

INTERIM REPORT

2006/07

Financial Year

1st-3rd Quarter

1 March to 30 November 2006

Mannheim, 11 January 2007



First three quarters at a glance

- Operating profit of € 13.0 million and an operating margin of 13.2 % achieved on revenues of € 98.2 million
- Cash of € 207.1 million available for further expansion in Europe
- In Belgium, CropEnergies secures an annual 125,000 m³, or roughly 50 % of the total production licences allotted, through its subsidiary BioWanze S.A. and starts construction of the new plant
- In Germany, production at the Zeitz plant is raised to around 165,000 (60,000) m³*

Company and markets

Biofuels Quota Act secures market in Germany through 2015 – demand to rise five-fold

With the introduction of the Biofuels Quota Act the regulatory framework has been created for a dynamic development of the bioethanol market in Germany. The Biofuels Quota Act, which was passed by the lower house (Bundestag) and upper house (Bundesrat) of the German Parliament and came into force on 1 January 2007, largely replaces the previous tax incentives to promote biofuels with a mandatory requirement for the admixture of biofuels, with separate quotas set for biodiesel and bioethanol. For bioethanol, an admixture rate – based on energy content – of 1.2 % of petrol fuel consumption is stipulated for 2007, and this is to be raised through to the year 2010 annually by 0.8 % to 3.6 %. Further, the law also stipulates a total biofuel content of 6.25 % for 2009 and 6.75 % for 2010, which will then be raised through to the year 2015 annually by 0.25 % to 8 %. While the bioethanol used to meet these quotas is subject to the full mineral oil tax, the bioethanol used for the production of E85 will remain tax exempt until 2015.

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

As a result of these mandatory quotas the market potential for bioethanol in the German motor fuel market will rise to around 1.5 million m³ by the year 2010 just to satisfy the minimum requirements. This is five times the total volume sold in 2005. Additionally, the law creates the basis for a stronger market penetration of E85 since, with the exemption of the bioethanol content in E85 from mineral oil tax, the outlook is much better and there is greater investment security for filling station operators and the automobile industry.

CropEnergies secures production licences in Belgium

On 19 October 2006 the Belgian government issued licences for a total of approximately 1.5 million m³ of bioethanol for the period from 1 October 2007 to 30 September 2013. Of this, CropEnergies AG secured a total of 750,000 m³, equivalent to 125,000 m³ of bioethanol per year, through its Belgian subsidiary BioWanze S.A. in Wanze. The quotas were allotted on the basis of certain criteria such as climate protection, energy efficiency, technology and cost effectiveness. This therefore testifies to the special merits of the concept and design of the plant under construction in Wanze.

The licences provide for privileged tax treatment for the allotted bioethanol quota on the condition that the motor fuels produced with it not only have a low content of sulphur and aromatic compounds but also contain at least 7 % by volume of bioethanol in undenatured form.

The privileged tax treatment associated with the licences, which represents a significant competitive advantage over non-licensed suppliers, will give CropEnergies AG market leadership in Belgium. In addition, thanks to the Wanze location's excellent logistical position with very good links to internal waterways and sea routes it will be possible to make export shipments in quick time and at low cost and thus supply the international oil companies' refineries.

Gratifying development of average selling prices for bioethanol

In Europe, prices have come down slightly after holding up at a stable, high level in autumn 2006. This is due to the improved supply situation in the USA and softer crude oil prices. Nonetheless, in the third quarter CropEnergies was able to further improve on the average prices realised on bioethanol sales versus the preceding quarters as fewer low-priced old contracts from the previous year had to be serviced. The contracts for delivery in 2007/08 negotiated so far have seen a very satisfactory development.

In the European motor fuel sector bioethanol continues to be used mostly for the production of the octane enhancer ETBE. It is encouraging that there has been further growth in the direct admixture of bioethanol especially among smaller and mid-sized mineral oil producers.

CropEnergies also markets its own E85 under the brand name CropPower85. Starting from a low level, sales of CropPower85 have grown continuously. The distribution partner, OIL!-Tankstellen GmbH & Co. KG, sells CropPower85 at ten filling stations. Now that the tax exemption for the bioethanol contained in E85 has been extended to 2015, thus creating a more reliable basis for investment, CropEnergies expects a dynamic improvement in the distribution of E85 especially at independent filling stations. Moreover, it is expected that, in addition to the flexi-fuel vehicles already offered by Ford and Saab, there will be further models coming on to the European market in 2007 which can operate on E85, such as the Renault Mégane.

Developments on the commodity and animal feed markets

Since the start of the new 2006/07 grain industry year on 1 July 2006 the European grain markets witnessed price increases which continued through to mid-November. The reason for the price rise was weather-related crop losses in Europe, in North America and especially in Australia, where the exceptional drought conditions almost halved the amount of grain harvested.

Even though Australia is not one of the world's biggest producers, this development still had an impact on the markets as nearly half of Australia's grain production is exported.

Since mid-November grain prices have fallen again by 6–7 % following the release of intervention stocks for the European internal market. The release of a further close to 1 million tonnes for Germany has been announced for the beginning of January 2007.

The firmer prices on the commodity markets had an only marginal impact on CropEnergies AG's business development in the reporting period since the bulk of the raw material supplies for the bioethanol plant had already been sourced under longer-term contracts before the price rise.

Quite independently of this development, trials were successfully conducted at the production plant in Zeitz with a view to broadening the raw material basis by using triticale, a cross between wheat and rye. Tests with maize are due to follow. From spring 2007, as planned, CropEnergies will also start producing bioethanol from sugar juices and will thus have a much broader mix of input materials at its disposal.

The International Grain Council's recent forecast of 4 % growth in global grain acreage confirms CropEnergies in its view that the markets should steady in the course of 2007. Our belief that, having regard to resource availability, bioethanol is the fuel with the biggest growth potential in the long term in Europe is confirmed by a study published in 2006 by the University of Hohenheim.

The relevant markets for the sale of the high-protein animal feed ProtiGrain® developed largely parallel with the grain markets since substantial amounts of world grain production are still used as animal feed. Prices for soybean meal rose by about € 25.00 per tonne between August and November. This development was driven largely by the grain market and by the possibility to use

acreage for grain instead of soybean in the main growing regions. The prices for rapeseed meal also picked up strongly on the back of the development of soybean prices.

CropEnergies was able to participate in this development with premiums of roughly € 5–10 per tonne on the price of ProtiGrain® compared with rapeseed meal thanks to its high protein content.

Average daily throughput in Zeitz increased

Further optimisation measures were carried out in Zeitz in October 2006 with a temporary stoppage of production. This slightly reduced production in the third quarter to around 55,000 m³ of bioethanol. The optimisation measures led to an increase in average daily throughput already in the third quarter and will have full effect in the fourth quarter.

With the production of around 165,000 m³ of bioethanol in the first three quarters of the financial year, production was increased by 175 % versus the same period of the previous year.

Investments at Wanze and Zeitz on track

The preparations for the capital investments in Belgium and Zeitz are proceeding as planned.

In Zeitz, capacities are being expanded in two stages from 260,000 to 360,000 m³ per year. Firstly, the existing grain-processing plant will be extended to enable bioethanol to be produced additionally from sugar juices. This will already come on stream from spring 2007. At the same time, a second plant is to be built with an annual capacity of 60,000 m³, operating in tandem with the existing plant and using sugar beet juice as input material.

The construction of the plant in Wanze in Belgium is currently at the same project stage as the beet juice plant in Zeitz. Both plants will come on stream in 2008.

Revenues and earnings

Revenues of € 33.2 million were achieved in the third quarter of the 2006/07 financial year. The CropEnergies Group therefore generated revenues of € 98.2 (33.0) million in the first three quarters of the 2006/07 financial year. This is a three-fold increase versus the same period of the previous year.

Operating profit was increased further and came to € 5.4 million in the third quarter (after € 4.9 million in Q2 and € 2.6 million in Q1). As a result, the operating margin improved to 16.3 % in the third quarter (Q2 14.5 %; Q1 8.4 %). Overall, in the first three quarters operating profit rose to € 13.0 (-17.4) million and the operating margin came to 13.2 %.

As a special item in the third quarter, costs of € 1.5 million were incurred for the new bioethanol plant under construction in Belgium, resulting in income from operations of € 11.4 (-17.4) million.

With the cash proceeds from the IPO, a positive financial result of € 0.3 million was achieved for the first time in the third quarter. Overall, the financial result for the first three quarters of the financial year improved to € -1.7 (-3.0) million.

With earnings before taxes of € 9.7 million and after deducting taxes on income of € -3.4 million, net earnings came to € 6.3 (-20.4) million in the first three quarters of the 2006/07 financial year.

Outlook

The much firmer market prices for bioethanol compared with a year earlier are reflected in a gratifying rise in the average selling prices realised at the CropEnergies Group in the 2006/07 financial year. At the same time, the demand for environmentally friendly bioethanol will continue rising not only globally but also in Europe. Germany will play a pioneering role in the use of bioethanol in Europe with its legislation in force since 1 January 2007 making admixture in petrol fuel mandatory, starting with a minimum rate of 1.2 % (based on energy content).

Most of the supplies of grain required for 2006/07 have already been secured. The market prices for grain, which had reached a very high level in the meantime, are on the decline again. CropEnergies assumes that the structural surplus production of European grain and sugar, the level of land set-asides and the ongoing productivity gains in the agricultural sector will also help in the longer term to enable local agricultural produce for the production of bioethanol to be procured reliably and at reasonable prices.

Thanks to the stable and high level of capacity utilisation at the production plants, both the volume of bioethanol produced and revenues will be more than double the level in the previous year at around 220,000 m³ and over € 135.0 million respectively.

CropEnergies now expects an operating margin in excess of 13 % for the full 2006/07 financial year. Despite the start-up costs incurred for the new Belgian production plant under construction in Wanze, income from operations will be in excess of 11 % of revenues.

Assets and liabilities, financial position and results of operations

The interim financial statements of the CropEnergies Group as of 30 November 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., Brüssel (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.

Balance Sheet

Figures in € thousands	November 30, 2006	February 28, 2006	Change	November 30, 2005
Assets				
Intangible assets	553	488	65	460
Property, plant and equipment	158,922	134,664	24,258	133,293
Non-current assets	159,475	135,152	24,323	133,753
Inventories	7,082	4,228	2,854	6,223
Trade receivables and other assets	14,277	11,086	3,191	28,715
Current tax receivables	34	0	34	0
Securities and cash and cash equivalents	207,107	0	207,107	0
Current assets	228,500	15,314	213,186	34,938
Total assets	387,975	150,466	237,509	168,691
Liabilities and shareholders' equity				
Subscribed capital	85,000	26	84,974	26
Capital reserves	212,172	26,974	185,198	26,974
Revenue reserves	-19,705	-25,968	6,262	-17,420
Shareholders' equity	277,466	1,032	276,434	9,580
Provision for pensions and similar obligations	578	111	467	12
Other provisions	37	26	11	0
Non-current financial liabilities	78,000	78,000	0	0
Deferred tax liabilities	13,444	9,518	3,926	0
Non-current liabilities	92,059	87,655	4,404	12
Other provisions	1,611	974	637	1,653
Current financial liabilities	616	52,449	-51,833	147,275
Trade and other payables	16,202	8,356	7,845	10,171
Current tax liabilities	22	0	22	0
Current liabilities	18,450	61,779	-43,329	159,099
Total liabilities and shareholders' equity	387,975	150,466	237,509	168,691
Net financial assets (-)/ Net financial debt (+)	-128,491	130,449	-258,940	147,275
Equity ratio	71.5 %	0.7 %		5.7 %

The increase of € 2.9 million in inventories versus 28 February 2006 relates in the main to raw materials and supplies and is due to the increased level of production. Receivables and other assets, reported at € 14.3 million, increased by € 3.2 million; this is due to higher trade receivables, reflecting the growth in sales.

The increase of € 207.1 million in cash and cash equivalents is largely due to the proceeds from the IPO. This has also led to a substantial improvement in the equity ratio to 71.5 % as of 30 November 2006. The cash available for financing the company's further expansion exceeds financial liabilities by € 128.5 million.

As a result of the IPO on 29 September 2006, subscribed capital was increased to € 85.0 million and € 170.9 million was added to the capital reserves. In September 2006 Südzucker AG also transferred the land and 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, which led to a further increase in the capital reserves.

The provisions for pensions have increased as a result of the transfer of the pension rights of employees who moved from Südzucker AG to CropEnergies AG.

Income Statement

Figures in € thousands	3rd quarter*		1st – 3rd quarter**	
	2006/07	2005/06	2006/07	2005/06
Revenues	33,194	17,058	98,215	33,001
Change in work in progress and finished goods inventories and internal costs capitalised	1,412	853	2,220	3,545
Other operating income	62	10	146	43
Cost of materials	-21,661	-18,188	-66,784	-36,090
Personnel expenses	-1,363	-731	-3,175	-2,014
Depreciation	-1,954	-1,963	-5,610	-4,178
Other operating expenses	-5,819	-5,173	-13,594	-11,669
Income from operations	3,872	-8,134	11,418	-17,362
Financial income	1,334	0	1,600	0
Financial expense	-1,035	-954	-3,324	-3,015
Earnings before income taxes	4,171	-9,088	9,694	-20,377
Taxes on income	-1,350	0	-3,432	0
Net earnings for the year	2,821	-9,088	6,262	-20,377
Earnings per share (€)	0.04	-0.15	0.10	-0.34

* 1 September to 30 November

** 1 March to 30 November

Net earnings are attributable in full to shareholders of Crop-Energies AG. In the period from 1 March to 30 November 2006 earnings per share (IAS 33) have been calculated on the basis of 65.6 million shares. The prior-year figure is based on 60 million shares. This produces earnings per share of € 0.10 for the first three quarters of the 2006/07 financial year and earnings per share of € -0.34 for the same period of the previous year.

Cost of materials

The increase of € 30.7 million in the cost of materials in the first three quarters of 2006/07 versus the same period of the previous year is a reflection of the much higher ethanol production and the related increase in grain processing.

As grain supplies had already been sourced early on, the third quarter of 2006/07 was affected only marginally by the higher grain prices. The plant's much improved level of capacity utilisation as well as efficiency improvements in the use of energy and raw materials and supplies lowered the materials expense ratio (cost of materials as a percentage of total operating performance) in the third quarter of 2006/07 to 62.6 % (after 101.5 % in Q3 2005/06).

Personnel expenses

The rise in personnel expenses is in line with the higher number of employees due to the growth of the production plant in Zeitz and the construction of the new production plant in Wanze (Belgium). The personnel expense ratio (based on total operating performance) comes to 3.9 %.

Other operating expenses

Other operating expenses relate in the main to selling and advertising expenses, expenses for shared services, costs for the construction of the production plant in Wanze (Belgium) and other operating and administrative costs.

Cash Flow Statement

Figures in € thousands	1st – 3rd quarter*	
	2006/07	2005/06
Gross cash flow	16,297	-16,199
Change in net current assets	-1,378	-49,114
Net cash flow from operating activities	14,919	-65,313
Cash flow from investing activities	-17,765	51,066
Cash flow from financing activities	209,953	14,247
Change in cash and cash equivalents	207,107	0
Cash and cash equivalents at the beginning of the period	0	0
Cash and cash equivalents at the end of the period	207,107	0

* 1 March to 30 November

Cash flow reflects the strong earnings improvement; it rose by € 32.5 million versus the same period of the previous year to € 16.3 million.

The cash outflow from investing activities came to € 17.8 million as there were grants of € 3.1 million received for the plant in Zeitz to be set off against the capital expenditure of € 20.9 million.

The investment on building up the Zeitz plant to a capacity of 260,000 m³ had been completed in the prior-year period. The disbursement of previously pledged grants led to a cash inflow from investing activities of € 51.1 million.

The cash inflow from financing activities of € 210.0 million largely stems from the IPO.

Statement of Movements in Shareholders' Equity

Figures in € thousands	Subscribed Capital	Capital Reserve	Retained Earnings	Total Equity
March 1, 2006	26	26,974	-25,968	1,032
Profit after tax	0	0	6,262	6,262
Capital increase	84,974	185,198	0	270,172
November 30, 2006	85,000	212,172	-19,706	277,466
March 1, 2005	26	26,974	2,956	29,956
Profit after tax	0	0	-20,377	-20,377
November 30, 2006	26	26,974	-17,420	9,580

CropEnergies AG's IPO not only increased subscribed capital to € 85.0 million but also led to an increase in the capital reserves.

Revenues, Earnings, Capital Expenditure and Employees

Financial figures in € thousands	1st – 3rd quarter*	
	2006/07	2005/06
Revenues	98,215	33,001
Operating profit	12,962	-17,362
Operating margin in %	13.2 %	-52.6 %
Restructuring costs and special items	-1,544	0
Income from operations	11,418	-17,362
Capital expenditure	20,877	5,504
Employees	81	55

* 1 March to 30 November

The special items reported in the amount of € 1.5 million relate entirely to costs for the new bioethanol plant under construction in Wanze. In addition to one-off expenses, engineering costs of € 1.0 million were incurred for the first time in the third quarter.

Capital expenditure on property, plant and equipment amounted to € 20.9 (5.5) million in the reporting period. Of this, € 4.9 million was invested in plant optimisation measures, € 3.2 million in environmental protection measures and € 0.5 million in capacity enlargements in Zeitz. In addition, a tank storage facility was acquired for € 6.0 million in Loon-Page and € 5.9 million was invested in the construction of the plant in Wanze.

The CropEnergies Group had 81 (55) employees as of 30 November 2006, with 12 employees located at CropEnergies AG in Mannheim, 65 employees at the Zeitz location and 4 employees in Wanze.

Changes in the Supervisory Board

Dr. h. c. Eggert Voscherau was appointed as a member of the Supervisory Board on 6 November 2006 and was elected as Chairman of the Supervisory Board on 13 November 2006. Thomas Kölbl had been Chairman until 13 November 2006. Dr. Rudolf Müller retired from the Supervisory Board on 31 October 2006.

Financial calendar

- Press and Analyst Conference
Financial Year 2006/07 15 May 2007
- Report 1st Quarter 2007/08 12 July 2007
- Annual General Meeting 17 July 2007
- Report 2nd Quarter 2007/08 11 October 2007

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