problems associated with joining the EU in the period from May to July 2004.

AGRANA Czech Republic achieved total sales of 97,500 tonnes (101,900 tonnes) of sugar, down by some 4 %. Domestic sales quantities fell by some 10.6 %, also influenced by EU membership.

AGRANA, Slovakia, recorded total sales of 45,400 tonnes (59,500 tonnes) of sugar in 2004/05, a fall of some 24 % over the previous year. Domestic sales quantities decreased by some 34 % due to joining the EU.

AGRANA Hungary was able to increase total sales quantities by some 8 %, to 122,700 tonnes (113,500 tonnes) of sugar. Sharply higher exports more than compensated for a 15 % decline in domestic sales.

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.

AGRANA Romania achieved total sales of 210,100 tonnes (177,500 tonnes) of sugar, some 18 % higher than for the previous year. This positive development is above all due to increased domestic sales, with exports being of no significant importance.

Südzucker Moldova recorded total sales quantities of 49,300 tonnes (49,800 tonnes) of sugar and thus almost achieved the previous year's level. Whereas domestic sales quantities developed very positively, increasing by 23.2 % despite considerable market pressures, exports fell back significantly.

Agriculture

The beneficial weather conditions in 2004 brought good corn and extremely good sugar beet yields, together with satisfactory quality.

Research, experimentation and advice, traditionally carried out by the agriculture division, were concentrated on nitrogen-based fertilisers in 2004. The research into area-based farming methods, which has been carried out for the past ten years, was widely put into practice. The measured use of nitrogen-based fertilisers, depending on plant concentration and soil culture, leads to a constant rate of plant growth and maximum corn quality with a minimal use of fertilizers. Planting advice and research activities in the agriculture division were also undertaken in connection with the ORAFTI project in Chile.

The restructuring of Agrar- und Umwelt AG, Loberaue in Zschortau, has meanwhile been completed and a second biological turkey feeding plant commenced operations in 2004.

Animal feed

Molasses pulp and molasses pulp pellets
Due to the good beet harvest in 2004, some 22 % more beet pellets were produced throughout the group than in the previous year. At the beginning of the past financial year, market prices tended to be extremely strong due to the low production of beet pellets in 2003, but came under pressure in the summer due to sharply falling prices for competitive products and high harvest expectations, above all for corn.

Revenues in Belgium and Poland were higher than for the previous year, whereby in other countries those companies within the Südzucker Group producing dried pellets did not achieve quite the same price levels as in the previous year, due to market weakness.

Examination of beet molasses by the Irish authorities in October 2004 determined traces of animal parts, or bone fragments. A subsequent, more extensive research into the origins of these parts revealed that they had entered the animal feed via field topsoil. Sales of beet pellets were negatively affected by these findings.

The law does not permit feed to contain any animal proteins. Without appropriate analytical methods, this means that finding any traces of animal parts leads to the goods no longer being marketable as animal feed. There is zero tolerance for such findings. This rule entered into force when it was necessary to take every possible step to avoid the transfer of BSE carriers within the food chain. The presence of animal parts in feedstock, originating from the topsoil and arising from natural causes, was not considered in the law. The Federal Institute of Risk Evaluation (BfR) in a statement dated 10 January 2005 stated "As a result of the analyses, there is no risk that food derived from agricultural animals, particularly ruminants, as a result of their being fed sugar beet pellets contaminated with animal remains, will be infected with BSE". It can be assumed that the authorities will develop a solution which takes appropriate account of the results of this examination.

Beet molasses
Beet molasses production was slightly higher than for the previous year, at over 1 million tonnes for the group. Cane molasses prices increased sharply from early 2004 due the poor sugar cane harvest in some countries in the Far East and higher ethanol production in Pakistan. In Germany, Austria, Poland, France and Belgium, market prices were the same as for the previous year, whereby in other eastern European countries, above all in Slovakia and The Czech Republic, the market was negatively affected by an over-supply of molasses. Molasses production in 2004 has been almost entirely sold within the group. The major customer in eastern Europe is the alcohol industry, whereby in the west the yeast industry dominates, followed by the mixed-feed industry.

Bodengesundheitsdienst GmbH

20 years of international research in the EUF co-operative

Plant nutrients in soil are examined using the electro-ultra-filtration (EUF) method. Optimal fertilisation quantities are determined for plants and this is of major importance in optimising the economic and, at the same time, environmentally-friendly and sustainable, agricultural use of the land. In 1985 Süddeutsche Zucker-AG, Zuckerfabrik Franken and the Austria sugar industry pooled their EUF research work in an EUF co-operative to support the fertility and health of soil. This research has been carried out by Südzucker AG, AGRANA Zucker and Stärke AG and Raffinerie Tirlemontoise S.A. since 1993. The EUF co-operative currently carries out a number of projects covering soil examination and fertilisation advice. A total of 17 dissertations provide evidence of the importance of the EUF soil examination work, and eight dissertations were supported by the EUF co-operative. Currently, a dissertation is being prepared on the importance of extractable organic carbon using electro-ultra-filtration for determining optimal nitrogen fertilisation for sugar beet. The demands of agriculture and politics in the areas of soil examination and fertilisation advice will also require further development of this research area in future.

The EU directive on cross compliance in the national "Ordinance on the principles for maintaining agricultural areas in a good agricultural and ecological condition" has focussed attention on the importance of humus for agricultural soil. Bodengesundheitsdienst has already been involved extensively with the humus content of agricultural areas. The humus content of more than 18,000 agricultural soils in southern Germany has been measured; almost all the soils (98 %) with a clay content of <13 % achieved the minimum value of 1 % humus content, and 96 % of soils with a clay content of >13 % achieved the minimum value of 1.5 % humus content.

REKO Erdenvertrieb GmbH

REKO Erdenvertrieb GmbH provides high-value compost and substrate soil from foliage and beet soil at Regensburg since 1989 and at Plattling for the past 5 years. Hence, these raw materials are naturally recycled. The product range of various composts is rounded off by marketing bark-based products for gardens and landscape gardeners.

Revenues from sales of soil rose to € 1.6 million (€ 1.4 million), despite the continuing recession in the construction sector, due to an improved range of services such as, for example, extending the product range, customer-friendly opening times and the production of individual substrate mixes. Marketing of compost soil to local soil works could be further extended.

In addition to serving its existing customers, REKO is actively establishing further sales channels and activities.

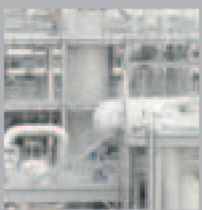
Eastern Sugar

Eastern Sugar B.V., in which Südzucker has an investment of almost 50 % via Saint Louis Sucre and which is included in the consolidated financial statements at equity, has a maximum quota of some 281,000 tonnes. In the past campaign, Eastern Sugar produced some 355,000 tonnes of sugar at a total of five sugar factories in Hungary, Slovakia and The Czech Republic. The company showed a satisfactory increase in revenues and profitability in the past year.

fuel

to move

the future



THE FUEL:
Bioethanol, an environmentally-friendly fuel, can be added to gasoline, processed to ETBE, the octane enhancer, or used on its own to power engines.

THE FUTURE:
Flexible fuel vehicles, already manufactured by some carmakers today, run on up to 85 % bioethanol.

Overview

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

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

Performance of the divisions

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 continuing demand for Isomalt confirms our strategy of laying the foundations for further growth through investment in product development, application technology, market research and nutritional physiology.

Against expectations, the 'low carb' trend observed in the USA in the first half of 2004 was not further taken up by the market. On the other hand, 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). Nutritional trends such as "healthy snacks" or "lower glycemic effects", but also increased pressure on the food industry to place more weight on healthy aspects in its products, have boosted interest in Raftiline® and Raftilose®. This has resulted in many new products, including brands, with Raftiline® or Raftilose® as additives being brought to market by the larger food companies. This trend is supported by the results of new nutritional science studies of Raftilose® Synergy1. It has been proven that daily intake of this product strengthens mineralisation in bones and has a positive effect on the immune system.

Construction of a new plant to process chicory to inulin was started in Chile; work is progressing according to plan. The largest harvest to date could be processed at the chicory factory in Oreye, Belgium, as farmers achieved a record yield.

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. A number of new applications were successfully launched for the health care and personal care sectors, giving a sound perspective for further growth.

Despite increased competition, particularly from Asia, and negative foreign currency rates, Remy Industries has also achieved growth with its rice-based food additives. New customers were gained, using rice-based starch and flour in their products. Investments to increase capacity and improve product quality will also lead to additional growth in the coming year.

Starch

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

In **Austria** 204,000 tonnes (149,500 tonnes) of starch-industry potatoes were processed in the past year, yielding 47,900 tonnes (31,800 tonnes) of potato-based starch. Due to the above-average starch content, the EU potato starch quota of 47,691 tonnes was fully utilised.

23,200 tonnes (29,200 tonnes) of food-industry potatoes were used, also with an higher starch content, for the production of potato-based dried products (mashed potato and ready-made mixed products).

281,000 tonnes (280,900 tonnes) of corn were processed at the corn starch factory at Aschach. The corn starch factory in Hörbranz, Vorarlberg, with a daily process capacity of 100 tonnes of corn, was closed at the end of February 2005 and production was moved to the Aschach plant, with 1,000 tonnes daily processing capacity.

Potatoes and corn from biological farms are also processed to biological starch at the Gmünd and Aschach factories. Biological sugar-based products and biological potato-based products are processed. The major sales markets for these products are the EU, Switzerland, North America and south-east Asia. AGRANA has a leading position in Europe for biological starch products from potato and corn.

AGRANA is also the major supplier of GM-free, corn-based starch products to the food industry and baby-food producers, using domestic starches, sourced starches, malt-based dextrose and dry-glucose syrups.

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.

In **Romania** 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.

PortionPack Europe

PortionPack Europe Group specialises in portion packs for the catering and wholesaler sectors and has a leading position in Europe. In this market, which is subject to increasing price pressures from low-priced eastern European suppliers and new procurement technologies such as internet auctions, the decisive competitive advantage lies in low costs. 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 success of the Freiberger Group is based on efficient production and a high degree of flexibility in meeting specific product requirements from the retail, catering and social welfare industries. The differentiation of its product range compared with competitors is based on a large number of recipes, covering not only classical areas but also specialities for seasonal, regional and ethnic markets. Furthermore, its range of services is extended to cover many customer-oriented services, including quality and logistics management.

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. Existing experience of agricultural raw materials and campaign operations within the group, nutritional/technological know-how, a customer base overlapping that of our core businesses and knowledge of central and eastern European markets, all form an excellent basis for the future success of this division. The fruit division has considerably strengthened Südzucker Group's special products segment.

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 texturisers. 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 company, with revenues of € 120 million, has been included in the consolidated financial statements since the second quarter of 2004/05. Steirerobst will start operations in the Moscow area in mid-2005 with a new fruit additives factory, the first in Russia, thus establishing in another growth market.

The cornerstone of the fruit division is the French **Atys Group**, with an annual production volume of 300,000 tonnes and revenues of some € 400 million, making it the global market leader in fruit additives for the dairy industry. The acquisition is being made in steps, with 25 % acquired in July 2004, another 25 % in December 2004 and a further 6 % in March 2005, so that AGRANA now holds a majority of 56 %. As part of the agreed acquisition steps, all shares will be acquired by AGRANA by December 2006.

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 with production in Belgium, Serbia and Morocco, 487 employees and sales of some € 49 million. In January 2005, 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. Wink has 200 staff, turnover of almost € 40 million and production facilities in Hungary, Poland and Romania, making it one of the largest producers of fruit-juice concentrates in Europe. With this acquisition, the concentrates division has advanced to a leading position throughout Europe.

The fruit division is made up of Atys, including Dirafrost, Vallø Saft, Steierobst and Wink with currently 37 production locations, of which 14 are outside Europe. Due to the limited shelf life of fruit additives and close co-operation with customers in developing recipes and application technology, production is geographically close to sales markets. On the other hand, fruit-juice concentrate factories are located in the European fruit growing areas.

The fruit division achieved revenues of some € 630 million in 2004/05 (based on a pro forma calculation of all companies). Of this amount, some € 520 million relates to fruit additives and € 110 million to fruit-juice concentrate. Global market share amounts to some 37 % for fruit additives (dairies, bakeries and ice cream) and some 9 % for fruit-juice concentrates (apple and berries juice).

The considerable synergy potential within the previously separate operating units is currently being realised. This includes global sourcing, best practice concepts in production, marketing and logistics, as well as joint research and development activities.

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.

The market is growing. We assume that planned sales quantities will be reached in the current financial year, as many plants are being converted from production of the methanol-based fuel additive MTBE to ethanol-based ETBE. In addition, the oil industry is beginning to offer fuels with ethanol as an additive.

Impressions of the bioethanol plant at Zeitz.

The market for energy from renewable raw materials will grow sharply throughout Europe in the next few years. In connection with the commitment to reduce greenhouse gases made in the Kyoto protocol, the EU has called on all member states to take appropriate measures. The objectives of the EU's biological fuel directive were to increase the share of biological-based fuels in total fuel consumption to 5.75 % by 2010. This converts to an EU-wide market volume for bioethanol as a fuel additive of between 8 and 10 million m^3. Furthermore, the objective set out in the commission's green book entitled "towards a European strategy for securing energy supplies", is to have a 20 % substitution of conventional fuels by alternative fuels for road traffic by 2020.

Hence, the conditions for production of bioethanol are also changing outside Germany. In Austria, for example, an additives ordinance has been issued, requiring the oil industry to mix 2.5 % biological-based fuels to petrol by October 2005 and 5.75 % by 2008. An amendment to the mineral oil tax law contains a tax benefit from October 2007 if at least 4.4 % biological-based fuel additives are reached. Based on these facts, we are reviewing commencement of bioethanol production via AGRANA in Austria. We are also tracking developments in France, Belgium and Hungary.

Südzucker Group employed an average of 17,494 (17,973) staff world-wide 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.

Number of employees
Annual average

	2004/05	2003/04
Sugar segment	12,001	13,812
Special products segment	5,493	4,161
Total	**17,494**	**17,973**

The personnel development function assists in integration into the group. An international on-boarding program has been launched, in which staff from different group companies who have been employed with the group for between two and four years are brought together to share experience and information about Südzucker Group's strategies across boundaries and divisions. Integration and a feeling of togetherness are encouraged and matters of concern throughout the group can be processed better and more efficiently.

At the same time, common foundations are laid and assistance given for implementing processes. Learning English, the group's language, is encouraged in many ways and is the basis for cross-border work programs.

At European level a code of behaviour drawn up in 2004 between the European Association of Catering Unions (EFFAT) and the Sugar Industry Association (CEFS) could be further developed. The code emphasises the social responsibility of companies within the European sugar industry. On a voluntary basis, it covers eight minimum standards such as, for example, training, health protection, working conditions, human rights, etc., which are illustrated by some 50 best-practice examples.

In future, the European works council will also have representatives from those eastern European states in which Südzucker Group operates.

The training of young people remains of great importance to Südzucker. In addition to the continuing high-quality apprenticeship program, many opportunities in the form of projects and practical work are given to school children and students to prepare for their working lives and receive guidance as to their future jobs.

Südzucker AG's employee recommendation system continues to generate cost savings. The number of recommendations for improvements, as well as the average savings per recommendation, grew sharply.

Health protection and safety at work are major themes at all companies within the Südzucker Group. Ideas are developed and implemented jointly with our highly motivated and committed employees.

Of key concern are preventative measures, achieved by means of a large number of improvements to work processes and the working environment. There is also an intensive exchange of know-how between group companies including, for example, passing on best practice solutions. The success of this concept is demonstrated by the number of accidents as well as the number days of absence due to accidents, both of which could be further reduced within the group.

We should like to thank all our staff for their efforts and involvement in 2004/05. We also thank the members of the works councils for their co-operation and fairness.

Main activities

The main areas of research and development for the Südzucker Group include developing new products and product variances, optimising 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 optimisation, 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.

A major effort has been made to expanding patent registrations for all products, particularly in the special products division and for sugar-related technological processes. A total of nine new patents were registered. An active patent policy is an important part of our corporate strategy, and hence of the research and development strategy. In the product safety area, the existing system for the sugar, special varieties, product development and animal feed divisions was further developed and extended to cover the whole group.

Sugar and special products

Sugar

Electroporation is a process to ease the extraction of sugar from beet. The laboratory-based experiments to process beet juice using electroporation and, thereafter, alkaline extraction, commenced during the 2002 campaign and were continued in 2004, confirming the excellent technological pellet quality achieved by effective temperature control. This could lead to significant primary energy savings in the pellet drying process. Furthermore, it will be possible to operate existing extraction plant at a considerably higher degree of efficiency and hence avoid new capital expenditures in the extraction area.

Parallel work has also demonstrated the applicability of electroporation to other fields of interest to Südzucker, such as inulin, starch and fruit-juice extraction. Further patent registrations to secure the rights are in process.

Special products

In the fondant division, the range of glazings was expanded and new, tailor-made solutions developed for customers.

Developments in the caramel syrups area led to new varieties of flan additives for the southern European market, as well as special applications in the bakeries division.

Aroma-based sugar cubes are developed for the Belgium market under the "Momenti" brand. Laboratory-based tests of various flavours were made and an optimum production process was designed. Four flavours, chocolate, amaretto, Irish cream and praline, were launched on the market.

A product with a combination of sugar and dried fruit, nuts and chocolate was developed under the "Ti´Breakfast" name and will be launched on the market in 2005.

Functional carbohydrates

Isomalt/Isomaltulose/Palatinose®

Isomalt is a sugar substitute developed by Südzucker and produced from sugar as a raw material.

A new technology was developed for the hydrogenation process, enabeling process capacity to be improved.

Advice given to Isomalt customers in the major application areas of hard-boiled candies and coated chewing gums was directed in particular at measurement methods to optimise the quality of customer-tailored products, and new launches. We believe that this will also enable us to open further promising marketing opportunities in the bakeries, soft caramels and confectionery areas.

As part of the product launch of Palatinose®, a new sweetener with a low glycemic index and produced from sucrose, we progressed in securing the product by patent registrations, particularly in the drinks sector and for some special confectionery-related applications.

The main area of nutritional research for Isomalt/ Isomaltulose was concentrated on further confirming stated product qualities relating to their low glycemic effects. The starting point is the fact that there is a global increase in diabetes diseases and their precursors. The market demand for diabetes products, such as the low carb segment, is growing accordingly. In addition to short-term studies, long-term studies are being carried out with diabetics at renowned universities to confirm earlier tests. The results are promising. Isomalt and Isomaltulose can also successfully help reduce glycemics in special forms of nutrients.

The pre-biotic properties of Isomalt have also been confirmed by further studies.

Inulin

Inulin is extracted from chicory root and is primarily covered by the functional food division, although non-food products are also gaining in importance.

In order to meet the needs of customers, particularly in the fruit additives division, a new, highly soluble inulin (Raftiline® HSI), based on enzymatic hydrolysis, is being developed. Furthermore, pilot trials to blend chicory-based products have been commenced in order to develop products to be used mainly in animal feed.

The scaling-up of the Inutec® surfactants process to ton-scale was continued on. A liquid form of our inulin-based surfactants was also developed, with a new, alternative esterification process increasing extraction and yield.

The range of use for surface-active inulin-based materials in recipes for care products was expanded. Their application in emulsion polymerisation technology and as a dispersant for stabilisation in paint, inks and coatings has proved positive. Furthermore, it was shown that, using high-pressure homogenisation, this material can also be used for the manufacture and stabilisation of highly-specialised emulsions, such as nano-emulsions.

Further research on the use of fructans from chicory in nutrients confirms their expected effects, especially for the patent-pending Raftiline® Synergy1. A broadly-based, long-term study with children shows that the use of Synergy1 increases calcium intake within a short period of time, and that this has a positive effect for at least one year or longer and is accompanied by a sharp increase in bone mineralisation.

Furthermore, it was shown that Synergy1 increases magnesium and calcium absorbtion by older women.

In addition, two further studies confirmed the prebiotic effect of Synergy1 on older people, and the prebiotic effect of oligofructose (Raftilose® P95), causing a positive influence on the wellness of babies, was demonstrated.

Work in the animal feed area revealed, for Raftifeed® IPE, that use of a higher dose in feed during the weaning phase combined with a lower subsequent dosage, is the ideal way of optimising nutritional and economic benefits.

Two types of long-chain inulins in UHT milk drinks were studied for recrystallisation and precipitation during shelf-live. The newly-developed inulin product Raftiline® HPX is less soluble, but showed slower recrystallisation, making it a recommended product for UHT milk drinks.

New carbohydrates

In the new carbohydrates area, activities were concentrated particularly on resistant starch (neo-amylose, see inset). Further research was concentrated on products with cholesterol-reducing or anti-infection effects, with medical studies carried out and production technologies developed. Further ideas relating to intestinal health are being worked on, and these studies are partly being carried out in co-operation with German, European other research institutions.

Starch

Starch from corn and potatoes is produced by the Südzucker Group for the food and non-food areas.

In 2004/05, application of starch to a completely new area was achieved. We were able to develop modified starches which can be used in dispersion paints. These starch-based products show a gelling performance which were previously only found in cellulose derivatives or synthetic polymers. Furthermore, new and special derivatives and application technologies were optimised, making use of these starch-based products even more attractive.

In addition to finding new applications for starch as a renewable raw material, potential economic benefits were of primary interest in carrying out this work.

In connection with the expansion of business activities in the fruit-juice concentrate and fruit additives areas, a technology was developed at pilot level to permit starch to be steamed and spray-dried at the same time. Products manufactured using this technology show a considerably improved application profile when producing fruit additives, with new and improved textural properties of the end-products.

New production process for amylose, a starch component

Südzucker is developing a new process to manufacture amylose (neo-amylose), which overcomes the disadvantages of previous production process. Due to neo-amylose's unique structure and processing properties for micro-particles, thermoplasts, gels and resistant starch, this opens up a broad range of interesting application opportunities, such as in cosmetics, pharmaceuticals, foils, films and healthy nutrients. A broad patent portfolio has secured Südzucker's rights to this new technology.

Raw material for the Neo-amylose process is sucrose (sugar). With the help of an enzyme developed by Südzucker sucrose is split and converted to polymerised neo-amylose. The enzyme used, amylosucrase, is of natural origin and is produced with fermentation technology, isolated and cleaned in a number of processing steps. Using existing technologies available within the group (fermentation, enzyme reaction, starch technology) neo-amylose, the resulting product, provides a further use for a renewable raw material (sucrose) and thus a new, forward-looking element in Südzucker's research strategy.

With its high level of capital expenditures, the Südzucker Group paves the way for expanding its business activities and lays the foundations for further success in the coming years.

€ 499 million (€ 307 million) was invested in property, plant and equipment by the group in 2004/05, whereby the emphasis was moved from capital expenditures in the sugar segment of € 144 million (€ 206 million) to the special products segment at € 356 million (€ 101 million).

Sugar segment

Returns on past capital expenditures in Germany already met expectations during the 2004 campaign. In particular, expansion of the vaporisation stations at the Offstein and Offenau works led to significant energy savings. Following a test phase at the Ochsenfurt and Groß-Gerau works, the beet yard automation system was successfully introduced at the Rain works (see page 44).

The emphasis of capital expenditures at Raffinerie Tirlemontoise, Belgium lay in energy savings, with the aim of reducing energy requirements by 17 % by 2005. Two heat exchangers entered operations at the Wanze and Tienen works. A new control centre was established and crystallisation automated at the Brugelette factory. Capital expenditures at Tienen in the varieties production area were made as part of the "best-pack program" to implement International Food Standards (IFS), ensuring adherence to quality and hygiene standards and improving the plant's efficiency.

Capital expenditures at Saint Louis Sucre, France were concentrated above all on optimising production structures and prolonging the useful life of the plant by means of longer syrup production campaigns. For this reason, two syrup tanks were constructed at the Guignicourt and Roye factories. With the installation of a small packaging machine for Tetrapacks at the Eppeville works, a packaging innovation was implemented to strengthen sales of our end-products.

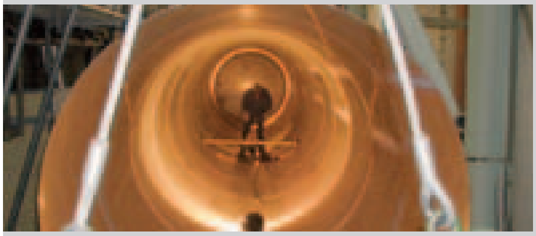
At AGRANA, Austria, capital expenditures were mainly aimed at optimising production and improving plant efficiency. A program extending over a number of years was completed with the renewal of the process control system for the sugar house in Tulln.

Special products segment

Construction of the bioethanol plant at Zeitz was the largest single project in the special products segment. The plant, working in conjunction with the neighbouring sugar factory, has an annual capacity of 260,000 m^3 of bioethanol and, in its conception and dimension, is a state-of-the-art plant for Europe. Operations commenced as planned on a step-by-step basis during spring 2005.

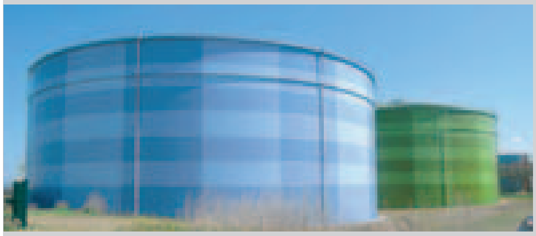
Further capital expenditures were made in the ORAFTI/Palatinit division with the construction of a factory in Chile to supplement the existing ORAFTI production facilities in Belgium, and expansion of capacity of the Palatinit plant at Offstein.

Capital expenditures in the fruit division managed by AGRANA served to optimise the cost and production structures of this dynamically growing business division.



Constructing a tank at Offstein.

Heat exchanger at Longchamps.



Beet juice tanks at Offstein.

Expanding the cooling tower at Leopoldsdorf.

Building the ORAFTI factory in Chile.

Bioethanol plant at Zeitz.

Lower emiss

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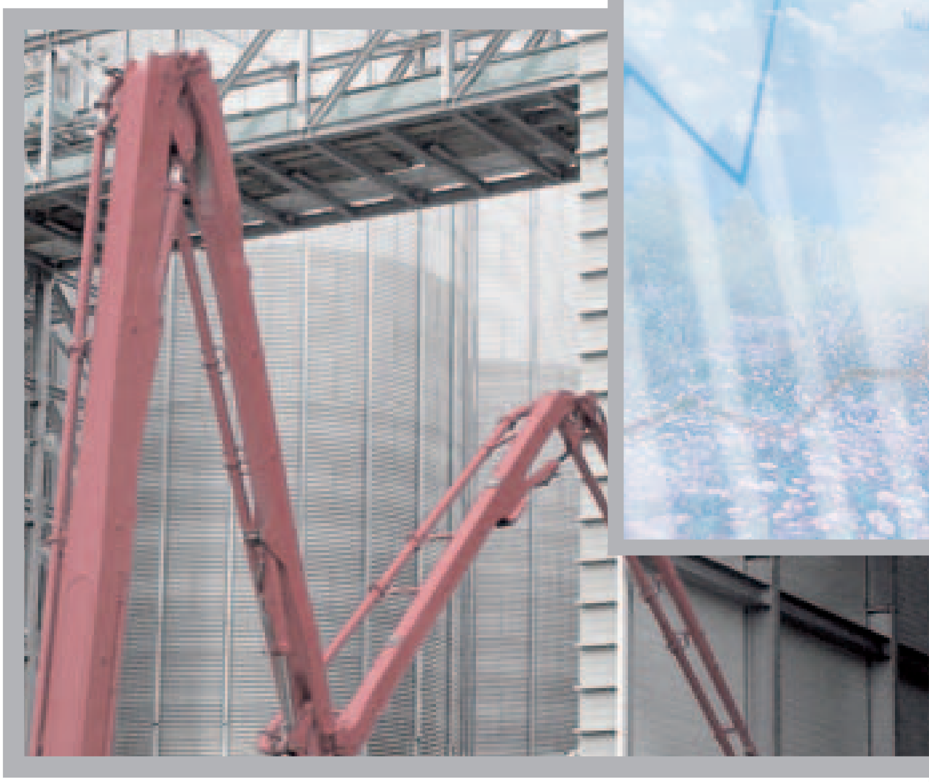
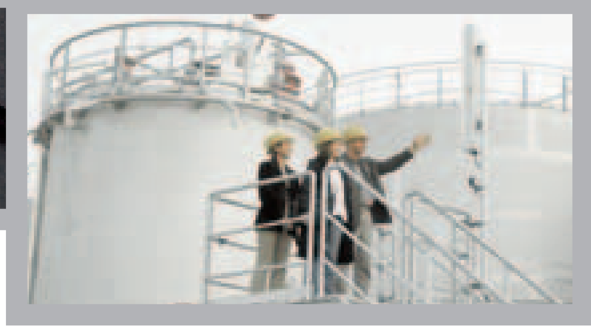




i o n s

b r i g h t e n   t h e   f u t u r e

EMISSIONS:

A Munich Technical University study shows that our plant in Zeitz alone can help to reduce CO_2 emissions by 520,000 t annually.

OUTLOOK:

Ecologically sound and economically promising: Experts estimate that bioethanol's market share will more than double by 2010.

And rising oil prices may help to boost the pace still further.

Balance sheet

28 February 2005 (€ million)

ASSETS

	Note	28.02.2005	29.02.2004
Intangible assets	(6)	1,687.6	1,426.5
Property, plant and equipment	(7)	2,076.7	1,664.6
Financial assets	(8)	329.6	267.8
Receivables and other assets		4.8	5.5
Deferred tax assets	(28)	13.0	18.2
Non-current assets		**4,111.7**	**3,382.6**
Inventories	(9)	1,954.4	1,645.3
Trade and other receivables	(10)	856.8	704.2
Cash and cash equivalents	(11)	272.0	305.6
Current assets		**3,083.2**	**2,655.1**
Total ASSETS		**7,194.9**	**6,037.7**

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	28.02.2005	29.02.2004
Subscribed capital		174.8	174.8
Capital reserves		951.3	951.3
Revenue reserves		1,065.3	851.0
Equity attributable to shareholders of Südzucker AG		*2,191.4*	*1,977.1*
Minority interest		546.2	408.8
Shareholders' equity	(12)	**2,737.6**	**2,385.9**
Provision for pensions	(13)	393.0	379.1
Deferred tax liabilities	(28)	330.2	333.0
Other provisions	(14)	200.3	222.6
Non-current financial liabilities	(15)	1,215.7	1,079.6
Other liabilities	(15)	23.5	24.9
Total non-current provisions and liabilities		**2,162.7**	**2,039.2**
Other provisions	(14)	409.6	415.4
Current financial liabilities	(15)	728.6	325.9
Trade and other payables	(15)	1,156.4	871.3
Total current provisions and liabilities		**2,294.6**	**1,612.6**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**7,194.9**	**6,037.7**

Income statement

1 March 2004 to 28 February 2005 (€ million)

	Note	01.03.2004 –28.02.2005	01.03.2003 –29.02.2004
Revenues	(19)	**4,826.6**	**4,575.0**
Change in work in progress and finished goods inventories and internal costs capitalised	(20)	175.7	39.8
Other operating income	(21)	97.1	93.4
Cost of materials	(22)	(3,053.5)	(2,824.2)
Personnel expenses	(23)	(585.1)	(564.6)
Depreciation	(24)	(201.0)	(198.1)
Other operating expenses	(25)	(737.0)	(642.3)
Operating profit		**522.8**	**479.0**
Restructuring costs and special items	(26)	13.4	(32.6)
Operating profit after special items		**536.2**	**446.4**
Interest expense, net	(27)	(94.4)	(72.2)
Income from investments	(27)	15.6	19.4
Earnings before income taxes		**457.4**	**393.6**
Taxes on income	(28)	(99.9)	(86.3)
Net earnings for the year		**357.5**	**307.3**
of which attributable to Südzucker AG shareholders		297.4	254.6
of which attributable to minority interest		60.1	52.7
Earnings per share (€/share)		**1.73**	**1.48**

Statement of cash flows

1 March 2004 to 28 February 2005 (€ million)

	Note	2004/05	2003/04
Net earnings for the year		357.5	307.3
Depreciation of non-current assets	(24)	210.7	229.8
Write-ups of non-current assets		(5.5)	(1.1)
Decrease (–) / increase (+) in non-current provisions		(1.1)	2.4
Other income (–) not affecting cash		(11.4)	(16.2)
Gross cash flow from operating activities		**550.2**	**522.2**
Gain on disposals of items included in non-current assets		(39.9)	(20.8)
Decrease in current provisions		(32.4)	(3.8)
Increase in inventories, receivables and other assets		(316.5)	(152.3)
Increase (+) / decrease (-) in liabilities (excluding financial liabilities)		238.8	(32.3)
Change in working capital		(110.1)	(188.4)
Net cash flow from operating activities		**400.2**	**313.0**
Cash received on disposals of items included in non-current assets		79.5	211.9
Capital expenditures:			
Property, plant and equipment and intangible assets	(6), (7)	(499.8)	(306.6)
Financial assets, including acquisitions of consolidated subsidiaries	(8)	(590.0)	(181.0)
Increase in cash as a result of changes in companies consolidated		11.1	5.5
Cash flow from investing activities		**(999.2)**	**(270.2)**
Capital increases	(12)	248.0	14.4
Dividends paid		(102.3)	(127.2)
Bonds issued		0.0	250.0
Receipt (+) / repayment (–) of financial liabilities		414.7	(310.6)
Cash flow from financing activities		**560.4**	**(173.4)**
Change in cash and cash equivalents		(38.6)	(130.6)
Effect of exchange rate changes and valuation changes (IAS 39)		5.0	8.7
Cash and cash equivalents at the beginning of the year	(11)	305.6	427.5
Cash and cash equivalents at the end of the year	**(11)**	**272.0**	**305.6**
of which: cash		110.5	201.1
of which: securities		161.5	104.5

Changes in shareholders' equity

(€ million)

	Subscribed capital	Capital reserves	Other revenue reserves	Fair value reserve	Accumulated foreign currency translation differences	Total revenue reserves	Equity of Südzucker shareholders	Equity of minority interest	Total equity
Balance at 01.03.2003	**174.8**	**938.3**	**730.4**	**(8.0)**	**(10.3)**	**712.1**	**1,825.2**	**395.8**	**2,221.0**
Net earnings for the year			254.6			254.6	254.6	52.7	307.3
Distri-butions			(87.4)			(87.4)	(87.4)	(39.8)	(127.2)
Capital increase		13.0					13.0	1.5	14.5
Exchange rate changes					(6.9)	(6.9)	(6.9)	(2.2)	(9.1)
Other changes			(35.7)	14.3		(21.4)	(21.4)	0.8	(20.6)
Balance at 29.02.2004	**174.8**	**951.3**	**861.9**	**6.3**	**(17.2)**	**851.0**	**1,977.1**	**408.8**	**2,385.9**
Balance at 01.03.2004	**174.8**	**951.3**	**861.9**	**6.3**	**(17.2)**	**851.0**	**1,977.1**	**408.8**	**2,385.9**
Net earnings for the year			297.4			297.4	297.4	60.1	357.5
Distri-butions			(87.4)			(87.4)	(87.4)	(14.9)	(102.3)
Capital increase								248.0	248.0
Exchange rate changes					26.1	26.1	26.1	7.9	34.0
Other changes			(10.1)	(11.7)		(21.8)	(21.8)	(163.7)	(185.5)
Balance at 28.02.2005	**174.8**	**951.3**	**1,061.8**	**(5.4)**	**8.9**	**1,065.3**	**2,191.4**	**546.2**	**2,737.6**

Segment reporting (€ million)

1. Business segments

	2004/05			2003/04		
	Total segments	Sugar	Special products	Total segments	Sugar	Special products
Revenues	**4,826.6**	3,517.6	1,309.0	**4,575.0**	3,395.3	1,179.7
Operating profit	**522.8**	359.9	162.9	**479.0**	334.7	144.3
Operating margin	*10.8 %*	*10.2 %*	*12.4 %*	*10.5 %*	*9.9 %*	*12.2 %*
Segment assets	**6,211.7**	4,828.1	1,383.6	**5,371.2**	4,381.7	989.5
Segment liabilities	**2,100.4**	1,842.2	258.2	**1,800.0**	1,635.5	164.5
Capital employed	**4,645.8**	3,507.1	1,138.7	**4,090.6**	3,252.2	838.4
Return on capital employed	*11.3 %*	*10.3 %*	*14.3 %*	*11.7 %*	*10.3 %*	*17.2 %*
Capital expenditures on property, plant and equipment	**499.8**	143.9	355.9	**306.6**	205.5	101.1
Investments in financial assets	**590.0**	473.3	116.7	**181.0**	108.8	72.2
Depreciation of property, plant and equipment	**(201.0)**	(141.9)	(59.1)	**(198.1)**	(144.1)	(54.0)
Employees	**17,494**	12,001	5,493	**17,973**	13,812	4,161

Reconciliation of segment assets and liabilities

	28.02.2005	29.02.2004
Total assets	**7,194.9**	**6,037.7**
Financial assets	(329.6)	(267.8)
Securities and cash	(272.0)	(305.7)
Other assets	(381.6)	(93.0)
Segment assets	**6,211.7**	**5,371.2**
Total liabilities and equity	**4,457.3**	**3,651.8**
Financial debt	(1,944.3)	(1,405.5)
Tax liabilities	(412.6)	(446.3)
Segment liabilities	**2,100.4**	**1,800.0**

2. Geographic segments

	2004/05	2003/04
Revenues		
Germany	1,331.3	1,440.1
Other EU 15	2,777.7	2,648.7
Total EU 15	4,109.0	4,088.8
Eastern Europe	661.1	443.7
Other countries	56.5	42.5
	4,826.6	**4,575.0**
Segment assets		
Total EU 15	5,398.4	4,835.7
Eastern Europe	792.1	519.9
Other countries	21.2	15.6
	6,211.7	**5,371.2**
Expenditures on property, plant and equipment		
Total EU 15	452.6	281.4
Eastern Europe	47.2	25.2
	499.8	**306.6**

Notes to the consolidated financial statements for the financial year from 1 March 2004 to 28 February 2005

(1) Principles of preparation of the consolidated financial statements

The consolidated financial statements of Südzucker AG for 2004/05 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) in force at 28 February 2005. The conditions set out in § 292a of the German Commercial Code for exemption from preparation of consolidated financial statements prepared in accordance with the German Commercial Code have been met.

The significant differences between German accounting principles for consolidated financial statements and IFRS are as follows:

- No annual amortisation of goodwill, but a requirement to test for impairment at least annually as set out in IFRS 3,

- Classification of the balance sheet into non-current and current assets and liabilities, as set out in IAS 1 (revised 2003)

- Different depreciation methods, as prescribed by IAS 16 (e.g. no systematic change to declining-balance method),

- No recognition of internal expense provisions (e.g. maintenance provisions), as set out in IAS 37,

- Valuation of pension provisions using the projected-unit-credit method, as set out in IAS 19,

- Translation of foreign currency receivables and payables using rates ruling at the balance sheet date, as set out in IAS 21,

- Requirement to recognise deferred income taxes using the liability method, as set out in IAS 12,

- Requirement to recognise certain financial instruments at fair values, as set out in IAS 39,

- Accounting for emission rights and actual emission obligations, as set out in IFRIC 3.

Südzucker has applied IFRS 3 (business combinations) in connection with IAS 36 (revised) (impairment of assets) and IAS 38 (revised) (intangible assets) since 2003/04. In that same year, the following standards, revised as part of the IASB's improvements project, were applied early: IAS 1 (presentation of financial statements), IAS 8 (accounting policies, changes in accounting estimates and errors), IAS 10 (events after the balance sheet date), IAS 16 (property, plant and equipment), IAS 17 (leases), IAS 21 (the effects of changes in foreign exchange rates), IAS 24 (related party disclosures), IAS 27 (consolidated and separate financial statements), IAS 28 (investments in associates), IAS 31 (financial reporting of interests in joint ventures), IAS 33 (earnings per share) and IAS 40 (investment property).

IFRS 2 (share-based payments), IFRS 4 (insurance contracts), IFRS 5 (non-current assets held for sale and discontinued operations), the revised IAS 19 (employee benefits) and IAS 39 (financial instruments: recognition and measurement) cover matters of no relevance to the Südzucker Group or which have an insignificant effect on the financial statements. These standards are to be applied in 2005/06 or thereafter.

(2) Companies included in consolidation

In addition to Südzucker AG, all domestic and foreign subsidiaries in which Südzucker AG has direct or indirect financial control and which are not immaterial are fully consolidated in the consolidated financial statements. 150 companies (2003/04: 145) were included in the consolidated financial statements for the year ended 28 February 2005. 22 companies have been included in the consolidated financial statements for the first time. 17 companies were merged in 2004/05 or are no longer part of the group.

Südzucker increased its holding in RT Group to 99.6 % by the acquisition of 14.2 % of the shares in Raffinerie Tirlemontoise S.A., previously held by institutional investors (purchase price: € 368.6 million).

Südzucker sold its direct holding in AGRANA Beteiligungs-AG to AGRANA Zucker, Stärke und Frucht Holding AG. Thereafter, AGRANA successfully placed a capital increase in February 2005, thereby increasing the free float to 24.5 %. This led to a reduction in our overall holding to 37.75 %.

The Steirerobst Group, consisting of seven entities, was fully consolidated as from the beginning of the second quarter of 2004/05. Following the acquisition of further shares in March 2004, AGRANA increased its holding in Steirerobst AG's share capital to 50.8 %. 100 % of the share capital of the Wink Group was acquired on 3 January 2005 and its balance sheet was included in the consolidated financial statements for the first time at 28 February 2005. Wink is is one of Europe's largest producers of fruit-juice concentrates and has four production facilities, of which two are in Hungary with one each in Poland and Romania. The head office, with administrative and centralised logistics staff, is located in Bingen, Germany. The total acquisition cost for Wink, which has been fully consolidated, was € 69.0 million.

The effects on the consolidated financial statements of the change in companies consolidated are as follows:

	First-time consolidated companies 2004/05
	€ million
Non-current assets	109.2
Current assets	130.6
Total assets	**239.8**
Shareholders' equity	83.2
Provisions and liabilities	156.6
Total liabilities and equity	**239.8**
Revenues	**95.1**
Earnings for the year	**5.0**

The effects of de-consolidations were insignificant.

The *proportionate consolidation* method was used for two (2003/04: two) joint ventures.

	Proportionately consolidated companies	
	2004/05	2003/04
	€ million	
Non-current assets	16.6	16.1
Current assets	23.3	26.8
Total assets	**39.9**	**42.9**
Shareholders' equity	19.2	19.9
Provisions and liabilities	20.7	23.0
Total liabilities and equity	**39.9**	**42.9**
Revenues	**62.1**	**56.2**
Earnings for the year	**14.5**	**11.1**

The *equity method* was used for 34 (5) companies. Both revenues and earnings of entities included at equity increased sharply in 2004/05. This is due to the first-time inclusion at equity of the Atys Group and good results of operations for the eastern European activities of Eastern Sugar. Atys will be fully consolidated during 2005/06 following an increase in the group's shareholding. Steirerobst Group, included at equity in the previous year, was fully consolidated as from 1 June 2004 for nine months of 2004/05. Due to their insignificance, as set out in IAS 28, 12 associated companies were included in the consolidated financial statements at cost.

	Companies included at equity	
	2004/05	2003/04
	€ million	
Non-current assets	207.6	132.3
Current assets	380.7	158.3
Total assets	**588.3**	**290.6**
Shareholders' equity	194.9	128.6
Provisions and liabilities	393.4	162.0
Total liabilities and equity	**588.3**	**290.6**
Revenues	**694.6**	**280.9**
Earnings for the year	**25.9**	**3.2**

(3) Consolidation methods

The equity consolidation has been made using the purchase method, under which acquisition cost is set off against the relevant share of the subsidiary company's equity at the time of acquisition. Any difference has been allocated to assets insofar as their fair values differed from carrying values at that time. Any remaining difference (goodwill) is initially included in intangible assets. As set out in IFRS 3, goodwill is no longer subject to annual amortisation over its useful life, but is subject to an impairment test at least annually, which can result in an impairment write-down (impairment-only approach). Investments in non-consolidated affiliated companies are stated at acquisition cost. Investments in associated companies are included in the consolidated financial statements using the equity method as from their date of their acquisition or initial consolidation. In the event of step acquisitions of shares in fully consolidated subsidiaries, any resulting goodwill is also included in intangible assets.

Gains and losses on issuing shares in subsidiaries to third parties, as a result of which the group's holding is reduced (dilution gains and losses), are recorded in the income statement as part of special items.

Intercompany revenues, expenses and income and all receivables, liabilities and provisions between consolidated entities have been eliminated. Intercompany profits included in non-current assets and inventories and arising from intercompany transfers are eliminated. Results of the companies making up the AGRANA Fruit Group have been included in the consolidated financial statements for the calendar year ended 31 December 2004, and significant transactions through 28 February 2005 have been appropriately considered, as set out in IAS 27.

(4) Foreign currency translation

As set out in IAS 21, the financial statements of group companies have been translated directly from local currency into the reporting currency (€), as the foreign entities carry out their financial, operating and organisational activities autonomously (the functional currency concept). Hence, non-current assets, other assets and liabilities have been translated using mid-market rates ruling at the end of the year (year-end rates). Income and expense items have been translated at average rates for the year.

Movements in exchange rates of the significant currencies used in preparing the consolidated financial statements were as follows (conversion rates to € 1):

		Year-end rate		Average rate	
		28.02.2005	29.02.2004	2004/05	2003/04
		Local currency			
Brazil	BRL	3.4707	3.6360	3.2958	3.4571
Chile	CLP	763.2423	740.5200	700.4240	770.5380
Great Britain	GBP	0.6894	0.6707	0.6803	0.6954
Denmark	DKK	7.4385	7.4516	7.4399	7.4336
Malaysia	MYR	5.0060	4.7311	4.3539	4.4347
Moldova	MDL	16.5155	15.7520	15.3604	15.8906
Poland	PLN	3.9115	4.8816	4.4169	4.5194
Russia	RUB	36.6500	35.3700	32.8458	35.0480
Singapore	SGD	2.1546	2.1070	2.1020	2.0163
Slovakia	SKK	37.8700	40.5300	39.6589	41.3044
The Czech Republic	CZK	29.7000	32.4500	31.4485	32.0262
Ukraine	UAH	7.0294	6.6413	6.6492	6.2038
Hungary	HUF	241.7251	257.1752	248.6851	257.0417
USA	USD	1.3254	1.2407	1.2500	1.1630

Differences arising from translating assets and liabilities at year-end rates compared with rates ruling at the end of the previous year, together with differences between earnings for the year translated at average rates in the income statement and at year-end rates in the balance sheet, are charged or credited directly to reserves. The effect in 2004/05 was to increase non-current assets by € 19.8 million and shareholders' equity by € 34.0 million, primarily due to the effects of including the Polish entities, due to an increase of 19.9 % in the value of the PLN (year-end rate) over the euro.

Foreign currency receivables and liabilities included in the financial statements of consolidated companies have been translated at year-end rates, with any resulting unrealised gains and losses recorded in the income statement.

(5) Accounting policies

Acquired goodwill is recognised in the balance sheet as part of intangible assets. Intangible assets acquired in business combinations are stated separately from goodwill if, as defined in IAS 38, they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Other acquired intangible assets are included at acquisition cost less scheduled, straight-line amortisation over their expected useful lives.

Effective 1 March 2003, goodwill and intangible assets with indefinite useful lives are no longer being amortised annually, but are subject to an impairment test at least annually. The procedure adopted in carrying out this impairment test is described more fully in the notes on balance sheet items below.

Items of property, plant and equipment are stated at acquisition or production cost less straight-line depreciation and impairment write-downs, where applicable. State subsidies and grants are deducted from acquisition cost. Production cost of internally-constructed equipment includes the cost of production materials, production wages and an appropriate share of overheads; third-party borrowing costs relating to the production are not included. Maintenance expenses are recorded in the income statement when they are incurred.

Scheduled depreciation of property, plant and equipment and of intangible assets with finite useful lives is charged based on the following useful lives:

Intangible assets, including goodwill	2 to 5 years
Buildings	15 to 50 years
Technical equipment and machinery	6 to 30 years
Other equipment, factory and office equipment	3 to 15 years

Impairment write-downs of property, plant and equipment and intangible assets with finite useful lives are charged as set out in IAS 36 when the recoverable amount of an asset falls below its carrying amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the present value of expected cash flows from use of the asset (value in use).

Shares in non-consolidated affiliated companies are included at acquisition cost. Investments in associated companies, unless insignificant, are included using the equity method.

The valuation of other investments and securities depends on their classification as held to maturity or available for sale. Financial assets which are held to maturity are stated at amortised acquisition cost. Financial assets classified as available for sale are stated at fair value in the balance sheet, and any unrealised gains and losses are credited or charged direct to fair value reserve in shareholders' equity, net of any deferred taxes. Impairments are recorded directly in the income statement. Purchases and sales of securities are initially recorded at settlement date.

Inventories are stated at acquisition or production cost using average cost or the first-in, first-out method. As set out in IAS 2, the production cost of work in progress and finished goods includes direct costs and a reasonable proportion of material and production overheads, including depreciation of production machinery assuming normal levels of production capacity, and a proportion of administrative expenses. Write-downs are made to net realisable value where necessary. Specific write-downs are charged against slow-moving items and against items for which net realisable value is lower than cost.

Receivables in current assets are stated at nominal values, less adequate allowances for bad debts and other risks in receivables.

Securities in current assets include securities classified as available for sale which are stated at fair value. Until realised, any resulting unrealised gains and losses are credited or charged direct to fair value reserve in shareholders' equity, net of deferred taxes.

Cash and cash equivalents are included at nominal value.

Except for goodwill, reversals of write-downs of items included in non-current assets and current assets are made when the reason for charging the original impairment loss no longer exists.

Recognition of CO_2 emission certificates received and the related recognition of liabilities arising from CO_2 emissions has been made in accordance with IFRIC Interpretation 3. Emission certificates granted for the 2005 calendar year are stated at fair values in other current assets. Deferred income has been recognised in the same amount, reduced by liabilities for actual CO_2 emissions. The certificates and the emission liabilities will be de-recognised when the used CO_2 emission certificates are accounted for with the relevant state authorities.

Provisions for pensions are included as set out in IAS 19. Actuarial reports have been prepared for this purpose. Actuarial gains and losses arising from unexpected changes in the amount of the defined benefit obligation and from changes in actuarial assumptions, and which lie within a corridor of 10 % of the defined benefit obligation, are not recognised. Such actuarial gains and losses are only recognised over the expected average remaining working lives of the pension plan beneficiaries to the extent they exceed this corridor.

Other provisions cover all discernible risks and uncertain obligations. The amount of each provision is the probable or expected amount, based on the facts in each case.

Deferred taxes are recognised on temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet, as well as on tax loss carry forwards. Deferred tax assets and deferred tax liabilities are recognised separately on the face of the balance sheet. Deferred tax assets have been offset against deferred tax liabilities to the extent the related taxes on income are imposed by the same tax authorities. Deferred taxes are measured as set out in IAS 12 based on the appropriate local corporate income tax rate.

All liabilities are stated at the amounts due for payment.

Financial liabilities for bonds issued are shown net of their issue discount and transaction costs. The discount is being amortised using the effective yield method. We refer to notes (16) and (17) for details of the recognition and measurement of financial instruments. Appropriate provisions have been set up for risks arising from contingent liabilities.

Lease agreements within the Südzucker Group are all deemed to be operating leases, so lease payments are expensed when incurred. Südzucker Group is not a lessor in any lease contracts.

Revenues from the sale of products and goods are recognised when the delivery or service has been rendered and risks and rewards of ownership have been transferred. Rebates and price reductions are also included at the time revenues are recognised.

Research and development expenses are charged to the income statement in the period in which they are incurred. Development costs for new products are not recognised as intangible assets, as future economic benefit can only be proven once the products have been brought to market.

All accounting policy-related estimates and assessments are constantly reviewed, based on past experience and on expectations of the occurrence of future events to the extent it is considered reasonable to do so.

Notes to the balance sheet

(6) Intangible assets

2004/05 € million	Concessions, industrial and similar rights	Goodwill	On-account payments on intangible assets	Total
Acquisition costs				
1 March 2004	88.7	1,412.0	0.4	1,501.1
Change in companies incl. in the consolidation / currency translation / other changes	4.1	267.7	0.8	272.6
Additions	5.5	0.4	0.8	6.7
Transfers	0.3	0.0	(0.4)	(0.1)
Disposals	(0.8)	(0.8)	(0.2)	(1.8)
28 February 2005	97.8	1.679.3	1.4	1,778.5
Amortisation				
1 March 2004	(74.6)	0.0	0.0	(74.6)
Change in companies incl. in the consolidation / currency translation / other changes	(2.6)	0.0	0.0	(2.6)
Amortisation for the year	(5.8)	(8.5)	0.0	(14.3)
Transfers	(0.1)	0.0	0.0	(0.1)
Disposals	0.7	0.0	0.0	0.7
28 February 2005	(82.4)	(8.5)	0.0	(90.9)
Net book value at 28 February 2005	15.4	1,670.8	1.4	1,687.6

2003/04 € million	Concessions, industrial and similar rights	Goodwill	On-account payments on intangible assets	Total
Acquisition costs				
1 March 2003	84.6	1,258.8	0.0	1,343.4
Change in companies incl. in the consolidation / currency translation / other changes	0.3	83.6	0.0	83.9
Additions	5.1	69.6	0.4	75.1
Transfers	1.1	0.0	0.0	1.1
Disposals	(2.4)	0.0	0.0	(2.4)
29 February 2004	88.7	1,412.0	0.4	1,501.1
Amortisation				
1 March 2003	(72.0)	0.0	0.0	(72.0)
Change in companies incl. in the consolidation / currency translation / other changes	(0.2)	0.0	0.0	(0.2)
Amortisation for the year	(4.8)	0.0	0.0	(4.8)
Transfers	0.0	0.0	0.0	0.0
Disposals	2.4	0.0	0.0	2.4
29 February 2004	(74.6)	0.0	0.0	(74.6)
Net book value at 29 February 2004	14.1	1,412.0	0.4	1,426.5

Intangible assets consist mainly of goodwill arising on business combinations, recognised as set out in IFRS 3. Intangible assets also include acquired EDP software and trademarks and similar rights with limited useful lives. Of the carrying value of the goodwill at 28 February 2005 of € 1,670.8 million, the amount relating to the sugar segment was € 1,283.8 million and the remaining € 387.0 million related to the special products segment. The increase in goodwill in 2004/05 is primarily attributable to the acquisition of 14.2 % of the shares in Raffinerie Tirlemontoise held by institutional investors, as well as the first-time consolidation of Wink Group.

In order to comply with IFRS 3 in connection with IAS 36 (revised 2004) and in order to determine any impairment losses on goodwill, Südzucker identified its cash generating units based on its internal reporting system. In the Südzucker Group, these consist of the sugar segment, Freiberger Group, Palatinit, ORAFTI, Surafti, PortionPack, starch and fruit.

The carrying value of each cash generating unit was determined by allocating the assets and liabilities, including the related goodwill and intangible assets, to the respective cash generating units. An impairment write-down is to be charged if the recoverable amount of a cash generating unit is lower than its carrying value. The recoverable amount is defined as the higher of the fair value less costs to sell and value in use.

In carrying out the impairment tests, Südzucker used a discounted cash flow approach, based on future cash flows. Future cash flows were determined based on budgets with a specific forecast period of five years. We have assumed a growth rate of 1.5 % (1.5 %) p. a. after the five-year specific forecast period, including inflation. The discount rate used, based on Südzucker Group's cost of capital, was 6.5 % (7.5 %) p. a. .

The forecast for the sugar segment included assumptions relating to the effects on income from future changes to the sugar market regulation. The reform of the EU's sugar market regulation will probably commence in 2006/07. The extent of price reductions is still open and will be limited by the necessities arising from WTO-II and resistance to exaggerated price reductions from a considerable number of member states. The reforms will have to lead to a decrease in the production of European quota sugar, on the one hand from import obligations to the ACP countries and from the EBA treaties, and on the other hand due to restrictions placed on EU exports by the WTO Panel. The reform plans submitted by the EU commission in July 2004 aimed at achieving this decrease in production by concentrating European sugar production on Europe's efficient regions. Südzucker expects that the concentration of European sugar production will be implemented with the help of a restructuring fund. This proves the correctness of Südzucker's strategy of only producing in Europe's best beet-growing areas. Südzucker will take maximum advantage of this geographically-based competitive advantage and defend its profitability.

No impairment was identified for any of the goodwill recognised in the consolidated balance sheet and allocated to cash generating units. No impairment write-downs were required.

(7) Property, plant and equipment

2004/05 € million	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	On-account payments and assets under construction	Total
Acquisition costs					
1 March 2004	1,245.5	3,357.2	237.0	46.1	4,885.8
Change in companies incl. in the consolidation / currency translation / other changes	91.7	100.9	28.3	3.4	224.3
Additions	86.3	304.1	25.2	77.5	493.1
Transfers	12.7	33.9	2.1	(48.6)	0.1
Disposals	(44.1)	(130.4)	(20.6)	(4.3)	(199.4)
28 February 2005	1,392.1	3,665.7	272.0	74.1	5,403.9
Depreciation					
1 March 2004	(611.9)	(2,427.6)	(179.9)	(1.8)	(3,221.2)
Change in companies incl. in the consolidation / currency translation / other changes	(33.8)	(50.3)	(15.6)	(0.2)	(99.9)
Depreciation for the year	(36.6)	(138.7)	(20.3)	0.0	(195.6)
Transfers	0.1	(0.1)	0.1	0.0	0.1
Disposals	38.6	126.9	18.4	0.0	183.9
Write-ups	1.7	3.9	(0.1)	0.0	5.5
28 February 2005	(641.9)	(2,485.9)	(197.4)	(2.0)	(3,327.2)
Book value at 28 February 2005	750.2	1,179.8	74.6	72.1	2,076.7

2003/04 € million	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	On-account payments and assets under construction	Total
Acquisition costs					
1 March 2003	1,157.0	3,178.0	224.1	25.2	4,584.3
Change in companies incl. in the consolidation / currency translation / other changes	78.6	96.7	11.3	1.7	188.3
Additions	35.9	129.1	20.2	46.3	231.5
Transfers	4.9	19.2	1.0	(26.2)	(1.1)
Disposals	(30.9)	(65.8)	(19.6)	(0.9)	(117.2)
29 February 2004	1,245.5	3,357.2	237.0	46.1	4,885.8
Depreciation					
1 March 2003	(534.0)	(2,272.3)	(170.2)	(0.4)	(2,976.9)
Change in companies incl. in the consolidation / currency translation / other changes	(43.0)	(63.2)	(9.3)	(1.0)	(116.5)
Depreciation for the year	(53.7)	(151.9)	(18.3)	(0.4)	(224.3)
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	18.5	59.5	17.7	0.0	95.7
Write-ups	0.3	0.3	0.2	0.0	0.8
29 February 2004	(611.9)	(2,427.6)	(179.9)	(1.8)	(3,221.2)
Book value at 29 February 2004	633.6	929.6	57.1	44.3	1,664.6

Additions (capital expenditures) to property, plant and equipment (including intangible assets) are as follows:

	2004/05	2003/04
	€ million	
Sugar	143.9	205.5
Special products	355.9	101.1
Total	**499.8**	**306.6**

The increase in capital expenditures in the special products segment is primarily due to the expansion of Palatinit capacity, construction of an ORAFTI factory in Chile and completion of the bioethanol plant in Zeitz. The decrease in the sugar segment is due to the previous year's acquisition of 67,000 t quotas in France.

(8) Financial assets

2004/05 € million	Shares in affiliated companies	Investments in associated companies	Other investments	Securities in non-current assets	Loans	Total
Acquisition costs						
1 March 2004	6.8	64.2	192.7	24.9	16.0	304.6
Change in companies incl. in the consolidation / currency translation / other changes	1.6	24.0	(44.1)	2.4	0.1	(16.0)
Additions	0.0	77.6	31.4	0.3	0.0	109.3
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	(2.0)	(0.3)	(46.4)	(0.7)	(0.4)	(49.8)
28 February 2005	6.4	165.5	133.6	26.9	15.7	348.1
Depreciation						
1 March 2004	(2.5)	(9.8)	(18.6)	(1.8)	(4.1)	(36.8)
Change in companies incl. in the consolidation / currency translation / other changes	(0.2)	7.3	5.6	(0.2)	0.0	12.5
Depreciation	(0.3)	0.0	(0.3)	0.0	(0.1)	(0.7)
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	2.0	0.0	4.5	0.0	0.0	6.5
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0
28 February 2005	(1.0)	(2.5)	(8.8)	(2.0)	(4.2)	(18.5)
Book value at 28 February 2005	5.4	163.0	124.8	24.9	11.5	329.6

2003/04 € million	Shares in affiliated companies	Investments in associated companies	Other investments	Securities in non-current assets	Loans	Total
Acquisition costs						
1 March 2003	3.6	296.7	92.7	34.1	8.9	436.0
Change in companies incl. in the consolidation / currency translation / other changes	(1.0)	(19.8)	11.5	1.7	0.1	(7.5)
Additions	2.5	22.5	55.3	0.3	8.1	88.7
Transfers	1.7	(43.7)	42.2	(0.1)	(0.1)	0.0
Disposals	0.0	(191.5)	(9.0)	(11.1)	(1.0)	(212.6)
29 February 2004	6.8	64.2	192.7	24.9	16.0	304.6
Depreciation						
1 March 2003	(2.5)	(53.0)	(17.1)	(1.8)	(3.7)	(78.1)
Change in companies incl. in the consolidation / currency translation / other changes	0.0	1.9	(0.1)	0.0	0.0	1.8
Depreciation	0.0	0.0	(0.2)	0.0	(0.5)	(0.7)
Transfers	0.0	5.8	(5.8)	0.0	0.0	0.0
Disposals	0.0	35.5	4.5	0.0	0.0	40.0
Write-ups	0.0	0.0	0.1	0.0	0.1	0.2
29 February 2004	(2.5)	(9.8)	(18.6)	(1.8)	(4.1)	(36.8)
Book value at 29 February 2004	4.3	54.4	174.1	23.1	11.9	267.8

A list of all shareholdings as required by § 313 para. 4 HGB has been filed with the commercial register of the district court of Mannheim.

The increase of € 108.6 million in the carrying values of the investments in associated companies, from € 54.4 million to € 163.0 million, is mainly attributable to the addition of the Atys Group.

Disposals of other investments relate mainly to the sale of shares in KWS Saat AG.

Of the loans, € 10.3 million (€ 9.3 million) relate to associated companies.

(9) Inventories

28/29 February	2005	2004
	€ million	
Raw materials and supplies	170.6	133.8
Work in progress	510.6	374.6
Finished goods and merchandise	1,265.1	1,136.5
On-account payments	8.1	0.4
	1,954.4	**1,645.3**

The carrying value of inventories measured at net realisable value is € 91.3 million (€ 28.8 million).

(10) Trade and other receivables

28/29 February	2005	2004
	€ million	
Trade receivables	446.8	412.1
Receivables from affiliated companies	8.3	18.2
Receivables from participating interests	4.0	4.7
Other assets	249.9	171.4
Current tax recoverable	147.8	97.8
	856.8	**704.2**

Receivables from affiliated companies arise solely from current account transactions with unconsolidated subsidiaries. The increase in other assets is primarily attributable to the increase in receivables from export recoveries. Other assets also include emission certificates of € 20.4 million for the first time.

(11) Cash and cash equivalents

28/29 February	2005	2004
	€ million	
Other securities	161.5	104.5
Cash	110.5	201.1
	272.0	**305.6**

Other securities consist of short-term bonds and debentures, equities and fund certificates and are readily marketable.

(12) Shareholders' equity

The subscribed capital of Südzucker AG is divided into 174,787,946 shares, each share having an imputed proportion of the share capital of € 1.00 each. On 28 February 2005 the company held 2,922,400 Südzucker AG shares for its own account.

The share capital has been conditionally increased by up to € 13,000,000. The conditional increase will only be carried out, by issuing up to 13,000,000 new shares, to the extent required to meet the conversion rights arising from the convertible bonds issued on 8 December 2003. The value of the option premium of € 13.0 million has been transferred to capital reserves. No new shares were issued in 2004/05 to meet these conversion obligations.

As a result of capital increases at subsidiaries in 2004/05, minority interest rose by € 248.0 million. This was particularly due to the issue of new shares by AGRANA Beteiligungs-AG in February 2005. On the other hand, minority interest decreased due to the acquisition of 14.2 % of the shares in Raffinerie Tirlemontoise in the first quarter of 2004/05. Overall, minority interest rose by € 137.4 million. The decrease in the fair value reserve primarily reflects the sale of the remaining 10 % shareholding in KWS Saat AG.

(13) Provisions for pensions and similar obligations

Pension plans within the Südzucker Group mainly consist of direct benefit plans. Pension benefits are normally granted based on years of service with the company and benefit-related remuneration.

The provisions for pensions have been calculated actuarially using the projected-unit-credit method and estimated future trends in accordance with IAS 19 (Employee benefits).

A discount rate of 4.75 % (5.5 %) was used for the pension plans of domestic companies.

An expected annual increase of between 2.0 % and 3.0 % (2.0 % and 3.0 %) in remuneration and an increase of 1.3 % to 1.8 % (1.4 % to 1.9 %) in pensions has been assumed for the companies. Expected future yields on plan assets are assumed to be 4.75 % (5.5 %) p.a. .

Pension expense is made up as follows:

	2004/05	2003/04
	€ million	
Current service cost	10.2	12.9
Interest cost	21.3	21.7
	31.5	**34.6**

There were no expenses or income arising from changes in plan benefits or from actuarial gains or losses.

Interest cost has been included in interest expense in the statement of income. Service cost is included under personnel expense.

A reconciliation of the defined benefit obligation and the provision shown in the consolidated balance sheet is as follows:

28/29 February	2005	2004
	€ million	
Defined benefit obligations for direct pension benefits	530.5	484.7
Unamortised actuarial gains and losses	(49.7)	(13.8)
Fair value of plan assets	(87.8)	(91.8)
Provision for pensions	393.0	379.1

The amount of unamortised actuarial gains and losses includes losses on plan assets of € 6.0 million (€ 13.8 million).

Movements in the provision for direct benefit obligations were as follows:

	2004/05	2003/04
	€ million	
Provision at 1 March	**379.1**	**369.1**
Change in companies consolidated	9.5	0.0
Amounts charged to expense	31.5	34.6
Contributions to fund assets	(0.3)	(0.2)
Pension payments during the period	(26.8)	(24.4)
Provision at 28/29 February	**393.0**	**379.1**

There are similar obligations, particularly relating to foreign group companies, which are calculated actuarially, including estimates of future cost trends.

(14) Movements in provisions

€ million	01.03.2004	Change in companies consolidated	Additions	Use	Release	28.02.2005
Provision for pensions and similar obligations	**379.1**	9.2	31.5	26.8	0.0	393.0
Deferred tax liabilities	**333.0**	4.2	62.4	0.0	69.4	330.2
Other provisions						
Tax liabilities	**140.3**	6.1	80.0	112.6	0.2	113.6
EU levies for financing the sugar market ordinance	**144.2**	0.1	192.1	145.7	0.2	190.5
Personnel expenses	**148.1**	(6.0)	77.6	75.4	6.9	137.4
Other provisions	**205.4**	(0.8)	80.1	102.4	13.9	168.4
Total other provisions	**638.0**	**(0.6)**	**429.8**	**436.1**	**21.2**	**609.9**
Total provisions	**1,350.1**	**12.8**	**523.7**	**462.9**	**90.6**	**1,333.1**

The liabilities for taxes relate to the current year and those years not yet audited by the tax authorities.

Other provisions include amounts relating to re-cultivation obligations, waste water charges and other environmental obligations.

(15) Due dates of financial liabilities and other liabilities

	28.02.2005	of which remaining term up to 1 year	of which remaining term 1 to 5 years	of which remaining term over 5 years	29.02.2004	of which remaining term up to 1 year	of which remaining term 1 to 5 years	of which remaining term over 5 years
	€ million							
Bonds	**1,386.7**	309.4	255.3	822.0	**1,198.9**	148.6	231.3	819.0
(of which convertible)	**257.2**	0.0	235.2	22.0	**250.3**	0.0	231.3	19.0
Liabilities to banks	**557.6**	419.2	74.8	63.6	**206.6**	177.3	24.9	4.4
Bills payable	**0.0**	0.0	–	–	**0.0**	0.0	–	–
Total financial liabilities	**1,944.3**	**728.6**	**330.1**	**885.6**	**1,405.5**	**325.9**	**256.2**	**823.4**
On-account payments received on orders	**7.4**	7.4	0.0	0.0	**5.6**	5.6	0.0	0.0
Trade accounts payable	**861.2**	860.7	0.5	0.0	**718.1**	717.6	0.5	0.0
Accounts payable to affiliated companies	**23.8**	23.2	0.6	0.0	**10.1**	10.1	0.0	0.0
Accounts payable to participating interests	**1.2**	1.2	0.0	0.0	**15.2**	15.2	0.0	0.0
Other liabilities	**286.3**	263.9	21.2	1.2	**147.2**	122.8	23.0	1.4
(of which for taxes)	**32.7**	32.7	0.0	0.0	**19.9**	19.7	0.2	0.0
(of which for social security)	**26.8**	26.8	0.0	0.0	**25.2**	25.2	0.0	0.0
Total other liabilities	**1,179.9**	1,156.4	22.3	1.2	**896.2**	871.3	23.5	1.4
	3,124.2	1,885.0	352.4	886.8	**2.301.7**	1.197.2	279.7	824.8

Further disclosures on financial liabilities are included in note (16) on financial instruments.

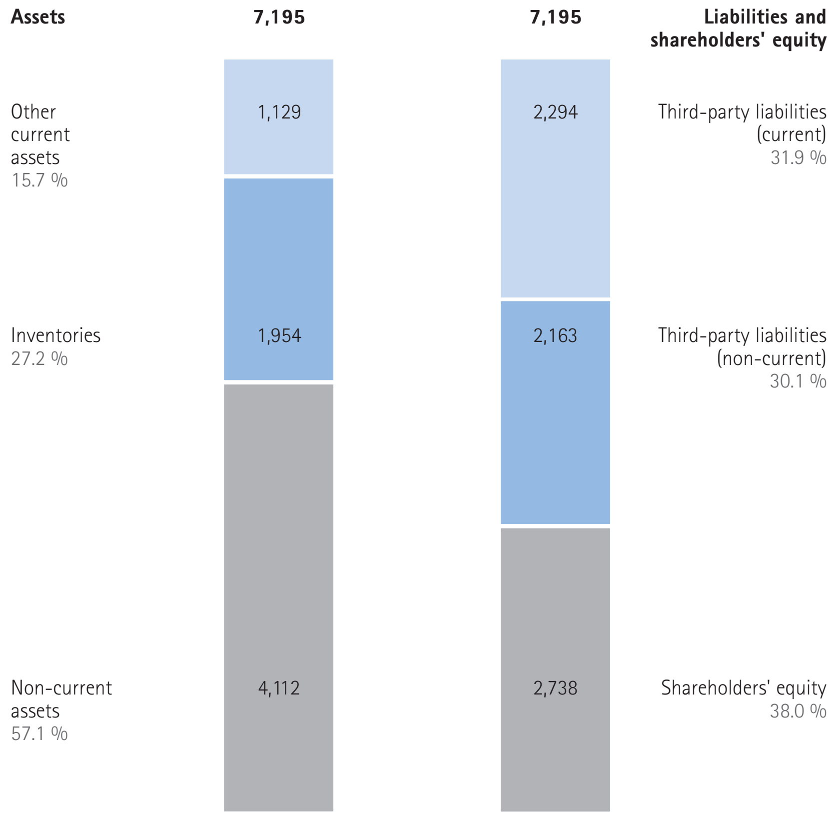
Liabilities to banks of € 31.6 million (€ 7.3 million) were secured by real estate mortgages and of € 5.7 million (€ 5.3 million) by other collateral pledged at 28 February 2005.

Trade accounts payable include amounts due to beet farmers totalling € 580.2 million (€ 490.8 million).

Balance sheet structure (€ million)

Group

28 February 2005



(16) Lending and borrowing activities (financial instruments)

Südzucker has issued bonds with nominal values of € 300 million (6.25 %, due 8 June 2010) and € 500 million (5.75 %, due 27 February 2012) and a convertible bond of € 250 million (due 8 December 2008). The convertible bond has a 3 % coupon and can be converted into Südzucker shares at a price of € 20.53 per share.

Furthermore, Südzucker Group's treasury management controls seasonal fluctuations in liquidity on a daily basis by placing funds through market channels (normal market overnight money, term deposits and securities) and raising funds by drawing down overnight and short-term funds, fixed-interest rate loans or issuing commercial paper (CP). The CP program has a volume of € 500 million and enables Südzucker AG, either directly or under its guarantee via Südzucker International Finance B.V., a Dutch group financing company, to issue short-term bonds and debentures as the need arises and when market conditions are suitable.

Financial instruments are normally subject to interest rate change risk, foreign currency risk and credit risk, as follows:

Interest rate change risk:
For fixed-interest rate deposits or loans there is a risk that a change in market interest rates will lead to a change in market price (interest-related fair value risk).

On the other hand, variable-interest rate deposits or loans are not subject to price risk, as the interest rate is adjusted timely to market interest rates. However, due to fluctuations in short-term interest rates there is a risk relating to future interest payments (interest-related cash flow risk).

Currency risk:
Foreign currency risk is the risk of changes in fair values of balance sheet items induced by changes in exchange rates.

Credit risk:
Credit risk is the risk that a counterparty will be unable to pay. Credit risks arising from deposits, securities and receivables from derivative hedge transactions are minimised by only doing business with counterparties with first-class creditworthiness.

Financial liabilities

28 February 2005	Terms	Interest rates	Average rates	Book value
	years	%	%	€ million
Bonds	to 7	1.64 – 6.25	5.14	1,077.3
Commercial paper	to1	2.12 – 2.15	2.14	309.4
Liabilities to banks			4.82	557.6
			4.57	**1,944.3**

The book values of financial liabilities are the same as their repayment amount.

For commercial paper and liabilities to banks, book values are the same as their fair values. The fair value of the bonds is their market value at the end of the year, and amounts to € 1,196.1 million. Bonds of € 1,045.0 million (€ 1,051.0 million), and € 166.5 million (€ 33.9 million) of the liabilities to banks, are fixed-interest.

(17) Derivative instruments

Südzucker Group uses derivative instruments to a limited extent to hedge part of the risks arising from its operating activities and planned funding needs for its capital expenditures. The Südzucker Group mainly hedges the following risks:

Interest-rate change risk on money market interest rates mainly resulting from fluctuations in liquidity levels during the campaign season, or existing or planned floating rate debt.

Foreign currency change risk which can primarily arise from sales of sugar on the world market in US dollars and from payment obligations in foreign currencies.

Product price change risk which can arise from price fluctuations on the global sugar market as well as in the energy sector.

Only normal market instruments are used for hedging purposes, such as interest-rate swaps, caps and futures, and foreign currency futures. These instruments are used within the framework of Südzucker's risk management system as laid down in group guidelines, which set limits based on underlying business volumes, define authorisation procedures, prohibit the use of derivative instruments for speculative purposes, minimise credit risks and determine the content of internal reporting and segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines and the correct processing and valuation of transactions, and adherence to segregation of duties.

The nominal and market values of derivative instruments and their credit risks within the Südzucker Group are as follows:

€ million	Nominal volume		Fair value		Credit risk	
28/29 February	2005	2004	2005	2004	2005	2004
Interest rate hedges	916.7	994.7	(61.2)	(79.0)	-	-
Currency hedges	111.0	63.0	1.8	0.3	2.1	0.9
Product price hedges	55.2	25.3	0.3	0.4	0.7	0.7
Total	1,082.9	1,083.0	(59.1)	(78.3)	2.8	1.6

Maturities of the currency derivatives and product derivatives are less than one year, and of the interest rate derivatives are between one and four years.

The *nominal volumes* of a derivative hedge instrument are the imputed call amounts upon which the payments are calculated. The hedged transaction and risk is not the nominal value itself, but rather the related price or interest-rate change.

Fair value is the amount that the Südzucker Group would have had to pay or would have received assuming the hedge transaction were unwound at the end of the year. As the hedge transactions are only carried out using normal market tradable financial instruments, the fair values have been determined using quoted prices on exchanges without offsetting any possible value changes relating to the underlying transaction being hedged.

Credit risks arise from the positive fair values of derivatives. These credit risks are minimised by only making financial derivative transactions with banks with first-class credit rankings.

Changes in values of derivative transactions carried out to hedge future cash flows (cash flow hedges) are initially recorded direct to a special reserve in shareholders' equity and are only subsequently recorded in the income statement when the cash flow occurs. Their fair values at 28 February 2005 totalled a negative € 15.6 million (€ 23.2 million). Changes in the fair values of interest rate derivatives originally used to hedge loans which have been repaid early are recorded direct to the statement of income.

(18) Contingent liabilities and other financial commitments

Contingent liabilities and other financial commitments not recognised in the balance sheet are as follows:

28/29 February	2005	2004
	€ million	
Discounted bills	0.7	0.7
Guarantees and letters of comfort	38.5	2.6
Warranty commitments	2.2	2.2
Purchase order commitments for property, plant and equipment	101.8	218.7

The guarantees and letters of comfort relate to non-consolidated subsidiaries and third parties. Purchase order commitments for capital expenditures mainly relate to expansion of Palatinit and ORAFTI production facilities, together with capital expenditures required at the sugar factories before the beginning of the next campaign. The decrease compared with the previous year is due to the outstanding order at the end of last year for the bioethanol plant, which has since been completed.

Südzucker is exposed to possible obligations arising from various claims or proceedings which are pending or which could be asserted. Any estimates of future costs arising in this area are of necessity subject to many uncertainties. Südzucker makes provisions for such risks to the extent a loss is deemed probable and the amount can be reliably estimated.

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Notes to the statement of income

(19) Revenues

Revenues rose by € 251.6 million, or 5.5 %, from € 4,575.0 million to € 4,826.6 million in 2004/05. Companies included in the consolidated financial statements for the first time contributed € 95.1 million to this increase.

(20) Change in work in progress and finished goods inventories and internal costs capitalised

	2004/05	2003/04
	€ million	
Change in work in progress and finished good inventories	169.8	33.7
Internal costs capitalised	5.9	6.1
	175.7	**39.8**

(21) Other operating income

	2004/05	2003/04
	€ million	
Income from disposals of non-current and current assets and from write-ups	12.4	9.2
Income from the release of provisions and accruals	21.0	26.6
Foreign exchange and currency translation gains	11.7	13.3
Other income	52.0	44.3
	97.1	**93.4**

(22) Cost of materials

	2004/05	2003/04
	€ million	
Cost of raw materials, consumables and supplies and of purchased merchandise	2,871.1	2,661.0
Cost of purchased services	182.4	163.2
	3,053.5	**2,824.2**

(23) Personnel expenses

	2004/05	2003/04
	€ million	
Wages and salaries	456.4	435.7
Social security, pension and welfare expenses	128.7	128.9
	585.1	**564.6**

Average number of employees during the year

	2004/05	2003/04
Divided by group		
Wage earners	11,797	12,152
Salaried staff	5,332	5,455
Trainees	365	366
	17,494	**17,973**
Divided by geographic area		
Germany	4,100	4,024
Other EU countries	10,117	11,033
Eastern Europe	3,222	2,889
Other countries	55	27
	17,494	**17,973**

The average number of persons employed during the year declined slightly compared with the previous year. A reduction due to restructuring measures in Poland was nearly offset by the addition of employees as a result of the inclusion of Steirerobst Group.

(24) Depreciation

	2004/05	2003/04
	€ million	
Scheduled depreciation		
Intangible assets (excluding goodwill)	5.9	4.8
Property, plant and equipment	193.1	188.3
	199.0	**193.1**
Impairment write-downs		
Property, plant and equipment	2.0	5.0
	201.0	**198.1**

Of the total impairment write-downs of € 2.0 million (€ 5.0 million), € 1.4 million (€ 3.7 million) relates to the sugar segment and € 0.6 million (€ 1.3 million) to the special products segment.

Furthermore, total impairment write-downs of € 8.5 million (€ 31.1 million) due to factory closures are reflected in restructuring costs, so that depreciation and impairment write-downs total € 210.7 million (€ 229.8 million).

(25) Other operating expenses

	2004/05	2003/04
	€ million	
Selling and advertising expenses	300.4	268.3
Operating and administrative expenses	189.1	165.5
Production and supplementary levies	104.4	65.4
Leasing and rental expenses	29.6	27.1
Foreign currency losses	10.0	12.7
Losses on disposals of non-current and current assets	5.8	7.6
Other expenses	97.7	95.7
	737.0	**642.3**

(26) Restructuring costs and special items

	2004/05	2003/04
	€ million	
Income from special items	60.4	49.1
Expenses from restructuring costs and special items	(47.0)	(81.7)
Restructuring costs and special items, net	**13.4**	**(32.6)**

Net results from restructuring costs and special items improved by € 46.0 million to € 13.4 million. Income from special items of € 60.4 million was achieved by the successful placing of a package of Fresenius shares, the sale of the remaining 10 % shareholding in KWS Saat AG and income from the dilution of our holding in AGRANA in connection with its capital increase. The main reason for the decrease in restructuring costs and special items was the charges recognised in 2003/04 relating to the closures of sugar factories in Belgium and Poland and the part-time, early retirement plan at Südzucker. Costs in 2004/05 related to unmarketable beet molasses pellets and start-up costs for the bioethanol and ORAFTI Chile plants. The Surafti division also incurred restructuring costs.

(27) Financial expense, net

	2004/05	2003/04
	€ million	
Income from other securities and loans included in financial assets	8.1	25.1
Other interest and similar income	14.0	7.9
Interest and similar expenses	(116.5)	(105.2)
Interest expense, net	**(94.4)**	**(72.2)**
Income from investments	15.6	19.4
(of which from affiliated companies)	(1.9)	1.0
(of which from associated companies)	11.1	17.4
Income from investments	**15.6**	**19.4**
Financial expense, net	**(78.8)**	**(52.8)**

(28) Taxes on income

Income tax expense for 2004/05 increased to € 99.9 million compared with € 86.3 million for the previous year. Current income tax expense rose by € 5.3 million to € 107.5 million (€ 102.2 million) and there was a net deferred tax credit of € 7.6 million in 2004/05 (€ 15.9 million deferred tax credit in 2003/04). Amounts for 2004/05 included a one-time benefit from the reduction in the Austrian income tax rate from 34.0 % to 25.0 %. Deferred taxes are calculated on temporary differences between items in the group balance sheet and the balance of the same items in the local tax balance sheet. Deferred tax liabilities of € 330.2 million relate primarily to measurement differences for items in property, plant and equipment and inventories. Deferred taxes are calculated based on the local tax rate (37.9 % for Germany).

Deferred taxes relate to the following temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	28.02.2005	29.02.2004	28.02.2005	29.02.2004
	€ million			
Non-current assets	1.3	1.3	211.2	204.5
Current assets	3.2	2.9	114.4	127.3
Tax-free reserves	0.0	0.0	7.6	9.2
Provisions	24.4	32.9	36.1	36.5
Liabilities	7.0	3.8	0.8	0.5
Tax loss carryforwards	17.0	22.3	0.0	0.0
	52.9	63.2	370.1	378.0
Offsets	(39.9)	(45.0)	(39.9)	(45.0)
Balance sheet item	**13.0**	**18.2**	**330.2**	**333.0**

A reconciliation of deferred taxes in the balance sheet and deferred taxes in the income statement is as follows:

	2004/05	2003/04
	€ million	
Decrease / increase of deferred tax assets in the balance sheet	(5.2)	6.8
of which due to change in companies consolidated, no effect on income	0.8	8.0
of which other changes with no effect on income	0.0	0.9
of which other changes affecting income	(6.0)	(2.1)
Decrease in deferred tax liabilities in the balance sheet	2.8	9.7
of which due to change in companies consolidated, no effect on income	7.0	2.4
of which other changes with no effect on income	3.8	5.9
of which other changes affecting income	13.6	18.0
Deferred tax credit in the income statement	**7.6**	**15.9**

Reconciliation of earnings before income taxes to income tax expense:

	2004/05	2003/04
	€ million	
Earnings before taxes on income	457.4	393.6
Theoretical tax rate	*37.9 %*	*37.9 %*
Theoretical tax expense	**173.2**	**149.1**
Change in theoretical tax expense as a result of:		
- Different tax rate	(32.2)	(13.2)
- Tax reduction for tax-free income	(47.1)	(51.5)
- Tax increase for non-deductible expenses	6.0	5.9
- Deferred tax income due to change in Austrian tax rate	(6.3)	0.0
- Other	6.3	(4.0)
Taxes on income	**99.9**	**86.3**
Effective tax rate	**21.8 %**	**21.9 %**

The theoretical income tax rate of 37.87 % is calculated by using the corporation tax rate of 25.0 % plus a solidarity surcharge of 5.5 % of the corporation tax charge, and municipal trade tax on income.

(29) Research and development expenses

The main thrust of Südzucker Group's research and development activities is in developing new products and product variances, optimising production processes and supporting marketing and business development activities. The range of work covers agricultural production, developments relating to sugar, sugar substitutes and their end-products, through to applications in the food and non-food areas. Research and development work is carried out by some 250 staff at five group locations. Research and development expenses amounted to € 27.6 million (€ 26.0 million).

Other notes

(30) Earnings per share

	2004/05	2003/04
Earnings for the year (excl. minority interest) in € million	297.4	254.6
Number of shares	171,865,546	171,865,546
Earnings per share in €	**1.73**	**1.48**

The calculation has been made in accordance with requirements set out in IAS 33 (Earnings per share). As in the previous year, the number of shares was reduced by those shares required by § 160 para. 1 Stock Corporation Law.

(31) Cash flow statement

The cash flow statement, prepared in accordance with requirements set out in IAS 7 (Cash flow statements), shows the change in cash and cash equivalents of the Südzucker Group from the three areas of operating, investing and financing activities.

Gross cash flow from operating activities in 2004/05 amounted to € 550.2 million (€ 522.2) million. Income taxes paid were € 104.2 million (€ 97.1 million). Interest paid was € 88.5 million (€ 83.3 million). Interest received totalled € 22.6 million (€ 32.0 million). Capital expenditures on property, plant and equipment (including intangible assets) were sharply higher at € 499.8 million (€ 306.6 million), as well as on financial assets (including acquisitions of consolidated subsidiaries), at € 590.0 million (€ 181.0 million), by means of which both the sugar segment and, in particular, the special product segment, were expanded.

Dividends from associated companies and other investments amounted to € 7.6 million (€ 10.9 million). Profit distributions throughout the group totalled € 102.3 million (€ 127.2 million) and included € 87.4 million (€ 87.4 million) paid out to Südzucker AG's shareholders and € 14.9 million (€ 39.8 million) dividend distributions to minority interest in consolidated subsidiaries. Repayments of financial liabilities of € 310.6 million in 2003/04 compare with an increase of € 414.7 million in financial liabilities in 2004/05.

(32) Segment reporting

As set out in IAS 14, the segment information has been presented in accordance with internal reporting within the Südzucker Group, with operations divided into the sugar and special products segments. The sugar segment includes the core sugar business in Europe. The special products segment consists of the Palatinit, ORAFTI, starch and bioethanol divisions, together with the activities of the PortionPack, Surafti and Freiberger groups and AGRANA fruit group.

Segment results are measured by their operating profit, i.e. profits before restructuring costs and special items, before amortisation of goodwill and interest and investment income and expense. Operating margin is calculated as the percentage of operating profit to revenues. Transactions between segments (revenues of € 122.4 million (€ 101.5 million)) are made at normal market conditions.

In the schedule of segment assets and segment liabilities, financial assets, cash and securities, financial liabilities and tax liabilities, which cannot be attributed directly, are allocated to the segments.

Capital employed reflects operating capital tied up in the group. It consists of non-current assets less financial assets, and working capital of the segment (inventories, trade and other receivables less trade and other payables, other current liabilities and current provisions and accrued liabilities). ROCE (Return on capital employed) measures operating profit as a percentage of operating capital.

Capital expenditures on financial assets also include acquisitions of consolidated subsidiaries.

(33) Declaration of compliance per § 161 AktG

The declaration of compliance relating to the German Corporate Governance Code per § 161 AktG was submitted by the executive board and supervisory board on 24 November 2004. It can be downloaded by shareholders at our homepage: http://www.suedzucker.de.

(34) Related parties

A related party, as defined in IAS 24 (related party disclosures), is Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (SZVG), which holds a majority of the shares in Südzucker AG by means of its own holding of Südzucker shares and the shares held by it on trust for its co-operative members. Items recorded on the accounts held for SZVG in 2004/05 were mainly cash received from dividends and business transactions. There is an agreement to pay interest on the balances on these accounts at normal market rates.

The remuneration system for members of Südzucker AG's executive board has fixed and variable, profit-related components. There are no long-term variable benefit components, such as share options or similar arrangements. The total compensation granted to members of the executive board by Südzucker AG for 2004/05 amounted to € 3.4 million. The variable component made up 41 % of their fixed remuneration, calculated based on the dividend to be approved by the annual general meeting. Compensation to members of the executive board granted by subsidiaries totalled € 1.9 million.

Total compensation granted to members of Südzucker AG's supervisory board for 2004/05 was € 1.5 million.

A total of € 13.0 million has been provided in respect of pension obligations to former members of the executive board and supervisory board and their dependent relatives. Payments made during the year amounted to € 1.6 million.

(35) Supervisory board and executive board

Supervisory board

Dr. Hans-Jörg Gebhard
Chairman

Eppingen
Chairman of the Association of Süddeutscher Zuckerrübenanbauer e. V.

Board memberships[1]
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (chairman)
VK Mühlen AG, Hamburg

Dr. Christian Konrad
Deputy chairman

Vienna
Chairman of the supervisory board of AGRANA Beteiligungs-AG, Vienna

Board memberships[2]
BayWa AG, Munich
Siemens Österreich AG, Vienna, Austria
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

Franz-Josef Möllenberg[4]
Deputy chairman

Rellingen
Chairman of the Food and Catering Union

Board memberships
Kraft Foods Deutschland GmbH, Bremen (deputy chairman)

Heinz Christian Bär

Karben – Burg Gräfenrode
Vice president of the Deutsche Bauernverband e. V.

Board memberships
Landwirtschaftliche Rentenbank, Frankfurt/Main
LBH Steuerberatungsgesellschaft mbH, Friedrichsdorf
Vereinigte Hagelversicherung VVaG, Gießen

Gerlinde Baumgartner[4]

Osterhofen
Member of the works council of the Plattling works of Südzucker AG Mannheim/Ochsenfurt

Dr. Ulrich Brixner

Dreieich
Chairman of the executive board of DZ BANK AG

Board memberships[3]
Banco Cooperativo Español, Madrid, Spanien
Kreditanstalt für Wiederaufbau, Frankfurt/Main
Landwirtschaftliche Rentenbank, Frankfurt/Main
Liquiditäts-Konsortialbank GmbH, Frankfurt/Main
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

[1] Board memberships other than within the Südzucker Group.
[2] Board memberships other than within the Südzucker Group and Raiffeisen-Holding Niederösterreich Group, Vienna.
[3] Board memberships other than within the Südzucker Group and the DZ-Bank Group.
[4] Employee representative.

Helmut Drescher[4]
to 29 July 2004

Wattenheim
Former chairman of the works council of
Südzucker AG Mannheim/Ochsenfurt

Ludwig Eidmann

Groß-Umstadt
Chairman of the Association of the
Hessen-Nassauischen Zuckerrübenanbauer e. V.

Dr. Jochen Fenner
from 11 May 2005

Gelchsheim
Chairman of the Association of
Fränkischer Zuckerrübenbauer e.V.

Egon Fischer[4]
from 29 July 2004

Offstein
Deputy chairman of the works council of ZAFES Offstein
Südzucker AG Mannheim/Ochsenfurt

Manfred Fischer[4]

Feldheim
Chairman of the works council of
Südzucker AG Mannheim/Ochsenfurt

Paul Freitag
† 9 April 2005

Oberickelsheim-Rodheim
Chairman of the Association of
Fränkischer Zuckerrübenbauer e. V.

Erwin Hameseder

Mühldorf, Österreich
Managing director of Raiffeisen-Holding
Niederösterreich-Wien reg. Gen.m.b.H.

Board memberships[2]
VK Mühlen AG, Hamburg
Flughafen Wien AG, Vienna, Austria

Hans Hartl[4]

Ergolding
State area chairman of the
Food and Catering Union in Bavaria

Board memberships
Südfleisch Holding AG, Munich

Klaus Kohler[4]

Bad Friedrichshall
Chairman of the works council of the Offenau works
Südzucker AG Mannheim/Ochsenfurt

Erhard Landes
from 29 July 2004

Donauwörth
Chairman of the Association of bayerischer Zuckerrübenanbauer e.V.

Board memberships
Raiffeisen-Volksbank Gersthofen-Meitingen eG, Gersthofen

Jörg Lindner[4]

Malterdingen
Divisional officer of the Food and Catering Union

Ulrich Müller

Illsitz
Chairman of the Association of the Sächsisch-Thüringischer Zuckerrübenanbauer e. V.

Board memberships
Raiffeisen-Warengesellschaft mbH Gößnitz, Gößnitz
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (deputy chairman)

Erich Muhlack[4]
to 29 July 2004

Regensburg
Former manager of the Plattling, Rain and Regensburg works of Südzucker AG Mannheim/Ochsenfurt

Dr. Arnd Reinefeld[4]
from 29 July 2004

Offstein
Manager of the Offstein and Groß-Gerau works of Südzucker AG Mannheim/Ochsenfurt

Board memberships
Landesverwaltungsrat TÜV Rheinland Berlin Brandenburg Pfalz e.V., Cologne

Ronny Schreiber[4]
from 29 July 2004

Einhausen
Chairman of the works council of the Mannheim head office Südzucker AG Mannheim/Ochsenfurt

Richard Schwaiger
to 29 July 2004

Aiterhofen
Honorary chairman of the Association of bayerischer Zuckerrübenanbauer e. V.

Klaus Viehöfer[4]
to 29 July 2004

Grana
Former member of the works council of the Zeitz works Südzucker AG Mannheim/Ochsenfurt

Ernst Wechsler

Westhofen
Chairman of the Association of Hess.-Pfälzischen Zuckerrübenanbauer e. V.

Roland Werner[4]

Saxdorf
Chairman of the works council of the Brottewitz works Südzucker AG Mannheim/Ochsenfurt

Executive board

Dr. Theo Spettmann (Spokesman)

Ludwigshafen
Board memberships[1]
Berentzen-Gruppe AG, Haselünne (chairman)
Gerling Vertrieb Firmen und Privat AG, Cologne (deputy chairman)
Gerling Vertrieb Industrie AG, Cologne (deputy chairman)
Karlsruher Versicherung AG, Karlsruhe

Albert Dardenne

Melin, Belgien

Dr. Christoph Kirsch

Weinheim/Bergstraße

Board memberships[1]
Baden-Württembergische Wertpapierbörse, Stuttgart

Thomas Kölbl
from 1 June 2004

Mannheim

Prof. Dr. Markwart Kunz

Worms

Mag. Johann Marihart

Limberg, Austria

Board memberships[1]
BBG Bundesbeschaffungsges.m.b.H., Vienna, Austria
Leipnik-Lundenburger Invest Beteiligungs AG, Vienna, Austria
Österreichische Forschungsförderungsgesellschaft mbH, Vienna, Austria
Österreichische Nationalbank, Vienna, Austria
Ottakringer Brauerei AG, Vienna, Austria
TÜV Österreich, Vienna, Austria (chairman)
Universität für Bodenkultur, Vienna, Austria

Dr. Rudolf Müller

Ochsenfurt

Board memberships[1]
K + S Aktiengesellschaft, Kassel
Bayerische Landesanstalt für Landwirtschaft, Freising-Weihenstephan

Frédéric Rostand

Paris, France

Board memberships[1]
Société Bic S. A., Clichy, France

(36) Significant investments of the Südzucker Group

The significant investments are listed by sub-group.

	Location	Country	Südzucker share	Indirect holding
			%	
Südzucker AG				
Palatinit GmbH[1]	Mannheim		100.0	
Südzucker Bioethanol GmbH[1]	Zeitz		100.0	
Wolteritzer Agrar GmbH	Schkeuditz			74.8
Agrar-und Umwelt AG Loberaue	Zschortau		99.4	
Cukier Malopolski S. A.	Kazimierza Wielka	Poland	94.4	
Cukrownia Ropczyce S. A.	Ropczyce	Poland	51.6	
Cukier Królewski	Krakau	Poland	100.0	
Cukrownia Strzyżów S. A.	Strzyżów	Poland	81.2	
Südzucker Moldova S. A.	Drochia	Moldova	67.6	
BGD Bodengesundheitsdienst Gesellschaft mbH[1]	Mannheim		100.0	
REKO Erdenvertrieb GmbH[1]	Regensburg		100.0	
Mönnich GmbH[1]	Kassel		100.0	
AGRANA Zucker, Stärke und Frucht Holding AG	Vienna	Austria	50.0	
Raffinerie Tirlemontoise S. A.	Brussels	Belgium	99.6	
Hottlett Sugar Trading S. A.	Berchem	Belgium		62.6
Candico S. A.	Merksem	Belgium		75.5
ORAFTI Oreye S. A.	Oreye	Belgium		99.9
Remy Industries NV	Wijgmaal	Belgium		100.0
PortionPack Belgium	Herentals	Belgium		100.0
Suikers G. Lebbe S. A.	Oostkamp	Belgium		99.9
PortionPack European Holding B.V.	Oud Beijerland	The Netherlands	33.00	67.00
Atlanta Dethmers Beheer BV	Groningen	The Netherlands		100.0
James Fleming & Co. Ltd.	Newbridge	Scotland		100.0
Sugarfayre Limited	Ashington	England		100.0
W. T. Mather Ltd.	Ashton	England		100.0
Groupe Nougat Chabert & Guillot	Montélimar	France		100.0
Groupe Nougat Delavant	Upier	France		100.0
Saint Louis Sucre S. A.	Paris	France	85.1	
Saint Louis Sucre S.N.C.	Paris	France		100.0
Saint Louis Sucre International	Paris	France		100.0

[1] Exemption from publishing financial statements per § 264 para. 3 HGB.
[2] Majority of voting share.
[3] Exemption per § 264b HGB.

	Location	Country	Südzucker share	Indirect holding
			%	
Sucrerie de Bourgone	Chalon-sur-Sâone	France		50.0
Sucrerie et Distillerie de Souppes-Ouvré Fils S. A.	Paris	France		44.5
Eastern Sugar BV	Deurne	The Netherlands		49.5
Śląska Spółka Cukrowa Holding	Wrocław	Poland		97.4
Cucrownia Baborów S. A.	Baborów	Poland		91.8
Cucrownia Cerekiew S. A.	Cerekiew	Poland		98.2
Cucrownia Chybie S. A.	Chybie	Poland		75.4
Cucrownia Jawor S. A.	Jawor	Poland		82.7
Cucrownia Łagiewniki S. A.	Łagiewniki	Poland		82.3
Cucrownia Małoszyn S. A.	Małoszyn	Poland		86.7
Cucrownia Otmuchów S. A.	Otmuchów	Poland		86.0
Cucrownia Pastuchów S. A.	Pastuchów	Poland		82.8
Cucrownia Pustków S. A.	Kobierzyce	Poland		83.6
Cucrownia Racibórz S. A.	Racibórz	Poland		82.3
Cucrownia Strzelin S. A.	Strzelin	Poland		85.3
Cucrownia Swidnika S. A.	Pszenno	Poland		76.8
Cucrownia Wielun S. A.	Wielun	Poland		75.1
Cucrownia Wrocław S. A.	Wroclaw	Poland		78.4
Cucrownia Wróblin S. A.	Lewein Brzeski	Poland		78.7
AGRANA Beteiligungs-Aktiengesellschaft[2]	Vienna	Austria	37.8	
AGRANA Zucker GmbH	Vienna	Austria		100.0
Magyar Cukorgyártó és Forgalmazó Kft.	Budapest	Hungary		87.6
Moravskoslezské Cukrovary A. S.	Hrusovany	The Czech Republic		97.6
S.C. Danubiana Roman S. A.	Roman	Romania		99.6
S.C. Zaharul Romanesc S. A.	Buzau	Romania		86.5
Slovenské Cukrovany a.s.	Rimavská Sobota	Slovakia		100.0
HUNGRANA Keményitö- és Isocukorgyártó	Szabadegyhazar	Hungary		50.0
SC A.G.F.D. Tandarei s.r.l.	Tandarei	Romania		100.0
Vallø Saft A/S	Køge	Denmark		100.0
Steirische Agrarbeteiligungsgesellschaft m.b.H.	Raaba	Austria		55.7
Wink Service und Logistik GmbH	Bingen/Rhein			100.0
Atys S.A.	Paris	France		50.0
Freiberger Holding GmbH[1]	Berlin		100.0	
Freiberger Lebensmittel GmbH & Co. Prod.-/Vertr. KG[3]	Berlin			100.0
PrimAS Tiefkühlprodukte GmbH	Oberhofen	Austria		100.0
Stateside Foods Ltd.	Westhoughton	Great Britain		100.0

(37) Events after the balance sheet date

On 3 March 2005 AGRANA acquired a further 6 % of the shares in Atys Group, France and increased its investment in the world-wide fruit additives company to 56 %. Atys will be fully consolidated in 2005/06.

(38) Proposed appropriation of earnings

It will be proposed to the annual general meeting that a dividend of € 0.55 per share be distributed and hence that the retained earnings of Südzucker AG Mannheim/ Ochsenfurt of € 96,185,083.52 be appropriated as follows:

Distribution of a dividend of **€ 0.55 per share** on 174,787,946 ordinary shares	€ 96,133,370.30
Earnings carried forward	€ 51,713.22
Unappropriated earnings	**€ 96,185,083.52**

The dividend will be paid on 29 July 2005.

Mannheim, 13 May 2005
THE EXECUTIVE BOARD

Dr. Spettmann Dardenne Dr. Kirsch Kölbl Prof. Dr. Kunz Marihart Dr. Müller Rostand

The financial statements of Südzucker AG, prepared in accordance with German accounting principles and upon which PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, has issued an unqualified auditors' report, will be published in the Federal Gazette and will be filed with the commercial register of the district court of Mannheim. It can be received from the company on request.

Auditors' Report

We have audited the consolidated financial statements of Südzucker Aktiengesellschaft Mannheim/Ochsenfurt, Mannheim, consisting of the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements for the business year from 1 March 2004 to 28 February 2005. The preparation and the content of the consolidated financial statements according to the International Financial Reporting Standards of the IASB (IFRS) are the responsibility of the executive board. Our responsibility is to express an opinion, based on our audit, whether the consolidated financial statements are in accordance with IFRS.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the executive board, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the group for the business year in accordance with IFRS.

Our audit, which according to German auditing regulations also extends to the group management report prepared by the executive board for the business year from 1 March 2004 to 28 February 2005, has not led to any reservations. In our opinion, on the whole the group management report together with the other information of the consolidated financial statements, provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from 1 March 2004 to 28 February 2005 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German accounting law.

Frankfurt am Main, 13 May 2005

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Frings	Wegener
Wirtschaftsprüfer	Wirtschaftsprüfer

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