

# INTERIM REPORT

Financial Year  
2007/08

1<sup>st</sup> – 3<sup>rd</sup> Quarter

1 March to 30 November 2007

Mannheim, 14 January 2008



The figures stated in brackets on the following pages refer to the same period or point in time in the previous year.

CropEnergies AG's financial year differs from the calendar year.

The quarters therefore cover the following periods:

3<sup>rd</sup> quarter: 1 September – 30 November

1<sup>st</sup> – 3<sup>rd</sup> quarter: 1 March – 30 November

# Contents

<b>First 3 quarters of 2007/08 at a glance</b>	<b>4</b>
<b>Interim management report</b>	<b>4</b>
Operating environment	4
Developments within the CropEnergies Group	6
Business development	9
Opportunities, risks and outlook	13
<b>Interim financial statements</b>	<b>15</b>
Income statement	15
Cash flow statement	15
Balance sheet	16
Statement of changes in shareholders' equity	17
<b>Notes to the interim financial statements</b>	<b>18</b>
<b>Financial calendar</b>	<b>23</b>

## First 3 quarters of 2007/08 at a glance

- Revenues up 28 % to € 125.7 (98.2) million
- Operating profit up 34 % to € 17.4 (12.9) million
- Net earnings up 160 % to € 16.4 (6.3) million
- Bioethanol production up 4.7 % to 173,000 (165,000) m<sup>3</sup>

## Interim management report

### Operating environment

*German cabinet passes draft legislation to raise the total biofuel quota from 8 to 17 %*

On 5 December 2007, ahead of the Bali Climate Conference, the German cabinet presented an extensive package of draft laws and regulations with which the integrated energy and climate programme resolved in Meseberg in August 2007 is to be implemented. With the draft legislation to amend the Biofuels Quota Act, the introduction of a sustainability regulation and the revision of the Fuel Quality Regulation in connection with the 10<sup>th</sup> Implementing Regulation for the Federal Emissions Control Act, the German government plans to lay the foundations for a stronger market penetration of biofuels.

The government bill to amend to the Biofuels Quota Act for instance proposes to increase the share of biofuels in total fuel consumption from currently 8 % in 2015 to 17 % in 2020. To achieve this goal an amendment of the Fuel Quality Regulation is necessary. In the present draft proposal for the 10<sup>th</sup> Implementing Regulation for the Federal Emissions Control Act the blending rates for bioethanol are to be raised from currently 5 to 10 vol.-% for petrol fuels and from 5 to 7 vol.-% for biodiesel.

The aim of the Sustainability Regulation, currently at the draft stage, is to ensure that minimum requirements regarding the sustainable farming of agricultural areas and the protection of natural habitats are fulfilled in the production of biomass for

biofuels. In addition, the biofuels used must possess a certain greenhouse gas reduction potential along the entire value chain.

### **Stable development of bioethanol prices**

In Brazil ethanol prices have increased strongly at the end of the sugar cane harvest. The price of the one-month ethanol futures contract on the Bolsa de Mercadorias & Futuros (BM&F) in São Paulo, which was switched to US dollars in the reporting period, has risen by about 20 % since October 2007 to over 480 \$/m<sup>3</sup> at the end of the year. In the USA the one-month futures contract on the Chicago Board of Trade and the Chicago Mercantile Exchange rose by over 50 % in the same period from 1.55 \$/gallon to 2.37 \$/gallon. However, this development has had no impact so far on prices in Europe, which have remained more or less constant at around 560 €/m<sup>3</sup>.

In the European fuel sector bioethanol is mostly used at present for the production of the octane booster ETBE. The rising fuel blending quotas – in Germany, the mandatory blending rate for petrol fuel has been increased from 1.2 to 2 % (based on energy content) from 1 January 2008 – means that more and more bioethanol will be blended directly with petrol fuel in future. A number of oil companies have already announced that they intend to blend bioethanol directly with petrol fuel nationwide in Germany in the course of 2008.

### **Developments on the commodity and animal feed markets**

In its December forecast the US Department of Agriculture estimates that world grain production (excluding rice) will rise to 1,657 (1,573) million tonnes in the 2007/08 grain year. However, despite this increase, production will still fall slightly short of the expected consumption of 1,673 million tonnes for the third year running. Consequently, it is expected that there will be a further reduction of the already low stockpiles to 243 million tonnes as of 30 June 2008.

In view of the poor weather conditions and the correspondingly low crop yields forecast for the southern hemisphere, the upward

trend in grain prices has accelerated. After a high of 300 €/t at the beginning of September, the price of wheat reached around 250 €/t at the end of December on the Paris commodity futures exchange MATIF.

In view of the firmer prices and the decision of the EU Council of Agriculture Ministers to rescind the obligatory set-asides for the sowings in autumn 2007 and spring 2008, market observers predict a marked expansion in the acreage sown for the 2008 harvest in the EU. Wheat acreage is expected to increase by 6 to 7 % to 3.2 (3.0) million hectares alone in Germany.

Prices on the animal feed markets moved largely parallel with the grain markets. Market participants expect an increase in grain cultivation at the expense of soybean acreage, which has led to higher prices for soybean meal and soybeans. The prices of other feedstuffs followed this development.

### **Developments within the CropEnergies Group**

#### *Production up 4.7 % in the first 9 months*

Overall, bioethanol production was increased in the first 9 months by 4.7 % to 172,600 m<sup>3</sup>. In the third quarter production was 14.3 % lower than in the same quarter of the previous year at 47,400 m<sup>3</sup> of bioethanol. This was due to a regular maintenance and overhaul phase in October 2007 which lasted longer than expected, however.

CropEnergies has fully sourced its raw material requirements for the 2007/08 financial year. A large part of the grain required was already secured early on at prices well below the current price level. In addition, the increasing use of sugar syrups since the beginning of the financial year has enabled grain requirements to be reduced compared with a year earlier despite the growth in production. In the third quarter, the proportion of bioethanol produced from sugar syrups already amounted to almost 20 % of total output. It is now possible to produce up to 30 % of the bioethanol from sugar syrups. The changes in the input material

mix in favour of a higher proportion of sugar syrups are reducing the volume of the high-grade protein animal feed ProtiGrain® produced. This by-product can still be sold at an appreciable premium to rapeseed meal and makes a valuable contribution towards reducing the net input material costs for grain.

### **Contract negotiations progressing successfully**

The contract negotiations for the 2008 calendar year have got off to a successful start for CropEnergies, with a sales volume of over 150,000 m<sup>3</sup> of bioethanol for the Zeitz location. Contracts were concluded with major oil companies as well as independent ETBE producers. Roughly 100,000 m<sup>3</sup> of the volume of bioethanol sold is for the first half of the 2008/09 financial year. The necessary raw materials for this have already been secured so that a solid level of capacity utilization is assured at the facility for this period.

The still young E85 market has continued to gather momentum. This has been helped by automobile manufacturers' plans to offer a wider range of flexible fuel vehicle (FFV) models in Germany. This measure is part of the roadmap for the promotion of bio-fuels agreed between the oil industry, distributors, the farming associations and the respective ministries. Besides a broader offering of FFVs, a timely expansion of the filling station infrastructure is needed for the market penetration of E85. Against this backdrop, it is encouraging that, with Franz Göhler GmbH & Co. KG Tank- und Industrieanlagen, CropEnergies has succeeded in winning a strong partner for the expansion of the E85 market in Germany. The Göhler specialists service 4,500 filling stations throughout Germany and have extensive experience with E85 filling stations. Through mutual support in the distribution of the two partners' respective services the filling station infrastructure is to be expanded, furthering the sale of CropPower85, the CropEnergies E85 quality fuel.

### **Investments at Wanze and Zeitz on track**

The Zeitz facility – already Europe's largest bioethanol plant today – is being further expanded. Production capacities are

being enlarged in two stages by 100,000 m<sup>3</sup> to an annual 360,000 m<sup>3</sup> of bioethanol. In addition to the expansion of the existing grain plant, a new, separate sugar beet-based fermentation and distillation facility is being constructed. The concreting work for the production buildings, pipe bridges and cooling towers for this facility has been completed, and work has started on the structural steelwork. Machines and apparatus are being installed at the same time. The full production capacity will be available in spring 2008.

A bioethanol plant with an annual production capacity of up to 300,000 m<sup>3</sup> of bioethanol is currently under construction in Wanze, Belgium. The production process employed represents a further advance in bioethanol production in Europe. Using biomass as primary energy, the facility meets the criteria of sustainability in the production of biofuels particularly well as its innovative concept means that even less greenhouse gas emissions are released during the bioethanol production process. In a climate-friendly biomass plant – the only one of its kind so far in Europe – the bran of the wheat grains delivered is to be used to generate a large part of the heat and power that is needed for the process. The concreting work is currently in progress, and work has started on the structural steelwork and the core elements of the facility. The work especially on the biomass boiler and the grain silos is well advanced. The facility is due to come on stream at the end of 2008.



## Business development

### Revenues and net earnings

€ thousands	3 <sup>rd</sup> quarter		1 <sup>st</sup> – 3 <sup>rd</sup> quarter	
	2007/08	2006/07	2007/08	2006/07
<b>Revenues</b>	<b>38,535</b>	<b>33,194</b>	<b>125,723</b>	<b>98,215</b>
Operating profit	3,464	5,416	17,421	12,962
Restructuring costs and special items	-1,090	-1,544	-3,110	-1,544
<b>Income from operations</b>	<b>2,374</b>	<b>3,872</b>	<b>14,311</b>	<b>11,418</b>
Financial result	870	299	2,728	-1,724
<b>Earnings before income taxes</b>	<b>3,244</b>	<b>4,171</b>	<b>17,039</b>	<b>9,694</b>
Taxes on income	-250	-1,350	-674	-3,432
<b>Net earnings for the period</b>	<b>2,994</b>	<b>2,821</b>	<b>16,365</b>	<b>6,262</b>
<b>Earnings per share (€)</b>	<b>0.04</b>	<b>0.04</b>	<b>0.19</b>	<b>0.10</b>

In the third quarter, revenues rose by 16.1 % to € 38.5 (33.2) million as a result of higher selling prices. Operating profit came to € 3.5 million, equivalent to an operating margin of 9.1 %. In the third quarter of the previous year, which was marked by the lowest raw material costs for that year, an operating profit of € 5.4 million was achieved.

After restructuring costs, income from operations came to € 2.4 (3.9) million. Owing to the improved financial result and the reduction in tax expense net earnings were up 6 % to € 3.0 (2.8) million.

Revenues in the first nine months of the 2007/08 financial year were up 28.0 % to € 125.7 (98.2) million due to higher volumes and average selling prices for bioethanol.

Parallel with this, the cost of materials rose by 24.9 % but, thanks to the early conclusion of longer-term supply agreements for grain, was limited to € 83.4 million.

Operating profit in the first nine months of the financial year improved by 34.4 % to € 17.4 (12.9) million. The operating margin rose to 13.8 (13.1) %.

After deducting the preparatory costs of € 3.1 (1.5) million for the Wanze location (Belgium) income from operations came to € 14.3 (11.4) million.

The financial result was improved to € 2.7 (-1.7) million through the investment of cash proceeds from the IPO and contributed towards the increase in earnings before taxes to € 17.0 (9.7) million.

As a result of the company tax reform 2008 passed by the Bundesrat (Upper House of Parliament) on 6 July 2007, the deferred tax liabilities had to be restated on the basis of the current tax rate. This led to non-recurrent deferred tax income of approximately € 3 million. Together with income taxes on current earnings, tax expense amounts to € 0.7 million. Overall, net earnings improved strongly in the first nine months of the 2007/08 financial year to € 16.4 (6.3) million.

## Statement of changes in financial position

€ thousands	1 <sup>st</sup> – 3 <sup>rd</sup> quarter	
	2007/08	2006/07
<b>Gross cash flow</b>	<b>24,397</b>	<b>16,297</b>
Change in net working capital	4,965	-1,378
<b>Net cash flow from operating activities</b>	<b>29,362</b>	<b>14,919</b>
Investments in intangible assets, property, plant and equipment	-92,940	-17,765
Cash paid on the purchase of securities in current assets	-39,989	0
<b>Cash flow from investing activities</b>	<b>-132,929</b>	<b>-17,765</b>
<b>Cash flow from financing activities</b>	<b>711</b>	<b>209,953</b>
<b>Change in cash and cash equivalents</b>	<b>-102,856</b>	<b>207,107</b>

Cash flow mirrored the improvement in earnings and rose to € 24.4 (16.3) million. € 40.0 million of the net cash outflow from investing activities of € 132.9 (17.8) million related to an investment in short-term securities. Of the investments of € 92.9 million in property, plant and equipment, capacity expansion and plant optimisations at the Zeitz location accounted for about € 26 million and the construction of the Wanze facility for roughly € 67 million.

## Balance sheet structure

€ thousands	30 November 2007	28 February 2007	Change	30 November 2006
<b>Assets</b>				
Non-current assets	271,078	182,318	88,760	159,475
Current assets	156,154	224,104	-67,950	228,500
<b>Total assets</b>	<b>427,232</b>	<b>406,422</b>	<b>20,810</b>	<b>387,975</b>
<b>Liabilities and shareholders' equity</b>				
Shareholders' equity	298,962	282,203	16,759	277,466
Non-current liabilities	88,013	95,629	-7,616	92,059
Current liabilities	40,257	28,590	11,667	18,450
<b>Total liabilities and shareholders' equity</b>	<b>427,232</b>	<b>406,422</b>	<b>20,810</b>	<b>387,975</b>
Net financial assets (+)/ Net financial debt (-)	51,180	114,273	-63,093	128,491
Equity ratio	70.0 %	69.4 %		71.5 %

Property, plant and equipment rose by € 87.5 million versus the year-end balance sheet date to € 265.3 million as a result of the progress of the capacity expansion at the Zeitz location and the construction of the Wanze facility. In addition, € 40.0 million was invested in short-term securities. Overall, cash and cash equivalents decreased by € 102.9 million to € 89.5 million.

After deducting financial debt, net financial assets came to € 51.2 million.

Given total liabilities and shareholders' equity of € 427.2 million (28 February 2007: € 406.4 million), the equity ratio now stands at 70.0 % (28 February 2007: 69.4 %).

## Opportunities, risks and outlook

### Opportunities

Security of energy sources, climate protection and the strengthening of regional structures are the goals of the European Union which are to be achieved with the creation of a European bioethanol market. A framework has been created which promotes the increased use of bioethanol in the fuel sector. Opportunities are presented by the resulting market growth.

Opportunities also exist if grain harvests increase as a result of weather conditions and/or growth in acreage under cultivation, especially as a result of the decision to release acreage currently set aside in the EU. A rise in bioethanol prices would also have a positive effect. CropEnergies can shield itself to some extent from the volatility of the grain markets through the possibility of using sugar syrups as input material. Additionally, where grain is used CropEnergies benefits from the reduction of its net raw material costs as a result of increases in the price of the high-grade protein animal feed ProtiGrain® which is produced as a by-product.

### Risks

The CropEnergies Group's risk management system is aimed at identifying risks early on, monitoring them and taking timely counter-action when necessary. For detailed information on the opportunities and risk management system and the Group's risk situation please refer to the "Risk Report" on pages 31 to 33 of the Annual Report for 2006/07. The comments there are still valid.

The higher grain prices have increased the materials expense ratio in the European bioethanol industry since spring 2007. CropEnergies was largely able to offset the rise in grain prices in the first nine months of the financial year thanks to the grain supply agreements already concluded and the increased use of sugar syrups. In future, it will continue to be CropEnergies' business policy to reduce the risk of increases in raw material prices by concluding longer-term supply agreements and by using futures contracts. Nonetheless, depending on the market situation, there is still the risk that it might not be possible to close hedging transactions

that cover the costs or that increases in raw material prices that have taken place cannot be passed on to bioethanol customers. In such cases a reduction of production and sales volumes and/or an impairment of earnings cannot be ruled out.

No risks posing a threat to the company's continued existence exist or are discernible at the present time.

## **Outlook**

Although raw material prices, especially grain prices, have risen strongly, CropEnergies will continue to operate profitably in the fourth quarter of the 2007/08 financial year, too. The quantities of grain required have already been secured. The raw material base was diversified in good time through the addition of sugar syrups.

For the 2007/08 financial year as a whole, CropEnergies therefore expects to be able to increase revenues appreciably versus the previous year to over € 175 (146.8) million. Despite the price rise on the grain markets operating profit will be in line with the previous year's gratifying figure of € 21.0 million.

Going forward, CropEnergies anticipates a fast-growing market for bioethanol in Europe. In Germany, the mandatory blending quota for biogenic fuels in petrol has been raised from 1.2 to 2.0 % (based on energy content) as from 1 January 2008. There are comparable developments in other EU member states.

To meet the foreseeable rising demand for bioethanol CropEnergies is further expanding its production capacities as planned. The expansion at Zeitz and the new facility in Wanze (Belgium) are due to be completed in 2008. This will further strengthen CropEnergies' position as one of the most efficient producers of bioethanol in Europe and enable it to profit from the growth of the market.

# Interim financial statements

## Income statement

€ thousands	3 <sup>rd</sup> quarter		1 <sup>st</sup> – 3 <sup>rd</sup> quarter	
	2007/08	2006/07	2007/08	2006/07
<b>Revenues</b>	<b>38,535</b>	<b>33,194</b>	<b>125,723</b>	<b>98,215</b>
Change in work in progress and finished goods inventories and internal costs capitalised	928	1,412	2,359	2,220
Other operating income	74	62	187	146
Cost of materials	-27,345	-21,661	-83,432	-66,784
Personnel expenses	-2,278	-1,363	-5,861	-3,175
Depreciation	-2,177	-1,954	-6,410	-5,610
Other operating expenses	-5,363	-5,818	-18,255	-13,594
<b>Income from operations</b>	<b>2,374</b>	<b>3,872</b>	<b>14,311</b>	<b>11,418</b>
Financial income	1,655	1,334	5,058	1,600
Financial expense	-785	-1,035	-2,330	-3,324
Financial result	870	299	2,728	-1,724
<b>Earnings before income taxes</b>	<b>3,244</b>	<b>4,171</b>	<b>17,039</b>	<b>9,694</b>
Taxes on income	-250	-1,350	-674	-3,432
<b>Net earnings for the period</b>	<b>2,994</b>	<b>2,821</b>	<b>16,365</b>	<b>6,262</b>
<b>Earnings per share (€)</b>	<b>0.04</b>	<b>0.04</b>	<b>0.19</b>	<b>0.10</b>

## Cash flow statement

€ thousands	1 <sup>st</sup> – 3 <sup>rd</sup> quarter	
	2007/08	2006/07
Net earnings for the period	16,365	6,262
Depreciation and amortisation of intangible assets, property, plant and equipment and other investments	6,410	5,610
Other items	1,622	4,425
<b>Gross cash flow</b>	<b>24,397</b>	<b>16,297</b>
Change in net working capital	4,965	-1,378
<b>I. Net cash flow from operating activities</b>	<b>29,362</b>	<b>14,919</b>
Investments in intangible assets, property, plant and equipment	-92,940	-17,765
Cash paid on the purchase of securities in current assets	-39,989	0
<b>II. Cash flow from investing activities</b>	<b>-132,929</b>	<b>-17,765</b>
Capital increase	0	261,786
Receipt (+)/repayment (-) of financial liabilities	711	-51,833
<b>III. Cash flow from financing activities</b>	<b>711</b>	<b>209,953</b>
<b>Change in cash and cash equivalents (Total of I., II. and III.)</b>	<b>-102,856</b>	<b>207,107</b>
Cash and cash equivalents at the beginning of the period	192,344	0
<b>Cash and cash equivalents at the end of the period</b>	<b>89,488</b>	<b>207,107</b>

## Balance sheet

€ thousands	30 November 2007	28 February 2007	Change	30 November 2006
<b>Assets</b>				
Intangible assets	496	630	-134	553
Property, plant and equipment	265,275	177,783	87,492	158,922
Receivables and other assets	2	19	-17	0
Deferred tax assets	5,305	3,886	1,419	0
<b>Non-current assets</b>	<b>271,078</b>	<b>182,318</b>	<b>88,760</b>	<b>159,475</b>
Inventories	7,849	6,380	1,469	7,082
Trade receivables and other assets	18,259	25,332	-7,073	14,277
Current tax receivables	57	48	9	34
Securities	40,501	0	40,501	0
Cash and cash equivalents	89,488	192,344	-102,856	207,107
<b>Current assets</b>	<b>156,154</b>	<b>224,104</b>	<b>-67,950</b>	<b>228,500</b>
<b>Total assets</b>	<b>427,232</b>	<b>406,422</b>	<b>20,810</b>	<b>387,975</b>
<b>Liabilities and shareholders' equity</b>				
Subscribed capital	85,000	85,000	0	85,000
Capital reserves	212,013	212,013	0	212,172
Revenue reserves	1,949	-14,810	16,759	-19,706
<b>Shareholders' equity</b>	<b>298,962</b>	<b>282,203</b>	<b>16,759</b>	<b>277,466</b>
Provision for pensions and similar obligations	1,347	1,174	173	578
Other provisions	3,503	933	2,570	37
Non-current financial liabilities	68,250	78,000	-9,750	78,000
Deferred tax liabilities	14,913	15,522	-609	13,444
<b>Non-current liabilities</b>	<b>88,013</b>	<b>95,629</b>	<b>-7,616</b>	<b>92,059</b>
Other provisions	973	1,338	-365	1,611
Current financial liabilities	10,559	71	10,488	616
Trade and other payables	25,026	25,956	-930	16,201
Current tax liabilities	3,699	1,225	2,474	22
<b>Current liabilities</b>	<b>40,257</b>	<b>28,590</b>	<b>11,667</b>	<b>18,450</b>
<b>Total liabilities and shareholders' equity</b>	<b>427,232</b>	<b>406,422</b>	<b>20,810</b>	<b>387,975</b>



## Statement of changes in shareholders' equity

€ thousands	Subscribed capital	Capital reserves	Revenue reserves	Total equity
<b>1 March 2006</b>	<b>26</b>	<b>26,974</b>	<b>-25,968</b>	<b>1,032</b>
Profit after tax			6,262	6,262
Capital increase	84,974	185,198		270,172
<b>30 November 2006</b>	<b>85,000</b>	<b>212,172</b>	<b>-19,706</b>	<b>277,466</b>
<b>1 March 2007</b>	<b>85,000</b>	<b>212,013</b>	<b>-14,810</b>	<b>282,203</b>
Revaluation reserve			394	394
Profit after tax			16,365	16,365
<b>30 November 2007</b>	<b>85,000</b>	<b>212,013</b>	<b>1,949</b>	<b>298,962</b>

# Notes to the interim financial statements

## Basis of preparation of the interim consolidated financial statements

The interim financial statements of the CropEnergies Group as of 30 November 2007 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 same accounting and valuation methods as used in the preparation of the annual financial statements as of 28 February 2007 have been applied unchanged. Commodity futures were employed for the first time in the 2007/08 financial year to hedge wheat prices and have been valued in accordance with IAS 39.

## Consolidated companies

The following German and foreign subsidiaries are included on a fully consolidated basis in the consolidated Group financial statements of CropEnergies AG:

- Südzucker Bioethanol GmbH, Zeitz
- BioWanze S. A., Brussels (Belgium)
- Bioenergy Loon-Plage S. A. S, Paris (France)

## Earnings per share

Net earnings are attributable in full to the shareholders of CropEnergies AG. For the period from 1 March to 30 November 2007 earnings per share (IAS 33) have been calculated on the basis of 85 million shares. The prior-year figure was calculated on the basis of 65.6 million shares. This produces earnings per share for the first nine months of the 2007/08 financial year of € 0.19 (0.10).

## Inventories

€ thousands	November 30	
	2007	2006
Raw materials and supplies	3,508	1,111
Work in progress	719	663
Finished goods	3,622	5,308
	<b>7,849</b>	<b>7,082</b>

The growth in inventories of raw materials is due mainly to higher grain stocks and prices.

## Current trade receivables and other assets

€ thousands	November 30	
	2007	2006
Trade receivables	15,168	8,861
Receivables from affiliated companies	365	789
Other assets	2,726	4,627
	<b>18,259</b>	<b>14,277</b>

Trade receivables rose in the reporting period due, among other things, to the growth in business volume.

## Shareholders' equity

The revaluation reserve in the amount of € 394 thousand consists of the positive market values of the futures contracts entered into for hedging grain purchases.

## Trade payables and other liabilities

€ thousands	November 30	
	2007	2006
Trade payables	19,925	9,697
Payable to affiliated companies	4,129	5,667
Other liabilities	972	837
	<b>25,026</b>	<b>16,201</b>

The rise in trade payables is largely due to increased raw material purchases at the Zeitz location and the liabilities related to the capital investments in connection with the construction of the Wanze facility.

## Financial liabilities, securities and cash and cash equivalents

€ thousands	November 30	
	2007	2006
Liabilities to banks	-78,796	-78,000
Payable to affiliated companies	-13	-616
<b>Finance liabilities</b>	<b>-78,809</b>	<b>-78,616</b>
Securities (current assets)	40,501	0
Cash and cash equivalents	89,488	207,107
<b>Net financial assets (+)/ Net financial debt (-)</b>	<b>51,180</b>	<b>128,491</b>

The increase in securities and cash and cash equivalents in the previous year was mainly due to CropEnergies AG's IPO in September 2006. Cash and cash equivalents have decreased in the first three quarters of the 2007/08 financial year along with the planned progress of the capacity expansion at the Zeitz location and the construction of the new Wanze facility. Cash was also invested in a short-term money market investment.

### Derivatives

CropEnergies AG uses derivative financial instruments solely for hedging grain prices so as to minimise risks and costs caused by fluctuations in raw material prices. These hedging transactions are treated as cash flow hedges, so gains or losses are recognised in earnings at the time when the hedged item (grain purchase) affects earnings.

Each hedge must relate to an existing or expected transaction (speculation prohibited). The present strategy for hedging the risk of grain price fluctuations defined by CropEnergies AG's Executive Board and its implementation is reviewed by a special committee that has been created for this purpose and meets regularly (Risk Management Committee).

It is ensured that the trading, accounting and control functions are strictly separated.

Derivative financial contracts are only concluded with banks of prime credit rating and are restricted to hedging the operative business and the related financing operations.

## Segment report

The core business of the CropEnergies Group is the production and marketing of bioethanol. In the production of bioethanol from grain, a mash by-product is produced as an inseparable part of the process. This is dried and pelletised, and sold to the animal feed industry as a high-grade protein animal feed under the brand name ProtiGrain®. The production of ProtiGrain® cannot be controlled independently. In order to be able to conduct the segment reporting according to IAS 14, ProtiGrain® is valued at realisable market value (= production cost) according to the net raw materials cost concept. Revenues and costs in the ProtiGrain® segment therefore balance each other out.

### Figures by business segment

€ million	3 <sup>rd</sup> quarter		1 <sup>st</sup> – 3 <sup>rd</sup> quarter	
	2007/08	2006/07	2007/08	2006/07
<b>Third-party revenues</b>	<b>38.5</b>	<b>33.2</b>	<b>125.7</b>	<b>98.2</b>
Bioethanol	34.5	27.4	109.1	81.2
ProtiGrain®*	4.0	5.8	16.6	17.0
<b>Operating profit</b>	<b>3.5</b>	<b>5.4</b>	<b>17.4</b>	<b>12.9</b>
Bioethanol	3.5	5.4	17.4	12.9
ProtiGrain®	0.0	0.0	0.0	0.0
<b>Operating margin</b>	<b>9.1 %</b>	<b>16.3 %</b>	<b>13.8 %</b>	<b>13.1 %</b>
Bioethanol	10.1 %	19.7 %	16.0 %	15.9 %
ProtiGrain®	0.0 %	0.0 %	0.0 %	0.0 %
<b>Restructuring costs and special items</b>	<b>-1.1</b>	<b>-1.5</b>	<b>-3.1</b>	<b>-1.5</b>
Bioethanol	-1.1	-1.5	-3.1	-1.5
ProtiGrain®	0.0	0.0	0.0	0.0
<b>Income from operations</b>	<b>2.4</b>	<b>3.9</b>	<b>14.3</b>	<b>11.4</b>
Bioethanol	2.4	3.9	14.3	11.4
ProtiGrain®	0.0	0.0	0.0	0.0
<b>Capital expenditure</b>	<b>37.7</b>	<b>5.6</b>	<b>92.9</b>	<b>17.8</b>
Bioethanol	35.3	5.5	90.0	17.5
ProtiGrain®	2.4	0.1	2.9	0.3
<b>Employees</b>	<b>122</b>	<b>78</b>	<b>112</b>	<b>81</b>
Bioethanol	111	68	101	71
ProtiGrain®	11	10	11	10

\* incl. comparable by-products

The special items reported in the amount of € -3.1 million relate entirely to the preparatory costs for the new bioethanol plant under construction in Wanze.

Capital expenditure on property, plant and equipment in the reporting period amounted to € 92.9 (17.8) million. Roughly € 26 million of this was invested in Zeitz on plant optimisation measures and the construction of the new sugar beet-based production facility. The other capital expenditure of around € 67 million was for the construction of the new production facility in Wanze (Belgium), especially for buildings and infrastructure, the boiler house, planning and engineering services, and bioethanol tanks.

The average number of employees in the first three quarters of the 2007/08 financial year rose by 31 versus the same period of the previous year to 112 employees. Of the total, 21 were employed at CropEnergies AG, 82 at the Zeitz plant, and 9 in Wanze.

#### **Relations with related companies and persons (related parties)**

Südzucker AG Mannheim/Ochsenfurt, as majority shareholder, and its subsidiaries are "related parties" for the purposes of IAS 24 (related-party disclosures).

The transactions with the Südzucker Group in the first three quarters of the 2007/08 financial year included services worth € 3.8 million and R&D expenditures of € 2.1 million. In addition, goods worth € 10.9 million (especially agricultural raw materials, sundry supplies and energy) were sourced from the Südzucker Group, set against which there were goods worth € 1.7 million supplied by CropEnergies to the Südzucker Group (energy, animal feed and bioethanol) as well as rental income of € 0.5 million.

From the aforesaid performance relationships there were receivables of € 0.4 (0.8) million due from the Südzucker Group and liabilities of € 4.1 (5.7) million due to the Südzucker Group as of 30 November 2007.

The performance relationships with Südzucker AG Mannheim/Ochsenfurt and its subsidiaries were settled at usual market prices. Performance and consideration were commensurate, so no party was placed at a disadvantage.

Mannheim, 14 January 2008

CropEnergies AG

The Executive Board

Dr. Lutz Guderjahn

Joachim Lutz

## Financial calendar

- |   |                 |
|---|-----------------|
| ■ Annual Report 2007/08                             | 15 May 2008     |
| ■ Report for the 1 <sup>st</sup> quarter of 2008/09 | 9 July 2008     |
| ■ Annual General Meeting 2008                       | 25 July 2008    |
| ■ Report for the 2 <sup>nd</sup> quarter of 2008/09 | 14 October 2008 |
| ■ Report for the 3 <sup>rd</sup> quarter of 2008/09 | 13 January 2009 |

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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.