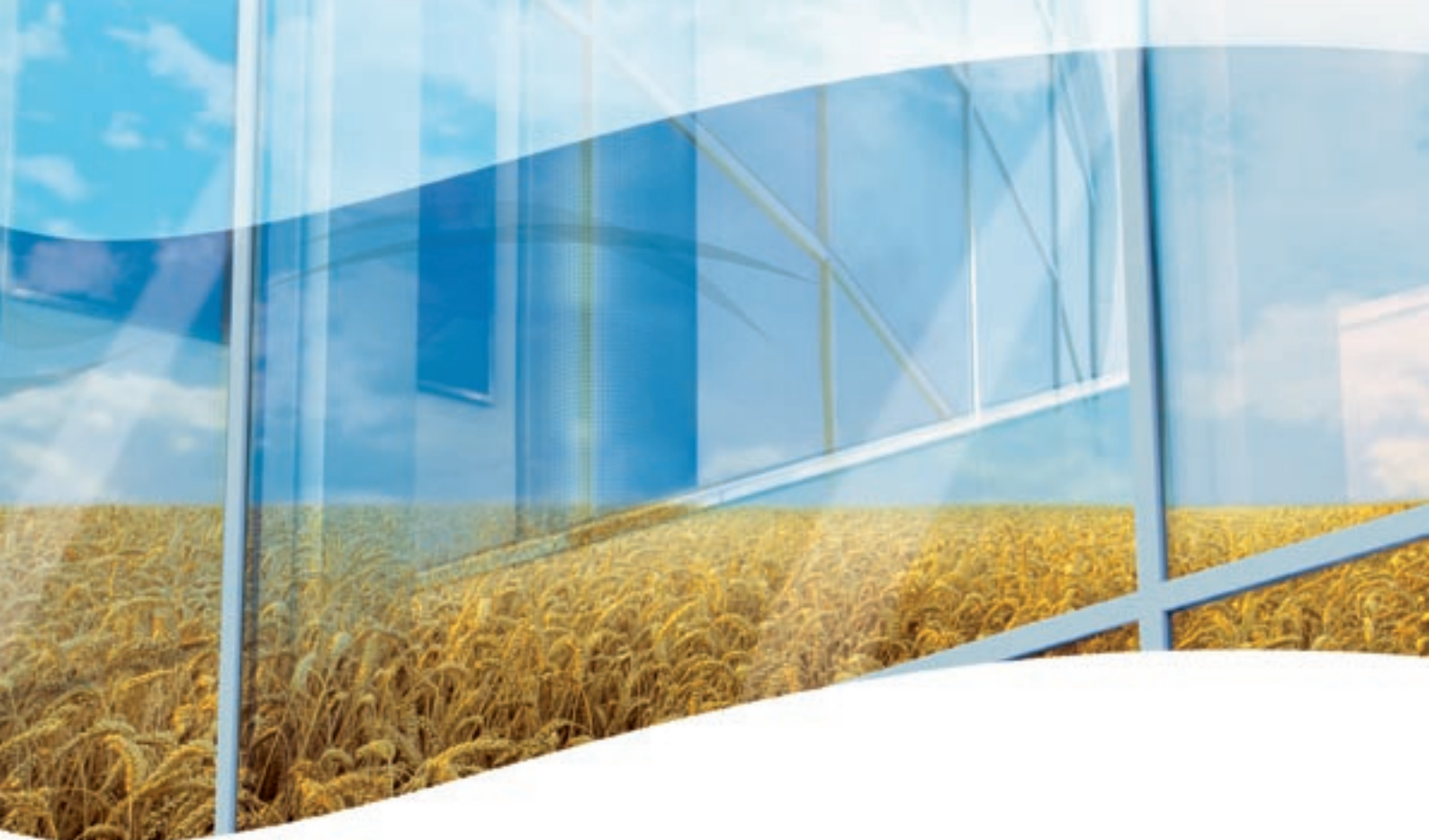


## ANNUAL REPORT 2006/07

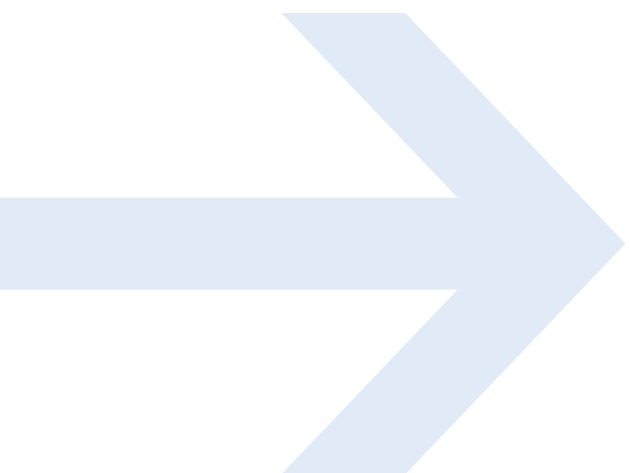
***crop.*** ***energies***  
creative regeneration of power

The annual report is also available in German. This translation is provided for convenience only and should not be relied upon exclusively. The annual report (in German and English) can be downloaded from our homepage at [www.cropenergies.com](http://www.cropenergies.com). We will gladly send you a copy of the CropEnergies AG financial statements.



## CROPENERGIES AG MANNHEIM

Group Annual Report for 2006/07  
1 March 2006 to 28 February 2007



THE NAME CROPENERGIES IS AN INVESTMENT FOR THE FUTURE. WE ARE ALREADY IN THE PROCESS OF PROPERLY SETTING THE COURSE FOR THE FUTURE. CROP – CREATIVE REGENERATION OF POWER: WE ARE DEVELOPING NEW ENERGY SOURCES FROM RENEWABLE RESOURCES. OUR MAIN PRODUCT IS BIOETHANOL, WHICH AS A VEHICLE FUEL ENSURES SUSTAINABLE MOBILITY AND AT THE SAME TIME PLAYS ITS PART IN CLIMATE PROTECTION – THE ENERGY OF THE FUTURE.



## CROPENERGIES – GROUP FIGURES OVERVIEW

		IFRS/IAS 2006/07	IFRS/IAS 2005/06	IFRS/IAS 2004/05
<b>Result</b>				
Revenues	€ thousands	146,804	60,540	0
Operating Result	€ thousands	21,036	-13,357	0
in % of revenues	%	14.3	-22.1	n. a.
Income/loss of operations	€ thousands	18,607	-18,089	-6,057
Net earnings/loss of the year	€ thousands	11,158	-31,722	-8,482
in % of revenues	%	7.6	-52.4	n. a.
Earnings per share	€	0.16	-0.53	-0.14
<b>Cash flow and capital expenditures</b>				
Cash flow	€ thousands	27,110	-16,093	-8,313
in % of revenues	%	18.5	-26.6	n. a.
Capital expenditures in tangible assets <sup>1</sup>	€ thousands	-42,434	-8,710	-167,357
<b>Balance sheet</b>				
Total assets	€ thousands	406,423	150,466	191,088
Net financial assets (+)/Net financial debt (-)	€ thousands	114,277	-130,449	-133,028
Equity	€ thousands	282,203	1,032	29,956
in % of total liabilities and shareholders' equity	%	69.4	0.7	15.7
<b>Dividends</b>				
Dividend per € 1 share	€	n. a.	n. a.	n. a.
<b>Production</b>				
Bioethanol	1,000 m <sup>3</sup>	229	104	0
ProtiGrain®	1,000 t	218	97	0
<b>Employees</b>				
Employees (average during the year)		76	55	27

<sup>1</sup> including intangible assets



## TABLE OF CONTENTS

Group figures overview	2
Company profile	4
Supervisory board and executive board	6
Foreword by the executive board	10
Supervisory board report	12
Corporate Governance Report	14
CropEnergies share	16
<b>Management report</b>	
Report on business operations	22
Group accounts, profit, financial and asset position	27
Group revenues and results	27
Financial account	28
Balance sheet	28
Information pursuant to § 315 Para. 4 HGB (German Commercial Code)	29
Compensation report	30
Risk report	31
Events after the balance sheet date	34
Research and Development	34
Employees	35
Investments	36
Outlook	36
<b>Consolidated financial statements</b>	
Income statement	40
Cash flow statement	41
Balance sheet	42
Changes in shareholders' equity	43
Notes for the financial year from 1 March 2006 to 28 February 2007	44
Segment report	65
Auditor's Report	68
<b>Glossary</b>	<b>69</b>
<b>Disclaimer</b>	<b>74</b>



## CropEnergies AG Mannheim (Germany)

- Leading European producer and distributor of bioethanol for fuel applications
- Established 3 May 2006
- Since 29 September 2006 listing in Prime Standard on Frankfurt Stock Exchange
- Majority shareholder: Südzucker AG Mannheim/Ochsenfurt with 70.6%
- **Special features:**
  - Only listed company in Europe to focus on fuel alcohol (pure play)
  - European established company with sites in Germany, Belgium and France
  - Know-how gained over many years in large-scale processing of agricultural raw materials into qualitative high-grade products and the marketing thereof
  - Launched brands: CropEnergies (Bioethanol), ProtiGrain® (Protein feedstuff), CropPower85 (E85)
- **Outlook:** Positioning as European market leader by increasing production capacity three-fold by the year 2009

## Production sites

*Bioenergy Loon-Plage S.A.S  
tank storage Dunkirk (France)*

*BioWanze S.A.  
plant Wanze (Belgium)*

*Südzucker Bioethanol GmbH  
plant Zeitz (Germany)*



## Südzucker Bioethanol GmbH Zeitz (Germany)

- Operator of Europe's largest bioethanol plant in Zeitz (Saxony-Anhalt)
- Investment volume: approx. € 200.0 million
- Capacity: 260,000 m<sup>3</sup> bioethanol and 260,000 t protein feedstuff per year
- Raw material: Grains
- **Special features:**
  - Located in centre of main cultivation area for grain
  - Own energy central unit
  - High level of energy efficiency owing to multiple uses in different process stages
  - Excellent connections to rail and road networks
  - Possibility to expand raw material basis because of close vicinity to sugar plant
- **Outlook:** Expand bioethanol capacity levels by 100,000 m<sup>3</sup> from sugar juices, commissioning spring 2008

## BioWanze S.A. Brussels (Belgium)

- Production plant under construction
- Investment volume: approx. € 250.0 million
- Capacity: up to 300,000 m<sup>3</sup> bioethanol per year
- Raw material: Grains, sugar thick juices
- **Special features:**
  - Assignment of production licenses for tax preferential bioethanol in Belgium for the amount of 125,000 m<sup>3</sup> per year
  - State promotion for environmental friendly energy production from biomasses with the issue of "Green Certificates"
  - CO<sub>2</sub>-optimised production plant
  - Excellent connection to goods hub Antwerp – Rotterdam – Amsterdam and international markets because of its direct access to Maas
  - Close proximity to a sugar factory
- **Outlook:** Commissioning in the year 2008

## Bioenergy Loon-Plage S.A.S Paris (France)

- Operator of a tank storage facility on the port area of Dunkirk
- Storage capacity: 20,000 m<sup>3</sup>
- **Special features:**
  - 2.4 km long pipeline to sea port of Dunkirk
  - Direct connection to one of the most frequently sailed sea routes
  - Area proximity to refineries and storage facilities of the mineral oil industry
- **Outlook:** Acquisition of a rectification and dehydration facility in the port of Dunkirk with a capacity of 30,000 m<sup>3</sup> of bioethanol per year and plans to expand to 100,000 m<sup>3</sup> by 2008

## SUPERVISORY BOARD AND EXECUTIVE BOARD

### Supervisory board

#### **Dr. h. c. Eggert Voscherau**

*Chairman*

*Member of supervisory board since 6 November 2006*

*Chairman of supervisory board since 13 November 2006*

#### **Ludwigshafen**

*Deputy board chairman of BASF Aktiengesellschaft*

#### **Prof. Dr. Markwart Kunz**

*Deputy chairman*

*Member of supervisory board since 3 May 2006*

#### **Worms**

*Board member of Südzucker Aktiengesellschaft*

*Mannheim/Ochsenfurt*

#### **Dr. Hans-Jörg Gebhard**

*Member of supervisory board since 29 August 2006*

#### **Eppingen**

*Chairman of the Association of Süddeutsche Zuckerrübenanbauer e. V.*

#### **Thomas Kölbl**

*Member of supervisory board since 3 May 2006*

*Chairman of supervisory board between 3 May 2006 and 13 November 2006*

#### **Mannheim**

*Board member of Südzucker Aktiengesellschaft*

*Mannheim/Ochsenfurt*

#### **Johann Marihart**

*Member of supervisory board between 3 May 2006 and 15 May 2006*

#### **Limberg (Austria)**

*Board member of Südzucker Aktiengesellschaft*

*Mannheim/Ochsenfurt*

#### **Dr. Rudolf Müller**

*Member of supervisory board between 15 May 2006 and 31 October 2006*

#### **Ochsenfurt**

*Board member of Südzucker Aktiengesellschaft*

*Mannheim/Ochsenfurt*

#### **Franz-Josef Möllenberg**

*Member of supervisory board since 29 August 2006*

#### **Rellingen**

*Chairman of Gewerkschaft Nahrung-Genuss-Gaststätten (Union)*

#### **Norbert Schindler**

*Member of supervisory board since 29 August 2006*

#### **Neustadt a.d.W.**

*Member of Bundestag*

*(Lower House of German Parliament)*





## Executive board

### **Dr. Lutz Guderjahn**

*Chief Operating Officer (COO)*

#### **Offstein**

*Production, purchasing, sales, marketing, public affairs,  
business development and personnel*

### **Joachim Lutz**

*Chief Financial Officer (CFO)*

#### **Mannheim**

*Finances, accounting,  
Investor Relations, controlling and management*



*From left: Dr. Lutz Guderjahn, Joachim Lutz*





Mobility needs new perspectives.  
We are working on this.



IN THE EU 98% OF FUEL CONSUMPTION  
USED FOR TRANSPORT IS BY PETROLEUM.  
IN ORDER TO SAFEGUARD MOBILITY IN THE  
FUTURE SUSTAINABLE ENERGY SOURCES MUST  
BE FOUND FOR THE LIMITED PETROLEUM  
SOURCES. OUR BIOETHANOL FROM RENEWABLE  
RESOURCES IS JUST THAT.



## FOREWORD BY THE EXECUTIVE BOARD

### Dear Shareholders,

The past financial year of 2006/07 was an eventful year for CropEnergies AG, as it was for the entire biofuel industry.

Biofuels have recently been gaining importance. Both public opinion and European politics have recognised the urgency to safeguard limited petroleum supplies and to reduce carbon dioxide (CO<sub>2</sub>) emissions which are harmful to the climate in light of increasing world energy requirements and growing dependency on energy imports.

The study by former Chief Economist of the World Bank, Sir Nicolas Stern, highlighted both the ecological consequences and the dramatic economic issues of climate change. A little while after UN's world climate report confirmed that the effects of climate change will be more severe than originally predicted and that mankind is partly responsible for climate change.

While many industrial sectors have already reduced CO<sub>2</sub> emission, this is still rising in the transport sector. Bioethanol, which is by far the most widely used biofuel in the world, is contributing more and more to reducing CO<sub>2</sub>-emissions.

Policy-makers have recognised the benefits of biofuels in the energy mix and promote them strongly. Therefore in the EU by 2010 the proportion of biofuels used in transport with petrol and diesel should increase to 5.75% (in terms of energy content). Alerted by recent studies and public opinion the EU decided in spring 2007 to make it compulsory for member states to increase the proportion of biofuels further to 10% (in terms of energy content) by the year 2020.

The growing market for biofuels provides the best conditions for the CropEnergies Group, which already established itself as a leading manufacturer of bioethanol in Europe. In the 2006/07 financial year, CropEnergies has achieved a positive net result for the year.

The foundation for this was setting up CropEnergies AG as controlling company of the CropEnergies Group in May 2006, into which Südzucker AG Mannheim/Ochsenfurt incorporated its German bioethanol activities. In addition subsidiary companies were set up in Brussels (Belgium) and Paris (France).

The next step for expanding the group was the successful initial public offering on the Frankfurt stock exchange in September 2006. Within the framework of a public offering all 25 million new shares from a capital increase have been placed at an issue price of € 8.00 per share. Gross issue proceeds to the tune of € 200.0 million accrued in full to the company and created the sustainable financial basis for further expansion in Europe.

The past financial year of 2006/07 fully met our expectations. According to plan, production quantities of bioethanol rose by 120% to around 229,000 (104,000) m<sup>3</sup>. The CropEnergies Group is thus one of the leading suppliers in Germany and Europe. Due to increased production quantities in bioethanol the amount of by-product ProtiGrain<sup>®</sup> rose as well. The production of ProtiGrain<sup>®</sup>, our valuable protein-rich animal feed, rose by 125% to around 218,000 (97,000) t. The full production of the two products completely sold in the past financial year. With a sales level of around 238,000 (122,000) m<sup>3</sup> bioethanol sales were 96% up on previous year's figures. Sales of ProtiGrain<sup>®</sup> rose 154% year on year to around 220,000 (87,000) t.

The significant improvement in production and sales was also reflected in the key data of the annual accounts. Revenues more than doubled in total on the previous year from € 60.5 million to 146.8 million. With operating profit at



€ 21.0 (-18.1) million a margin of 14.3 (-22.1)% was achieved and with net earnings at € 11.2 (-31.7) million a positive result was achieved for the first time.

For the 2007/08 financial year it is assumed that the CropEnergies Group can significantly increase both production and sales levels in bioethanol and ProtiGrain®. In this respect we forecast that revenues as well as operating profit will continue to grow.

We also expect revenues and profit to continue to rise for the 2008/09 financial year. In particular the capacity increase of the production plant in Zeitz from 260,000 m<sup>3</sup>/year to 360,000 m<sup>3</sup>/year shall contribute to this. At the same time this investment will enable us to further diversify our feedstock since the additional volumes will also be produced from sugar-containing juices in addition to grains.

In the current financial year of 2007/08 we are proceeding with the expansion programme as announced during the initial public offering. Capacity levels at the Zeitz site will successively be increased to 360,000 m<sup>3</sup>/year. At the Wanze site (Belgium) the construction of a bioethanol plant with a capacity of up to 300,000 m<sup>3</sup>/year has already started. It is of significant importance for the future marketing of bioethanol quantities that CropEnergies obtained bioethanol licenses for 125,000 m<sup>3</sup> each for the next six years from the Belgian government via its Belgian subsidiary BioWanze S.A. As a result CropEnergies is very well-positioned in the Belgium market. Furthermore from 2008/2009 it is intended to produce approx. 100,000 m<sup>3</sup>/year of bioethanol in Dunkirk (France) by refining raw alcohol into fuel ethanol. Overall we expect that production capacity of the CropEnergies Group will reach up to 750,000 m<sup>3</sup> in the 2009/2010 financial year and these quantities together with trading goods will be offered on the market.

With these expansion plans we are emphasising our goal of continuing our leadership in the growing market for bioethanol in Europe.

The success of the 2006/2007 financial year has laid foundations. This would not have been possible without the commitment of our employees and the support of the Südzucker Group. We are thus grateful to all those involved.

We would like to thank you, dear shareholders, for the confidence you have shown us; we shall do everything in the future too to merit this.

**Yours sincerely**

**Dr. Lutz Guderjahn**  
**Chief Operating Officer (COO)**

**Joachim Lutz**  
**Chief Financial Officer (CFO)**

Mannheim, 15 May 2007

## SUPERVISORY BOARD REPORT

### Dear Shareholders,

In the financial year of 2006/07 Südzucker AG Mannheim/Ochsenfurt combined the bioethanol activities of Südzucker Bioethanol GmbH, Zeitz, BioWanze S.A. Brussels (Belgium) and Bioenergy Loon-Plage S.A.S, Paris (France) into the newly formed CropEnergies AG, Mannheim. The legal capital market spin-off of the company was carried out with the initial public offering on 29 September 2006. In its first year already CropEnergies AG has convincingly demonstrated its growth strength and profitability levels.

The supervisory board continuously and closely advised the executive board's management and kept itself informed in detail about corporate policy, business outlook and development and company planning including financial and investment planning.

**Meetings** | Following the setting up of the company in May 2006 the supervisory board convened at two meetings and five general meetings mainly in connection with the initial public offering in the financial year of 2006/07. Focus of the meetings was the set-up and continued development of CropEnergies AG as well as its initial public offering in September 2006.

**Corporate Governance and compliance statement** | The supervisory board supports the company on a regular basis in the application and continued development of the Corporate Governance principles. In the meeting on 13 November 2006 the supervisory board decided upon the joint compliance statement of the supervisory board and executive board pursuant to § 161 AktG (German Corporation Stock Act).

CropEnergies complies with the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex) as amended on 12 June 2006 with few exceptions. This includes that individualized information pertaining to compensation of the executive board and supervisory board is not published. According to the opinion of the supervisory board the consequential adverse effects on privacy is disproportionate to the benefits of such practise. CropEnergies discloses executive board salaries split into fixed and success-related compensation. There is no stock option programme. Supervisory board compensation has still not been decided up to now. The resolution relating to this may and shall only be passed at the annual general meeting for the 2006/07 financial year. It is also not planned in the future to disclose individual supervisory board compensation. Another deviation from the code is that there is not an executive board spokesman for CropEnergies. Since the 6-member supervisory board met for the first time on 13 November 2006 no performance audit was undertaken for calendar year 2006. Further information on the "Corporate Governance" topic can be found in the Corporate Governance report on page 14 of this annual report.

**Committees** | The supervisory board has formed an audit committee, comprising supervisory board members Thomas Kölbl (chairman), Prof. Dr. Markwart Kunz and Dr. h.c. Eggert Voscherau. The audit committee convened for the first time on 7 May 2007. The audit committee examined the documents pertaining to the annual and group accounts and discussed the audit report in detail with the executive board and accounts auditor.

**Annual and group accounts** | On the basis of the preliminary audit carried out by the audit committee upon which the chairman of the audit committee reported back to the supervisory board, we examined the annual accounts and the management report for CropEnergies AG for the 2006/07 financial year and the group accounts and group management report of the company. PricewaterhouseCoopers AG, the auditor which was selected by the general meeting to audit the accounts for the 2006/07 financial year, has audited the annual accounts of the AG and the accounts of the CropEnergies Group including the management report together with the book-keeping and has respectively provided an unqualified auditor's report.



Furthermore the auditor confirmed that the board has appropriately met measures which were incumbent upon it pursuant to § 91 Para. 2 AktG. In particular it has set up an appropriate information and supervisory system which is in line with company requirements, which appears to suit the purpose of its conception and actual handling of identifying developments in good time which might endanger the existence of the company.

Documents to be inspected and the auditor's report were transmitted to each supervisory board member in good time. The auditor attended the accounts audit meeting of the audit committee on 7 May 2007 and the accounts meeting of the supervisory board on 14 May 2007 and reported back on the main findings of its audit.

The auditor's report was met with approval. The results of the preliminary audit of the audit committee and the results of our own audit fully complied with the external audit. The supervisory board saw no reason to raise objections against the management and the submitted accounts.

The supervisory board approved the annual accounts of CropEnergies AG drawn up by the board and the group accounts of the CropEnergies Group in the accounts meeting of the supervisory board on 14 May 2007. The annual accounts of CropEnergies AG are thus adopted.

**Related Parties** | In respect of the notice given by Süddeutsche Zuckerrübenverwertungs-Genossenschaft e.G. (SZVG), that it directly and indirectly holds 77.6% of the voting rights including the shares held by Südzucker AG, the executive board has drawn up a report pursuant to § 312 AktG. The auditor has reviewed this report, given a written report of the result of its audit and issued the following auditor's opinion:

"Following our mandatory audit and assessment we confirm that the facts set out in the report are correct, charges to the company for business transactions listed in the report were not unreasonably high and with respect to the matters listed in the report there were no reasons for a material different conclusion than that taken by the executive board."

The audit results of the auditor were met by approval by the supervisory board. Following the conclusive results of its own audit the supervisory board does not raise any objections against the statement of the board at the end of the report.

**Personalia** | In the month the company was set up, May 2006, the supervisory board consisted of members Thomas Kölbl (Chairman until 13 November 2006), Prof. Dr. Markwart Kunz (deputy chairman), Johann Marihart (3 to 15 May 2006) and Dr. Rudolf Müller (15 May to 31 October 2006). On 29 August 2006 the supervisory board expanded by the joining of members Dr. Hans-Jörg Gebhard, Franz-Josef Möllenberg and Norbert Schindler. Following the departure of Dr. Rudolf Müller Dr. h. c. Eggert Voscherau was appointed member of the supervisory board on 6 November 2006. He became chairman of the supervisory board on 13 November 2006. Changes have also been made in the executive board: Dr. Wolfgang Schmidt, since May 2006 in addition to Joachim Lutz (CFO, Chief Financial Officer), member of the executive board of CropEnergies AG, resigned from office on the 31 July 2006. Dr. Lutz Guderjahn was appointed executive board member in August, he is the COO (Chief Operating Officer).

The supervisory board thanks the executive board, the retired members of the supervisory board and executive board as well as all employees for their commitment and successful work over the past year.

Mannheim, 14 May 2007

**On behalf of the supervisory board**  
**Dr. h. c. Eggert Voscherau**  
**Chairman**

## CORPORATE GOVERNANCE REPORT

### Corporate Governance at CropEnergies

The board reports below pursuant to Fig. 3.10 of the German Corporate Governance Code (DCGK) also on behalf of the supervisory board on Corporate Governance at CropEnergies.

Corporate Governance incorporates all international and national values, rules, and principles for a good and responsible corporate management. Good Corporate Governance guarantees responsible, qualified, transparent corporate management which is geared towards long-term success and ought to thereby reinforce the trust of shareholders and investors in the capital market.

With its listing in the Prime Standard CropEnergies is obliged to fulfil the most stringent transparency requirements on German stock exchanges. Compliance with the German Corporate Governance Code and the intensive Investor Relations work (refer to chapter "Investor Relations", page 19) underlines our understanding of transparent corporate management.

### Share transactions according to § 15a WpHG (Directors' Dealings)

Pursuant to § 15a WpHG the acquisition or disposal of company shares by management personnel and close relatives thereof must be reported, if the transaction volume exceeds € 5,000 in a calendar year. In the past financial year Joachim Lutz, member of the executive board, acquired 4,000 CropEnergies shares at a price of € 7.25 on the 19 October 2006 and on 7 December 2006 a further 2,000 shares at a price of € 6.90. Dr. Lutz Guderjahn, member of the executive board, acquired 2,000 shares at a price of € 6.98 on 8 December 2006.

All transactions are published on the company website under Investor Relations/Corporate Governance.

### Share ownership of the members of the executive board and supervisory board (Directors' Holdings)

Share ownership of members of the board and supervisory board in total is below the 1% threshold of the shares issued by the company, which means that publication of share ownership is waived.

### Compliance statement to the German Corporate Governance Code

Board and supervisory board of CropEnergies AG, Mannheim, passed the resolution on 13 November 2006, to issue the following compliance statement for the German Corporate Governance Code:

*"The annual general meeting of CropEnergies AG decided on 27 September 2006 to waive individual disclosure of executive board compensation for the 2006/07 financial year.*

*CropEnergies AG complies with the recommendations of the "Governing Committee of the German Corporate Governance Code" as amended in the codex on 12 June 2006 AG (in the future too) with the following exceptions:*

*The board of CropEnergies AG comprises two members. They manage the company on an equal footing – with clearly defined areas of responsibility. In this respect the selection of a chairman or speaker is not necessary.*

*Supervisory board compensation has not been established as yet. The decision relating to this can only be met in the general meeting, which decides upon the ratification of the acts of members of the first supervisory board; in the case of CropEnergies AG this is the annual general meeting for financial year 2006/07. Also it is not intended in the future to follow the recommendation of the code, which discloses individualized information pertaining to compensation of the supervisory board. We are of the opinion that the consequential adverse effects on privacy are disproportionate to the benefits of such practice. To that effect the Corporate Governance Report does not contain any individualised information as regards supervisory board compensation.*





*The 6-member supervisory board met for the first time on 13 November 2006. Consequently no performance audit was undertaken for calendar year 2006. A performance audit is planned for 2007."*

## Compensation report

CropEnergies declares here the level and structure of compensation for the executive board (Figure 4.2.5 DCGK) and the supervisory board (Figure 5.4.7 DCGK). This information required by the German Corporate Governance Code overlaps to a certain extent with the legal requirements in the notes (§ 314 HGB) and the management report (§ 315 HGB).

## Executive board compensation

The compensation for the executive board of CropEnergies AG is made up of a set and variable salary. The extraordinary general meeting on 27 September 2006 waived individual disclosure of board compensation (Opting out). The set salary including fringe benefits in financial year 2006/07 is € 266k for the entire board. The variable salary for the entire board is € 133k. It is subject to attaining agreed goals and operating profit achieved by the company.

In the past financial year € 0.7 million was allocated to pension reserves to fulfil pension promises for the board. There is no share option plan.

## Supervisory board compensation

As explained in the compliance statement the 2006/07 general meeting will pass resolution about the compensation of the supervisory board. Both set and variable components are planned for supervisory board members. Until then the members of the supervisory board shall be reimbursed for their expenses and any VAT which is payable on these.

## Financial loss liability insurance

CropEnergies AG has taken out a financial loss liability insurance (D&O-insurance), which incorporates cover for the activities of the members of the board and supervisory board. This insurance provides for a reasonable excess.

Up-to-date information on Corporate Governance of the CropEnergies Group can be accessed at <http://www.cropenergies.com> under Investor Relations/Corporate Governance sections.

## CROPENERGIES SHARE

### Initial public offering of CropEnergies AG

The successful initial public offering was a high point for CropEnergies in the past financial year. Within the framework of a public offering on 28 September 2006 the company offered 25 million new shares from a capital increase at an issue price of € 8.00 per share. Gross issue proceeds to the tune of € 200.0 million accrued in full to the company and created the sustainable financial basis for further expansion in Europe.

Around 78% of the shares were placed with institutional investors and around 22% with private investors. The proportion of domestic investors was around 73%, the proportion of foreign investors at around 27%.





## Stock exchange listing and shareholder structure

Since 29 September 2006 CropEnergies has been listed on the Frankfurt Stock Exchange in the official market (Prime Standard). In addition to this the share (ISIN DE-000A0LAUP1) is traded on all main German stock exchanges.

Südzucker AG is the majority shareholder of CropEnergies AG with 60 million shares (70.58%). The largest individual investor at the initial public offering was Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) with 6 million shares (7.06%). The free float is 19 million shares (22.36%).

### Master Data

<b>CropEnergies AG</b>	
ISIN	DE000A0LAUP1
WKN	A0LAUP
Symbol	CE2
Prime Sector	Industrial
Industry Group	Renewables
Transparency Standard	Prime Standard
Market Segment	Official Market

## Market capitalisation and volume of stocks traded

Market capitalization of CropEnergies AG reached € 665.0 million on the balance sheet date on the 28 February 2007 with a share price of € 7.82 (Closing price on Frankfurt stock exchange).

As a public limited company, which fulfils the quality requirements of the Prime Standard, CropEnergies basically qualifies for admission to the Deutsche Börse stock indices. A company may be admitted in the TecDAX®, if it reaches rank 35 in both stock market capitalisation and stock market turnover. At the end of the financial year (28 February 2007) CropEnergies stood at rank 44<sup>1</sup> with a free float market capitalization of € 152.6 million. In terms of share turnover the CropEnergies share was at rank 27<sup>1</sup>. Around 268,000 shares<sup>2</sup> a day on average are traded.

<sup>1</sup> Source: Deutsche Börse AG, Ranking list February 2007

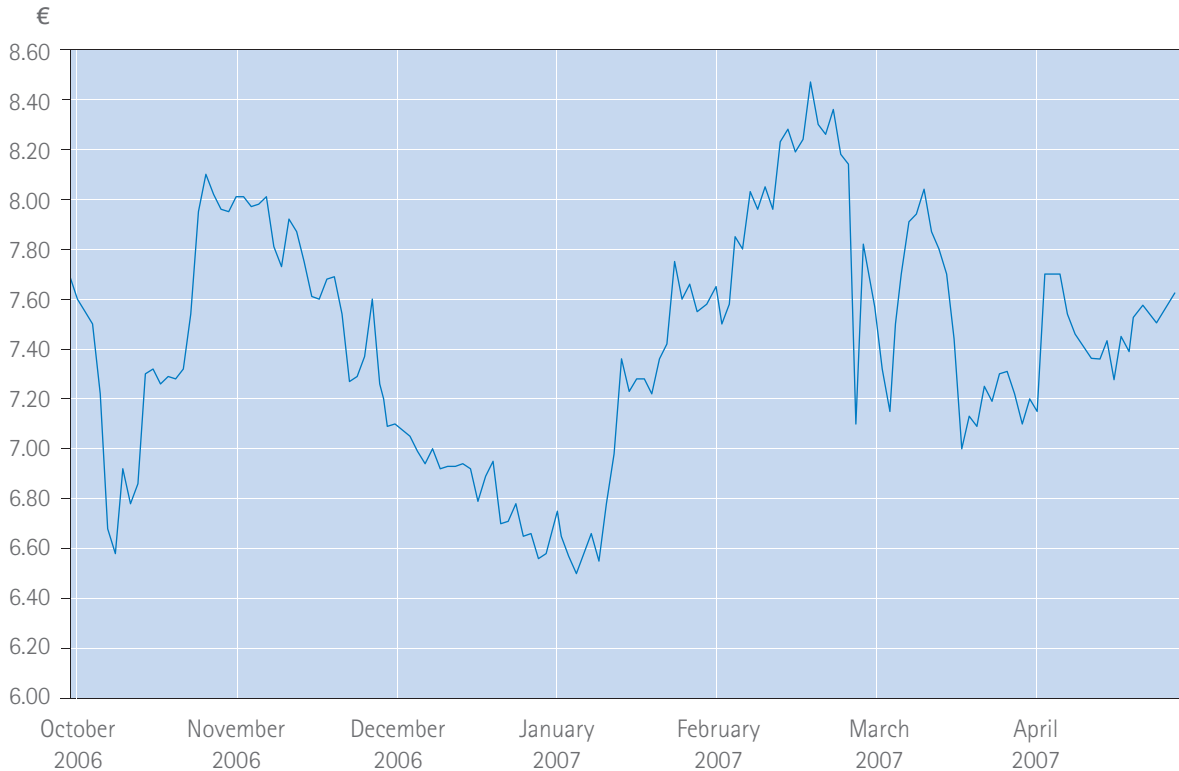
<sup>2</sup> Source: Deutsche Börse AG, Stock Reports September 2006 to February 2007



## 18 | CropEnergies share

Stock price performance of the CropEnergies share

### Stock price performance of the CropEnergies share



*Price performance of the CropEnergies share since the public offering on 29 September 2006 until 26 April 2007 (Closing price Frankfurt stock exchange)*

CropEnergies shares closed the past financial year of 2006/07 on 28 February at € 7.82 (Closing price Frankfurt stock exchange). As a result it was 2.3% below the issue price of € 8.00 at the initial public offering on 29 September 2006.

Between these dates the share price performed inconsistently. Following the initial public offering it initially fell to an all-time low of € 6.24 (9 October 2006) before it reached an interim high of € 8.05 (3 November 2006) just under three weeks later. This was followed by a renewed downward turn to a low of € 6.50 at the close of the 2006/07 year.

Fired by the urgency for climate protection and energy safeguarding which is increasingly being discussed on a global scale, the plans of the EU Commission to raise the quota of biofuels to 10% by 2020 and the significantly improved results on the previous year for CropEnergies the share has been climbing considerably since January. On 19 February 2007 it reached its all-time high of € 8.50. On 27 February 2007, immediately before the financial year ended it fell below the € 8.00 mark again in the wake of a global price correction. At the time of this annual report going to press on 26 April 2007 it was listed at € 7.58.



## Key share figures

	2006/07
Share capital at end of financial year in €	85,000,000
Number of shares in units at end of the financial year	85,000,000
Average weighted number of shares in units	70,434,174
Share price <sup>1</sup> (Closing price) at end of the financial year in €	7.82 (28/02/2007)
High for the financial year <sup>1</sup> in €	8.50 (02/19/2007)
Low for the financial year <sup>1</sup> in €	6.24 (10/09/2006)
Market capitalisation at end of financial year in million €	664.7
Average daily turnover of shares in units	268,000
Earnings per share according to IAS 33 in €	0.16

<sup>1</sup> Frankfurt stock exchange

interest on the "renewable energies" future market. Therefore the board has set its aim to keep shareholders and the public informed on a regular and timely basis about the product, market and company.

On the back of this aim talks were held and presentations of the company and market were made at numerous conferences and road shows with just under 250 investors and analysts in Frankfurt, Zurich, Vienna, London, Paris, New York and Boston in the past year. The analysts' conference which was held in January 2007 and attracted numerous analysts from Germany and abroad to Zeitz was particularly successful and it illustrated the high level of interest in CropEnergies.

Investor Relations activities focus on the extensive supply of information for private investors. In active dialogue with the investor relations department private investors are kept informed about the market and the company with the sending of the quarterly reports but also through the website. A rise in the number of page views for Investor Relations demonstrates that this service is very well received. At the same time it is an incentive to further expand the medium.

## Investor Relations

CropEnergies AG considers good Investor Relations work as the main contributor to a sustainable rise in shareholder value. With its listing in the Prime Standard CropEnergies is obliged to fulfil the most stringent transparency requirements on German stock exchanges. To this end CropEnergies is geared towards the principles for effective financial communication of the Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA – German Association for financial analysis and asset management). Both imply an open honest continuous dialogue with institutional investors, analysts, private investors and other capital market participants.

While bioethanol is the most important biofuel in the world by far, the market for this in Europe still relatively new. As one of the largest European bioethanol manufacturers CropEnergies is discovering the high level of public

Europe is growing together and  
we're playing a decisive role.





WITH OUR AMBITIOUS EXPANSION PROGRAMME WE ARE IN VERY STRONG POSITION FOR FORTHCOMING DEVELOPMENTS IN EUROPE AND ARE SETTING NEW STANDARDS. FROM OUR PLANTS IN GERMANY, BELGIUM AND FRANCE WE ARE SUPPLYING A DYNAMIC GROWTH MARKET TO ACCELERATE THE FUTURE.



## REPORT ON BUSINESS OPERATIONS

### Developments on the world market for bioethanol

**Ethanol production** | In the year 2006 worldwide production of ethanol climbed 12.5% on the previous year to 50.5 (44.9) million m<sup>3</sup>. This included 76.7% and thus 38.8 million m<sup>3</sup> for applications in the fuel sector.

The USA confirmed their status as the world's largest producer with an increase in production from 16.2 million m<sup>3</sup> to just under 20 million m<sup>3</sup>. In contrast production in Brazil rose moderately from 16.1 to 16.5 million m<sup>3</sup>.

In the European Union ethanol production continued to climb by 21.6% to 3.4 (2.8) million m<sup>3</sup>. This increase can be mainly attributed to Germany where major plants commissioned in 2005 started normal operations.

**Ethanol prices** | Liquid commodity futures markets for bioethanol are presently in Brazil on the BM&F (Bolsa de Mercadorias Futuros). Since the start of 2005 futures contracts in the USA are traded on the Chicago Board of Trade and the Chicago Mercantile Exchange in relatively low volumes.

With the start of the new sugar cane harvest in spring 2006 the tight supply situation in Brazil due to low stock levels eased. In addition the mandatory additive quota was reduced from 25 to 20%. Despite the fact that the additive quota was increased to 23% in the meantime this resulted in a steady decline in the 1 month future bioethanol price from around 1,300 BRL/m<sup>3</sup> at the beginning of March 2006 to around 900 BRL/m<sup>3</sup> in February 2007.

In the USA prices rose strongly until July 2006. This was due to the crude oil price performance, higher demand levels on the back of the "Renewable Fuel Standards" (RFS) and in particular the prohibition of the use of MTBE being extended to further states. The result of this in the USA was that bioethanol was increasingly used as a blending compound with petrol instead of MTBE. The rise in demand could not be met by existing capacities in the short-term, which caused many imports of bioethanol to the US. The shortage was also reflected in

the ethanol futures prices on the Chicago Board of Trade and the Chicago Mercantile Exchange, which increased from 2.45 USD/Gallon in March 2006 to 3.94 USD/Gallon by June 2006. Bioethanol prices in the USA returned to normal levels again from July thanks to the starting up of numerous bioethanol plants which consequently eased the supply situation. As a result the price of the 1 month future in February 2007 was approx. 2.20 USD/Gallon.

Up to now there are no comparable futures markets for bioethanol in Europe. European market prices are usually determined by market prices in Brazil as a general rule plus applicable logistics costs and import duties.

The real price level in Europe however may deviate from this owing to more attractive export destinations for Brazilian bioethanol exports and the market conditions in Europe.

Despite falling prices in Brazil the pricing level in Europe developed soundly up to autumn 2006 since as a result of the attractive export destination USA only small volumes from Brazil were received in European ports during this period. Thanks to the improved supply levels and the declining crude oil prices a fall in bioethanol prices was recorded in Rotterdam at the end of the financial year.

### Developments on the raw material and animal feed markets

**Grain markets** | According to forecasts made by the US agriculture ministry (USDA) on 9 February 2007 grain production on a world-wide scale for the grain business year of 2006/07 (excluding rice) are expected to be 2.4% below the harvest levels of 1.598 billion t of the previous year with 1.559 billion. At the same time world grain production levels have fallen significantly below the expected consumption of 1.632 billion t and caused stock levels to decline.

A large part of the decline falls upon reduced wheat production which is attributable to bad weather, which at a level of 592 million t is around 28 million t or 4.5% lower than the previous year. China was the only main producing country to report a higher wheat production on the





previous year. In contrast production levels in the EU and USA fell by 4% and 14% respectively. Australia reported the greatest losses, where exceptional aridity more than halved the grain harvest on the previous year. Although Australia is not one of the main producers this performance had a noticeable impact on the markets, since almost half of Australian grain production is exported.

Due to lower production levels and the lasting reduction of stock levels grain prices significantly increased on a global scale in the year 2006. At the same time the volatility of grain prices increased too. This development was the result of steady demand for grain and the increasing activity of investment, hedge and index funds, which significantly contributed to the price increase with their speculative undertakings and the higher level of volatility too. At the end of the year the prices took a downward turn again due to the fact that excessive expectations in the growing demand for grain and oilseed for the production of biofuels during the decline of mineral oil prices were not met. Furthermore in Europe the release of intervention stocks for the EU and declining currency-related export levels had a damping effect on pricing.

**Animal feed markets** | Animal feed markets have performed in parallel to the grain markets to a large extent, since main quantities of world grain production continue to be used as livestock feed. Soy meal prices have been increasing since the middle of 2006 in parallel to rising grain prices and due to the fact that in major crop growing regions areas are cultivated with grain instead of soy beans. In the wake of soy price trends the prices for coarse colza meal and other protein feedstuff are also significantly climbing.

### Developments in the political environment of biofuels

**European Union** | On 10 January 2007 the European Commission presented an extensive package of measures for an energy policy strategy for the fight against climate change and for the improvement of safeguarding energy supplies, which was adopted at the climate summit of the European Council on 8 March 2007.

A core component of the future strategy is thus the accelerated change-over to energy sources with reduced CO<sub>2</sub> emission levels. The EU has now made the target of increasing the quota of renewable energy sources in overall energy production from 6% as it currently stands to 20% for the year 2020 mandatory. In this respect the quota of biofuels on the total fuel market is to increase to at least 10% by the year 2020.

Backdrop to this mandatory target is that the aim set by the EU for the year 2005, which was to replace 2% of petrol and diesel fuel levels used for transportation purposes with biofuels, was not met. It is also expected that the 5.75% target set for the year 2010 will not be achieved either despite expected progress.

In order to meet the mandatory minimum target of 10% in 2020, the European specification for petrol, EN 228, which regulates the amount of biofuel in petrols also needs to be adjusted. A proposal developed by the EU Commission currently suggests increasing the proportion of bioethanol from currently 5 to 10 vol.-%

In addition the Commission is planning a legal framework in order to ensure that EU targets to reduce CO<sub>2</sub> emissions to an average of 120 g CO<sub>2</sub>/km for new vehicles are implemented by the year 2012. At the same time improvements in vehicle technology should reduce average emissions to 130 g CO<sub>2</sub>/km. With additional measures such as the blending of biofuels the 10 g CO<sub>2</sub>/km reduction needed to meet the target should be accomplished.

**Germany** | As of 1 January 2007 the biofuel quota act passed by the Deutscher Bundestag and Bundesrat (German lower and upper houses of parliament) came into force. It replaces to a large extent the promotion of biofuels which up until now has been implemented by means of statutory fiscal measures with mandatory blending with specific quotas for biofuels substituting diesel and petrol. For biofuels replacing petrol such as bioethanol a mandatory blending of 1.2% will apply for the year 2007 in terms energy content on motor fuel consumption, which will increase by 0.8% annually to 3.6% until 2010. In addition overall biofuel quotas of 6.25% and 6.75% for 2009 and 2010 respectively have been translated into law, which by



the year 2015 will be increased by 0.25% annually to 8%. While bioethanol used to fulfil quotas will be fully subject to the mineral oil tax, bioethanol which is used for the production of E85 will remain tax exempt until 2015.

The demand for bioethanol in the German fuel market alone will increase to around 1.5 million m<sup>3</sup> by 2010 thanks to the binding quotas prescribed. In comparison to overall sales in the fuel sector for the year 2005 this corresponds to a five-fold increase. How total quotas which clearly exceed minimum quotas and will be in place from the year 2009 will be fulfilled has not yet been defined. This may create extra demand for bioethanol. Furthermore the law paves the way for a dynamic growth of the E85 market.

**Belgium** | In Belgium a package of measures for the promotion of biofuels was adopted on 10 June 2006. As a result motor fuels are tax exempt if in addition to a low sulphur content and aromatic compounds they have a minimum bioethanol content of at least 7 vol.-%. The tax reduction however only applies to such energy products, of which the biofuel share originates from companies which have obtained respective authorisation (licenses) from the competent authority following a tender process with certain selection criteria. The licenses were tendered out across Europe on 4 July 2006 and assigned on 19 October 2006.

### Developments in the CropEnergies Group

On 3 May 2006 CropEnergies AG was set up as "Südzucker Beteiligungs AG". During the months that followed subsidiary companies BioWanze S.A. and Bioenergy Loon-Plage S.A.S were set up and like Südzucker Bioethanol GmbH which existed already were incorporated into the CropEnergies Group. On 29 September 2006 CropEnergies AG went public. In the offering 25 million new shares from a capital increase were issued at a sale price of € 8.00. This corresponds to gross issue proceeds of € 200.0 million.

CropEnergies AG holds directly or indirectly 100% in the following German and foreign subsidiary companies:

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

Südzucker Bioethanol GmbH operates a production plant in Zeitz (Saxony-Anhalt) and has produced bioethanol, animal feed ProtiGrain® and steam power and electricity there since April 2005.

BioWanze S.A. is building a plant in Wanze (Belgium) for the production of bioethanol, gluten, protein animal feed and electricity.

Bioenergy Loon-Plage S.A.S operates a tank storage facility at the Loon-Plage site in Dunkirk (France).

**Production** | In the 2006/07 financial year bioethanol production in Zeitz increased by 120% on the previous year to 229,000 m<sup>3</sup>; the production of high-grade protein animal feed ProtiGrain® rose 125% to 218,000 t.

As a result of the systematic optimization measures, which also included scheduled production shut-down periods for maintenance and servicing in April and October 2006, the average daily processing amounts continued to climb in every quarter.

Bottlenecks in distillation, energy supply and waste water treatment which restricted output were eliminated.

In addition progress was made above all in energy saving and bioethanol yield.

In the reporting period barley continued to be processed together with wheat. Furthermore successful trials have been conducted to extend the raw material basis by processing triticale – a cross between wheat and rye – and maize. From spring 2007 onwards the production of bioethanol from sugar-containing juices is also possible.

The significant increase in raw material prices only had a marginal effect on the performance of CropEnergies Group during the reporting period, because a large part of raw material demand for the bioethanol plant had been contracted for the longer term before the price increase.



The raw materials required are to a large extent obtained within a radius of around 200 km around Zeitz, which is convenient for freight purposes. Initiatives have been started together with the state authorities to encourage farmers to cultivate grain with higher starch content, which facilitates a better ethanol yield. On 27 February 2007 a joint forum with authorities and strategic partners from the farming sector on this topic took place for the first time in Zeitz.

**Bioethanol sales** | With 238,000 m<sup>3</sup> CropEnergies Group achieved 96% higher bioethanol sales than in the previous year. Commodities accounted for around 4,400 m<sup>3</sup> of this.

About half of the bioethanol sales was generated abroad whereby major European ports, Rotterdam and Antwerp, were used in particular. In order to optimize logistics and supply to our international customers additional tank space in Rotterdam port was also leased with a view to expanding production capacities in Zeitz. Bioethanol is almost exclusively supplied to customers by means of block trains.

Also production of octane number enhancer ETBE continues to primarily use bioethanol in the European fuel sector. The direct blending of bioethanol has continued to rise. In order to meet the target quota which is laid down in the biofuel quota act it is expected that in the course of the year the major mineral oil groups in Germany might increasingly add bioethanol directly to petrol. In the reporting period the client base successfully continued to expand. Alongside ETBE producers the client portfolio also includes major mineral oil groups and important medium-sized mineral oil companies.

Under the brand name CropPower85 CropEnergies has also been selling own-produced E85 since February 2006. E85 sales have steadily increased starting from low levels. Sales partner OIL!-Tankstellen GmbH & Co. KG, distributes CropPower85 to twelve petrol stations. Additionally other free petrol stations were won as distribution partners for CropPower85.

To promote market penetration intensive cooperation with international automobile industries continued

alongside involvement in joint initiatives and information events. By way of example in November 2006 an event took place in Zeitz with the opportunity to visit the factory within the framework of the new Saab 9-5 2.3t Bio-Power presentation for the press.

With tax exemption being extended until 2015 for bioethanol contained in E85 and the security which is thus provided for the manufacturers of Flexible Fuel Vehicles, petrol station operators and car buyers – CropEnergies is expecting a significant improvement in the distribution of CropPower85, particularly to independent petrol stations. Also in 2007 in addition to the Flexible Fuel Vehicles already offered by Ford and Saab other E85 compatible models such as the Renault Mégane will be launched onto the European market. French group PSA has also announced to offer Citroen and Peugeot branded Flexible Fuel Vehicles in Europe. Furthermore progress has been made in adjusting the specifications, which must be met in the conversion of petrol pumps for E85 with regard to water and explosion safety levels.

**ProtiGrain® sales** | Total sales rose by 154% to 220,000 t on the previous year as a result of the higher capacity utilisation. ProtiGrain® was effectively established in the European animal feed market. The outstanding level of quality (>35% raw protein) is rewarded with a price premium compared to coarse colza meal.

ProtiGrain® is marketed via trade partners across Europe. The main sales regions alongside Germany with around a 50% share of total revenues are the Netherlands, Italy, France, Great Britain and Denmark. However ProtiGrain® was also successfully introduced on the Eastern European markets. Around two thirds of revenues was generated by compound feed producers and a third by agricultural operations. The increase in export levels can be attributed to a rise in interest in quality high-grade protein feedstuff from other European countries.

**BioWanze S.A.** | On 19 October 2006 the Belgian government issued production licenses for a total of around 1.5 million m<sup>3</sup> of bioethanol for the period between 1 October 2007 and 30 September 2013 – therefore for a duration of six years. CropEnergies AG obtained



half of these production licenses via its Belgian subsidiary company, BioWanze S.A.: a total of 750,000 m<sup>3</sup>, i.e. 125,000 m<sup>3</sup> of bioethanol per year.

Allocation of these licenses was decided upon the basis of criteria such as climate protection, energy efficiency, technology and economic efficiency and thus the outstanding design of the plant under construction in Wanze accommodated these.

Thanks to the tax exemption related to the licenses, which gives a definite competitive edge over non-licensed suppliers the CropEnergies Group is in a position of becoming market leader in Belgium. In addition exports can be made quickly and cost-effectively owing to the Wanze site's very good logistic connections to inland and sea waterway transport routes and the refineries of international mineral oil companies in Antwerp and Rotterdam can be supplied with bioethanol.

**Bioenergy Loon-Plage S.A.S** | In Loon-Plage in Dunkirk the CropEnergies Group operates a tank storage facility which is leased on a long-term basis.



## GROUP ACCOUNTS, NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Prior-year figures are respectively given in brackets after the figures for the past financial year and relate solely to subsidiary company Südzucker Bioethanol GmbH.

### Group revenues and results

#### Group revenues

Thanks to higher production levels and better sales prices in the 2006/07 financial year group revenues rose by 143% to € 146.8 (60.5) million. Revenues growth rate for both bioethanol (€ +72.2 million resp. +147%) and by-product ProtiGrain® (€ +15.3 million resp. +183%) was higher than the increase in sold amounts (96% resp. 154%). The total production for the financial year was sold. Revenues only fell in Other Income from € 3.2 million to € 2.0 million because a rise in capacity utilisation led to higher own requirements for steam power and electricity.

#### Cost of materials

The cost of materials increased to € 92.7 (58.7) million on the back of the significantly higher production levels of bioethanol and ProtiGrain® and the higher grain processing levels related to this.

The material costs ratio, i.e. material expenses as a percentage of overall performance (sales revenues plus changes in inventories) fell in the past financial year to 63.9 (91.2)%. The decline was the result of significantly improved capacity utilisation of the production plant in Zeitz, rising efficiency levels in the use of energy and raw materials and supplies as well as rising selling prices.

#### Personnel expenses

The rise in personnel expenses is due to the growing number of employees, required for expansion of the production plant in Zeitz and the construction of the new production plant in Wanze (Belgium). The personnel expenses ratio is (as a percentage of overall performance) 3.8 (4.8)%.

#### Other operating expenses

Other operating expenses of € 20.4 (14.8) million encompass essentially logistics and distribution costs of € 5.2

(2.1) million, expenses for services provided by Südzucker AG, € 6.5 (2.6) million for so-called Shared Services, other operating, administrative and advertising costs of € 6.3 (6.7) million as well as start-up costs for the production plant in Wanze (Belgium) in the amount of € 2.4 million. The latter are reported as special items.

#### Group operating result

The group operating result (Income from operations before special items) rose € 34.4 million to € 21.0 (-13.4) million. This corresponds to an operating profit margin of 14.3 (-22.1)%.

€ thousands	2006/07	2005/06
Operating result	21,036	-13,357
Restructuring costs and special items	-2,429	-4,732
<b>Income from operations</b>	<b>18,607</b>	<b>-18,089</b>

This improvement upturn can mainly be attributed to the higher production capacity utilisation of the bioethanol plant in Zeitz, while the previous year was still characterized by start-up operations. Besides volume growth, higher selling prices for bioethanol and ProtiGrain® than in the previous year also contributed to the earnings growth.

On the procurement side price increases for energy and grains were absorbed by the conclusion of longer-term contracts.

#### Operating unit performance planning and control

Operating units are mainly controlled by CropEnergies AG on the basis of the key figures for profit margin return per m<sup>3</sup> of bioethanol, capacity level of the production plants and operating result. The conception of the planned plants is geared towards the marginal return per m<sup>3</sup> for bioethanol and the operating result overall.

#### Income from operations/Special items

Income from operations rose € 36.7 million to € 18.6 (-18.1) million. Special items amounting to € -2.4 million stemmed exclusively from start-up costs for the production plant in Wanze (Belgium).



### Financial income and expense

Financial income and expense climbed to € -0.8 (-4.1) million. This can mainly be attributed to the initial public offering, since, with the proceeds available from the end of September, interest income was earned on time deposits and short-term loans were repaid.

### Earnings before tax/net earnings for the year/earnings per share

Earnings before tax amounted to € 17.8 (-22.2) million. Taxes of € 6.6 (9.5) million yielded an annual profit of € 11.2 (-31.7) million.

Net earning for the year is attributable entirely to shareholders of CropEnergies AG. In the 2006/07 financial year earnings per share (IAS 33) was calculated on the basis of 70.4 million shares. The previous year's figure was calculated on the basis of 60 million shares. This produces earnings per share (EPS) of € 0.16 (-0.53).

## Financial position

The financial position for the 2006/07 financial year is characterised by the initial public offering of CropEnergies AG, which with gross issue proceeds of € 200.0 million guaranteed the financing of the investment programme. A cashflow of € 27.1 million already illustrates the strong self financing ability of the company in the past fiscal year.

### Fixed asset investments

In the financial year 2006/07 the CropEnergies Group invested € 42.4 (8.7) million. The main focus of investments was expanding and setting up of plant sites. € 11.4 million was invested at Südzucker Bioethanol GmbH, € 24.6 million at BioWanze S.A., € 6.1 million at Bioenergy Loon-Plage S.A.S and € 0.3 million at CropEnergies AG.

In the 2006/07 financial year the CropEnergies Group received € 3.3 (54.5) million net in investment benefits and grants.

### Cash flow

Cash inflow from operating activities followed the strong improvement in results; cash inflow climbed by €

68.0 million on the previous year to € 22.1 million. Receivables and liabilities have increased with the growth in operating business. In total working capital climbed by just under € 5.0 million.

The cash outflow from investing activities of € 42.4 (8.7) million was reduced by subsidies of € 3.3 (54.5) million received for the production plant in Zeitz.

After repaying financial liabilities of € 52.4 million there was a net cash inflow of € 209.3 (0.2) million from financing activities, which mainly originated from the initial public offering with € 200.0 million and a cash capital contribution of € 60.0 million from Südzucker AG. Overall the net financial position of the CropEnergies Group improved € 244.7 million from € -130.4 million to € 114.3 million. These funds are available for further dynamic growth plans and the expansion of bioethanol production capacity levels.

## Balance sheet

The assets of the balance sheet as at 28 February 2007 are characterised by the investment-related growth in fixed assets of € 177.8 (134.7) million and liquid funds of € 192.3 million.

The € 2.2 million rise in inventories on the balance sheet date 28/02/2006 concerns above all raw materials and supplies as a result of the increased production volume. In contrast the stock levels of finished goods fell by € 1.8 million.

Trade receivables and other assets rose from € 11.1 million to € 25.3 million; this can mainly be attributed to an increase in claims owing to increased revenues.

As a result of several measures shareholders equity rose strongly: In July 2006 the extraordinary general meeting of CropEnergies AG adopted a resolution to increase share capital to € 60.0 million; this comprised cash contributions of € 59,990k and a non-cash contribution of € 10k. In addition in July 2006, an additional contribution of € 5.9 million to the capital reserve pursuant to § 272 Para. No. 4 HGB was decided upon. Furthermore the initial



public offering in September 2006 led to a share capital increase from € 60.0 million to € 85.0 million and in the capital reserve increase with the allocation of the € 175.0 million capital surplus. Transaction costs of the initial public offering of € 7.0 million and deferred tax assets apportionable to this amount of € 2.7 million reduced the capital surplus by € 4.3 million overall. Also in September 2006 Südzucker AG brought in the necessary land for the construction of the bioethanol plant in Wanze (Belgium) and respective rights to CropEnergies AG as an investment in kind amounting to € 8.4 million in the capital reserve. Taking into account a balance sheet profit of € 11.2 million shareholder's equity thus rose in the current financial year from € 1.0 million to € 282.2 million. The equity ratio thereby climbed to 69.4 (0.7)% and underlined the strategy to combine operating growth with financial strength.

Debt capital is characterized by a loan of € 78.0 million taken out from the IKB Deutsche Industriebank AG in the 2005/06 financial year, which remains unchanged.

Pension reserves have risen by € 1.1 million to € 1.2 million mainly due to the transfer of deferred benefit claims by employees who moved across from Südzucker AG to CropEnergies AG.

Open purchase order commitments from contractual obligations amounted to € 94.3 million for investments and € 13.6 million for raw materials on the balance sheet date.

### Information pursuant to § 315 Para. 4 HGB (German Commercial Code)

#### § 315 Para. 4 No. 1 HGB

The share capital of CropEnergies AG is € 85.0 million and is divided into 85 million individual bearer shares. Each share has one voting right.

#### § 315 Para. 4 No. 3 HGB

In respect of direct and indirect stakes in the share capital of CropEnergies AG, which exceed 10%, the company received the following notices:

Südzucker Aktiengesellschaft Mannheim/Ochsenfurt reported in writing on 5 October 2006 pursuant to § 21 Para. 1 and Para. 1a WpHG, that it holds to 70.58% of the voting rights in CropEnergies AG.

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG reported in writing on 9 October 2006 pursuant to § 21 Para. 1 and Para. 1a WpHG in conjunction with § 22 Para. 1 No. 1 WpHG, that it holds 77.64% of the voting rights in CropEnergies AG, 70.58% via subsidiary company Südzucker Aktiengesellschaft Mannheim/Ochsenfurt attributable to it pursuant to § 22 Para. 1 No. 1 WpHG and 7.06% directly.

#### § 315 Para. 4 No. 6 HGB

Pursuant to § 84 Para. 1 AktG members of the board shall be appointed and respectively withdrawn by the supervisory board. Pursuant to § 6 Para. 1 of the articles of association the board has to be made up of at least two persons. Otherwise the supervisory board determines the number of board members. The supervisory board may appoint a chairman as well as a deputy chairman to the board. The members of the executive board were each appointed for a term of 5 years.

Pursuant to § 179 Para. 1 AktG changes to the articles of association require a resolution to be adopted by the general meeting. The articles of association of CropEnergies AG take advantage of the option provided for in § 179 Para. 2 AktG and stipulate that resolutions may be adopted in principle by a simple majority and insofar as a capital majority is required, adopted by a simple capital majority. The authority to make amendments, which only concern the wording, was conferred upon the supervisory board.

#### § 315 Para. 4 No. 7 HGB

Through a resolution passed by the general meeting on 29 August 2006, which was entered in the trade register on the 4 September 2006, the board is empowered, with the approval of the supervisory board in the period up to 28 August 2011, to increase the share capital of the company by up to € 30,000,000.00 in total by means of a one-off or repeated issue of new bearer shares in return for cash contributions and/or contributions in kind (authorised capital 2006).



## COMPENSATION REPORT

In the case of share issues in return for contributions in kind the board is authorised to exclude the subscription right of shareholders with the approval of the supervisory board. In the case of cash capital increases a subscription right has to be granted to the shareholder in principle. However the following exceptions apply for the subscription right: The board is authorised, with the approval of the supervisory board, to exclude the shareholders' subscription right, if the issue price is not significantly below the stock market price of company shares of the same class. However this empowerment is only applicable provided that the shares issued without the subscription right pursuant to § 203 Para. 1 in conjunction with § 186 Para. 3 Clause 4 AktG must not exceed 10% of the share capital in total either at the time when this authorization enters into effect or at the time when it is exercised. Option and/or conversion rights on company shares without subscription right in accordance with § 221 Para. 4 Clause 2, in conjunction with § 186 Para. 3 Clause 4 AktG, and the sale of own shares without subscription right according to § 71 Para. 1 No. 8 Clause 4 in conjunction with § 186 Para. 3 Clause 4 AktG since the authorization enters into effect must be included in the 10% of the share capital restriction.

The board is also empowered, with the approval of the supervisory board to exclude fractional amounts from the subscription right of shareholders. The board is also authorized with the approval of the supervisory board to exclude the subscription right, provided that this is necessary, to be able to grant holders of conversion and/or option rights to bearer shares of the company a subscription right to the same extent they would be entitled to after exercising their conversion and/or option rights.

Finally, the executive board is empowered with the approval of the supervisory board to stipulate other content of share rights and the conditions of share issue.

### Executive board compensation

The compensation for the executive board of CropEnergies AG is made up of a set and variable salary. The extraordinary general meeting on 27 September 2006 waived individual disclosure of board compensation (Opting out). The set salary including fringe benefits in financial year 2006/07 is € 266k for the entire board. The variable salary for the entire board is € 133k. It is subject to attaining agreed goals and operating profit achieved by the company.

In the past financial year € 0.7 million was allocated to pension reserves to fulfil pension promises for the board. There is no share option plan.

### Supervisory board compensation

As explained in the compliance statement the 2006/07 general meeting will pass resolution about the compensation of the supervisory board. Both set and variable components are planned for supervisory board members. Until then the members of the supervisory board will be reimbursed for their expenses and any VAT which is payable on these.

### Financial loss liability insurance

CropEnergies AG has taken out a financial loss liability insurance (D&O-insurance), which incorporates cover for the activities of the members of the board and supervisory board. This insurance provides for a reasonable excess.





## RISK REPORT

### Risk management system

CropEnergies AG has implemented a risk management system to identify and monitor opportunities and risks. This is an integral element of the entire planning, taxation and reporting process in all relevant units. It includes an early risk recognition system for the purposes of § 91 Para. 2 AktG, which as part of the risk management system is aimed at the early detection of developments which may endanger business.

The risk policy is aimed at detecting risks early on, assessing the impact of risks on company results and where necessary implementing counter-measures.

Internal risk reporting guarantees that the board receives regular up-to-date outlines of the identified risks and any implemented and/or possible counter-measures.

Internal auditing of the Südzucker Group also performs its audit tasks in units of the CropEnergies Group. By implementing selective audits it ensures that business operations are running properly and monitors the efficacy of internal auditing.

### Strategic group holding controlling and risk controlling at operating levels

Operating risks and group holdings are controlled centrally by the controlling department of the CropEnergies Group and serves the purposes of managing and monitoring the accomplishment of company and financial goals in all subsidiaries. A constant reporting system keeps the board informed on a regular basis.

Furthermore the departments of Südzucker AG which are responsible for controlling and strategic corporate planning assume an advisory and group coordination role.

CropEnergies is currently in the process of expanding its bioethanol capacity levels with the expansion of the Zeitz site (Germany) and the construction of a new plant in Wanze (Belgium). Investments and initial operations are always liable to the risk of timely implementation. In this respect delays can impede further business growth.

### Regulatory environment

The growth rate of the European market for biofuel is essentially influenced by the existence of regulatory framework conditions at a European level and by respective regulations on a national level.

The regulatory framework on a European level is defined by the biofuel directive (RL 2003/30/EG) and energy tax directive (RL 2003/96/EG).

The 2003/30/EG directive ("biofuels directive") of 8 May 2003 to promote the use of biofuels in the traffic sector stipulates medium-term standard values for biofuel quotas in vehicle fuel consumption in the European Union for member states. Within the framework of this directive these quotas are to be initially increased from 2% (as measured by energy content) in the year 2005 to 5.75% in the year 2010.

According to information of the European Commission the interim goal stipulated for 2005 was not accomplished and now the expected progress may not be sufficient to achieve the goal set for 2010. The European Commission thus announced its intention to make the biofuel directive more severe insofar as a binding minimum target of 10% for the biofuel quota in the traffic sector is envisaged in the year 2020.

In order to make the framework conditions for biofuels more appealing the 2003/96/EG directive ("Energy tax directive") for the restructuring of collective framework provisions for taxation on energy products and electrical power was adopted on 27 October 2003. This directive allows member states the opportunity to exempt biofuels from up to 100% of the mineral oil and energy tax. A few member states have made bioethanol exempt from the energy or mineral oil tax under certain conditions.

On 1 January 2007 the Biokraftstoffquotengesetz (Bio-KraftQuG) (biofuel quota act) came into effect, which to a large extent replaces the preferential tax treatment valid until now and provides for mandatory blending for biofuels, whereby different quotas for diesel and petrol are stipulated. For 2007 the additive quota for biofuels



replacing petrol such as bioethanol – as measured in energy content – is 1.2% of the petrol consumption. This quota is to be increased 0.8% annually to 3.6% by the year 2010. The law also provides for total quotas for biofuels of 6.25% for 2009 and 6.75% for 2010, which are to be subsequently raised by 0.25% annually to 8% by 2015. While bioethanol used to fulfil these quotas is fully liable to the mineral oil tax, bioethanol used in the production of E85 is tax exempt until the year 2015.

In Belgium the biofuel directive was implemented in March 2005 by royal decree, whereby the 5.75% quota for biofuels stipulated in the directive was adopted. At present there is no mandatory blending in Belgium.

For the implementation of the energy tax directive preferential tax treatment is envisaged for bioethanol fuels. Only energy products with a proportion of at least 7 vol.-% undenatured bioethanol from production plants which are in possession of the necessary licenses from the competent state departments can enjoy this preferential tax treatment.

On 19 October 2006 the Belgian government issued licenses for the total production of around 1.5 million m<sup>3</sup> of bioethanol for the period between 1 October 2007 and 30 September 2013. CropEnergies was allocated in total 750,000 m<sup>3</sup> and thus 125,000 m<sup>3</sup> of bioethanol per year via its subsidiary company BioWanze S.A.

The growth rate in earnings which the CropEnergies Group is striving for could be impeded in the long-term if changes are made to the regulatory environment which currently supports mandatory blending and business would thereby be impacted in a negative way.

### Risks of competition

The construction of new bioethanol plants and the expansion of existing plants could lead to a significant rise in production capacity levels for bioethanol in forthcoming years in the European Union. This increase could trigger increased competition among bioethanol producers. However since the majority of EU member states have adopted regulations to promote a higher additive level

of bioethanol in vehicle fuels CropEnergies forecasts an increase in demand for bioethanol in the next few years. Fluctuating selling prices and rising production capacity levels in the bioethanol industry are detected early on within the framework of the risk management system implemented by CropEnergies.

Moreover CropEnergies is in competition with bioethanol producers outside Europe, which due to local conditions (especially in the case of Brazil and the USA) profit from lower production costs and are able to supply the European market with bioethanol at favourable prices. This could put pressure on bioethanol prices. Bioethanol imports from non-EU states are however currently restricted because of import duties, logistic costs and the increase in demand on respective domestic markets of the potential exporters and in other sales regions, which are more appealing than the EU market.

As a result of the rise in bioethanol production the quantities of by-products of bioethanol production – including the dried grain residues which are used as animal feedstuff (DDGS) – could increase and consequently lead to price drops in our ProtiGrain® product. CropEnergies however assumes that these additional quantities of supply could replace some of the protein feedstuff which is imported into the European Union.

### Procurement risks

CropEnergies relies on continuous supplies of large amounts of agricultural resources, especially grain for its bioethanol production. In the past grain has been supplied by a total of around 20 suppliers in the European Union, which bundle the production capacities of several thousand producers.

In the case of bioethanol production agricultural materials used are the primary cost factor. Poor harvests and an increase in demand for grain could lead to price rises. In order to guarantee procurement prices CropEnergies concludes contracts with suppliers over terms of up to 18 months with fixed future volumes and prices. In addition the level of grain prices can also be locked in through contracts on European commodity futures markets.



CropEnergies is reducing its procurement risk by expanding its raw material base. The main raw material wheat can for example be replaced up to a certain degree by barley, triticale (a cross between wheat and rye) or maize. Furthermore the planned expansion of production capacity levels at the Zeitz site will enable the company to produce bioethanol from sugar containing juices from sugar production.

In addition to distributing bioethanol CropEnergies also markets by-products which stem from the bioethanol production process, mainly animal feedstuff. CropEnergies thus profits to a certain extent from a natural hedging against grain price trends, since by-products for example can partly replace wheat as feedstuff.

### Other operating risks

CropEnergies monitors product quality levels and environmental risks with the aid of quality assurance guidelines and modern process control technology.

The risk of unplanned production breakdowns is minimised by continuous maintenance measures and highly-skilled staff.

CropEnergies can access the areas of Information technology (IT), administration and research and development by means of Shared Services contracts with the specialist departments of Südzucker AG.

### Financial risks

**Interest rate risks** | CropEnergies is exposed to interest rate risks in the Euro zone. The interest rate risk mainly emanates from financial liabilities and interest-bearing financial assets. As of 28 February 2007 the financial liabilities are mainly set with fixed interest rates and the interest-bearing financial investments with variable rates, which minimises interest rate risks.

**Currency risks** | The basic materials required by CropEnergies and product sales are predominantly invoiced in Euro, so that costs and income are largely effected in the same currency and currency risks avoided.

**Risks from derivative financial instruments** | CropEnergies does not currently use derivative instruments to safeguard interest rate risks, currency risks and operating raw material risks, however these will be used in the future if required. Speculative transactions are not carried out.

### Legal risks

There are no legal disputes pending against CropEnergies, which could have a considerable negative impact on the financial situation, the income from group operations or group cash flow.

### Overall risk

There are no identifiable risks, which could endanger the survival of the group at present or in the foreseeable future or could have a considerable negative impact on the financial situation, the income from group operations or group cash flow.



## EVENTS AFTER THE BALANCE SHEET DATE

No events took place after the balance sheet date which could have a significant impact on the net assets, financial position and result of operations.

## RESEARCH AND DEVELOPMENT

Research and development activities of CropEnergies AG are executed by the central research, development and services department (ZAFES) of Südzucker AG. These services are executed on the basis of service agreement concluded between CropEnergies AG and Südzucker AG. In the past financial year costs for these services ran to € 2.7 million for CropEnergies Group.

The work performed focuses on the following aspects:

- Optimisation of existing production processes in Zeitz
- Development of technical concepts for new bioethanol plants
- New-generation application for alternative utilisation options for bioethanol

The aim of the optimisation process in Zeitz is to improve the efficiency of the process by modifying parameters and input materials. Flexibility levels of raw material have been improved by looking into the expansion of possible raw materials and the technological effects thereof.

By using scientific and technical synergies within the Südzucker Group an effective assessment of various systems could be undertaken for the utilisation of enzymes in the process and economical optimal levels were attained.

For the expansion of the bioethanol plant in Zeitz on the basis of sugar-containing raw materials various process methods accompanying the engineering processes were investigated in respect of their technological and economical feasibility in laboratory and pilot testing.

More efficient yeasts were tested successfully and in particular the increased efficiency levels thereof for ethanol production were proven in the case of reduced by-product production. This activity is to be followed up with tests to confirm process stability.

Lasting establishment of bioethanol as an energy source in the transport sector is of significant importance to CropEnergies AG. Fuel cell systems, which work on the basis of bioethanol are an excellent option. In fuel cells chemical energy is converted directly into electrical en-



## EMPLOYEES

ergy with a very high degree of efficiency without the "detour" via combustion. Bioethanol is the perfect fuel for this.

Moreover the use of fuel cells opens up excellent opportunities for bioethanol outside the transport sector. Technical feasibility of fuel cells in the areas of residential energy supplies, combined heat and power units and portable electro-energy systems has already been demonstrated.

These systems could achieve the breakthrough on mass markets thanks to the change-over to bioethanol as a sustainable producible energy source.

In light of this CropEnergies has decided to press ahead with the development of bioethanol fuel cells. To this end research and development cooperations have been entered into with leading Fraunhofer-Gesellschaft institutes in fuel cell development.

As of 28 February 2007 the CropEnergies Group employed 101 (59) employees. This was broken down into 18 employees at CropEnergies AG, 78 at Südzucker Bioethanol GmbH and five at BioWanze S.A. at the end of the financial year. The rise in the number of employees is largely due to the expansion of the production plant in Zeitz. The annual average of employees of the CropEnergies Group 76 (55).



## INVESTMENTS

In the 2006/07 financial year the CropEnergies Group invested € 42.4 (8.7) million in fixed assets. This breaks down into € 11.6 million at Südzucker Bioethanol GmbH, € 24.4 million at BioWanze S.A., € 6.1 million at Bioenergy Loon-Plage S.A.S and € 0.3 million at CropEnergies AG.

Alongside investments in Zeitz for the optimisation of process flows in production (€ 4.9 million) investments were made above all in the environment sector (€ 5.7 million). The largest individual project in the environment sector was the setting up of a second waste water treatment facility, which was put into operation as scheduled in May 2006. Projects for the treatment and connection of extracted air flows, in order to facilitate the burning thereof in the central energy unit of the site were completed on time. Also in the past financial year preparation work to expand the production plant by 100,000 m<sup>3</sup> to 360,000 m<sup>3</sup> was started. Investments made up to the balance sheet date totalled € 0.5 million.

In Dunkirk (France) a tank storage facility was acquired for € 6.1 million.

In Wanze (Belgium) the construction of the production plant for bioethanol as well as gluten, feedstuff and energy was started. In the current financial year € 24.4 million was invested for this.

## OUTLOOK

The CropEnergies Group AG has set itself the target of assuming a leadership role in the growing market for bioethanol in Europe in the future too.

Reinforced by the legal framework conditions we forecast a very dynamic market growth rate with bioethanol in Europe. The EU target of a 5.75% biofuel quota in total fuel consumption by 2010 corresponds to an EU market volume of 8 to 10 million m<sup>3</sup> for bioethanol (In comparison: In the year 2006 only 1.6 million m<sup>3</sup> of bioethanol was produced in Europe according to information provided by the European bioethanol association eBio.<sup>1</sup>). The 10% biofuel quota for total fuel consumption by 2020 which was made binding by the EU in March 2007 will raise the potential market volume considerably.

CropEnergies has reacted in good time to the expected increase in demand. Last year the preparation work at the Zeitz site to expand capacity levels by 100,000 m<sup>3</sup> to 360,000 m<sup>3</sup> already began. In the 2007/08 and 2008/09 financial years a plant for the production of bioethanol is to be built at Wanze (Belgium) by subsidiary company BioWanze S.A. The production capacity level of the plant will be up to 300,000 m<sup>3</sup> of bioethanol. The investment volume will run to around € 250.0 million.

We also expect a rise in demand for biofuels, especially for bioethanol, on a global scale impacting European pricing level too. In Europe the expansion in domestic production capacity levels tends to lag the increasing need for bioethanol. The availability of Brazilian bioethanol exports is therefore of significant importance for the European pricing level.

In addition to revenues for bioethanol the price development of raw materials is the second key factor for the profitability of CropEnergies. By selling quality high-grade protein feedstuff ProtiGrain®, which to a certain extent replaces wheat as a feedstuff, and the option of using several grain varieties as a raw material (Multifeedstock), CropEnergies was able to partly absorb last year's grain price increase. By expanding the raw material basis to sugar-containing juices from the current financial year of 2007/08 and with a far-sighted purchasing policy this concept is being continued.

<sup>1</sup> Source: [www.eBio.org](http://www.eBio.org)



For the 2007/08 financial year we expect to be able to market strongly the production of bioethanol and feed-stuff which will continue to rise versus the previous year. At the start of the financial year already more than 50% of the annual production of bioethanol and Proti-Grain® was sold and the raw materials needed for this assured. We therefore forecast a significant growth rate in revenues and earnings for the CropEnergies Group for 2007/08. We also expect to increase production capacity levels for the 2008/09 financial year, which should have a positive effect on the growth of revenues and earnings.


### Further development opportunities

Biofuels are replacing fossil fuels, i.e. energy sources which only exist to a limited extent, diversifying the energy mix, promoting agriculture and industry and contributing to reducing the greenhouse gases, particularly CO<sub>2</sub> emissions which are created by traffic. In harmony with the Kyoto protocol the EU undertakes to promote the use of renewable energy sources, such as bioethanol.

The CropEnergies Group is convinced that the bioethanol market will grow dynamically and consequently plans an extensive investment programme to significantly expand annual production capacity levels and the market position in Europe.







**Make profit in harmony  
with nature. Not against it.**



LIKE THE RAW MATERIALS WHICH WE  
CONVERT INTO HIGH-GRADE FUEL ALCOHOL WE  
ARE ALSO GROWING FURTHER. WE HAVE LAID  
THE FOUNDATIONS FOR CORPORATE GROWTH  
BY GOING PUBLIC – FOR THE FUTURE TOO.



## INCOME STATEMENT

1 March 2006 to 28 February 2007

€ thousands	Note	2006/07	2005/06
<b>Revenues</b>	(5)	<b>146,804</b>	<b>60,540</b>
Change in work in progress and finished goods inventories and internal costs capitalised	(6)	-1,763	3,751
Other operating income	(7)	271	115
Cost of materials	(8)	-92,721	-58,657
Personnel expenses	(9)	-5,570	-3,075
Depreciation		-7,978	-5,986
Other operating expenses	(10)	-20,436	-14,777
<b>Income from operations</b>	(11)	<b>18,607</b>	<b>-18,089</b>
Financial income	(12)	3,483	0
Financial expenses	(12)	-4,330	-4,115
<b>Earnings before income taxes</b>		<b>17,760</b>	<b>-22,204</b>
Taxes on income	(13)	-6,602	-9,518
<b>Net earnings for the year</b>		<b>11,158</b>	<b>-31,722</b>
<b>Earnings per share (€)</b>		<b>0.16</b>	<b>-0.53</b>



## CASH FLOW STATEMENT

1 March 2006 to 28 February 2007

€ thousands	Note	2006/07	2005/06
Net earnings for the year		11,158	-31,722
Depreciation and amortisation of intangible assets, property, plant and equipment and other investments	(16)	7,978	5,986
Increase in non-current provisions and deferred tax liabilities		7,974	9,643
<b>Gross cash flow</b>		<b>27,110</b>	<b>-16,093</b>
Gain on disposal of items included in non-current assets and of securities		-58	
Decrease (-)/increase (+) in current provisions		365	585
Increase (-) in inventories, receivables and other current assets		-24,071	-11,116
Decrease (-)/increase (+) in liabilities (excluding financial liabilities)		18,796	-19,347
Increase (-) in working capital		-4,910	-29,878
<b>I. Net cash flow from operating activities</b>		<b>22,142</b>	<b>-45,971</b>
Capital expenditures on property, plant and equipment and intangible assets	(15), (16)	-42,434	-8,710
<b>Capital expenditures</b>		<b>-42,434</b>	<b>-8,710</b>
Cash received on disposal of non-current assets		55	0
Repaid (-) / received (+) investment subsidies		3,304	54,462
<b>II. Cash flow from investing activities</b>		<b>-39,075</b>	<b>45,752</b>
Capital increases	(19)	261,627	
Receipt of non-current financial liabilities			78,000
Transfer of profit and loss			2,798
Receipt (+) / repayment (-) of financial liabilities		-52,350	-80,579
<b>III. Cash flow from financing activities</b>		<b>209,277</b>	<b>219</b>
<b>IV. Change in cash and cash equivalents (total of I, II and III)</b>		<b>192,344</b>	<b>0</b>
<b>Increase (+)/decrease (-) in cash and cash equivalents in the balance sheet</b>		<b>192,344</b>	<b>0</b>
Cash and cash equivalents at the beginning of the year		0	0
<b>Cash and cash equivalents at the end of the year</b>		<b>192,344</b>	<b>0</b>

Additional comments on the cash flow statement are under item (28) of the notes.



## BALANCE SHEET

28 February 2007

### ASSETS

€ thousands	Note	28/02/2007	28/02/2006
Intangible assets	(15)	630	488
Property, plant and equipment	(16)	177,783	134,664
Receivables and other assets		19	0
Deferred tax assets	(13)	3,886	0
<b>Non-current assets</b>		<b>182,318</b>	<b>135,152</b>
Inventories	(17)	6,380	4,228
Trade receivables and other assets	(18)	25,332	11,086
Current tax receivables		48	0
Securities and Cash and cash equivalents	(24)	192,344	0
<b>Current assets</b>		<b>224,104</b>	<b>15,314</b>
<b>Total assets</b>		<b>406,422</b>	<b>150,466</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

€ thousands	Note	28/02/2007	28/02/2006
Subscribed capital		85,000	26
Capital reserves		212,013	26,974
Revenue reserves		-14,810	-25,968
<b>Shareholders' Equity</b>	(19)	<b>282,203</b>	<b>1,032</b>
Provisions for pensions and similar obligations	(20)	1,174	111
Other provisions	(21)	933	26
Non-current financial liabilities	(24)	78,000	78,000
Deferred tax liabilities	(13)	15,522	9,518
<b>Non-current liabilities</b>		<b>95,629</b>	<b>87,655</b>
Other provisions	(21)	1,338	974
Current financial liabilities		71	52,449
Trade and other payables	(22)	25,956	8,356
Current tax liabilities		1,225	0
<b>Current liabilities</b>		<b>28,590</b>	<b>61,779</b>
<b>Total liabilities and shareholders' equity</b>		<b>406,422</b>	<b>150,466</b>



## CHANGES IN SHAREHOLDERS' EQUITY

1 March 2006 to 28 February 2007

€ thousands	Subscribed capital	Capital reserve	Retained earnings	Total equity
March 1, 2005	26	26,974	2,956	29,956
Net earnings for the year	0	0	-31,722	-31,722
Transfer of profit and loss	0	0	2,798	2,798
<b>28 February 2006/ 1 March 2006</b>	<b>26</b>	<b>26,974</b>	<b>-25,968</b>	<b>1,032</b>
Net earnings for the year	0	0	11,158	11,158
Capital increase <sup>1</sup>	84,974	185,039	0	270,013
<b>28 February 2007</b>	<b>85,000</b>	<b>212,013</b>	<b>-14,810</b>	<b>282,203</b>

Changes in shareholders' equity are explained under (19) of the notes.

<sup>1</sup> The reported capital increase also includes the incorporation of Südzucker Bioethanol GmbH into CropEnergies on 20 July 2006 in the course of a non-cash capital increase by Südzucker AG; it concerned a merger transaction under common control. In the course of the incorporation the share capital increased by € 10k from € 59.99 million to € 60.0 million and the capital reserve rose to € 27.0 million. Also refer to the comments in the notes (1).



## NOTES FOR THE FINANCIAL YEAR FROM 1 MARCH 2006 TO 28 FEBRUARY 2007

### General notes

#### (1) Principles for drawing up group accounts

##### Establishment of the CropEnergies Group

CropEnergies AG was set up by Südzucker AG on 3 May 2006 with a share capital of € 50k. The extraordinary general meeting on 10 July 2006 decided to increase the share capital of the company by € 59.94 million from € 50k to € 59.99 million in return for a cash contribution by Südzucker AG.

On 20 July 2006 the extraordinary general meeting adopted a resolution to increase the share capital of CropEnergies AG by € 10k from € 59.99 to € 60.0 million by means of a non-cash capital increase. The 10,000 new shares issued were subscribed and acquired by Südzucker AG. Within the framework of this non-cash capital increase Südzucker AG transferred the only existing company share to Südzucker Bioethanol GmbH for the nominal amount of € 25.6k as a contribution in kind to the company. € 27.0 million was thereby placed in the capital reserve.

When Südzucker Bioethanol GmbH was incorporated into CropEnergies AG on 20 July 2006 in the course of a non-cash capital increase by Südzucker AG it concerned a transaction under common control. Such types of transactions are not regulated in the IFRS/IAS. Pursuant to IAS 8.12 there is the option of taking into account publications of other standard setters like the FASB which follow a similar conceptual framework.

Pursuant to SFAS 141.D11-15 the incorporation of Südzucker Bioethanol GmbH is effected by continuing the book value (predecessor accounting). Pursuant to SFAS D.16 the group accounts of CropEnergies AG have been drawn up as if the transaction had already taken place on 1 March 2006.

The reported previous year figures concern assets and liabilities of Südzucker Bioethanol GmbH, which form the historical operating part of the CropEnergies Group.

Group accounts for 2006/07 for CropEnergies AG are drawn up in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, which are applicable on the balance sheet date and take into consideration the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as they are applied in the EU and the additional provisions in line with general accounting principles which are applied according to §315a Para. 1 HGB. In addition to the balance sheet, income statement and cash flow statement changes in shareholders' equity are reported. In order to improve the clarity of the presentation various items of the balance sheet and income statement are summarised. These items are reported separately and explained in the notes. The income statement is drawn up in line with the type of expenditures format. All amounts unless otherwise specified are in thousands of Euro (€k). The previous year figures are given in brackets in the notes.

The regulations of the amended IAS 19 (employee benefits), IFRS 6 (Exploration and evaluation of mineral resources), IAS 21 (effects of currency exchange rates: Net investment in foreign business operation), IFRIC 4 (determining whether an arrangement contains a lease), IFRIC 6 (Liabilities arising from participating in specific markets) which must be applied from this financial year and the amendments to IAS 39 (Financial instruments) have no or an insignificant impact on the financial accounting. IFRS 7 (Financial instruments: information) and IAS 1 (presentation of accounts: information on shareholder's equity) which must be taken into consideration as of the 2007/08 financial year, shall lead to additions to the notes. IFRS 4 (Insurance contracts) which must apply from financial year 2006/07 and IFRIC 5 (Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds) relate to cir-



cumstances which do not concern the CropEnergies Group. The same applies for IFRIC 7 (Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies) and IFRIC 8 (Scope of IFRS 2), which are to be applied as of financial year 2007/08. We do not anticipate any significant effects on the financial accounting by applying IFRIC 9 (Reassessment of embedded derivatives) which is to be taken into account for the first time from financial year 2007/08.

## **(2) Scope of consolidation**

In the group accounts of CropEnergies AG which was set up on 3 May 2006 the following German and foreign subsidiary companies, in which CropEnergies AG holds up to 100% stakes, were incorporated in line with full consolidation principles:

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

The companies BioWanze S.A. and Bioenergy Loon-Plage S.A.S were set up by CropEnergies AG in the financial year 2006/07 on 24 July and 4 August 2006 and consolidated from the date they were founded.

## **(3) Consolidation methods**

Capital consolidation of the subsidiaries is carried out according to the purchase accounting method by calculating the acquisition costs with the group share in the shareholder's equity of the subsidiary company at the time of acquisition.

Intercompany revenues, expenses and income as well as all receivables and liabilities respectively reserves between the consolidated companies are eliminated. Assets from intercompany supplies posted under fixed assets and inventories were adjusted for intermediate results.

## **(4) Accounting policies**

Acquired goodwill is reported under intangible assets. Intangible assets which were acquired within the framework of company mergers are reported separately from goodwill, if they can be separated in accordance with the definition in IAS 38 (Intangible assets) or emanate from a contractual or legal right and the current value can be determined in a reliable way. Other intangible assets which are acquired in return for payment are reported with their acquisition costs and are regularly depreciated on a straight-line basis over their anticipated useful life. Internally produced intangible assets are capitalized in this respect when the method criteria of IAS 38 are fulfilled.

Intangible assets with indefinite useful lives are not written off on a regular basis but instead examined on a yearly basis at least to see if a value adjustment is needed.

Tangible assets are valued at ongoing acquisition respectively production costs, reduced on a straight-line depreciation basis. In the acquisition year asset values of tangible fixed assets are written off on a pro rata temporis basis. State grants and subsidies for the setting up of the bioethanol plant in Zeitz have been set off against acquisition costs. Production costs of internally produced plant include both direct costs and proportional material and production overhead costs. Loan capital costs are not capitalised as part of the acquisition respectively production costs. Maintenance costs are recognized through profit or loss at the point in time when they accrue. They are only capitalized if the costs result in an expansion or significant improvement in the respective asset.



Depreciation of tangible fixed assets and intangible assets with defined useful lives is based on the following expected useful lives:

	Expected useful life
Intangible assets	3 to 8 years
Buildings	15 to 50 years
Technical plants and machinery	6 to 30 years
Office furniture and equipment	3 to 15 years

Fixed assets and intangible assets with defined useful lives are depreciated according to IAS 36 (Impairment of assets), if the recoverable amount of the asset has fallen below the book value. The recoverable amount is reported as fair value less selling costs or the value of the expected cash inflow from the use of the asset (Value in Use) whichever is higher.

Inventories are reported at acquisition and/or production costs. The average cost method is applied for raw materials and supplies and the Fifo method (First in – first out) for raw materials, since this corresponds to the actual order in which they are consumed. Production costs include production related full costs, which are reported on the basis of normal capacity. In addition to the direct costs production costs also include fixed and variable production overheads (Material and production overhead costs) including depreciation on production plants. If necessary the lower realisable net selling value is reported.

The reported receivables and other assets are valued at ongoing acquisition costs. For defaults on receivables or other risks a sufficient bad debt allowance was created. The nominal values less necessary allowances correspond to fair value.

Liquid assets are reported at nominal value.

Reversal of write-downs in non-current and current assets (short-term < 1 year) are effected when the original reasons for impairment of values no longer apply.

In July 2005 IASB withdrew the IFRIC 3 interpretation on the treatment of issue rights, which was published in December 2004 and was scheduled to come into effect for financial years which commenced on or after 1 March 2005. Until a new standard and/or new interpretation comes into effect financial accounting is performed according to the general provisions of IAS 38 (Intangible assets), IAS 20 (Accounting and presentation of government grants) and IAS 37 (Provisions, contingent liabilities and contingent assets). The emission certificates allocated for the respective calendar year are intangible assets pursuant to IAS 38 (Intangible assets), which are allocated to current assets. They are reported at an acquisition value of nil. If actual emissions exceed the allocated certificates a provision for CO<sub>2</sub> emissions is recognised as an expense and set up. The provision is measured at the market value of emission certificates on the respective valuation date.

Pension provisions are measured according to IAS 19 (Employee benefits). To this end actuarial valuation reports were drawn up. Profit and losses from unplanned changes in the present value of the future benefit obligations and changes to the actuarial assumptions within a 10% margin of the present value of the future benefit obligations





remain unconsidered. Only when this margin is exceeded or is fallen short of are these profit/losses distributed over the remaining time in service and recognized in provisions.

Other provisions are reported when a current obligation is the result of a past event, the level of probability of the claim is more probable than improbable and this can be reliably assessed. This means that the degree of probability must amount to more than 50%. Measurement is on the basis of the amount to be paid with the highest probability or in the case of equal probability on the expected amount to be paid. Provisions are only set up for third parties for legal and de facto obligations. Long-term provisions with a remaining term of more than a year are reported at the discounted amount to be paid on the balance sheet date.

Deferred taxes are calculated on temporary differences of assets and liabilities between IFRS and tax base, provided that they can be used for tax purposes. Deferred taxes are reported as separate items under assets and liabilities. Deferred tax assets and deferred tax liabilities are offset, when income tax is levied by the same tax office. Deferred taxes are calculated pursuant to IAS 12 (Income tax) taking into account specific country and regional income tax rates.

Long-term debts are reported at ongoing acquisition costs. Differences between historical acquisition costs and the repayment amount are taken into consideration in line with the effective interest method. Short-term liabilities are valued at the repayment amount or amount to be paid which corresponds to fair value.

Contracts which are concluded for the purposes of receiving or supplying of non-financial items in line with the expected purchase, selling and utilisation requirements of the company are not reported as derivative financial instruments but instead as pending transactions.

Proceeds from the sale of products and goods are realised when the delivery or service has been made and transfer of the material chances and risks has taken place. Reductions and price allowances are also taken into consideration.

Development costs for new products are capitalised at production costs, provided that the costs are clearly allocable and both technical feasibility and marketing of these newly developed products are guaranteed. Moreover product development must lead to future financial inflow with a sufficient level of probability. Research costs cannot be capitalised according to IAS 38 and are reported indirectly as an expense in the income statement.

All estimations and assessments within the framework of the financial accounting and valuation are constantly reassessed and are based on historical experiences and forecasts in respect of future events, which under the given circumstances are to be assessed as reasonable.



## Notes on the income statement

### (5) Sales revenues

€ thousands	2006/07	2005/06
Bioethanol	121,206	49,039
Animal feed ProtiGrain®	23,601	8,329
Other revenues	1,997	3,172
	<b>146,804</b>	<b>60,540</b>

The significant increase in sales revenues primarily results from the higher capacity utilisation of the production plant in Zeitz and the increase in sales prices for both bioethanol and feedstuff ProtiGrain®.

Other income mainly concerns steam power and power supplies to Südzucker AG Mannheim/Ochsenfurt.

### (6) Changes in inventories and internal costs capitalized

Changes in inventories and internal costs capitalized include capitalized services to the amount of € 6k.

### (7) Other operating income

Other operating income of € 271k (115k) mainly concerns cost transfers and insurance benefits.

### (8) Cost of Materials

€ thousands	2006/07	2005/06
Cost of raw materials, consumables and supplies and of purchased merchandise	87,748	50,005
Cost of purchased services	4,973	8,652
	<b>92,721</b>	<b>58,657</b>



### (9) Personnel expenses

€ thousands	2006/07	2005/06
Wages and salaries	4,278	2,514
Social security, pension and welfare expenses	1,292	561
	<b>5,570</b>	<b>3,075</b>

### Number of employees (yearly average)

	2006/07	2005/06
Number of employees by region		
Germany	74	55
Other European countries	2	0
	<b>76</b>	<b>55</b>
Number of employees by category		
Wages earners	38	27
Salary earners	38	28
	<b>76</b>	<b>55</b>

### (10) Other operating expenses

€ thousands	2006/07	2005/06
Selling and advertising expenses	5,285	3,851
Operating and administrative expenses	5,958	6,231
Other expenses	9,193	4,694
	<b>20,436</b>	<b>14,777</b>

Other expenses to the amount of € 9.2 (4.7) million include essentially € 6.4 (2.6) million of costs for services of Südzucker AG and costs of € 2.4 million for the expansion of the production plant in Wanze (Belgium), which are reported as special items.

### (11) Income from operations

€ thousands	2006/07	2005/06
Operating profit	21,036	-13,357
Restructuring costs and special items	-2,429	-4,732
<b>Income from operations</b>	<b>18,607</b>	<b>-18,089</b>

Special items in the 2006/07 financial year of € -2.4 million entailed costs for external expert reports such as engineering and consultancy services for the production plant in Wanze (Belgium) undergoing expansion.



In the previous year start-up costs of € 4.7 million were incurred in Zeitz until production started up and related to costs for materials amounting to € 1.4 million and other operating expenses of € 3.4 million.

Consequently compared to the previous year there was a strong earnings swing; operating result rose to 14.3% (-22.1%) of revenues in financial year 2006/07.

### (12) Financial income and expenses

€ thousands	2006/07	2005/06
Interest income	3,344	0
Other financial income	139	0
<b>Financial income</b>	<b>3,483</b>	<b>0</b>
Interest expense	-4,040	-4,115
Other financial expense	-290	0
<b>Financial expense</b>	<b>-4,330</b>	<b>-4,115</b>
<b>Financial expense, net</b>	<b>-847</b>	<b>-4,115</b>

Interest income mainly derived from investments of liquid funds from the initial public offering on 29 September 2006.

### (13) Taxes on income

On the basis of the profit transfer agreement which was concluded on 2 June 2003 between Südzucker AG Mannheim/Ochsenfurt and Südzucker Bioethanol GmbH, Südzucker Bioethanol GmbH together with the CropEnergies Group reported no current taxes in the 2005/06 financial year. Tax subject was Südzucker AG Mannheim/Ochsenfurt. This resulted in a theoretical tax rate of 0% for the 2005/06 financial year.

The profit transfer agreement which was held with Südzucker AG the previous year expired on 28 February 2006. For this reason deferred taxes were recognized for the first time on the temporary differences, which existed on the 28 February 2006. In contrast the losses incurred in the 2005/06 financial year were transferred to Südzucker AG Mannheim/Ochsenfurt under the profit transfer agreement which was still valid and as a result did not create any deferred tax income at Südzucker Bioethanol GmbH.

As of financial year 2006/07 Südzucker Bioethanol GmbH is an independent tax subject.



€ thousands	2006/07	2005/06
Earnings before tax on income	17,760	-22,204
Theoretical tax rate	39.0%	0.0%
<b>Theoretical tax expense</b>	<b>6,932</b>	<b>0</b>
Change in theoretical tax expense as a result of:		
Temporary depreciation differences		-9,518
Different tax rates	-85	
Tax free income	-692	
Non-deductible expenses	34	
Trade tax adjustment	192	
Other	222	
<b>Taxes on income</b>	<b>6,602</b>	<b>-9,518</b>
<b>Effective tax rate</b>	<b>37.2%</b>	<b>-,-</b>

The theoretical tax rate of 39.0% derives from the application of the German corporation tax rate of 25.0% plus the solidarity surcharge of 5.5% and the trade tax on income. Thanks to Belgian law on the promotion of risk capital ("Notional interest deduction") a tax reduction of € 325k was realised in the 2006/07 financial year. Additional tax reductions of € 367k were mainly based on the repayment of a non-tax-relevant investment allowance for Südzucker Bioethanol GmbH. Trade tax adjustments amounting to € 192k mainly stem from the allocation of permanent debt interest rates. Owing to lower tax rates, especially in France and Belgium, taxes were € 85k lower in comparison to the theoretical tax expense.

Deferred tax expenses amounting to € 4.8 (9.5) million was mainly the result of the higher book and tax depreciation of the fixed assets. Current tax expenses amount to € 1.8 (0.0) million.

Deferred taxes are the result of the individual balance sheet items below:

€ thousands	Deferred tax assets		Deferred tax liabilities	
	2007	2006	2007	2006
February 28				
Property, plant and equipment	0	0	15.378	9.821
Inventories	0	290	16	0
Provisions	105	13	128	0
Liabilities	3.781	0	0	0
	3.886	303	15.522	9.821
Tax loss carry forwards		-303		-303
<b>Offsets</b>	<b>3.886</b>	<b>0</b>	<b>15.522</b>	<b>9.518</b>

In the reporting year € 2.7 million deferred tax assets did not affect shareholder's equity income, resulting in neither profit nor loss.



Of the deferred tax assets amounting to € 3,886k (303k), € 2,113k (13k) are non-current. Of the deferred tax liabilities amounting to € 15,522k (9,821k), € 15,378k (9,821k) are non-current.

#### (14) Research and development costs

Research and development activities of the CropEnergies group focus on implementing trials to optimise technologies and treatments within the framework of the existing production facilities of bioethanol and ProtiGrain®. In addition alternative biomasses are being investigated and biotechnical and process concepts are being developed for the processing thereof. The activities also include the development of the applications technology for bioethanol derivatives such as fuel additives. Research and development costs amounted to € 2.7 (0.4) million. Costs for research and development were fully accounted for in the income statement in the year of establishment and were posted in cost for materials and other operating expenses. Development costs for new products were not capitalised since future economic benefits can only then be proved if the existence of a market for products can be demonstrated.

### Notes on the balance sheet

#### (15) Intangible assets

€ thousands	Concessions, industrial and similar rights	
	2006/07	2005/06
<b>Acquisition costs</b>		
March 1	620	555
Additions	237	70
Investment subsidies and grants	106	-5
February 28	963	620
<b>Amortisation and impairment write-downs</b>		
March 1	-132	0
Amortisation for the year	-201	-132
February 28	-333	-132
<b>Net book value at February 28</b>	<b>630</b>	<b>488</b>

Intangible assets exclusively relate to acquired computing software.



**(16) Fixed assets**

2006/07	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
€ thousands					
<b>Acquisition costs</b>					
1 March 2006	34,150	102,193	2,252	2,079	140,674
Cons. Group changes/ Currency changes/other changes	0	694	0	-209	485
Additions	5,200	14,804	546	30,034	50,584
Transfers	635	1,421	79	-2,241	-106
Disposals	0	0	-78	0	-78
28 February 2007	39,985	119,113	2,798	29,663	191,559
<b>Depreciation and impairment write-downs</b>					
1 March 2006	-892	-4,744	-374	0	-6,010
Depreciation for the year	-1,080	-6,405	-292	0	-7,777
Disposals	0	0	11	0	11
28 February 2007	-1,972	-11,149	-655	0	-13,776
<b>Net book value at 28 February 2007</b>	<b>38,013</b>	<b>107,964</b>	<b>2,143</b>	<b>29,663</b>	<b>177,783</b>
2005/06	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
€ thousands					
<b>Acquisition costs</b>					
1 March 2005	41,069	136,632	2,059	8,840	188,600
Additions	1,419	4,063	951	2,207	8,640
Grants and benefits	-10,950	-44,903	-584	-128	-56,565
Transfers	2,612	6,401	-173	-8,840	0
Disposals	0	0	-1	0	-1
28 February 2006	34,150	102,193	2,252	2,079	140,674
<b>Depreciation and impairment write-downs</b>					
1 March 2005	-13	-2	-143	0	-158
Depreciation for the year	-872	-4,742	-239	0	-5,853
Transfers	-7	0	7	0	0
Disposals	0	0	1	0	1
28 February 2006	-892	-4,744	-374	0	-6,010
<b>Net book value at 28 February 2006</b>	<b>33,258</b>	<b>97,449</b>	<b>1,878</b>	<b>2,079</b>	<b>134,664</b>



Additions contain investment benefits amounting to € 209k, which are deducted from acquisition costs.

### (17) Inventories

€ thousands	28/02/2007	28/02/2006
Raw materials and supplies	4,398	477
Work in progress	745	597
Finished goods and merchandise	1,237	3,154
	<b>6,380</b>	<b>4,228</b>

There were no impairments to inventories requiring production cost to be written down to net realizable value.

### (18) Trade receivables and other assets

€ thousands	28/02/2007	28/02/2006
Trade receivables	19,650	7,195
Other assets	5,682	3,891
	<b>25,332</b>	<b>11,086</b>

Trade receivables climbed on the previous year on the back of the growth in sales.

Other assets mainly existed in input tax receivables from BioWanze S.A. amounting to € 5.6 million.

### (19) Shareholders' equity

CropEnergies AG was set up by Südzucker AG Mannheim/Ochsenfurt with a certificate of incorporation dated 3 May 2006 in Mannheim with a share capital of € 50k and was registered in the trade register at Mannheim district court on 23 May 2006. On 10 July 2006 the extraordinary general meeting of the company decided to increase the share capital of the company by € 59.94 million from € 50k to € 59.99 million by means of a cash capital increase by issuing 59,940,000 new bearer shares representing a proportional amount in the share capital of € 1.00 per share. All 59,940,000 new shares were subscribed and acquired by Südzucker AG Mannheim/Ochsenfurt. The new shares were issued at a price of € 1.00 per share, therefore amounting to a total issue amount of € 59.94 million.

Then on 20 July 2006 the extraordinary general meeting of the company decided to increase the share capital of the company by € 10k from € 59.99 million to € 60.0 million by means of a real capital increase by issuing 10,000 new bearer shares representing a proportional amount in the share capital of € 1.00 per share. The 10,000 new shares were subscribed and acquired by Südzucker AG Mannheim/Ochsenfurt. In the framework of this real capital increase Südzucker AG transferred the only existing company share in Südzucker Bioethanol GmbH with a nominal value of € 25.6k as contribution in kind to the company. € 27.0 million was thus placed in the capital reserve.

On 28 July 2006 the extraordinary general meeting of the company decided upon an additional contribution of € 5.9 million to the capital reserve pursuant to § 272 Para. No. 4 HGB, which was paid by Südzucker AG. The additional capital was provided by CropEnergies AG for the formation of Bioenergy Loon-Plage S.A.S by cash contribution.





On 28 September 2006 the extraordinary general meeting of the company decided that Südzucker AG place another additional contribution into the capital reserve pursuant to § 272 Para. 2 No. 4 HGB. Südzucker thereupon made the additional contribution by transferring land to the value of € 4.2 million and by assigning intellectual property rights and copyrights to the value of € 4.2 million. The additional contribution was brought in ultimately to realise a capital increase for BioWanze S.A. by CropEnergies AG.

On 27 September 2006 the extraordinary general meeting decided to increase the share capital by € 25.0 million from € 60.0 million to € 85.0 million. The new 25,000,000 bearer shares were issued at a nominal price of € 1.00 per share and within the framework of the initial public offering were placed on the official market (Prime Standard) to be traded on the Frankfurt stock exchange.

€ 25.0 million of the gross issue proceeds from the initial public offering was allotted to subscribed capital and € 175.0 million to the capital surplus in the capital reserve. Transaction costs of the initial public offering of € 7.0 million and the deferred tax assets of € 2.7 million incurred as a result reduced the capital surplus by € 4.3 million overall.

With revenue reserves of € 14.8 million the shareholders' equity thus stands at € 282.2 million.

#### **(20) Reserves for pensions and similar commitments**

The company pension scheme for Südzucker Bioethanol GmbH and CropEnergies AG is on direct defined-benefit pension commitments. As a general rule pensions are calculated on the basis of time served with the company and the pension-related benefits.

Pension reserves are calculated in line with the projected unit credit method pursuant to IAS 19 (employee benefits) taking into consideration future development on an actuarial basis.

A discount rate of 4.5% (4.5% in the previous year) is the basis for the calculation of the benefit obligation. In addition to this an expected annual increase rate of 2% is assumed for wages and salaries (2% previous year) and 1.4% for pensions (1.3% previous year) in the future. Expected income from planned assets is calculated at an interest rate of 4.5% (in previous year 4.5%). The main focus of investments is fixed income securities, the risk structure of which guarantee fulfilment in the long term.



Pension expenses are broken down as follows:

€ thousands	2006/07	2005/06
Current service cost for pension rights vested in financial year	483	65
Interest costs for pension rights vested in previous years	25	1
Actuarial losses (+) and gains (-) expensed in the current year	2	0
	<b>510</b>	<b>66</b>

Expenses and income due to changes in pension commitments and benefits have not been incurred.

For defined-contribution pension systems the company pays into state or private pension insurance companies on the basis of legal or contractual provisions or on a voluntary basis. Ongoing premium payments are reported as an expense in personnel costs. They amount to € 299k (187k). By paying the premiums there are no additional payment obligations for the company.

Expenses from the accumulation of pension rights vested in previous years are posted in financial results. Expenditure for pension rights vested in the financial year and actuarial losses affecting net income are posted in personnel costs.

The transition from benefit obligations to reported provision is illustrated below:

€ thousands	28/02/2007	28/02/2006
Defined benefit obligations for direct pension benefits	1,355	167
Unamortised actuarial gains and losses	-144	-55
Fair value of plan assets	-37	-1
Provisions for pensions	<b>1,174</b>	<b>111</b>

Posted provisions have performed over time as follows:

€ thousands	2006/07	2005/06
Provisions at 1 March	111	12
Transferences	589	33
Pension expense	510	66
Allocations to pension funds	-36	0
Provisions at 28 February	<b>1,174</b>	<b>111</b>

Transfers of € 589k (33k) concern pension obligations which were taken over from Südzucker AG Mannheim/Ochsenfurt. Pension obligations only include future beneficiaries; no payments have been made.



### (21) Movements in other provisions

2006/07 € thousands	Personnel expenses	Uncertain obligations	Total
1 March 2006	574	426	1.000
Change in companies incl. in the consolidation/ currency translation/other changes	59	0	59
Additions	1,128	2,133	3,261
Use	-517	-1,337	-1,855
Release	-32	-162	-194
<b>28 February 2007</b>	<b>1,211</b>	<b>1,061</b>	<b>2,272</b>

Provisions for personnel costs mainly comprise provisions for profit sharing and staff bonuses, holiday and overtime, trade union subscription fees and service anniversary expenses. Of the total amount of € 1,211k it is probable that € 1,131k will be used in 2007/08 financial year.

Reserves for uncertain liabilities to the amount of € 1,061k (426k) essentially include the cost risk from a pending lawsuit brought by CropEnergies and provisions for waste water charges. Of the total amount it is probable that € 231k will be used in 2007/08 financial year and € 853k in subsequent years.

No other main expenses are likely to be incurred above the amounts set aside as of 28 February 2007.

### (22) Trade and other payables

€ thousands	February 28	2007	2006
Trade payables		13,388	7,926
Other liabilities		12,568	430
		<b>25,956</b>	<b>8,356</b>

All trade payables and other payables are short-term. The increase in trade payables is in line with the increased investment volume.

**(23) Financial liabilities (Net financial debt)**

€ thousands February 28	2007	Remaining term		2006	Remaining term	
		to 1 year	over 1 year		to 1 year	over 1 year
Liabilities to banks	78,071	71	78,000	78,000	0	78,000
Liabilities to affiliated companies	0	0	0	52,449	52,449	0
<b>Financial liabilities</b>	<b>78,071</b>	<b>71</b>	<b>78,000</b>	<b>130,449</b>	<b>52,449</b>	<b>78,000</b>
Cash and cash equivalents	-192,344			0		
<b>Net financial assets (-)/ Net financial debt (+)</b>	<b>-114,273</b>			<b>130,449</b>		

Net financial assets amounted to € 114.3 million on 28 February 2007, whereas on the balance sheet date of the previous year there were still net financial liabilities of € 130.4 million.

On the balance sheet date there were no encumbrances or other liens assigned.

**(24) Lending and borrowing activities (financial instruments)**

The CropEnergies Group took out a fixed interest-rate bank loan for € 78.0 million. The loan bears interest at a rate of 3.55% p. a. and is to be repaid between 31 March 2008 and 30 September 2015.

Liquid funds rose to € 192.3 million and can mainly be attributed to the investment of income from the initial public offering. Liquid funds are almost exclusively in the form of short-term available bank deposits at first-class banks.

In addition the CropEnergies Group has a credit line of € 100.0 million, since CropEnergies AG has entered a syndicated bank credit line of Südzucker AG of € 600.0 million.

Credit transactions (financial instruments) are typically liable to interest rate change, currency exchange and credit risks:

**Interest rate risk** | On fixed rate interest borrowings there is the risk that a change in the market interest rate leads to a change in market value (interest-related price risk). Variable interest-bearing borrowings in contrast are not liable to any exchange risk, since the interest rate is promptly adjusted to market interest rates. However risk arises in respect of future interest payments due to the fluctuation of short-term interest rates (interest-related payment flow risk). By using lower interest rates the group took out a fixed-interest rate loan for € 78.0 million and thus reduced the interest-related payment flow risk in respect of its financing.

**Currency exchange risk** | The risk of foreign currency exchange induced value changes of balance sheet items is understood by currency exchange risk. On the sales side there is no currency exchange risk, since invoices are only drawn up in €. On the procurement side raw materials are only to a limited extent purchased in foreign currency in EU countries. The currency exchange risk is thus of secondary importance overall.



**Credit risk** | The risk of a contractual partner's inability to pay is understood by credit risk. Credit risks from financing receivables are minimised, while CropEnergies only cooperates with banking partners of first-class credit standing. Non-payment risks with customers of our products are accounted for by means of trade credit insurances.

#### **(25) Derivative Instruments**

The CropEnergies Group does not use any derivative financial instruments at present.

#### **(26) Guarantees and other financial commitments**

From contractual obligations on the balance sheet date open purchase order commitments amounted to € 94.3 million for investments and € 13.6 million for raw materials.

Otherwise on the balance sheet date there were no contingent liabilities and no other financial obligations.

The CropEnergies Group is liable to possible obligations from various claims or proceedings, which are pending or could be enforced. Estimations about future expenses in this area are inevitably subject to numerous uncertainties. If a loss is likely/probable and the amount can be reliably estimated the CropEnergies Group creates reserves for these risks.

### Other information

#### **(27) Earnings per share**

Group net earnings for the year amounted to € 11.2 (-31.7) million. Based on the weighted average number of issued shares of 70.4 million units in the 2006/07 financial year earnings per share amounted to € 0.16 according to IAS 33. The prior year result of € -0.53 per share was calculated on the basis of 60 million shares.

#### **(28) Information on cash flow statement**

Cash flow statement, which was drawn up in accordance with the provisions of IAS 7 (Cash flow statements), presents the change in the cash and cash equivalents of the CropEnergies Group from the three areas of operating activities, investing activity and financing activity.

In financial year 2006/07 cash flow amounted to € 27.1 (-16.1) million in total. Outflow of funds for tax payments amounted to € 0.6 (0.0) million and are allocated operating activities. In addition interest expenses amounted to € 3.8 (3.9) million and interest income to € 3.3 (0.0) million. Investments of € 42.4 (8.7) million for fixed assets (including intangible assets) were largely for the new production plant in Wanze (Belgium). In the 2006/07 reporting period subsidies of € 3.3 (54.5) million were received.

Financing activities of the CropEnergies Group were on the one hand characterised by various capital increases (including a cash capital contribution from Südzucker AG for € 60.0 million and the initial public offering with an issue volume of € 200.0 million) and on the other hand by the repayment of financial liabilities to the amount of € 52.4 million. On balance, this led to a net cash inflow from financing activities of € 209.3 (0.2) million.

Overall liquid funds rose to € 192.3 (0) million.



**(29) Expenses for group annual auditor services**

For services performed by the group's annual auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, expenses for auditing of accounts in the financial year 2006/07 amounted to € 78k (25k) for the group's annual audit and the audit of the accounts of CropEnergies AG and its German subsidiary company Südzucker Bioethanol GmbH. Other reporting and assessment services which incurred costs of € 960k (0k) almost exclusively related to the initial public offering of CropEnergies AG.

**(30) Compliance statement according to § 161 AktG**

The compliance statement pursuant to § 161 AktG to the German Corporate Governance code was issued by the board and supervisory board on 13 November 2006. It is accessible to the shareholders on the internet on the company's homepage.

**(31) Relations with closely affiliated companies and persons (Related Parties)**

"Related Party" for the purposes of IAS 24 (information about relations with closely affiliated and persons) is Südzucker AG Mannheim/Ochsenfurt as majority shareholder and its subsidiaries. Transactions with the Südzucker Group concern services amounting to € 6.7 (4.9) million and supply of goods (esp. agricultural raw materials, various raw materials and supplies and energy) amounting to € 6.3 (5.9) million. In addition the CropEnergies Group has spent € 2.7 (0.9) million on research and development work performed on its behalf by Südzucker AG. As per 31 August 2006 loans were drawn within the framework of the group financing and interest amounts of € 1.8 (3.8) million were paid.

Conversely, the CropEnergies Group sold energy, feedstuff and bioethanol to the Südzucker for € 3.4 (3.2) million and provided services for € 1.1 (0.0) million. The CropEnergies Group received a payment of € 0.5 (0.0) million for taking on pension obligations .

Liabilities to the Südzucker group amounted to € 7.0 (52.4) million as a result of the afore-mentioned performance relationships as per the balance sheet date.

Performance relationships with Südzucker AG and its subsidiary companies were settled at usual market prices and/or interest rates; Performance and counter-performance were in harmony which meant that no disadvantages arose. No other significant transactions were executed with closely related persons.

The compensation system for the executive board of CropEnergies AG consists of fixed and variable performance-related components. Variable compensation of long-term types, such as share options and comparable forms are not provided. Fixed total payments, guaranteed by CropEnergies AG in financial year 2006/07 amounted to € 266k. Variable compensation amounts to € 133k in total; it comprises a performance bonus and an EBIT related component.

For pension commitments to the former executive board member of CropEnergies AG and surviving dependent thereof no provisions were necessary; for active board members € 0.3 million was placed in reserve. The former executive board member of CropEnergies AG was paid by Südzucker AG and did not receive any other payment from CropEnergies AG in addition to this.

Since compensation for the first supervisory board pursuant to § 113 Para. 2 AktG can only be resolved by the annual general meeting on 17 July 2007 a reserve of a reasonable level was created.



## (32) Supervisory board and executive board

### Supervisory board

#### **Dr. h. c. Eggert Voscherau**

*Chairman*

*Member of the supervisory board since  
6 November 2006*

*Chairman of the supervisory board since  
13 November 2006*

#### **Ludwigshafen**

*Deputy chairman of the executive board of BASF Aktien-  
gesellschaft*

#### **Other positions held in national, legally formed supervisory boards**

- *Deutsche Bahn AG, Berlin*
- *HDI Haftpflichtverband der Deutschen Industrie VvaG,  
Hannover*
- *Talanx AG, Hannover*

#### **Positions held in comparable national and foreign supervisory bodies**

- *Nord Stream AG, Zürich (Switzerland)*
- *ZEW, Mannheim*

#### **Group positions**

- *BASF Antwerpen N.V., Antwerpen (Netherlands)*
- *BASF Schwarzheide GmbH, Schwarzheide*

#### **Prof. Dr. Markwart Kunz**

*Deputy chairman*

*Member of the supervisory board since 3 May 2006*

#### **Worms**

*Member of the executive board of Südzucker Aktien-  
gesellschaft Mannheim/Ochsenfurt*

#### **Group positions**

- *Palatinit Asia-Pacific Pte Ltd., Singapore (Singapore)*
- *Raffinerie Tirlemontoise S.A., Brussels (Belgium),  
(Chairman)*
- *Saint Louis Sucre S.A., Paris (France)  
(Deputy chairman)*
- *Slaska Spolka Cukrowa S.A., Wroclaw (Poland)*
- *Südzucker International GmbH, Ochsenfurt*
- *Südzucker Versicherungs-Vermittlungs-GmbH,  
Mannheim*
- *Zuckerforschung Tulln Gesellschaft m.b.H.,  
Tulln (Austria)*



**Dr. Hans-Jörg Gebhard**

*Member of the supervisory board since 29 August 2006*

**Eppingen**

*Chairman of the Association of Süddeutsche Zuckerrübenanbauer e. V.*

**Other positions held in national, legally formed supervisory boards**

- Südzucker Aktiengesellschaft Mannheim/Ochsenfurt, Mannheim (Chairman)
- VK Mühlen AG, Hamburg

**Positions held in comparable national and foreign supervisory bodies**

- AGRANA Beteiligungs-AG, Vienna (Austria)
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna (Austria), (Deputy chairman)
- Freiburger Holding GmbH, Berlin
- Raffinerie Tirlemontoise S.A., Brussels (Belgium)
- Saint Louis Sucre S.A., Paris (France)
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (Chairman)
- Z & S Zucker und Stärke Holding AG, Vienna (Austria)

**Thomas Kölbl**

*Member of supervisory board since 3 May 2006*

*Chairman of supervisory board between 3 May and 13 November 2006*

**Mannheim**

*Member of executive board of Südzucker Aktiengesellschaft Mannheim/Ochsenfurt*

**Positions held in comparable national and foreign supervisory bodies**

- Baden-Württembergische Wertpapierbörse, Stuttgart

**Group positions**

- AGRANA Internationale Verwaltungs- und Asset-Management GmbH, Vienna (Austria)
- AGRANA Juice & Fruit Holding GmbH, Vienna (Austria)
- AGRANA Stärke GmbH, Vienna (Austria)
- AGRANA Zucker GmbH, Vienna (Austria)
- Freiburger Holding GmbH, Berlin
- Mönnich GmbH, Kassel (Chairman)
- PortionPack Europe Holding B. V., Oud-Beijerland (Netherlands)
- Raffinerie Tirlemontoise S.A., Brussels (Belgium)
- Saint Louis Sucre S.A., Paris (France)
- Slaska Spolka Cukrowa S.A., Wroclaw (Poland)
- Südzucker International GmbH, Ochsenfurt
- SÜDZUCKER-VERKAUF GmbH, Oberursel/Taunus
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (Chairman)





### **Johann Marihart**

*Member of supervisory board between 3 May 2006 and 15 May 2006*

### **Limberg (Austria)**

*Member of executive board of Südzucker Aktiengesellschaft Mannheim/Ochsenfurt*

### **Positions held in comparable national and foreign supervisory bodies**

- *BBG Bundesbeschaffungsges. m. b. H., Vienna (Austria)*
- *LEIPNIK-LUNDENBURGER INVEST Beteiligungs-AG, Vienna (Austria)*
- *Österreichische Forschungsförderungsgesellschaft mbH, Vienna (Austria)*
- *Österreichische Nationalbank AG, Vienna (Austria)*
- *Ottakringer Brauerei AG, Vienna (Austria)*
- *TÜV Österreich, Vienna (Austria), (Chairman)*
- *Universität für Bodenkultur, Vienna (Austria)*

### **Group positions**

- *AGRANA Fruit and Juice Holding GmbH, Vienna (Austria) (Chairman)*
- *AGRANA Fruit Austria GmbH, Gleisdorf (Austria), (Chairman)*
- *AGRANA Fruit S.A., Neuilly Sur Seine (France), (Chairman)*
- *AGRANA Internationale Verwaltungs- und Asset-Management GmbH, Vienna (Austria), (Chairman)*
- *AGRANA Stärke GmbH, Vienna (Austria), (Chairman)*
- *AGRANA Zucker GmbH, Vienna (Austria), (Chairman)*
- *Austriaische Rübensamenzucht G.m.b.H., Vienna (Austria), (Chairman)*
- *Raffinerie Tirlemontoise S.A., Brussels (Belgium)*
- *Saint Louis Sucre S.A., Paris (France)*
- *Südzucker International GmbH, Ochsenfurt*
- *Zuckerforschung Tulln Gesellschaft m.b.H., Tulln (Austria) (Chairman)*

### **Dr. Rudolf Müller**

*Member of supervisory board between 15 May and 31 October 2006*

### **Ochsenfurt**

*Member of executive board of Südzucker Aktiengesellschaft Mannheim/Ochsenfurt*

### **Other positions held in national, legally formed supervisory board**

- *K+S Aktiengesellschaft, Kassel*

### **Positions held in comparable national and foreign supervisory bodies**

- *Bayerische Landesanstalt für Landwirtschaft, Freising-Weißenstephan*

### **Group positions**

- *AGRANA Beteiligungs-AG, Vienna (Austria), (Deputy chairman)*
- *AGRANA Zucker, Stärke und Frucht Holding AG, Vienna (Austria), (Chairman)*
- *BGD Bodengesundheitsdienst GmbH, Mannheim (Chairman)*
- *Raffinerie Tirlemontoise S.A., Brussels (Belgium)*
- *REKO Erdenvertrieb GmbH, Regensburg (Chairman)*
- *Saint Louis Sucre S.A., Paris (France)*
- *Slaska Spolka Cukrowa S.A., Wroclaw (Poland), (Chairman)*
- *Südzucker International GmbH, Ochsenfurt (Chairman)*
- *Z & S Zucker & Stärke Holding AG, Vienna (Austria), (Deputy chairman)*



**Franz-Josef Möllenberg**

*Member of supervisory board since 29 August 2006*

**Rellingen**

*Chairman of union Gewerkschaft Nahrung-Genuss-Gaststätten*

**Other positions held in national, legally formed supervisory boards**

- Kraft Foods Deutschland GmbH, Bremen  
*(Deputy chairman)*
- Südzucker Aktiengesellschaft Mannheim/Ochsenfurt, Mannheim  
*(Deputy chairman)*

**Positions held in comparable national and foreign supervisory bodies**

- Kreditanstalt für Wiederaufbau, Frankfurt/Main

**Norbert Schindler**

*Member of supervisory board since 29 August 2006*

**Neustadt a.d.W.**

*Member of Bundestag  
(Lower house of German parliament)*

**Positions held in comparable national and foreign supervisory bodies**

- Süddeutsche Lebensversicherung a. G., Fellbach
- Süddeutsche Krankenversicherung a. G., Fellbach
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

**Executive board**

**Dr. Lutz Guderjahn**

*Board member since 1 August 2006*

**Offstein**

**Joachim Lutz**

*Board member since 4 May 2006*

**Mannheim**

**Dr. Wolfgang Schmidt**

*Board member between 4 May 2006 and 31 July 2006*

**Bobenheim-Roxheim**

**(33) Events after the balance sheet date**

No events took place after the balance sheet date, which have a major impact on the net assets, financial position and result of operations.

Mannheim, 8 May 2007  
THE EXECUTIVE BOARD

Dr. Lutz Guderjahn

Joachim Lutz



## SEGMENT REPORT

The purpose of the business of CropEnergies is to produce and market bioethanol. With the production of bioethanol a protein by-product which cannot be separated during the process is obtained and sold as a secondary product as high-grade, protein containing animal feedstuff by the name of ProtiGrain®.

The joint raw material basis of bioethanol and ProtiGrain® are carbohydrate containing plants such as grains. Technically the starches which are contained in the grains are first converted into glucose by means of milling and the use of enzymes. First of all the glucose is fermented to become bioethanol by adding yeasts and then distilled, purified and dehydrated. Valuable protein which is in the grains is left behind in the form of mash. This is then put back into the food chain again once it has been thickened, dried and pelletised as animal feedstuff under the name of ProtiGrain®.

The production of ProtiGrain® cannot be controlled independently. Protein quantities follow the production of the main product bioethanol and in this case in line with the specific yield of the used raw material. Since the production processes are connected the energy consumption of both products are also not clearly assigned to individual material flow. Only after the distillation process separate end products are identifiable which can then be commercially distributed separately.

CropEnergies addresses the by-product issue by controlling operational production processes with the net raw material costs concept approach. Raw material input which is necessary for bioethanol production is thus reduced by the by-product which cannot occur separately. Only in this way can production processes and raw material alternatives be compared and brought to optimal levels in terms of yield and costs.

### Segment classification

In order to come to a segment reporting according to IAS 14, ProtiGrain® is assessed in line with the net raw material costs concept at market income levels (= production costs). Thus income and costs in the ProtiGrain® segment balance out. Market earnings/income for ProtiGrain® reduce the raw material costs incurred in the bioethanol segment and consequently results in a cost-saving in the segment of the primary product bioethanol.

No sales transactions were carried out between segments.

Assets, liabilities and employees as well as investments of the ProtiGrain® segment were directly allocated or calculated on the basis of reasonable assumptions. The bioethanol segment includes all other assets, liabilities and employees and investments respectively.



## 1. Business segments

€ million	2006/07			2005/06		
	CE-Group	Bioethanol	ProtiGrain®	CE-Group	Bioethanol	ProtiGrain®
Third-party revenues	146.8	123.2	23.6	60.5	52.2	8.3
EBITDA	29.0	29.0	–	-7.4	-7.4	–
Depreciation on fixed assets and intangible assets	-8.0	-8.0	–	-6.0	-6.0	–
Operating profit	21.0	21.0	0.0	-13.4	-13.4	0.0
Operating margin	14.3%	17.1%	0.0%	-22.1%	-25.6%	0.0%
Restructuring costs and special items	-2.4	-2.4	0.0	-4.7	-4.7	0.0
Income from operations	18.6	18.6	0.0	-18.1	-18.1	0.0
Segment assets	210.2	187.4	22.8	150.5	126.1	24.4
Segment liabilities	29.4	27.2	2.2	9.5	8.2	1.3
Capital expenditures	42.4	42.3	0.1	8.7	7.7	1.0
Employees	76	65	11	55	45	10

## Reconciliation of segment assets and liabilities

€ million	28/02/2007	28/02/2006
Total assets	406.4	150.5
./. Cash	-192.3	0.0
./. Deferred tax assets	-3.9	0.0
<b>Segment assets</b>	<b>210.2</b>	<b>150.5</b>
Total liabilities	406.4	150.5
./. Equity	-282.2	-1.0
./. Financial liabilities	-78.1	-130.4
./. Deferred tax liabilities	-15.5	-9.5
./. Current income tax liabilities	-1.2	0.0
<b>Segment liabilities</b>	<b>29.4</b>	<b>9.5</b>



## 2. Segments according to regions

€ million	28/02/2007	28/02/2006
<b>Third party sales</b>		
Germany	71.2	39.6
Abroad	75.6	20.9
	<b>146.8</b>	<b>60.5</b>
<b>Segment assets</b>		
Germany	166.0	150.5
Abroad	44.2	0.0
	<b>210.2</b>	<b>150.5</b>
<b>Investments in fixed and intangible assets</b>		
Germany	11.7	8.7
Abroad	30.7	0.0
	<b>42.4</b>	<b>8.7</b>



## AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the CropEnergies AG, Mannheim, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 March 2006 to 28 February 2007. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („Handelsgesetzbuch“: German Commercial Code) are the responsibility of the Company's executive board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's executive board, as well as evaluating the overall presentation of the consolidated financial state-

ments and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 8 May 2007  
PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Wegener)  
Wirtschaftsprüfer  
[German Certified  
Public Accountant]

(ppa. Krützfeldt)  
Wirtschaftsprüfer  
[German Certified  
Public Accountant]

## GLOSSARY

**Absolute alcohol** | Practically anhydrous ethanol with at least 99.7 vol.-% for technical use (e.g. additive to petrol).

**Additive** | Additive or active ingredient for fuel, which reinforces certain desirable properties (improves anti-knock properties or cold start conditions) respectively reduces undesirable properties (e.g. harmful emissions).

**Additive (to petrol)** | Different ethanol additives are standard practise world-wide for conventional motor engine fuels (e.g. 20% in Brazil; 10% in the USA). In Europe permissible ethanol additives are either 5 vol.-% or 15 vol.-% ETBE in line with standard DIN EN 228.

**Alcohol** | → Ethyl alcohol

**Alcohols** | Collective term for specific organic compounds with OH group designation. Designated by the hydrocarbons from which they derive (e.g. methanol from methane (CH<sub>4</sub>), ethanol from ethane (C<sub>2</sub>H<sub>6</sub>), propanol from propane, butanol from butane etc.).

**Alternative fuels** | All fuels which are not of fossil origin are termed alternative fuels (e.g. ethanol, vegetable oils, biodiesel, biogas, liquid gas, hydrogen). In comparison with conventional fuels alternative fuels report a better environmental audit.

**Anti-knock properties** | Important quality property of petrol engine fuels, measured in → Octane numbers.

**Bioethanol** | Alcohol obtained from renewable resources. Sugar, starch or cellulose-containing biomasses are considered to be raw materials. CropEnergies uses grains and sugar-containing juices as raw materials.

**Biofuels** | Fuels obtained from biomass (e.g. bioethanol, biodiesel, biogas, vegetable oil).

**Biofuel directive** | European Parliament and Council Directive 2003/30/EG dated 8 May 2003 to promote the utilisation of biofuels or other renewable fuels in the traffic sector.

**Biofuel quota act** | On 1 January 2007 the act to implement a biofuel quota came into effect.

**Carbon dioxide (CO<sub>2</sub>)** | End product of the burning process of any carbon-containing material and base product from the cultivation of vegetable biomass using photosynthesis. Renewable resources reduce this problem by recycling CO<sub>2</sub>.

**Carbohydrate** | Various groups of sugars and stored carbohydrates (starches, inulin) as well as structural substances of the plants (Cellulose, Hemicellulose). Main quantity of vegetable biomasses. Based on carbon (C) and water (H<sub>2</sub>O).

**Cash flow** | Capital flow; figure for the assessment of financial or earning power of a company. It reports the level of recorded annual profit which has yielded cash flow from business operations. CropEnergies calculates the cash flow by annual profit which is adjusted by non-cash transactions. For this reason, changes in non-current provisions and deferred tax liabilities and other non-cash income and expenses as well as write-offs and/or write-ups on fixed assets are eliminated from group annual profit. Inflow of funds from cash flow can be used to finance investments, pay debts or pay dividends.

**Cellulose** | Structural substance of plants, main component of cell walls. Polysaccharide made from glucose components. Anhydrous wood contains 40–50% C., anhydrous dried pellets around 23%. Cleavage by mineral acids ("wood saccharification", "wood sugar spirit production"). Also cleavage with enzymes (e.g. process of Canadian company IOGEN).

**CO<sub>2</sub>** | → Carbon dioxide

**Corporate Governance** | Responsible corporate management and controlling. All principles and regulations pertaining to organisation, conduct and transparency which are directed at the interests of the shareholders, which by attending to the decision-making ability and efficiency of management – strive at highest corporate levels for a balanced relationship between management and controlling. The transparency of corporate manage-



ment thus increases, the cooperation of the company bodies is improved and efficient controlling by company management is guaranteed. In maintaining Corporate Governance principles CropEnergies sees a significant medium to reinforce the confidence of the investor, client, employee and public in the management and supervision of the company.

**Corporate Governance Codex** | The code which was legislated in 2002 provides the essential legal provisions for the management and supervision of German listed companies (corporate management) and furthermore incorporates international and national recognised standards of good and responsible corporate management. Each year all German listed companies are legally bound to declare, to what extent the recommendations were and are met.

**CropEnergies AG** | A member of the Südzucker Group and one of the largest bioethanol producers in Europe. C. produces bioethanol for the fuel market from bio-masses (grains and sugar-containing juices). Since September 2006 it has been listed in the Prime Standard on the Frankfurt Stock Exchange.

**CropPower85** | Brand name of a fuel of CropEnergies AG for Flexible Fuel Vehicles, C. consists of 85% bioethanol, to which 15% of petrol are added.

**DAX®/MDAX®** | German share index/Midcap DAX®. In the German share index which was set up in 1998 the 30 most important German shares in respect of market capitalisation and order book volume are listed. The DAX® is thus the leading share index of the German stock market. The MDAX®, in which Südzucker AG is also listed, includes 50 other shares primarily from classic sectors, which rank below the DAX® values under the preceding criteria and rather reflect the price performance of medium-sized companies (midcaps).

**DDGS (Distillers' Dried Grains with Solubles)** | Dried → stillage, protein animal feed and by-product made during bioethanol production using grain.

**Derivate** | **Derivate financial instrument** | Financial products, the market value of which can be either de-

rived from classic basic instruments such as shares or raw materials or from market prices such as interest rates or exchange rates. Derivates exist in a multitude of forms such as forward trading, options or futures.

**Distillation** | Separation of liquids which consist of different ingredients, by mean of controlled heating, e.g. fractional distillation of crude oil (petroleum) or separation of alcohol and water. This separation process is based on the various boiling points of the compound ingredients. "Dry" distillation of wood leads to "wood alcohol" (Methanol).

**Distillers' (...) a) Dried Grains (DDG), b) Dried Grains with Solubles (→ DDGS) and c) Dried Solubles (DDS)** | Various composite dried → stillage components. Secondary feedstuff product from the alcohol production process.

**E5** | Fuel for petrol engines which is made up of 5% bioethanol and 95% of petrol. Pursuant to Standard DIN EN 228 approved in Europe for conventional petrol engines.

**E10** | Fuel from 90% of petrol and 10% of bioethanol. A standard based on fuel standard DIN EN 228 which will allow a 10% of bioethanol quota in petrol is currently being developed.

**E85** | Special workable fuel for → FFVs, which consists of approx. 85% of bioethanol, to which approx. 15% of petroleum is added. In line with the European preliminary standard (CEN workshop agreement) CWA 15293:2005 seasonal different percentages are allowed, as long as the bioethanol proportion amounts to at least 70%. CropEnergies produces and distributes the quality fuel → CropPower85 throughout Germany.

**Earnings per share** | The results allocated to the shareholders of CropEnergies AG after tax, which is allotted to one share. Earnings per share is calculated as a proportion of the annual profit after minority interests in ratio to the number of shares found on average in circulation in the financial year.

**Earnings before interest and taxes (EBIT)** | Figure which measures the operative earning power of a compa-





ny by eliminating tax expenses and financial results from the annual profit. The EBIT has a special importance attached to it for the comparison of companies, which report different financial structures or do not use comparable tax systems. The "Income from operations" reported by CropEnergies largely corresponds to the definition of the EBIT.

**EBIT** | → Earnings Before Interest and Taxes

**Emission** | (lat. *emittere* = issue) issue of new securities, particularly shares and bonds. The issue price is the offering price.

**Emissions** | Any type of emission of solid, liquid or gas type substances, noise, odour, radiation, vibrations etc into the environment. In most cases harmful substances (waste gas, exhaust air, waste water, solid or waste, electrosmog, radioactivity etc.) come from industrial plants. In contrast to immissions e. always relate to a certain source which emits harmful substances. According to the definition of §3 BimSchG (German immission control act):

- Emissions for the purposes of this law are air pollutants, noises, vibrations, light, heat, radiation and similar aspects which emanate from a plant.
- Air pollutants for the purpose of this law are changes in the natural composition of the air, in particular by fumes, soot, dust, gas, aerosols, steam or odours.

**Enzyme** | A protein which can have catalyst effect on a chemical reaction.

**ETBE** | Abbreviation for ethyl tertiary butyl ether. E. is a petrol additive component and is used to improve the anti-knock properties of the fuel. It consists of 47% of bioethanol and up to a 15 vol.-% proportion can be added to the petrol within the framework of the applicable standard DIN EN 228. ETBE today partly replaces anti-knock agent methyl tertiary butyl ether (→ MTBE) which has been forbidden in parts of the USA mainly due to environmental and health reasons.

**Ethanol** | Old designations ethyl alcohol. Formula  $C_2H_5OH$ ;

main product of alcohol fermentation. Main component of spirits and alcohol beverages. Used as fuel additive (→ Bioethanol) and as an exclusive fuel.

**Ethylalcohol** | → Ethanol

**Fermentation** | Process for the production of substances with the aid of micro organisms (bacteria, fungi, yeasts) on a technical scale. Examples are bioethanol production, biogas production, biological waste water treatment.

**FFV** | Flexible-Fuel-Vehicles. FFV vehicles are "fuel flexible", that is to say they can be fuelled with both pure petrol and up to 85% of bioethanol. They have one tank and detect the compound ratio of bioethanol and petrol by means of a sensor. An engine control mechanism adjusts the ignition points automatically to the composition of the mixture.

**Hydrocarbons** | Chemical compounds of carbon (C) and water (H). Petrol, diesel fuel and heating oil are such "hydrocarbon substances". In today's vehicle traffic sector special attention is given to hydrocarbon fuel components which are unburned and changed by partial burning processes because of their hazards to health and the environment.

**IAS (International Accounting Standards)** | International accounting standards, laid down by the International Accounting Standards Board (IASB), an independent and privately financed committee set up in London in 1973. CropEnergies AG drew up its group accounts in line with the provisions of the IAS. The IAS are also incorporated in the IFRS which have been binding since 2005.

**IFRS (International Financial Reporting Standards)** | International accounting standards, the principles which have been binding since 2005 for drawing up company accounts of all listed European companies. Consequently a reinforced level of compliance of international accounting standards and improved comparability of the accounts of capital market oriented companies is ensured. The IFRS incorporate and supplement the International Accounting Standards (IAS) which were laid down back in 1973.



**Knocking** | Combustion damage due to igniting the residual gases not yet combusted in the engine cylinder, too quickly in an undesirable manner. This leads to a pressure increase which is too high and can lead to audible knocks in the case of lower engine revs or non-audible (so-called high speed knocks) for higher engine revs.

**LAB** | Landwirtschaftliche Biokraftstoffe e.V. (German agricultural fuels association); The purpose of the LAB e.V. is to promote the production and utilisation of biofuels which have been obtained from biomasses (bioethanol in particular).

**MTBE** | Abbreviation for methyl tertiary butyl ether. A colourless, volatile liquid with characteristic ether smell. As a steam-air compound it ignites easily and is explosive. M. was mainly used in petrol as an anti-knock agent; nowadays it is mainly replaced by → ETBE in the USA M. has been prohibited in the majority of US-states due to environmental and health reasons.

**Multifeedstock** | Means that a plant can operate on several raw materials.

**Octane numbers (ON)** | Figures of the → anti-knock properties of petrol and additives, recorded in the single engine test bench. High anti-knock properties of alcohol can at best be exploited by adjusted engine concepts with higher level of compression. In this respect certain water content levels are even advantageous in terms of anti-knock properties.

**Options** | → Derivates, with which the purchaser acquires the right to buy (Call-Option) or sell (Put-Option) an asset, such as a share in the future. Since the buyer in contrast to the seller of an option does not enter a commitment save for the payment of the option premium (so-called option writer) it concerns a contingent future option in this case. Options in addition to assets can be closed at market prices such as foreign exchange rates or interest rates or for example also on agrarian raw materials.

**P/E Ratio (price/earnings ratio)** | Important key figures for the stock market valuation of shares, in partic-

ular for the comparison of companies with similar company profiles within a sector (comparative company) The price/earning ratio is calculated by the stock market price in proportion to earnings per share. At the same the P/E ratio is calculated as a quotient from market capitalisation and annual profit after minority interests. A share tends to be favourable with a lower P/E ratio when comparing the averages of comparative companies, and is assessed as unfavourable with a higher P/E ratio.

**Petrol** | 1. Collective term for hydrocarbons from crude oil, with a boiling point between 35 and 210 °C. 2. Formal designation for normal (regular) and super (premium) petrol for carburettors and injection engines with externally supplied ignition. Quality requirements stipulated in DIN 51 607.

**ProtiGrain®** | Brand name for high-grade protein animal feed which is produced and marketed by CropEnergies, which comes into being from bioethanol production from grain.

**Rectification** | Purification and concentration of alcohol (pure spirits). General process for the fortification of a substance made from a mixture of materials by means of multiple distillation process and counter-flow control of steam and liquid.

**Refinery** | Plant in which crude oil is converted into marketable mineral oil products.

**Renewable energies** | Regenerative energies which in comparison to fossil energy sources are in theory in unlimited supply. The three groups, heat, power and fuels are differentiated, which may be sub-divided in turn again.

**Saccharification** | Saccharification of starches or other carbohydrates (→ cellulose) with enzymes, barley malt or acids into fermentable monosaccharide.

**Stillage** | By-product in ethanol production; is high-grade animal feed for livestock due to its protein, nitrogen compounds and fat contents (→ ProtiGrain®).



**Sugar beet** | Belongs to the botanical family of the fox-tail plant, cultivated in Germany for more than 200 years. 45% of sugar production is based on it on a global scale.

**Sugar cane** | Belongs to the botanical family of grasses, an agricultural crop used for thousands of years. Today the most important agricultural crop for sugar production (around 55% of total sugar production world-wide).

**TecDAX®** | TecDAX® is the select index of the German Stock Exchange for medium sized companies (midcap) in the technology sector. As a select index it is ranked immediately below the DAX® and includes 30 prices, which are admitted in the "Prime Standard" sub-section of the Official Market or Regulated market.

**Vinasse** | Commonly used term in the trade for molasses residue from various types of processes, in particular fermentation into alcohol, yeasts, citric acids propionic acids. Used as fertiliser and in the multifeed industry. (→ stillage, → Distillers').

**Volume percent (Volume concentration)** | Written "vol.-%" for 20°C or v/v.

**Working Capital** | Difference between current assets and short-term, non-interest bearing liabilities. Working Capital includes inventories, receivables and other assets less trade payables, other current, non-interest bearing liabilities and short-term provisions. The value expresses to which extent a company ties up capital for generating profit.

**Yeasts (Saccharomycetes)** | Fungi which are wide spread in the wild. For alcoholic fermentation so-called fermenting yeasts = culture yeasts (*Saccharomyces cerevisiae*, brewing, distilling and baking yeasts) are used.

## DISCLAIMER

### Future-oriented statements and forecasts

This annual report contains statements which are forward-looking based on assumptions and estimations of the executive board of CropEnergies AG. Even if the executive board is convinced that these assumptions and plans are appropriate actual future developments and results may deviate considerably from these assumptions and estimations due to a multitude of internal and external factors.

This includes for instance changes to the overall economic situation and regulatory framework conditions and the performance of raw material and oil prices.

CropEnergies assumes no guarantee or liability that future development and actual results achieved in the future will conform to the assumptions and estimations made in this annual report.



## Financial Calendar

---

1st quarterly report 2007/08	12 July 2007
Annual general meeting financial year 2006/07	17 July 2007
2nd quarterly report 2007/08	11 October 2007
3rd quarterly report 2007/08	15 January 2007
Annual report press and analysts' conference financial year 2007/08	15 May 2008

---

## Contact

CropEnergies AG  
Gottlieb-Daimler-Straße 12  
68165 Mannheim

Tobias Erfurth  
Investor Relations  
Phone: +49 (621) 714190-30  
Fax: +49 (621) 714190-03  
[ir@cropenergies.de](mailto:ir@cropenergies.de)

Nadine Dejung  
Public relations/Marketing  
Phone: +49 (621) 714190-65  
Fax: +49 (621) 714190-04  
[presse@cropenergies.de](mailto:presse@cropenergies.de)

<http://www.cropenergies.com>

Mannheim Trade Register: HRB 700509

