

# Interim Report

Financial Year  
2006/07

1<sup>st</sup> Half

1 March to 31 August 2006

Mannheim, 12 October 2006



## First half year at a glance

- Revenues in the first six months rise to € 65.0 (15.9)\* million and therefore already exceed the full prior-year revenues of € 60.5 million.
- Swing in operating result to € 7.5 (-9.2) million; operating margin of 11.6 %.
- IPO completed with gross proceeds of € 200 million, thus providing a solid financial basis for further expansion in Europe.

## CropEnergies AG goes public

On 28 September 2006 CropEnergies AG placed 25 million new shares from a capital increase in its initial public offering. Priced at € 8.00 per share, CropEnergies realised gross proceeds of € 200 million, which provides a solid financial basis for further expansion in Europe. The shares began trading on the Official Market (Prime Standard) of the Frankfurt Stock Exchange (ISIN DE000A0LAUP1) on 29 September 2006.

The shares of the public offering (excluding the preferential allotment for Südzucker shareholders) were placed in Germany roughly 78 % with institutional investors and approximately 22 % with private investors. Outside Germany, shares were placed with institutional investors by way of a private placement. About 3.0 million shares were issued to Südzucker shareholders by preferential allotment. After the IPO Südzucker AG is still the majority shareholder of CropEnergies AG with an interest of 70.6 %.

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

## Company and markets

The CropEnergies Group operates a bioethanol plant in Zeitz in the German State of Sachsen-Anhalt which can process 700,000 tonnes of grain per year and currently has an annual output capacity of 260,000 m<sup>3</sup> of bioethanol. The bioethanol produced by CropEnergies is sold to the petroleum and petrochemical industry under the umbrella brand name "CropEnergies".

The biofuel markets will see strong growth in the coming years due to EU regulations which promote regenerative energy sources. In Germany, the Federal government approved draft legislation for a Biofuels Quota Act on 23 August 2006. This was debated in a first reading in parliament on 28 September 2006. The aim of the bill is to make the admixture of biofuels mandatory. It is planned for this ruling, which replaces the present mineral oil tax incentives, to enter into force from 1 January 2007. For bioethanol, a rate of 2 %, based on energy content, is stipulated for admixture in petrol fuels from 1 January 2007. This rate rises to 3 % from the year 2010. A mandatory minimum biofuel content of 5.7 % in 2009 and 6 % from 2010 has been set for the total volume of petrol and diesel fuels distributed by those subject to the law. Aside from mandatory admixture, E85 will continue to enjoy favourable tax treatment until 2015 as a biofuel deserving special promotion.

The CropEnergies Group has launched an extensive investment programme which, with an expansion of present capacities to over 750,000 m<sup>3</sup> by 2008/09, will enable it to capitalise on this market growth. This includes the enlargement of the present plant in Zeitz in two stages to an annual capacity of 360,000 m<sup>3</sup>. In addition, the Group has started work on the planning and construction of a new plant in Wanze (Belgium) for the production of bioethanol from wheat and sugar beet juice with an annual capacity of up to 300,000 m<sup>3</sup>.

## Revenues and earnings

Revenues were increased in the second quarter of the 2006/07 financial year by 11.4 % to € 34.3 million from € 30.8 million in the first quarter. In the first half of 2006/07 the CropEnergies Group therefore achieved revenues of € 65.0 million, which already exceeds the figure for the whole of the previous year (€ 60.5 million).

The gratifying development of revenues thanks to higher sales volumes and prices led to a more-than-proportional increase in operating profit which, at € 4.9 million, was 91 % higher in the second quarter than in the first quarter of the financial year (€ 2.6 million). Relative to revenues, this represented an operating margin of 14.5 % in the second quarter (Q1 8.4 %). Operating profit for the first six months therefore rose to € 7.5 (-9.2) million.

The level of capacity utilisation has continuously improved. In the second quarter of 2006/07 bioethanol output already reached 61,110 m<sup>3</sup>, which is equivalent to about 90 % of capacity. A total of 109,590 m<sup>3</sup> of bioethanol was produced in the first six months of 2006/07.

Net financial expense in the first six months of the fiscal year came to € -2.0 (-2.0) million. There were neither costs nor income from restructuring in this period. On earnings before taxes of € 5.5 million, taxes on income amounted to € -2.1 million (H1 2005/06 € 0 owing to the control and profit transfer agreement with Südzucker AG which was terminated on 28.2.2006). Group net earnings for the first six months therefore came to € 3.4 (-11.3) million.

## Outlook

While the CropEnergies Group was not able to capitalise fully on the firmer prices for bioethanol in the first half of 2006/07 owing to existing supply contracts, the CropEnergies Group expects that in the further course of the year prices can be adjusted to the currently higher ethanol prices in new supply contracts.

In light of the OECD's midterm forecasts and the currently satisfactory grain harvest the CropEnergies Group assumes that wheat prices will return to normal in the second half of the current wheat industry year. The CropEnergies Group's grain requirements for the third and fourth quarters are largely covered.

All in all, the Group expects the positive development of revenues and earnings in the first six months of the 2006/07 financial year to continue in the second half. A total output of over 210,000 m<sup>3</sup> and revenues of over € 125 million are forecast for the full year 2006/07.

The CropEnergies Group expects an operating margin of over 10 %. Allowing for the costs for the planning and construction of the production plant in Wanze (Belgium) incurred from the third quarter onwards, income from operations for the full year 2006/07 is expected to be in the upper single digits as a percentage of revenues.

## Assets and liabilities, financial position and results of operations

The interim financial statements of the CropEnergies Group as of 31 August 2006 have been prepared according to the rules for interim financial reporting of IAS 34 in compliance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC).

The following German and foreign subsidiaries are included on a fully consolidated basis in the consolidated Group accounts of CropEnergies AG, which was established on 3 May 2006:

- Südzucker Bioethanol GmbH, Zeitz (Sachsen-Anhalt)
- Biowanze S. A., Brussels (Belgium)
- BIOENERGY LOON-PLAGE S. A. S, Paris (France)

In application of IAS 8.10 the book value method has been used for the capital consolidation of Südzucker Bioethanol GmbH in accordance with the predecessor accounting rules. All prior-year figures stated relate only to Südzucker Bioethanol GmbH. The same accounting and valuation methods as used in the preparation of the annual financial statements as of 28 February 2006 have been applied unchanged.

## Group Balance Sheet

Figures in € thousands	08/31/06	02/28/06	Change	08/31/05
<b>Assets</b>				
Intangible assets	551	488	63	556
Property, plant and equipment	143,847	134,664	9,183	150,690
<b>Non-current assets</b>	<b>144,397</b>	<b>135,152</b>	<b>9,245</b>	<b>151,246</b>
Inventories	5,643	4,228	1,415	6,861
Trade receivables and other assets	14,826	11,086	3,740	9,280
Current tax receivables	12	0	12	0
Securities and cash and cash equivalents	60,455	0	60,455	8
<b>Current assets</b>	<b>80,937</b>	<b>15,314</b>	<b>65,623</b>	<b>16,148</b>
<b>Total assets</b>	<b>225,334</b>	<b>150,466</b>	<b>74,868</b>	<b>167,394</b>
<b>Liabilities and Shareholders' Equity</b>				
Subscribed capital	60,000	26	59,974	26
Capital reserves	32,890	26,974	5,916	26,974
Revenue reserves	-22,527	-25,968	3,441	-8,333
<b>Shareholders' equity</b>	<b>70,363</b>	<b>1,032</b>	<b>69,331</b>	<b>18,667</b>
Provision for pensions and similar obligations	146	111	35	12
Other provisions	22	26	-4	0
Non-current financial liabilities	78,000	78,000	0	0
Deferred tax liabilities	11,591	9,518	2,072	0
<b>Non-current liabilities</b>	<b>89,758</b>	<b>87,655</b>	<b>2,103</b>	<b>12</b>
Other provisions	877	974	-97	2,040
Current financial liabilities	56,811	52,449	4,363	136,140
Trade and other payables	7,515	8,356	-841	10,535
Current tax liabilities	9	0	9	0
<b>Current liabilities</b>	<b>65,212</b>	<b>61,779</b>	<b>3,434</b>	<b>148,715</b>
<b>Total liabilities and shareholders' equity</b>	<b>225,334</b>	<b>150,466</b>	<b>74,868</b>	<b>167,394</b>
Net financial debt	74,356	130,449	-56,093	136,132
Equity ratio	31.2 %	0.7 %		11.2 %

Receivables and other assets increased by € 3.7 million versus the end of the last financial year to € 14.8 million; this is due to higher trade receivables as a result of the growth in sales. The increase in inventories relates in the main to raw materials and supplies and is attributable to rising production volumes.

The increase of € 60.5 million in cash and cash equivalents is largely due to the increase in subscribed capital to € 60.0 million which Südzucker AG Mannheim/Ochsenfurt – still the sole shareholder in the second quarter – contributed in cash. This led to a substantial improvement in the equity ratio to 31.2 % as of 31 August 2006.

### Group Income Statement

Figures in € thousands	2 <sup>nd</sup> quarter*		1 <sup>st</sup> half year**	
	2006/07	2005/06	2006/07	2005/06
<b>Revenues</b>	<b>34,259</b>	<b>15,564</b>	<b>65,021</b>	<b>15,943</b>
<b>Income from operations</b>	<b>4,954</b>	<b>-5,110</b>	<b>7,546</b>	<b>-9,228</b>
Financial result	-900	-1,114	-2,023	-2,061
<b>Earnings before income taxes</b>	<b>4,054</b>	<b>-6,224</b>	<b>5,523</b>	<b>-11,289</b>
Taxes on income	-1,514	0	-2,082	0
<b>Net earnings for the year</b>	<b>2,540</b>	<b>-6,224</b>	<b>3,441</b>	<b>-11,289</b>
<b>Earnings per share (€)</b>	<b>0.04</b>	<b>-0.10</b>	<b>0.06</b>	<b>-0.19</b>

\* 1 June to 31 August

\*\* 1 March to 31 August

Group net earnings are attributable in full to shareholders of CropEnergies AG. As regards the analysis of the development of revenues and income from operations we refer to the general comments at the beginning of this interim report. In the period from 1 March to 31 August 2006 earnings per share (IAS 33) have been calculated on the basis of 60 million shares. The prior-year figure is based on 60 million shares. This produces earnings per share of € 0.06 for the first half of 2006/07 and earnings per share of € -0.19 for the prior-year period.

## Group Cash Flow Statement

Figures in € thousands	1 <sup>st</sup> half year*	
	2006/07	2005/06
<b>Gross cash flow</b>	<b>9,209</b>	<b>-9,074</b>
Change in net current assets	-6,098	-29,566
<b>Net cash flow from operating activities</b>	<b>3,111</b>	<b>-38,640</b>
Cash flow from investing activities	-12,909	35,536
Cash flow from financing activities	70,253	3,112
<b>Change in cash and cash equivalents</b>	<b>60,455</b>	<b>8</b>
Cash and cash equivalents at the beginning of the period	0	0
Cash and cash equivalents at the end of the period	60.455	8

\* 1 March to 31 August

The Cash flow reflects the strong earnings improvement; it rose by € 18.3 million versus the year-earlier period to € 9.2 million.

The cash flow from investing activities of € -12.9 million relates to process optimisations at the Zeitz plant and BIOENERGY LOON-PLAGE's acquisition of a tank storage facility in an extremely favourable logistics position on the Channel coast in Dunkirk (France).

The investment in expanding the Zeitz plant to 260,000 m<sup>3</sup> capacity was completed in the first half of the previous year. As a result of the disbursement of previously committed investment grants there was a net cash inflow from investing activities of € 35.5 million.

€ 60.0 million of the cash flow of € 70.3 million from financing activities relates to the capital increase by way of a capital contribution in cash from Südzucker AG Mannheim/Ochsenfurt.

## Statement of movements in shareholders' equity

Figures in € thousands	Subscribed Capital	Capital Reserve	Retained Earnings	Total Equity
<b>March 1, 2005</b>	<b>26</b>	<b>26,974</b>	<b>2,956</b>	<b>29,956</b>
Profit after tax	0	0	-11,289	-11,289
<b>August 31, 2005</b>	<b>26</b>	<b>26,974</b>	<b>-8,333</b>	<b>18,667</b>
<b>March 1, 2006</b>	<b>26</b>	<b>26,974</b>	<b>-25,968</b>	<b>1,032</b>
Profit after tax	0	0	3,441	3,441
Capital increase	59,974	5,916	0	65,890
<b>August 31, 2006</b>	<b>60,000</b>	<b>32,890</b>	<b>-22,527</b>	<b>70,363</b>

During the reporting period CropEnergies AG increased its capital by a total of € 65.9 million by way of a cash and a non-cash capital contribution which increased subscribed capital and the capital reserve from a combined € 27.0 million to a combined € 92.9 million.

## Group revenues, earnings, capital expenditure and employees

Financial figures in € thousands	1 <sup>st</sup> half year*	
	2006/07	2005/06
<b>Revenues</b>	<b>65,021</b>	<b>15,943</b>
<b>Operating profit</b>	<b>7,546</b>	<b>-9,228</b>
Operating margin in %	11.6	-57.9
Restructuring costs and special items	0	0
<b>Income from operations</b>	<b>7,546</b>	<b>-9,228</b>
<b>Capital expenditure</b>	<b>12,232</b>	<b>4,478</b>
<b>Employees</b>	<b>75</b>	<b>55</b>

\* 1 March to 31 August

€ 12.2 million was invested in property, plant and equipment in the reporting period. This compares with € 4.5 million in the year-earlier period. The main focuses were process optimisations at the Zeitz plant and the acquisition of a tank storage facility in Dunkirk (France).

The CropEnergies Group had 75 employees as of 31 August 2006, with 12 employees located at CropEnergies AG in Mannheim and 63 employees at the Zeitz plant. As of 31 August 2005 the Group had employed 55 people.

## Events after the interim reporting period

CropEnergies AG successfully completed its initial public offering and was admitted to official trading with a listing in the Prime Standard segment of the Frankfurt Stock Exchange on 29 September 2006. The company thereby increased its subscribed capital by € 25.0 million from € 60.0 million to € 85.0 million. In all, the company realised gross proceeds of € 200.0 million from the transaction. Following the capital increase Südzucker AG holds 70.6 % of the share capital; the other shares are held by institutional and private investors.

In September 2006 Südzucker AG transferred the real estate and the related rights for the construction of the bioethanol plant in Wanze (Belgium) to CropEnergies AG in the form of a non-cash capital contribution of € 8.4 million.

## Executive Board

Joachim Lutz was appointed as Chief Financial Officer (CFO) on 4 May 2006. He is responsible for Accounting, Treasury, Controlling and Investor Relations. Dr. Lutz Guderjahn (COO) was appointed to the Executive Board on 1 August 2006. He is responsible for Strategy, Production, Sales, Purchasing, Human Resources, Marketing and Public Affairs as well as Business Development. Dr. Wolfgang Schmidt was a member of the Executive Board from 4 May 2006 to 31 July 2006.

## Supervisory Board

Three new members were elected to the Supervisory Board on 29 August 2006, so the Supervisory Board now consists of the following members: Thomas Kölbl (Chairman), Dr. Hans-Jörg Gebhard, Prof. Dr. Markwart Kunz (Deputy Chairman), Franz-Josef Möllenberg, Dr. Rudolf Müller and Norbert Schindler.

## Financial calendar

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|--|-----------------|
| ■ Report 3 <sup>rd</sup> Quarter 2006/07 | 11 January 2007 |
| ■ Report 1 <sup>st</sup> Quarter 2007/08 | 12 July 2007    |
| ■ Report 2 <sup>nd</sup> Quarter 2007/08 | 11 October 2007 |

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**Disclaimer:** The interim report contains forward-looking statements which are based on current plans, estimates, forecasts and expectations. The assumptions are subject to risks and uncertainties which, if they materialise, could lead to divergences from the statements in this report. CropEnergies AG does not intend to adapt this report to subsequent events.