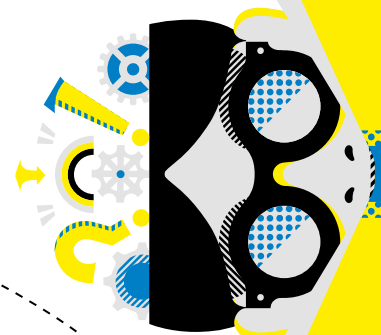
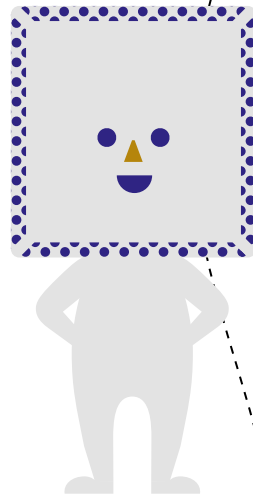
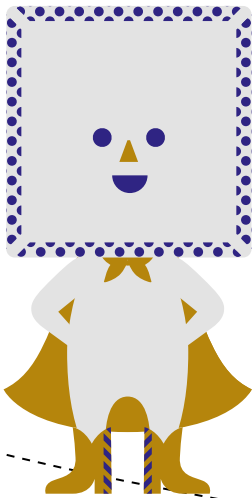
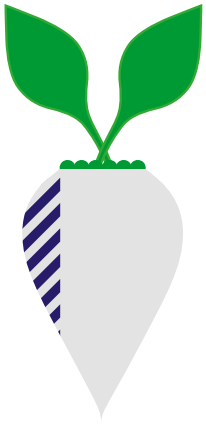


# ANNUAL REPORT 2017/18

SÜDZUCKER AG



SÜDZUCKER

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# SÜDZUCKER AG

## COMPANY PROFILE

We are a reliable supplier of high quality food and animal feed, as well as bioethanol, all of which we produce for our customers in large-scale volumes from a wide variety of agricultural raw materials.

Our aim is to grow profitably without compromising our ecological and social responsibilities. Our policies enable us to sustainably boost shareholder value.

Südzucker has evolved from the position of a regional sugar producer to that of a multinational corporation, and with its sugar, special products, CropEnergies and fruit segments, is one of the most significant food industry companies.

In the traditional sugar business, the group is Europe's number one supplier of sugar products, with 29 sugar factories and two refineries, extending from France in the west via Belgium, Germany and Austria, through to Poland, the Czech Republic, Slovakia, Romania, Hungary, Bosnia, and Moldova in the east. The special products segment, consisting of the functional food ingredients for food and animal feed (BENEO) division, as well as chilled / frozen products (Freiberger), portion packs (PortionPack Europe) and starch divisions, conducts business in high-growth dynamic markets. The CropEnergies segment is responsible for the bioethanol activities in Germany, Belgium, France and Great Britain. The group's fruit segment operates globally, is the world market leader for fruit preparations and is a leading supplier of fruit juice concentrates in Europe.

Our success is based on our core competencies, above all our broad-based expertise in the large-scale conversion of a wide variety of agricultural raw materials into high-quality products, especially into food for industrial customers and end users, but also animal feed ingredients and other byproducts. Our marketing focuses on business-to-business clients. A strong ownership structure provides a reliable framework for the company's development.

## GROUP 2017/18

€ **6,983** [6,476] million  
CONSOLIDATED GROUP  
REVENUES

€ **445** [426] million  
GROUP CONSOLIDATED  
OPERATING RESULT

€ **693** [634] million  
CASHFLOW

€ **793** [493] million  
INVESTMENTS, thereof

€ **361** [329] million  
INVESTMENTS IN  
FIXED ASSETS

**6.7** [7.1] %  
ROCE

€ **6.6** [6.0] billion  
CAPITAL  
EMPLOYED

€ **843** [413] million  
NET FINANCIAL DEBT

**18,515**  
EMPLOYEES

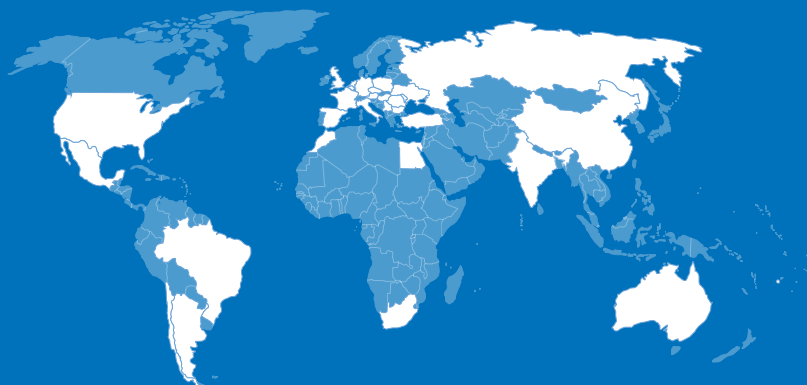
## OUTLOOK 2018/19

€ **6.8 to 7.1** billion  
CONSOLIDATED GROUP  
REVENUES expected

€ **100 to 200** million  
OPERATING RESULT  
expected

CAPITAL EMPLOYED  
to rise slightly;  
ROCE to decrease.

About **100**  
PRODUCTION LOCATIONS  
in 32 countries



■ Südzucker Group worldwide

## SUGAR

€ **3,017** [2,776] million  
REVENUES

€ **139** [72] million  
OPERATING  
RESULT

€ **3,299** [3,169] million  
CAPITAL EMPLOYED

**4.2** [2,3] %  
ROCE



EUROPEAN  
MARKET LEADER

**36.0** million tonnes  
BEETS PROCESSED

**5.9** million tonnes  
SUGAR PRODUCED  
(incl. raw sugar refining)

**29**  
SUGAR FACTORIES

9 Germany  
2 Belgium  
4 France  
5 Poland  
2 Moldova  
2 Austria  
1 Romania  
1 Slovakia  
2 Czech Republic  
1 Hungary

**2**  
REFINERIES  
1 Bosnia-Herzegovina  
1 Romania

## SPECIAL PRODUCTS

€ **1,997** [1,819] million  
REVENUES

€ **158** [184] million  
OPERATING  
RESULT

€ **2,055** [1,499] million  
CAPITAL EMPLOYED

**7.7** [12.2] %  
ROCE



Functional ingredients for food,  
animal feed, non-food and  
pharmaceuticals

Frozen and chilled pizza as  
well as frozen pasta dishes  
and snacks

Portion packs

Starch for food  
and non-food sectors as well  
as bioethanol

**26**

PRODUCTION-  
LOCATIONS

6 Germany  
2 Belgium  
2 Great Britain  
1 Italy  
2 Netherlands  
4 Austria  
1 Romania  
1 Spain  
1 Czech Republic  
1 Chile  
5 United States

## CROPENERGIES

€ **808** [726] million  
REVENUES

€ **72** [98] million  
OPERATING  
RESULT

€ **452** [479] million  
CAPITAL EMPLOYED

**15.9** [20.4] %  
ROCE



One of the leading European manu-  
facturers of sustainably produced  
bioethanol, predominantly for the  
fuel sector

ANNUAL PRODUCTION  
CAPACITY:

**1.2** million m<sup>3</sup>  
BIOETHANOL

Factory for production  
of food carbon dioxide

**4**

PRODUCTION-  
LOCATIONS

1 Germany  
1 Belgium  
1 France  
1 Great Britain

## FRUIT

€ **1,161** [1,155] million  
REVENUES

€ **76** [72] million  
OPERATING  
RESULT

€ **844** [866] million  
CAPITAL EMPLOYED

**9.0** [8,3] %  
ROCE



**WORLD MARKET LEADER**  
in fruit preparations for international  
food companies (e.g. dairy, ice cream  
and baked goods industries) and leading  
producer of fruit juice concentrates  
in Europe

**42**

PRODUCTION-  
LOCATIONS

2 Austria  
2 Germany  
2 France  
7 Poland  
1 Romania  
1 Russia  
1 Serbia  
1 Turkey  
3 Ukraine  
4 Hungary  
1 Egypt  
2 Argentina  
1 Australia  
1 Brazil  
2 China  
1 Fiji  
1 India  
2 Morocco  
1 Mexico  
1 South Africa  
1 South Korea  
4 United States

## KEY FIGURES

		2017/18	2016/17	2015/16	2014/15	2013/14
<b>Revenues and earnings</b>						
Revenues	€ million	6,983	6,476	6,387	6,778	7,533
EBITDA	€ million	758	709	518	453	889
EBITDA margin	%	10.8	10.9	8.1	6.7	11.8
Operating result	€ million	445	426	241	181	622
Operating margin	%	6.4	6.6	3.8	2.7	8.3
Net earnings	€ million	318	312	181	74	387
<b>Cash flow and investments</b>						
Cash flow	€ million	693	634	480	389	697
Investments in fixed assets <sup>1</sup>	€ million	361	329	371	386	377
Investments in financial assets/acquisitions	€ million	432	164	0	1	22
Total investments	€ million	793	493	371	387	399
<b>Performance</b>						
Fixed assets <sup>1</sup>	€ million	3,260	2,972	2,869	2,832	2,699
Goodwill	€ million	1,390	1,191	1,145	1,145	1,145
Working capital	€ million	1,888	1,737	1,665	1,787	1,916
Capital employed	€ million	6,650	6,012	5,791	5,877	5,873
Return on capital employed	%	6.7	7.1	4.2	3.1	10.6
<b>Capital structure</b>						
Total assets	€ million	9,334	8,736	8,133	8,474	8,663
Shareholders' equity	€ million	5,024	4,888	4,473	4,461	4,625
Net financial debt	€ million	843	413	555	593	536
Net financial debt to cash flow ratio		1.2	0.7	1.2	1.5	0.8
Equity ratio	%	53.8	56.0	55.0	52.6	53.4
Net financial debt as % of equity (gearing)	%	16.8	8.4	12.4	13.3	11.6
<b>Shares</b>						
Market capitalization	€ million	3,014	4,921	3,834	2,782	4,114
Total shares issued as of 28/29 February	Millions of shares	204.2	204.2	204.2	204.2	204.2
Closing price on 28/29 February	€	14.76	24.10	13.88	13.63	20.15
Earnings per share	€	1.00	1.05	0.53	0.10	1.37
Dividend per share <sup>2</sup>	€	0.45	0.45	0.30	0.25	0.50
Yield as of 28/29 February	%	3.0	1.9	2.2	1.8	2.5
<b>Employees</b>		<b>18,515</b>	<b>16,908</b>	<b>16,486</b>	<b>17,231</b>	<b>18,186</b>

<sup>1</sup> Including intangible assets.

<sup>2</sup> 2017/18: Proposal.

TABLE 001

### Revenues by segment

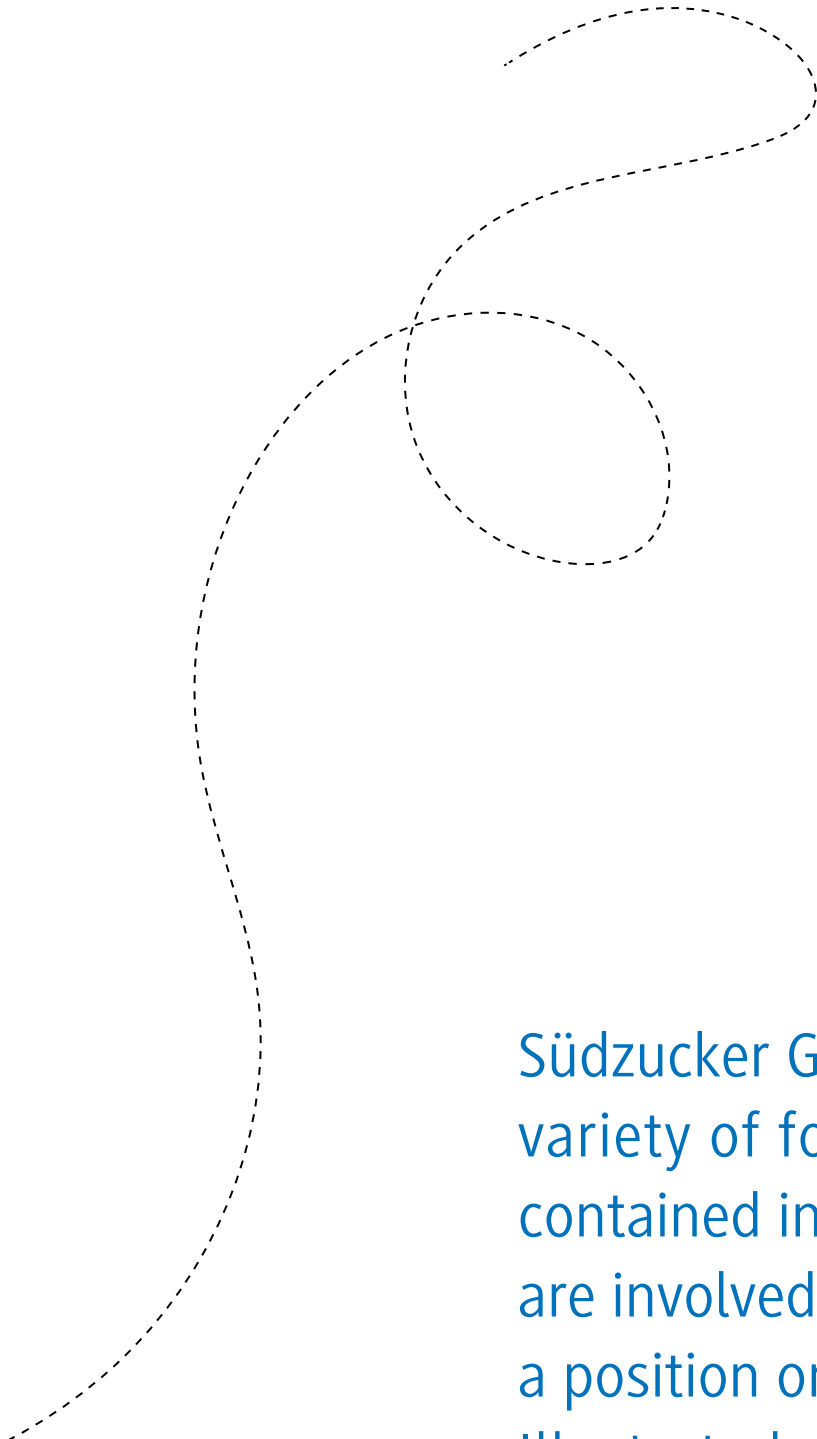
€ million	2017/18	2016/17	+/- in %
Sugar	3,017	2,776	8.6
Special products	1,997	1,819	9.8
CropEnergies	808	726	11.4
Fruit	1,161	1,155	0.5
<b>Group total</b>	<b>6,983</b>	<b>6,476</b>	<b>7.8</b>

### Operating result by segment

€ million	2017/18	2016/17	+/- in %
Sugar	139	72	89.7
Special products	158	184	-14.0
CropEnergies	72	98	-26.5
Fruit	76	72	5.3
<b>Group total</b>	<b>445</b>	<b>426</b>	<b>4.2</b>

TABLE 002

TABLE 003



Südzucker Group produces a wide variety of foods and products contained in foods, that's why we are involved in nutrition and take up a position on common prejudices. Illustrated cards with information and tips about sugar and nutrition can be found at the end of the first chapter.



Read  
more about  
starting on  
page 18

# TO OUR SHAREHOLDERS

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- 18 OUR FOCUS: SUGAR AND NUTRITION



MANNHEIM, 23 APRIL 2018

Dear Shareholders,

*Südzucker AG is looking back on an eventful fiscal year 2017/18, and one that will be at least as eventful has begun. This includes on the one hand routine attacks on our product sugar, by almost all media channels – newspapers, television and social media – and on the other, a completely changed market environment for the sugar segment, with dramatically lower sugar prices. At first glance, this is not yet apparent from the numbers for the fiscal year just ended: group consolidated earnings rose substantially, to € 7.0 (6.5) billion, and the operating result of € 445 (426) million is also higher than last year.*

*Based on this result, we – together with the supervisory board – will recommend that the dividend paid remain unchanged at € 0.45 per share. We have thus maintained a consistent, long-term corporate development-oriented dividend policy.*

*Let us now turn to the **sugar segment**:*

*Over the past few years we have prepared well for the – we believe historic – upheaval in the European sugar market. Minimum beet price and production quota regulations were eliminated on 1 October 2017 and so we have been operating under new market conditions for almost half a year.*

*Instead of minimum beet prices, we now have a flexible beet procurement contract and payment system, which we developed together with beet growers, and which has been well accepted right from the start. For the 2017 campaign, we increased the year-over-year group-wide beet cultivation area by about 16 %. We had to do this in order to achieve our objective of better loading our sugar factories, thereby cutting our fixed costs per tonne of sugar. With an average campaign duration of 133 (107) campaign days and a record beet sugar production volume of 5.7 (4.4) million tonnes, we more than reached our goal.*

*Managing a 30 % year-over-year increase in sugar volume – from the field right to the end customer – required extraordinary efforts along the entire value chain; from beet growing through production, sales and logistics. Once again, we can be very proud to confirm the impressive performance of our beet growers and employees.*

*Now that production quotas are a thing of the past, we have new opportunities to export sugar, and we must take advantage of these. To do so, we have identified attractive markets; among others, the Middle and Near East, North and West Africa, Eastern Europe and Central Asia. The Far East also always presents an opportunity. We have established a multinational distribution organization to manage this side of our business. Named Global Markets, it has passed its first practical test and significantly driven exports. To enhance our volume management, we have also rented silo storage capacities at European harbors, additional warehouses for packaged goods and leased block trains designated specifically for Südzucker. From mid-September 2017 to the end of January 2018, we shipped large volumes of bulk sugar by rail to various seaport terminals in France, Belgium, Germany and Poland. Most of this sugar originated in Belgium's and Germany's sugar factories.*

*The experience gained during the last campaign is now helping us prepare for the next campaign, for which we have fortunately been able to sign contracts for a beet volume equal to that in 2017. We are also playing close attention to transport capacities so that we are able to secure adequate shipping capabilities for the sugar we produce early and boost loading flexibility.*

*As expected, all other European sugar producers also expanded production. But above all, most other regions around the world – especially India – were able to boost production, weather conditions permitting. As a result, after two years of declining world market inventories, sugar stocks began rising again as more sugar is produced than consumed. These additional volumes drive down world market and European price levels. Nonetheless, we regard this new situation as an opportunity and above all, a chance to show our customers around the world that we are a reliable partner. At the same time, we continue to work on strengthening our European market position.*

*Expressed in numbers, we increased the sugar segment's revenues to € 3,017 (2,776) million and nearly doubled the operating result to € 139 (72) million. The sugar price collapse mentioned earlier did not impact the results until the second half of fiscal 2017/18, but will weigh especially heavily on this fiscal year's result.*

*Current public perception is that our product sugar is to blame for almost all health problems. Our message is that overweight and societal illnesses are caused, not by a sole food ingredient such as sugar, but instead by a diet where more calories are taken than the body consumes. There are multiple reasons why more and more people in*

modern society have difficulties maintaining precisely this balance, which is why any approach that focuses on blaming a single food ingredient for obesity will necessarily fail. Traffic light labeling, sugar taxes or similar schemes will not produce the desired results. The cards inserted at the back of this report rebut conventional wisdom about sugar and diet in a light-hearted fashion.

The **special products segment**'s growth was driven by the Freiberger Group acquisitions. Freiberger's takeover of HASA GmbH in Burg, Saxony-Anhalt, Germany positions it to increase its share of the stone oven pizza market in Europe, which continues to expand. The acquisition of US-American company Richelieu Foods Inc. has enabled Freiberger to enter the US market. With five production locations, it is the country's market leader in the private label pizza sector. The private label market share of the total market in the United States is still very small compared to Europe and offers growth opportunities.

As expected, higher raw material prices in all of the division's segments caused its operating result of € 158 (184) million to be significantly lower than last year's strong posting, despite having generated higher revenues of € 1,997 (1,819) million.

Higher raw material prices also had a very noticeable impact on **CropEnergies**. Combined with falling ethanol prices in the second half of the fiscal year, they drove the operating result down significantly, to € 72 (98) million. We are pleased that the plants performed well, production and sales volumes rose and that the segment was able to generate significantly higher revenues of € 808 (726) million.

The **fruit segment** continued to grow and expanded successfully in India and China. At the same time, the strategy to gain further market shares literally bore fruit. Overall, the fruit segment reported slightly higher revenues of € 1,161 (1,155) million and an operating result of € 76 (72) million. It could have been even better, had there not been a historically poor apple harvest in Europe with correspondingly high prices, which led to significant underutilization of our European fruit juice factory capacities.

Dear shareholders, this completes my brief review of the fiscal year just ended. Let us now have a look at the current fiscal 2018/19 year.

*Based on developments in the sugar segment since October 2017, we can already anticipate that fiscal 2018/19 will be a difficult year for this segment. Sugar production around the world has grown at a faster pace than consumption, the euro to dollar exchange rate is very unfavorable for us and world market and European sugar prices are currently only heading in one direction: down. In fact, the EU sugar price slid to a historic low at the beginning of calendar 2018.*

*However, we believe that at current world market price levels, many producers cannot be profitable, so volume and price adjustments are only a matter of time, especially since annual global demand for sugar continues to grow.*

*Even though this dramatic price collapse was not foreseeable, the general situation does not surprise us. You may recall that as early as in 2013, when the EU announced its decision to eliminate the EU sugar quota system, we communicated that we would face a transition phase of at least two years following October 2017. Accordingly, we continue to pursue our programs of cutting costs and boosting efficiency along the entire value chain.*

*An important success factor for our group is forward-looking investment in capacity expansion, new plants and logistics projects; for example, the bioethanol plant expansion in Zeitz, Germany, construction of a second fruit preparation factory in China and the wheat starch plant expansion in Pischelsdorf.*

*Our diversification strategy will pay off. We are forecasting higher results for the fruit and special products segment. Although these will not offset declines in the sugar and CropEnergies segment, they will at least mitigate them. We currently expect the consolidated group operating result to range between € 100 and 200 million. As in other years, the result will be influenced by strong volatility in the sugar and ethanol markets.*

*Südzucker's share price reflects these expectations and forecasts. The declining value of the stock also impacted the company's market capitalization and thus our MDAX® listing. Even though an index listing has no immediate impact on our business operations, we regret that Südzucker shares were demoted from the MDAX® to the SDAX® in March of this year.*

*It remains essential that Südzucker maintain its outstanding reputation and excellent access to capital markets. This applies to both equity and debt capital. The confidence of the capital markets in the future growth of our company can also be seen in the successful placement of a € 500 million bond in fall 2017 with an interest rate of just one percent.*

*More than ever, we need committed and motivated employees who are prepared to take on the challenges with us, so that we may guide the company through these difficult times. We greatly appreciate the work done last fiscal year and at this juncture would like to thank all of our employees.*

*Honored shareholders, the same way we are counting on our committed employees during the difficult times ahead for our company, we trust in your loyalty and thank you for your solidarity.*

*Yours truly,*

*Südzucker AG  
Executive board*



**DR. WOLFGANG HEER**  
CHAIRMAN



**DR. THOMAS KIRCHBERG**



**THOMAS KÖLBL**



**JOHANN MARIHART**

## EXECUTIVE BOARD\*



**DR. WOLFGANG HEER**  
LUDWIGSHAFEN AM RHEIN, GERMANY  
CHAIRMAN

Initial appointment: 1 March 2008  
Chairman since 20 November 2012  
Term ends: 28 February 2021

Born in 1956. Enrolled at the University of Karlsruhe, Germany in 1978 to study industrial engineering. Began his career at the headquarters of Süddeutsche Zucker-Aktiengesellschaft in Mannheim, Germany in 1987. Appointed as a founding member of the management board of Südzucker GmbH, Zeitz, Germany in 1991. Named head of Südzucker AG corporate business administration department in 1995. Chairman of Freiburger Lebensmittel GmbH in Berlin, Germany since 1997. Speaker of Südzucker AG's executive board from 2009 to 2012 and CEO since 2012.

### PORTFOLIOS

- Sales
- Strategy
- Public relations
- Compliance
- Human resources
- Organisation/IT
- Audit
- Quality management
- Convenience Food/Functional Food



**DR. THOMAS KIRCHBERG**  
OCHSENFURT, GERMANY

Initial appointment: 1 September 2007  
Term ends: 31 August 2022

Born in 1960. Enrolled in agricultural studies in Göttingen, Germany. Joined Südzucker AG in Ochsenfurt, Germany in 1989. Appointed acting manager of the central region in 1991 and manager in 1995. Appointed chairman of Südzucker International in 1997 and a year later, also took responsibility for Moldova. Named speaker of the executive board of Südzucker Polska in 2004. Member of Südzucker AG's executive board since September 2007.

### PORTFOLIOS

- Agricultural commodities
- Production
- Research & Development
- By-products
- Farms



**THOMAS KÖLBL**  
SPEYER, GERMANY

Initial appointment: 1 June 2004  
Term ends: 31 May 2019

Born in 1962. Started his career as an industrial business manager, then enrolled in business administration at the University of Mannheim, Germany. Joined Südzucker in 1990. Director of strategic corporate planning, corporate development and investments prior to being appointed to the executive board in 2004. Member of the executive board of AGRANA Beteiligungs-AG since 2005.

#### PORTFOLIOS

- Finance/accounting
- Controlling
- Investor relations
- Legal issues
- Taxation
- Procurement
- Property/insurance
- Bioethanol (CropEnergies)



**JOHANN MARIHART**  
LIMBERG, AUSTRIA

Initial appointment: 31 January 1994  
Term ends: 31 January 2019

Born in 1950. Studied engineering chemistry at the Vienna University of Technology, majoring in biotechnology and food chemistry. Started his career at a pharmaceutical company before joining AGRANA in 1976 at its Gmünd starch factory. Member of the executive board of AGRANA Beteiligungs-AG since 1988 and chairman since 1992. Member of Südzucker AG's executive board since 1994, responsible for the portfolios within the AGRANA Group.

#### PORTFOLIOS

- Sugar (AGRANA)
- Starch (AGRANA)
- Fruit

\* Other board memberships are listed starting on page 184 of the annual report.

# SUPERVISORY BOARD\*

## DR. HANS-JÖRG GEBHARD

Chairman  
Eppingen, Germany  
Chairman of the Association of  
Süddeutsche Zuckerrübenanbauer e. V.

## FRANZ-JOSEF MÖLLENBERG\*\*

First Deputy Chairman  
Rellingen, Germany  
Former chairman of the Food, Beverages  
and Catering Union

## ERWIN HAMESEDER

Second Deputy Chairman  
Mühldorf, Austria  
Chairman of Raiffeisen-Holding  
Lower Austria – Vienna reg. Gen. m.g.H.

## THOMAS BERNHARD\*\*

Wunstorf, Germany  
Trade union secretary of the Food,  
Beverages and Catering Union

## DR. MELANIE FRERICHS\*\*

Hamburg, Germany  
Divisional officer of the Food, Beverages  
and Catering Union

## HELMUT FRIEDL

Egling a. d. Paar, Germany  
Chairman of the Association of  
bayerische Zuckerrübenanbauer e. V.

## ULRICH GRUBER\*\*\*

Plattling, Germany  
Chairman of the works council of the  
Plattling factory

## VERONIKA HASLINGER

Vienna, Austria  
Managing Director of Raiffeisen-Holding  
Lower Austria – Vienna reg. Gen. m.g.H.

## RALF HENTZSCHEL

Panschwitz-Kuckau, Germany  
Chairman of the Association of  
Sächsisch-Thüringische  
Zuckerrübenanbauer e. V.

## GEORG KOCH

Wabern, Germany  
Chairman of the Association of  
Zuckerrübenanbauer Kassel e. V.

## SUSANNE KUNSCHERT

Stuttgart, Germany  
Managing director of  
Pilz GmbH & Co. KG

## JULIA MERKEL

Wiesbaden, Germany  
Member of the executive board of  
R+V Versicherung AG

## ANGELA NGUYEN\*\*

Biederitz, Germany  
Deputy chairwoman of the works council of  
Freiberger Osterweddingen GmbH & Co. KG

## ULRIKE RÖSCH\*\*

Bellheim, Germany  
Deputy chairwoman of the works council at  
the Mannheim headquarters of  
Südzucker AG

## JOACHIM RUKWIED

Eberstadt, Germany  
Chairman of the  
German Farmers' Association

## NADINE SEIDEMANN\*\*

Donauwörth, Germany  
Member of the works council  
at the Rain factory of  
Südzucker AG

## DR. STEFAN STRENG

Uffenheim, Germany  
Chairman of the executive board of Verband  
Fränkischer Zuckerrübenanbauer e. V.

## FRANZ-RUDOLF VOGEL\*\*

Worms, Germany  
Chairman of the central works council  
of Südzucker AG

## WOLFGANG VOGL\*\*

Bernried, Germany  
Manager of the  
Plattling and Rain factories of  
Südzucker AG

## ROLF WIEDERHOLD\*\*

Wabern, Germany  
Chairman of the works council at the  
Wabern factory of  
Südzucker AG

\* Other board memberships are listed starting on page 182 of the annual report.

\*\* Employee representative.

\*\*\* As of 1 May 2018, the employee representative Mr. Ulrich Gruber will succeed Mr. Günter Link, Chairman of the works council at the Ochsenfurt factory of Südzucker AG, who is retiring.



# REPORT OF THE SUPERVISORY BOARD

*Sehr geehrte Damen und Herren,*

Many of you know and have remained loyal to “your” Südzucker for years, if not decades. During that time, we repeatedly had to contend with radical changes - last year it was the elimination of minimum beet prices and sugar production quotas. In order to be prepared for this new situation in its core sugar business, Südzucker strengthened its market position and competitiveness – both in the European market and internationally.

The supervisory board monitored this program, which has been ongoing for a number of years, as well as other initiatives to grow both organically and through targeted acquisitions, not only in Europe but also globally. Current examples include capacity expansions in various business areas, as well as acquisitions by the Freiburger division and fruit segment.

There have also been changes to the supervisory board. New supervisory board members include two new shareholder representatives and five representatives from the employees and their union. This will enable us to build on a proven mix of continuity and new expertise.

Notwithstanding all of the changes reported, we were again able to continue to work on the basis of mutual trust and in the spirit of a goal-oriented team with the executive board in fiscal 2017/18, and were able to discuss in depth and implement key decisions, particularly during the current phase of the company’s development. In doing so, we concentrated on the tasks for which we are responsible by law, the company’s articles of association and the rules of procedure: to monitor and advise the executive board in the latter’s management of the company.

The supervisory board was directly involved in all decisions of material importance affecting Südzucker Group and was continuously advised in detail and in a timely manner on all issues related to corporate planning and further strategic development, business activities, the status and development of Südzucker Group including risk situation, as well as risk management and compliance.

The executive board updated the supervisory board at all meetings on the course of business as well as the company’s situation, and in between meetings informed the supervisory board about the current developments and important business dealings. The executive board reports were mainly updates about the company’s situation and development, corporate policy and profits as well as Südzucker AG’s and Südzucker Group’s corporate, treasury, investment, research and personnel budgets. In addition, the supervisory board chairman took part in executive board meetings and was informed by the CEO in several working meetings about all important business activities.

## Supervisory board meetings and decisions

The supervisory board met with the executive board at five ordinary meetings and one extraordinary meeting in fiscal 2017/18. Three supervisory board decisions were also adopted by written procedure. The supervisory board approved all of the executive board’s decisions after a thorough review and discussions during the meeting.

On **2 May 2017**, the supervisory board approved by written procedure the Freiburger acquisition of German frozen pizza producer HASA GmbH Germany, and a property purchase.

The meeting regarding the balance sheet on **17 May 2017** dealt with the audit and endorsement of Südzucker AG’s financial statements and the consolidated financial statements dated 28 February 2017. The auditor reported on the material findings and results of the audit, which included the accounting-system-related internal control systems. The board followed the executive board’s proposal for the appropriation of retained earnings and approved the supervisory board report. The board also made preparations for the 2017 annual general meeting and adopted the agenda and proposed resolutions. The board, supported by the recommendation of the audit committee, dealt with the recommendation for the selection of the auditor and especially the candidate proposals for the selection of the shareholder representatives on the supervisory board. One candidate was introduced. The board

dealt with the regular agenda item of compliance. The supervisory board also established gender quota targets for the executive board. It approved budget amendments, as well as financing projects and property purchases. The appointment of executive board member Dr. Heer was extended by a further three years.

On **9 June 2017**, the supervisory board approved by written procedure an AGRANA financing project.

At its meeting on **19 July 2017** – the day prior to the annual general meeting – the supervisory board approved the investment plan for 2018/19, the long-term investment program and investment amendments. The CFO presented the mid-term plan. The supervisory board also approved an investment project.

At the supervisory board meeting on **20 July 2017**, following the annual general meeting, the newly elected supervisory board assembled for the first time. The chair of the supervisory board and his two deputies were reelected and the supervisory board committees were formed.

In the extraordinary meeting of **23 October 2017**, the supervisory board dealt with and approved the Freiburger acquisition of US pizza producer Richelieu Foods Inc., plus one other acquisition project.

At the **16 November 2017** meeting, the CFO presented the updated results projection for 2017/18. As always during the November meeting, the supervisory board focused on corporate governance. The board also conducted its annual test of effectiveness. The supervisory board set concrete targets regarding its composition and developed a competence profile for the full board. The declaration of compliance for 2017 was ratified. The supervisory board also approved an investment project, investment budget updates and the sale of real estate.

The earnings projection was presented at the meeting on **31 January 2018**. The supervisory board also approved investment budget updates, an investment project and the purchase of property. The supervisory board commissioned auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main (PwC) to audit the non-financial statement for fiscal 2017/18 with limited assurance.

On **22 February 2018**, the supervisory board approved by written procedure two AGRANA acquisition projects.

At the meetings on 17 May 2017 and 31 January 2018, one member was excused in each case and two supervisory board members were excused in each case at the extraordinary meeting on 23 October 2017 and at the 16 November 2017 meeting. However, the absent members took part in the decision-making via written notes. Otherwise, all supervisory board members personally attended the meetings. No member of the supervisory board took part in only half or fewer than half of the board's meetings or of its committees.

### Supervisory board committees

The supervisory board set up five committees to enable its efficient fulfillment of duties (executive committee, mediation committee, audit committee, agricultural committee and economic and social committee), each of which is made up of an equal number of shareholders' and employees' representatives. The current members of the committees are presented in the notes under item 37 "Supervisory board and executive board".

In accordance with the recommendations of the German Corporate Governance Code, the chair of the audit committee is not the same person as the chair of the supervisory board.

The supervisory board **general committee** convened four times in fiscal 2017/18 prior to the supervisory board meetings on 17 May 2017, 19 July 2017, 16 November 2017 and 31 January 2018. Subject of discussion has always been strategic issues and personnel planning for the supervisory and executive boards.

The **audit committee** convened five times during the year, in three meetings and two telephone conferences. At its 9 May 2017 meeting and in the presence of the external auditors it discussed matters relating to the annual financial statements of Südzucker AG and the consolidated financial statements. It prepared the supervisory board financial review meeting – at which the chair of the audit committee reported – and subsequently approved the recommendations of the audit committee. In addition, it discussed the recommendation regarding the appointment of the auditors, checked their independence and finally submitted a recommendation to the supervisory board in favor of the appointment of PwC as auditors for the

financial year. The board also dealt with the subject of compliance. At the meeting on 20 July 2017 – following the annual general meeting – the audit committee discussed the auditor's quotation for the audit assignment and commissioned the audit assignment. In the 10 October 2017 audit committee meeting, the auditors dealt with monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal audit system, as instructed by the supervisory board. Another agenda item was the discussion of the half-year financial report. The board dealt also with matters of IFRS reporting standards, non-financial statement and new features regarding the audit of the financial statements.

In telephone conferences on 11 July 2017 and 9 January 2018, the audit committee discussed the Q1 and Q3 2017/18 quarterly financial reports with the executive board. In a telephone conference on 9 January 2018, the audit committee also presented to the supervisory board its recommendation regarding the auditor's audit of the non-financial statement.

In the telephone conference on 11 July 2017, one member was excused for his absence. Otherwise all members were either present or participated via telephone at the audit committee meetings and telephone conferences.

The **agricultural committee** convened on 31 January 2018. Reports on the trial plant in Kirschgartshausen, Germany and current agricultural issues were presented and discussed.

The chairs of the committees reported their findings at each subsequent supervisory board sitting.

The **mediation committee** had no reason to convene in fiscal year 2017/18. Neither did the **social committee** meet.

### Supervisory board effectiveness test

In accordance with paragraph 5.6 of the German Corporate Governance Code, the supervisory board again conducted a test of its effectiveness. This is done annually using a questionnaire, without external assistance. Each year, the questionnaire is revised according to the latest changes to the code. The questionnaires were assessed in the meeting on 16 November 2017, at which time the results were discussed and improvement recommendations made. The aim is to continuously improve the work of the supervisory board and its committees.

### Compliance

On 9 January 2018, the executive board, external auditor, chairman of the supervisory board and audit committee sat for the regular fraud review meeting. The topics presented and discussed included the assessment of business risks and measures to limit the risks arising from fraud.

### Corporate governance

A detailed description of corporate governance at Südzucker, including the wording of the supervisory board's diversity goals for its future composition and the declaration of compliance for 2017 issued by the executive and supervisory boards, can be reviewed in the corporate governance report. In addition, all relevant information is available on the Internet at [www.suedzucker.de/en/Investor-Relations/Corporate-Governance/](http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/).

The executive board fully complied with its duties as prescribed by law and the standard rules of procedure regarding reporting to the supervisory board, and did so in a timely manner. The supervisory board is confident that company management is acting properly, and that the company's organizational structure is effective. It discussed these subjects in detail with the auditors. The same applies to the effectiveness of Südzucker Group's risk management system. Here too, the supervisory board was updated in detail by the executive board.

The supervisory and executive boards were not advised of any conflict of interest on the part of any of their members, especially one that could arise as a result of a consultation or supervisory board duty related to customers, suppliers, creditors or other business partners.

### Financial statements

The auditors PwC were selected by the shareholders at the annual general meeting at the recommendation of the supervisory board. PwC has reviewed the financial statements and management report of Südzucker AG for fiscal 2017/18, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2017/18 and issued a qualified audit opinion on each of them. The auditor also confirmed that the executive board suitably complied with its duties as outlined in article 91, paragraph 2 of the German Stock Corporation Act (AktG). In particular, it established an appropriate information and monitoring system that meets the needs of the company and that is suitable for early detection of

developments that may threaten the company's survival. PwC has audited the group and individual financial statements since the 2003/04 fiscal year. Michael Conrad has been the responsible auditor at PwC for Südzucker AG since 2016/17 fiscal year.

In view of the declaration by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, Germany, which states that SZVG holds over 50 % of the voting rights of Südzucker AG in terms of own holdings or minority interests, the executive board has prepared a report on related party transactions in accordance with article 312 of the German Stock Corporation Act (AktG). The auditor reviewed this report and reported its findings in writing. It confirmed that the facts set out in the report are true, that the contractual transactions itemized in the report are not unreasonably high and that in the measures mentioned in the report there are no grounds for a significantly different assessment than that of the executive board.

The documents to be audited and the audit reports were sent to each supervisory board member in a timely manner. The auditor participated in the audit committee's 8 May 2018 meeting and in the supervisory board's financial review meeting of 16 May 2018 and provided a detailed report on the proceedings and result of its audit of the financial statements and the non-financial statement (Limited Assurance). After carefully reviewing the auditor's reports, the supervisory board agreed with the results of the audit. The results of the preliminary review by the audit committee and the results of its own review are in complete agreement with the results of the external audit. The supervisory board raised no objections to the audit reports submitted. In its meeting of 16 May 2018, it endorsed the financial statements for Südzucker AG and consolidated Südzucker Group financial statements prepared by the executive board. The financial statements of Südzucker AG are thus adopted.

The supervisory board concurs with the executive board's recommendation made on 26 March 2018 regarding the distribution of a dividend in the amount of € 0,45 per share.

### Personnel

There were no personnel changes on the **executive board** in the reporting period.

The following changes took place in the composition of the **supervisory board**:

The term of office of all supervisory board members ended at the close of Südzucker's annual general meeting of 20 July 2017. The term of office of the new supervisory board; that is, the employee and trade union representatives elected by the employees on 6 April 2017, and the shareholder representatives elected by the shareholders at the annual general meeting on 20 July 2017, in each case extends until the close of the annual general meeting at which shareholders will vote on discharging the board members for fiscal 2021/22; in other words, the close of the 2022 annual general meeting.

There were two changes among the shareholder representatives: Dr. Jochen Fenner and Mr. Wolfgang Kirsch left the supervisory board effective the end of the 20 July 2017 annual general meeting. Ms. Julia Merkel from Wiesbaden, Germany, member of the executive board of R+V Versicherung AG, and Dr. Stefan Streng from Uffenheim, Germany, self-employed farmer and independent seed cultivator, were newly elected to the supervisory board.

There were four changes among the employee representatives: Ms. Petra Schwalbe and Messrs. Yüksel Gediagac, Bernd Maiweg and Ronny Schreiber stepped down from the board as of the close of the 20 July 2017 annual general meeting. Dr. Melanie Frerichs from Hamburg, Germany, chair of the Food, Beverages and Catering Union, Ms. Angela Nguyen from Biederitz, Germany,

deputy works council chair of Freiburger Osterweddingen GmbH & Co. KG, Ms. Ulrike Rösch from Bellheim, Germany, deputy works council chair of Südzucker AG's Mannheim headquarters and Mr. Thomas Bernhard from Wunstorf, Germany, union secretary of the Food, Beverages and Catering Union, were newly elected to the supervisory board.

On 1 May 2018, Mr. Günter Link, chairman of the works council of the Südzucker AG Ochsenfurt factory retired and resigned from the supervisory board. His successor, Mr. Ulrich Gruber, chairman of the works council of Südzucker AG's Plattling factory was chosen to replace him during the elections of the employee representatives on 6 April 2017.

The supervisory board sincerely thanks retiring members Ms. Schwalbe, Dr. Fenner, and Messrs. Gediagac, Kirsch, Link, Maiweg and Schreiber for their many years of service in the interests of the company.

At the constituent meeting of the supervisory board on 20 July 2017, Dr. Hans-Jörg Gebhard was elected chairman and Messrs. Franz-Josef Möllenberg and Erwin Hameseder were elected as deputy chairs of the supervisory board.

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

Mannheim, Germany, 16 May 2018

On behalf of the supervisory board



**DR. HANS-JÖRG GEBHARD**  
CHAIRMAN

# SÜDZUCKER SHARES AND CAPITAL MARKET

## Capital market environment

The European Union's steady dynamic growth and an improved world economy created a stable base for rising corporate profits and rallying stock markets. The election results in France had a sustained positive impact on Europe's economy and stock markets. In contrast, the slow pace of BREXIT talks produced uncertainty.

Corporate sentiment in Germany reached a record high in November 2017 according to the German ifo business survey, driven by the continuing excellent economic climate. Growth forecasts for Germany were revised upward.

The European Central Bank (ECB) extended its investment-grade corporate bond purchase program. Stock and bond markets continued to be injected with liquidity on a massive scale. As a result, capital market returns and corporate bond risk premiums touched record lows.

American companies increased their profit forecasts and the Dow Jones rose to record highs, driven among other things by strong investment during the period leading up to sweeping tax reforms approved in December 2017.

To kick off the year 2018, the German MDAX® and DAX® reached all-time highs as signs increasingly pointed to a positive outcome of party negotiations to form a German federal government. Speculation surrounding a change in the ECB's monetary policy drove ten-year Bund returns to a two-year high of 0.77 % at the beginning of February 2018. This was followed by a market slump, which was triggered by inflation worries and the punitive tariffs announced by the United States.

## Südzucker share data

		2017/18	2016/17
Market capitalization <sup>1</sup>	€ million	3,014	4,921
Freefloat – market capitalization <sup>1</sup>	€ million	1,025	1,673
Number of shares issued at € 1 <sup>1</sup>	million shares	204.2	204.2
Xetra® closing price <sup>1</sup>	€	14.76	24.10
High for the year (Xetra®)	€	24.27	25.45
Low for the year (Xetra®)	€	14.73	13.57
Average trading volume / day <sup>2</sup>	thousand of shares	1,222	777
Cumulative trading turnover	€ million	5,575	4,119
MDAX® closing rate <sup>1</sup>	points	26,275	23,366
Performance Südzucker share (1 March to 28 February) <sup>5</sup>	%	-37.2	76.1
Performance MDAX® (1 March to 28 February)	%	12.5	20.3
Dividend <sup>4</sup>	€/share	0.45	0.45
Dividend yield	%	3.0	1.9
Earnings per share	€	1.00	1.05

<sup>1</sup> Balance sheet date.

<sup>2</sup> Total daily trading volume on all German stock exchanges where the share is admitted for trading.

<sup>3</sup> Südzucker total return index, considers share development and dividend distribution.

<sup>4</sup> 2017/18: Proposal.

TABLE 004

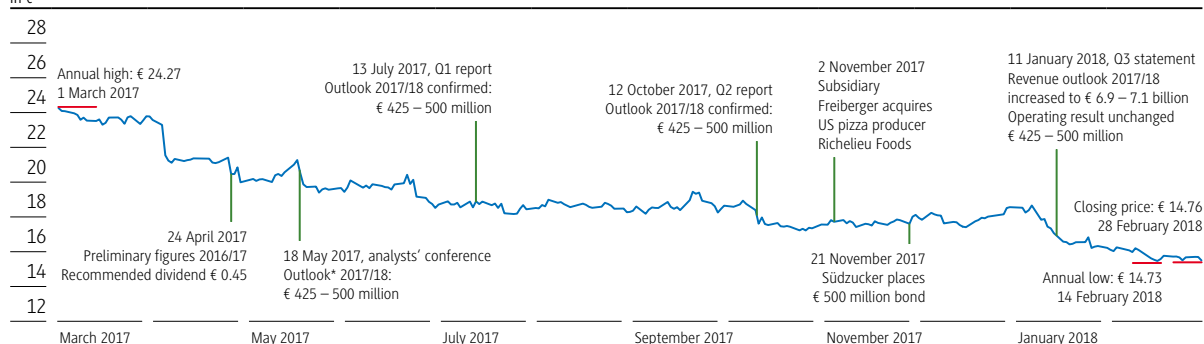
## Südzucker share

After significantly outperforming its peers the year prior, Südzucker's share price responded to the strong price volatility following deregulation of the EU sugar market on 1 October 2017. The shares closed at € 14.76 on 28 February 2018, a drop of 37 % during the reporting period. The MDAX® finished the fiscal year at 26,275, up 12 % overall.

## Südzucker's share price performance

1 March 2017 to 28 February 2018

In €



\* The forecast relates to the expected consolidated group operating result during the respective fiscal year.

DIAGRAM 001

### Südzucker AG bonds

Bond	Coupon	Volume	ISIN	Listed on
Hybrid bond 2005 Perpetual NC 10 <sup>1</sup>	variable	€ 700 million	XS0222524372	Luxembourg (regulated market)
Bond 2011/2018	4.125 %	€ 400 million	XS0606202454	Luxembourg (regulated market)
Bond 2016/2023	1.250 %	€ 300 million	XS1524573752	Luxembourg (regulated market)
Bond 2017/2025	1.000 %	€ 500 million	XS1724873275	Luxembourg (regulated market)

<sup>1</sup> First issuer call right for Südzucker as of 30 June 2015; subject to Südzucker having issued, within the twelve months preceding the call becoming effective, parity securities and/or junior securities (hybrid capital or shares) under terms and conditions similar to those of the bond (according to § 6 para. 5 and 6 of terms and conditions).

TABLE 005

The executive board and investor relations department presented the changes in the general conditions of the sugar market to investors, analysts and other market players at countless European financial centers and in the United States. Südzucker published key information on its website in a timely and transparent manner.

On 5 March 2018, Deutsche Börse announced changes to its stock market indices. As a result, Südzucker, one of the founding MDAX® members, was moved from the MDAX® to the SDAX® effective 19 March 2018 based on its relatively low market capitalization. The SDAX® comprises the fifty largest and most frequently traded companies ranked below the MDAX®.

### Shareholder structure remains stable

Südzucker AG continued to have two major long-term shareholders. As of 28 February 2018, SZVG held 56.5 % of Südzucker AG's shares (own shares and fiduciary shares). Zucker Invest GmbH, the second major shareholder representing Austrian shareholders of Raiffeisengruppe, continued to hold 10.3 % of the shares. The freefloat portion of Südzucker shares, 33.2 %, is held by private investors, investment funds, pension funds and insurance companies in

### Südzucker share stock market data

ISIN	DE 000 729 700 4
WKN	729 700
Trading places	Xetra®, Frankfurt, Stuttgart, Munich, Hamburg, Berlin, Düsseldorf, Hanover (over-the-counter)
Ticker symbol	SZU
Reuters ticker symbol	SZUG.DE (Xetra®), SZUG.F (Frankfurt)
Bloomberg ticker symbol	SZU GY (Xetra®)

TABLE 006

Europe and North America. American asset manager BlackRock announced on 24 January 2018 that its voting rights had reached just under 5.0 % (shares and financial instruments).

### Investment-grade rating confirmed

Südzucker's clear strategic aim is to maintain and confirm its investment grade rating. The company's conservative financial policies focus on strong balance sheet and cash flow indicators.

Südzucker has commissioned Moody's rating agency since 1991 to evaluate and publish its corporate credit profile. In addition, Standard & Poor's (S&P) has evaluated the creditworthiness of the company and its bonds since 2003. Südzucker has always received an investment-grade rating, which is a testament to the company's strong creditworthiness, as well as its sustainable cash flow and earnings capacity.

On 2 June 2017, Moody's confirmed the corporate and bond rating of Baa2 with a stable outlook. On 5 April 2018 this rating was confirmed and outlook changed to negative. Moody's continues to recognize the subordinated hybrid bond at 75 % equity.

S&P raised Südzucker's long-term credit rating on 23 June 2017 from BBB- to BBB with a stable outlook. On 23 November 2017, the company's € 500 million bond issued on 21 November 2017 also received a BBB rating. The subordinated hybrid bond was recognized at 50 % equity.

### Südzucker's share price performance vs. the DAX® and MDAX®

1 March 2013 to 28 February 2018  
(Indexed) in %

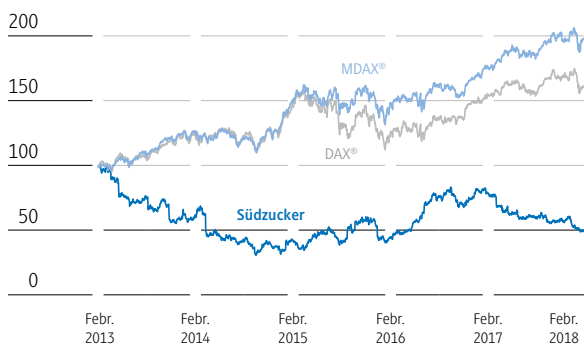



DIAGRAM 002



Dr. Thomas Kirchberg

My motto is:  
"Eat what you like,  
but everything  
in moderation."

## OUR FOCUS: SUGAR AND NUTRITION

Nutrition is actually quite simple: Food supplies the human body with energy and other life-sustaining substances. Nowadays however, we seem to have the notion that food is very complicated. Furthermore, over the past few years, a number of prejudices about sugar and nutrition have come to be taken for granted.

We have studied this subject and would like to present the following pages to encourage you to be more skeptical and to challenge more critically nutritional half knowledge. In addition, we share with you our personal nutritional wisdom.

Dr. Wolfgang Heer

Day-to-day life is hectic enough – so eat slowly and mindfully, chew your food well and pay attention to when you are full.





Johann Marihart

Whenever your belt starts to feel too tight, exercise discipline and eat half-portions for a few days.

Thomas Kölbl

For me, exercise is part of a healthy lifestyle. And after two hours on a mountain bike, the sweet reward tastes twice as good.

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# SUGAR AND NUTRITION – THE TRUTH ABOUT COMMON PREJUDICES

Consumers, media representatives, beet farmers, shareholders and even our own employees ask us what our position is regarding attacks on our product, sugar. We summarized the most frequent claims and have juxtaposed them with facts, supplemented by tips.



#02

Added sugar isn't natural

WHAT ELSE COULD IT BE?

Sugar is sugar,

whether it occurs naturally in our foods or gets added separately.



We all learned in school that plants get their energy from sunlight, oxygen, and water through a process called photosynthesis. Plants store this energy as various forms of carbohydrate. In many fruits and plants, the energy is stored as sucrose, a so-called double sugar. Sugar beets are especially good at storing this double sugar, which we turn into table sugar in our factories.

TIP: Visit a sugar factory during a processing campaign and see how our sugar is extracted from local sugar beets. [www.suedzucker.de/en/Zucker/Zuckergewinnung/](http://www.suedzucker.de/en/Zucker/Zuckergewinnung/)



#01

Sugar is hidden in food

IN FACT, THE OPPOSITE IS TRUE!

Sugar is clearly listed on food packaging.

Just take a look at the nutrition facts label on the back of the package. Under the heading "sugar", the label tells you what sugars your food contains, and how much. That includes naturally occurring sugars, like those found in the tomatoes used to make pizza sauce. It also includes any extra sugar that's been added. And then you have the ingredients list, which tells you exactly what types of sugar – glucose, lactose, or maltose, for example – are in your food.

TIP: If you can't eat a particular type of sugar, or don't want to, make sure you check the ingredients list first.



#04

"Sugar causes caries"

THAT'S ONLY HALF THE STORY

The decisive factor is dental care.

Let's get the facts straight on acids and bacteria. Caries is mainly caused by acids that attack the tooth enamel. These acids are produced by bacteria that break down the so-called fermentable carbohydrates in our mouths. Sugar is one such carbohydrate, but so is the starch found in bread, potatoes, and pasta; and the lactose found in milk; and the fructose in fruit.

It's not a question of what you eat, but rather how often. The more frequently acids attack the tooth, the higher the risk of caries. There's only one thing that really helps: regular brushing with fluoride toothpaste. It works. This is confirmed by current data on the sharply declining rate of caries among children and adolescents.

TIP: "Brush your teeth after every meal" is well-known advice. But if you've eaten fruit, you should wait 30 minutes before brushing, to protect the enamel from being attacked.



#03

Sugar taxes help to fight obesity

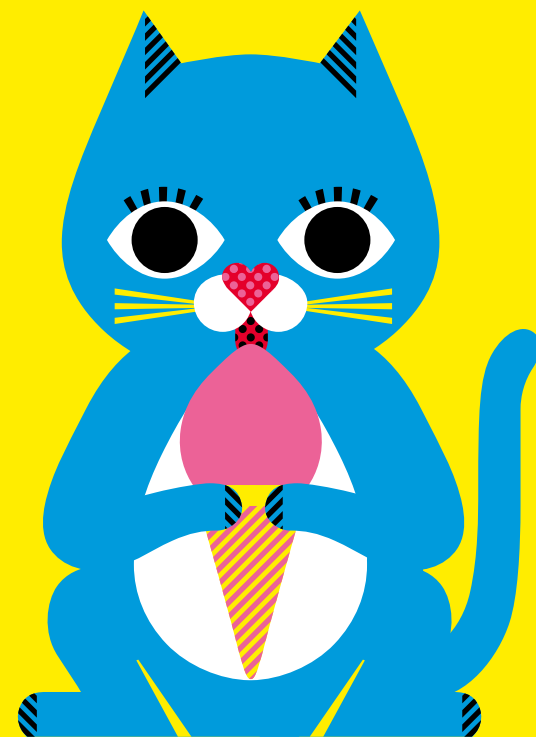
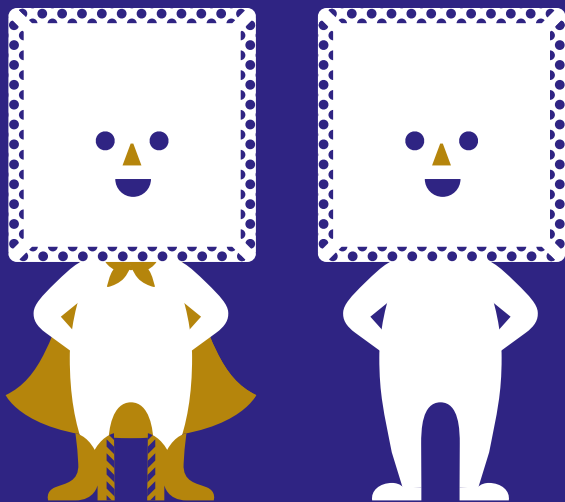
A TAX WON'T MAKE YOU SLIM!

A "punitive tax" on sugary foods implies that obesity is caused by a single ingredient. This policy won't work.

There is no evidence that countries which tax sugary products have seen a measurable decline in obesity. Those who call for sugar taxes deny the reality that obesity is caused by many different factors. Demonizing a single ingredient won't help people shed the pounds. What really matters is keeping an overall balance between nutrition, enjoyment, and exercise. What's more, sugar taxes disproportionately affect families and individuals on low incomes. There's nothing sweet about that!

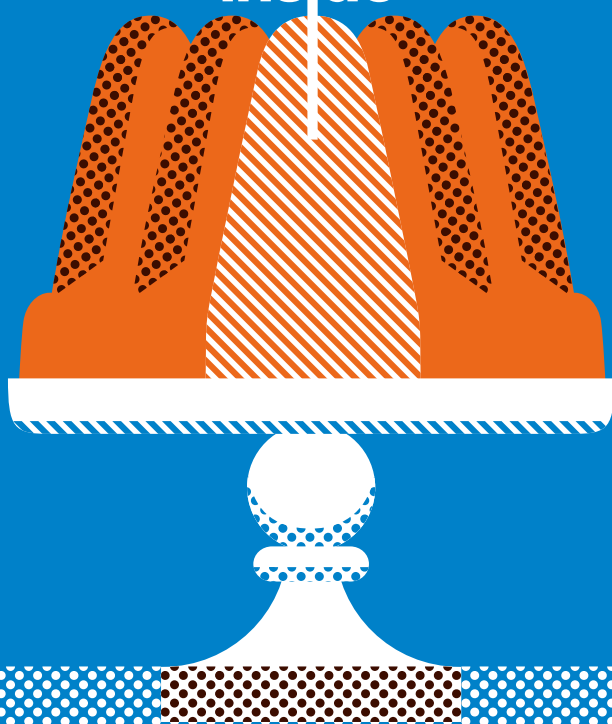


**SAME SAME  
BUT DIFFERENT**



**SWEET, SWEET  
SUGAR**

**Nothing fake  
inside**



***Bee careful, honey!***



SUGAR TASTES GOOD

IT SURE DOES!

That's because sweetness is in our genes.

We humans can taste sweet, sour, salty and bitter flavors. For our ancestors, sweetness indicated that food was non-toxic and rich in energy. Things that taste sweet are safe to consume and usually high in carbohydrates, which give us energy. This knowledge was essential for our survival, which is why we learn it as babies. Breast milk tastes sweet because it contains lactose.

TIP: If you're looking for a species with a sweet tooth, humans are your best bet. Cats, on the other hand, cannot taste sweetness.



"Brown sugar is healthier than white sugar"

WRONG!

Both sugars are equal.

Thanks to its color, brown sugar looks healthier than white sugar. But it isn't. The amount of minerals and trace elements in brown sugar is so low that they have no positive effect on healthy nutrition. What's more, the caloric content of both sugars is almost identical.

The only slight difference is in the manufacturing process. When white sugar is extracted, the brownish syrup is separated from the crystals; with brown sugar, the syrup stays in. That's what gives brown sugar its fine caramel-like aroma, which adds a special flavor to many dishes.

TIP: Brown candy in black tea is a special treat!



"Honey is better" than sugar

SAYS WHO?

The truth? In principle, there's hardly any difference between the two.

Honey is a sweet natural product made up of 80 percent sugar and 17 percent water. Vitamins, minerals, enzymes, proteins, and amino acids make up the other 3 percent. The amount of these valuable trace elements is too low to have nutritional importance. A spoonful of honey isn't much healthier than a spoonful of sugar. Which one you use to sweeten your tea is a matter of personal taste.

TIP: Honey lovers should take care of their teeth. Thanks to its sticky texture, honey clings to the teeth longer, increasing the risk of caries.



Less sugar in solid foods means fewer calories

NOT NECESSARILY



The fact is, when you replace sugar in solid foods with another ingredient, that ingredient usually has calories too.

Sugar in solid foods – like Grandma's Bundt cake – has a whole range of functions. It adds sweetness, of course. But sugar also gives the cake its lovely aroma, consistency, and appearance. It helps to preserve the cake, too. When you lower the sugar content, these functions are usually taken over by other ingredients, which also contain calories. The bottom line is that a Bundt cake with less sugar very likely has no fewer calories than Grandma's original.

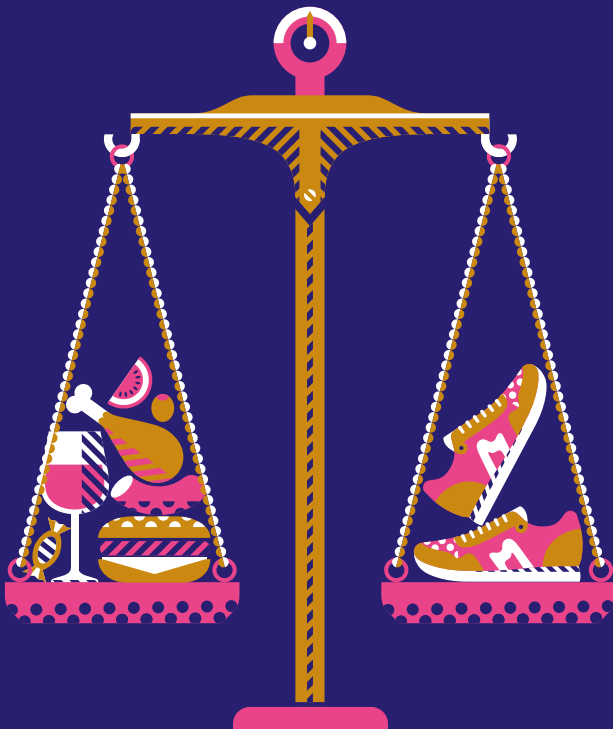
TIP: Some food packages make claims such as "less sugar". But this tells you nothing about the caloric content, which you'll only find on the nutrition facts label.



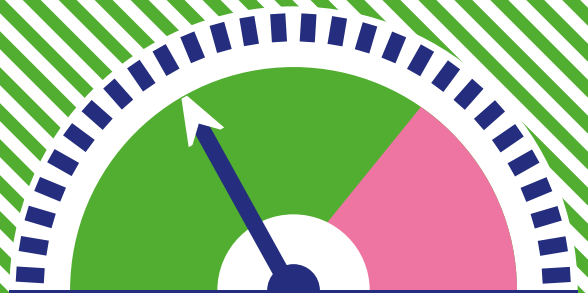
I NEED SUGAR!



Say no to  
drugs



BALANCE THE SCALES



DON'T  
PANIC

“Sugar is a drug”



Sugar is not addictive.



Sugar allegedly acts like a drug. But there's no scientific evidence whatsoever to support this. Used as a food ingredient, sugar cannot cause people to develop permanent cravings for sugary foods.

There's also no evidence that sugar triggers a so-called substance-based addiction, where people suddenly get the urge to eat an entire bag of sugar. Unlike real drugs, no-one will risk their family or career for a chocolate bar or a scoop of vanilla ice cream.

**TIP:**  
Listen to the signals your body is sending you and ask yourself what you need right now.



It's best to avoid sugar

YOU CAN,  
BUT YOU DON'T HAVE TO



Sugar **supplies** energy to the body and mind.

**Breathing, thinking, running, laughing – without sugar, you can't do any of these things.** More specifically, you can't do them without grape sugar, also known as glucose. Everyone depends on this substance for survival. The human brain alone needs 120 grams of glucose per day. That's why the body can produce glucose from many foods, including bread, potatoes, and grains. Glucose is also found in table sugar, which makes it available to the body quickly.



“We eat too much sugar”



Every person is different, and every person eats differently. General dietary guidelines don't apply to everyone, just like a size 8.5 shoe doesn't fit everyone. In Germany, the average woman consumes 18 kilograms of table sugar per year; for the average man, it's 20 kilograms. That means sugar makes up 9.7 percent of the daily energy intake for women and 11.6 percent for men. Sugar consumption is moderate in this country and apparently has been for several decades.



“Sugar causes obesity”

THAT'S NOT TRUE

It's actually quite simple:  
If you eat more calories than you burn, you will put on weight.



Science tells us that obesity has many causes. One of them is our personal predisposition. Another is our modern lifestyle, which is characterized by lots of stress and not much movement – office work tends to produce bellies. Recent studies even suggest that our intestinal flora plays a role.

Putting the blame on a single food ingredient like sugar won't get us anywhere. The fact is: If you keep your caloric intake and output in balance, you can enjoy sugar like any other food.





# CONSOLIDATED MANAGEMENT REPORT

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# ABOUT THE GROUP

## Group structure

Südzucker AG, a German stock corporation based in Mannheim, Germany, is the parent company of Südzucker Group and also its largest operating company. The consolidated financial statements include the parent company – Südzucker AG – and 158 (152) other entities, of which Südzucker AG is directly or indirectly the majority shareholder. A total of 17 (16) of those entities were accounted for in the consolidated financial statement using the equity method. For additional details about Südzucker's share ownership in other companies, please see the list of shareholdings in item 38 of the notes to the consolidated financial statements ("List of shareholdings in accordance with section 313 (2) HGB") to this annual report.

Südzucker Group comprises four segments: sugar, special products, CropEnergies and fruit. The sugar, special products and fruit segments are further subdivided into ten divisions that manage the day-to-day operational businesses. The CropEnergies segment is managed as an independent corporate entity.

Corporate departments are responsible for controlling, byproducts, procurement, finance and accounting, investor relations, agricultural research, properties/insurance, public relations, organization/IT, personnel, quality management, legal, audit, taxes and strategy. The management of the sugar business segment (Belgium, Germany, France and Poland) is responsible for the sugar/sale, sugar/production and sugar/beet segments. Administrative tasks are handled at shared finance centers and research activities at several research centers.

### Sugar segment

The sugar segment produces and markets sugar, sugar specialties and animal feed. The segment comprises the sugar division including four production companies located in Belgium (Raffinerie Tirlemontoise S.A., Tienen), Germany (Südzucker AG, Mannheim), France (Saint Louis Sucre S.A.S., Paris) and Poland (Südzucker Polska S.A., Wrocław) as well as distributors in Greece, the United Kingdom, Israel, Italy and Spain. The AGRANA sugar division's production operations are located in Austria, Romania, Slovakia, the Czech Republic and Hungary. There is also a sugar production division in Moldova (Südzucker Moldova S.A., Chişinău) and an agricultural division (Südzucker AG, agricultural division and Agrar und Umwelt AG Loberaue, Rackwitz, Germany; Terra Sömmerda GmbH, Sömmerda, Germany). The following entities have been accounted for in the consolidated financial state-

## SUGAR SEGMENT

### 4 Divisions



- Business unit sugar  
Belgium: 2 sugar factories  
Germany: 9 sugar factories  
France: 4 sugar factories  
Poland: 5 sugar factories



SAINT LOUIS SUCRE



- Moldova: 2 sugar factories

### - Agriculture

- AGRANA sugar  
Austria: 2 sugar factories  
Romania: 1 sugar factory, 1 refinery  
Slovakia: 1 sugar factory  
Czech Republic: 2 sugar factories  
Hungary: 1 sugar factory

### Investments/ Joint venture



- ED&F MAN, Great Britain  
(35 % share)



- Agrana-Studen  
(refinery Bosnia, 50 % Joint venture)

## SPECIAL PRODUCTS SEGMENT

### 4 Divisions



- Functional ingredients for food, animal food, and pharmaceutical sectors
- 5 production locations



- Frozen and chilled pizza as well as frozen pasta dishes and snacks
- 11 production location



- Portion packs
- 6 production locations



- Starch for food and non-food sectors as well as bioethanol
- 4 production locations
- Maize starch-, isoglucose- and bioethanol plant Hungrana Kft. (50 % Joint venture)



- Wheat starch production plant at Zeitz

## CROPENERGIES SEGMENT



- One of the leading European manufacturers of sustainably produced bioethanol, predominantly for the fuel sector, as well as protein feed
- 4 production locations

## FRUIT SEGMENT

### 2 Divisions



- Fruit preparations (AGRANA Fruit)  
Fruit preparations for international food companies  
28 production locations around the world



- Fruit juice concentrates (AUSTRIA JUICE)  
Fruit juice concentrates, fruit purees, natural flavors, beverage ingredients and pure juice for the fruit juice industry  
14 production locations in Europe and China

DIAGRAM 003

ments using the equity method: British trading company ED&F MAN Holdings Limited, the AGRANA-Studen Group (including its sugar production operation in Bosnia) and Maxi S.r.l., an Italian marketing joint venture.

### Special products segment

The special products segment is comprised of four divisions: BENE0, Freiberger, PortionPack Europe and starch. BENE0 produces and sells functional food additives made from various raw materials. The products have dietary and technology benefits when used in food and animal feed. Freiberger Group produces chilled and frozen pizzas as well as frozen pasta dishes and snacks and focuses strongly on the private label business in Europe and the United States. PortionPack Europe specializes in developing, packaging and marketing portion packs. The starch division comprises AGRANA's starch and bioethanol business, which includes Austrian potato and corn starch producers, a corn starch factory in Romania and bioethanol producers in Austria. The starch division is also responsible for the wheat starch plant at the Zeitz location. The starch and bioethanol businesses of Hungrana Group in Hungary are consolidated at equity.

### CropEnergies segment

Südzucker Group's bioethanol business, with its four production locations in Germany, Belgium, France and the United Kingdom as well as trading activities in Brazil and Chile, is managed under the CropEnergies segment as a listed stock corporation. CropEnergies is a leading manufacturer of sustainably produced bioethanol for the fuel sector in Europe. The company also produces food and animal feed. CropEnergies owns 50 % of CT Biocarbonic GmbH, which has been operating a food-grade CO<sub>2</sub> liquification plant in Zeitz. The company is included in the consolidated financial statements as an equity-accounted investment.

### Fruit segment

The fruit segment is comprised of the fruit preparations division (AGRANA Fruit) and the fruit concentrates division (AUSTRIA JUICE). The fruit segment's companies conduct business around the globe and supply international food companies, especially in the dairy, baked goods, ice cream and beverage industry.

## Group management

Südzucker AG's executive board independently manages the businesses and is supervised and guided by the supervisory board. The executive board is bound to work in the corporation's interests and is responsible for increasing shareholder value. The executive board members are jointly responsible for managing the entire company. The executive board members jointly manage the sugar and special products segments, whereas specific executive board members are responsible for the CropEnergies and fruit segments. Individual executive board members bear sole responsibility for the executive board decisions related to the divisions and group functions assigned to them. The executive board's rules of procedure outline the details of the board's work. Südzucker AG's articles of association stipulate that important business transactions are subject to the consent of the supervisory board.

The executive board is responsible for appropriate risk monitoring and management at the company. It is also responsible for ensuring that executive management positions are appropriately filled. The executive board is further responsible for ensuring that the company complies with statutory requirements and in-house corporate policies and that group companies adhere to these rules (compliance).

The segment and divisional management organizations also manage the day-to-day operational businesses in compliance with the aforementioned requirements. The company uses a matrix organizational structure, whereby the line functions are supported and advised by central departments, which are authorized to issue directives.

### Value based management

The corporation's policies focus on steadily improving shareholder value. The objective of Südzucker's value-based management system is to generate a higher return on capital employed than the cost of capital in each segment and division and thus create added value for the company's shareholders.

Südzucker uses a consistent group-wide reporting and budgeting system together with centrally defined key indicators such as operating result and return on capital employed (ROCE) to achieve this value-based corporate management.

When calculating operating result, the result from operations reported in the income statement is adjusted to reflect the results of restructuring and special items as well as companies consolidated at equity. Capital employed comprises the invested items of property, plant and equipment plus acquired goodwill and working capital as of the reporting date. Return on capital employed (ROCE) is the ratio of operating result to capital employed. Südzucker calculates the cost of capital for the operating assets as the average of weighted equity and debt capital. The costs of capital are specified for the segments and divisions by taking into account the respective country and business risks. Currently Südzucker Group's primary indicators for management purposes are the financial performance indicators.

### Financing management

Südzucker's growth is financed by a steady, strong cash flow, a stable relationship with the company's various shareholder groups, access to international capital markets and reliable bank relationships. The foundation for the financing is the company's investment grade rating, which secures the company's access to equity and debt financing instruments. Südzucker operates an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates, including hybrid capital, bonds, promissory notes and bank

credits. The unique financing requirements during the fiscal year due to the seasonality of the sugar sector (financing beet purchases and inventories) means that securing short-term cash is an important aspect of our financing structure. These short-term financing needs are primarily covered through a commercial paper program in the amount of € 600 million and syndicated and bilateral credit lines.

The capital structure is managed based on a long-term outlook and focuses on the factors associated with an investment grade rating. The key indicators Südzucker uses to manage its capital structure are the debt factor (ratio of net financial debt to cash flow), debt to equity ratio (net financial debt as a percentage of equity) and the equity ratio (equity as a percentage of total assets).

Additional information on operating result per segment and key indicators related to capital structure are outlined in the "Business report" section. Item 21, "Intangible assets" in the notes to the annual report outlines how the costs of equity are derived. Additional information regarding financing management and details about the financial instruments used are provided in the notes to the financial statements under item 30, "Financial liabilities, securities and cash and cash equivalents (net financial debt)".

## OUR STRATEGY

### GROUP

Increase shareholder value | Take advantage of megatrends | Consolidate market position | Focus on core competencies | Diversify further | Tap synergies | Sustain solid financing strategy | Focused value-based investment | Conduct business sustainably | Support and foster employees

#### SUGAR

**EUROPE:**  
Consolidate market position  
Expand production and run at full capacity  
**WORLDWIDE:**  
Drive internationalization  
Define global position  
Penetrate new markets

#### SPECIAL PRODUCTS

**BENEO:**  
Seize market opportunities through innovations  
**FREIBERGER:**  
Focus on growth  
**STARCH:**  
Focus on special products, capacity increase  
**PORTIONPACK EUROPE:**  
Expand product portfolio/penetrate new

#### CROPENERGIES

Consolidate leading market share  
Focused site enhancement  
Drive diversification  
Run at full production capacities

#### FRUIT

Tap into global growth  
Penetrate new markets in collaboration with customers  
Drive regional diversification  
Boost refining depth

DIAGRAM 004

## Business model and strategy

### Business model

Under Südzucker’s business model, the company acquires agricultural raw materials for the purpose of large-scale processing and refining to produce high-quality foods, animal feed and biofuels, then distributes and markets the products. Südzucker operates four segments (sugar, special products, CropEnergies and fruit) that conduct business internationally, although the sugar, starch, starch saccharification products and bioethanol businesses have to date focused on Europe.

Südzucker Group produces sugar and specialty sugar products, functional food ingredients, chilled and frozen pizzas, portion-packed articles, starch, starch saccharification products and bioethanol, as well as fruit preparations and fruit juice concentrates.

We service the food industry, retailers, and the animal feed and petroleum industries with these products. We are customer focused and reliable, and aim to achieve cost and market leadership or a strong market position in the market segments we target.

Our raw materials and the markets we serve are globally intertwined and subject to price fluctuations over which we have very little influence. The broad product portfolio offered by our four segments and the diverse markets in which we are active help mitigate our risks. From a long-term perspective, the growing world population and rising incomes favor our businesses.

Our business model is based on handling agricultural raw materials sustainably. We conserve resources when producing our products and utilize the agricultural raw materials to the fullest extent possible. Our business is founded on integrating our activities into rural regions, conforming to European standards for compliance, human rights and working conditions, and adhering to the requirements for healthy, safe food.

Our employees contribute diverse experience, skills, personalities and cultures to Südzucker. Our employees’ knowledge, abilities and diversity make us successful. Practicing diversity is part of our corporate culture.

### Strategy

**We aim to grow profitably while staying true to our ecological and social responsibilities. By successfully implementing this strategy, we continuously improve shareholder value.**

#### We focus on global megatrends

The global megatrends – expanding world population and rising incomes – continuously increase demand for food and animal feed, as well as renewable energy. We continue to align our business segments with these trends.

#### OUR STRENGTHS

**Diversity** – By diversifying our corporate structure, product portfolio, markets and employees, we ensure that our company’s foundation is strong.

**Competence** – Our core competence is large-scale processing of agricultural materials in diverse business segments. Our expertise covers the entire value added chain – from our suppliers to our customers – including the associated logistics and use of our products. Our proficiency is based on our highly skilled, motivated employees. They embody our know-how, our experience and our innovation capability in production, distribution, sales and marketing and logistics.

**Sustainability** – We conserve resources when producing our products and aim to fully utilize the agricultural raw materials.

**Diversity, competence and sustainability combine to give Südzucker its strong market position.**

Südzucker Group’s four segments conduct business in sectors that will benefit from these megatrends, both in the medium and long term. Demand for our products will continue to rise, especially in the emerging nations. Global sugar consumption is expected to continue to rise from currently slightly above 180 million tonnes to about 200 million tonnes in 2025.

#### We aim to grow market share in our business sectors

We want to grow our share and set benchmarks in the domestic and export markets we target. Our aim here is to be number one or a strong number two.

As Europe’s largest supplier of beet sugar, with high-performance factories in the most competitive European beet growing areas, we are able to supply sugar products to customers at the lowest possible cost. Following the elimination of export restrictions on European beet sugar, we expanded our sugar producing factories to exploit existing capacities and are taking advantage of global market distribution opportunities. We plan to further expand our global distribution infrastructure and logistics. We take advantage of additional world market sugar sales opportunities through our alliance with British trading company ED&F MAN, London.

We have strengthened Freiburger's European market position with the acquisition of German frozen pizza producer HASA GmbH. We have taken a further step by acquiring American pizza producer Richelieu Foods Inc. in order to expand Freiburger Group's share of the American market, the world's largest and fastest-growing pizza market. But in addition to growth through acquisition, we are also striving to grow our European business segments organically. For example, we have successfully completed a series of fruit segment capacity expansions in China, India and the United States.

#### We focus on our core competencies

We focus on our core competencies: large-scale processing of agricultural raw materials and the associated logistics. Our aim is to continually advance our expertise to make completely use of all product flows and to increase value creation by engaging in intensive research – especially in fields such as raw material security, processing technology, recipes, application concepts, as well as new products and technologies (research and development).

#### Our portfolio is diversified and we take advantage of synergies

We maintain a reasonable risk exposure by diversifying our portfolio of products and services and spreading it out across a wide range of geographic locations. This will continue to be our approach.

We aim to align our growth activities with our core competence so that we can tap synergies along the entire value chain – from raw material cultivation through various refining stages to the end customer.

We especially benefit from synergies when we improve our multipurpose sites, where we produce products for different segments. This conserves natural resources, cuts costs and contributes to business success.

#### Solid financing strategy

We have a solid financing strategy. Our aim is to sustainably strengthen our ability to generate cash flow, nurture a strong relationship with our shareholders. The sound investment-grade rating ensures the access to international capital markets and banks.

#### Targeted value-oriented investments

We will strengthen all of our divisions in order to secure future growth. In addition to investing in replacements and capacity expansions, we invest in systems that are able to extract more value from the same products; for example, in Cagny, France, where together with ED&F MAN, we are building a plant

for fluid animal feed. In addition, we will continue to press ahead with our internationalization strategy by continually evaluating acquisition opportunities.

#### Sustainability is integral part of our corporate strategy

Corporate management is committed to conducting business sustainably, whereby the key principle is to handle all of our resources carefully. No business is worth harming our partner – the nature (sustainability).

#### We support and foster our employees

Our various human resources policy measures aim to supporting the company's strategy and enable our employees to work successfully amid ever-changing conditions.

#### OUR GUIDING PRINCIPLES

Our code of conduct unifies applicable laws with international standards, operational rules, Südzucker corporate guidelines as well as obligations related to employees' working relationship with Südzucker. From these we derive our guidelines, which provide a summary framework for our conduct:

- We uphold integrity in business transactions.
- We produce high-quality, safe products.
- We treat our environment responsibly.
- We protect our information.
- We communicate fully, correctly and clearly.
- We treat our employees with fairness and respect.

Adhering to these guidelines and the rules of the code of conduct is a key component of Südzucker's corporate image as a trustworthy, reliable partner.

## Sustainability

### Rooted in our corporate culture

Since its founding in the nineteenth century, Südzucker has had a strong association with agriculture and thus also with nature. Refining agricultural raw materials to produce high-quality products is central to our business model. These raw materials must be available at all times if the medium to long-term business foundation of the company is to be sustained. Sustainability is also one of our customers' corporate values and increasingly influences consumers' buying decisions.

The principle of sustainability is therefore a company tradition and a fixed and practiced part of our corporate strategy.

We are committed to sustainable business practices in all parts of the company and all regions on all levels, from management to each individual employee.

### Our sustainability strategy

Our business conduct along the entire value chain, from agricultural raw materials to finished products, is guided by sustainability. It starts with the frugal use of natural resources; we carefully select the agricultural products we process. Südzucker chooses only raw materials that meet strict quality standards. Sustainability and quality leadership define Südzucker's agricultural raw material processing of sugar, animal feed, functional food ingredients for food and animal feed, bioethanol, starch and fruit products.

Südzucker pays special attention to the following aspects, which apply in all segments:

- Complete utilization of the agricultural raw materials processed
- Steady enhancement of production technologies aimed at continuous improvement with respect to their impact on the environment as well as resource and energy efficiency
- Effective quality, environment and energy management systems
- Respect the interests of all major Südzucker stakeholders
- Establish long-term partnerships; e.g., with raw material suppliers and customers

### Sustainability management

We are obliged as a corporation to analyze, present and track the development of our business activities along the entire value chain with respect to their primary impact on ecology, economy and society.

During the past fiscal year, Südzucker continued to analyze its stakeholders by conducting workshops together with those responsible for sustainability aspects. In addition, Südzucker conducted an initial stakeholder survey. For the most part, the stakeholder groups identified and communications methods used in the past were confirmed. It is noteworthy that face-to-face discussions with all stakeholder groups are very highly valued.

Key stakeholders	Primary means of communication
Farmers (raw materials) Suppliers (energy, water, capital goods, operating supplies, services, raw materials)	Information events (farmer meetings, field days, exhibitions, supplier forums) Onlineplatforms (raw materials portal) Supplier communication (awarding negotiations, farming consultation)
Customers (end users, retail, industry)	Customer consultation Application support/services Product specifications, certifications
Employees Unions	Employee meetings, performance reviews, staff magazine, newsletter, intranet, training events
Shareholders, capital markets, financial institutions, investors	Financial reports, annual general meeting Analysts' conferences, roadshows, conference calls, dialogue with rating agencies, analysts and shareholder representatives Südzucker website
Society and the general public (residents, authorities, industry/business associations, research and scientific bodies, journalists, media, neighbors, parties, politicians, schools, universities)	Press releases and talks Factory tours (approx. 30,000 visitors per year) Cooperative research and projects Political dialogue, meetings, talks, debate events Südzucker website

TABLE 007

In conjunction with a materiality analysis, Südzucker conducted a survey asking selected stakeholders to state the degree of importance of issues related to various sustainability aspects (environmental concerns, employee concerns, social concerns, human rights, bribes and corruption avoidance)

when assessing Südzucker Group. The surveyed stakeholders evaluated the current and future relevance for Südzucker from a company perspective. The results are presented in the following materiality matrix.

ASSESSMENT OF THE RELEVANCE OF SÜDZUCKER'S SUSTAINABILITY ASPECTS

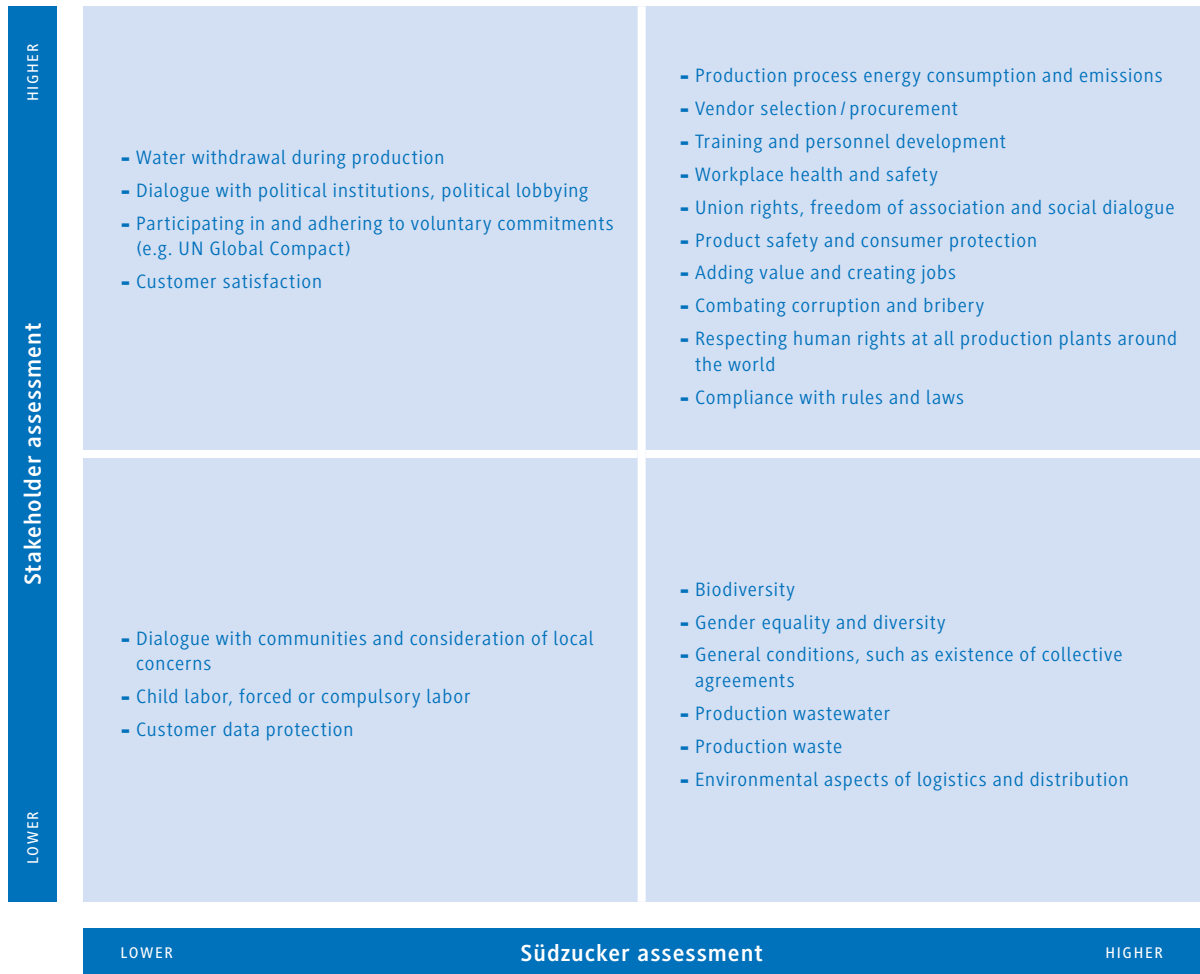


DIAGRAM 005

Reports on the sustainability aspects of the summarized issues, the associated guidelines and the respective management approach are provided in the corresponding chapter/ section of the management report.



Sustainability aspects (content of the non-financial declaration)	Management report chapter/section
Environmental issues	Environment Business report/segments in each production section
Employee issues	Employees
Social issues	Environment, society
Human rights	Environment, employees and society
Bribery and corruption control	Corporate management and responsibility/compliance

TABLE 008

### External assessment of sustainability

Südzucker has participated in the EcoVadis sustainability evaluation system since 2013. EcoVadis is a French initiative that evaluates companies with respect to their acceptance of social responsibility in various dimensions. Many customers in the food industry are increasingly taking notice of the results. Südzucker participates actively and regularly provides extensive information regarding various aspects related to the

environment, working conditions, compliance and procurement. After the current evaluation, Südzucker was in the top 30 % of all companies evaluated and has been awarded silver status.

The following summary shows the critical sustainability related initiatives and organizations endorsed and supported by companies of the Südzucker Group.

#### Memberships in sustainability-related initiatives

Initiative	Registered Office	Member	Since	Objective of the initiative
Bonsucro® – Better Sugarcane Initiative Ltd.	London / Great Britain	AGRANA Zucker GmbH	2014	Promotion of sustainable sugar cane growing
Earth Island Institute	Munich / Germany	Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG <sup>1</sup>	2011	Promotion of sustainable fishery and protection of dolphins
EcoVadis SAS	Paris / France	Südzucker AG <sup>1</sup>	2013	Supplier assessment considering various aspects of corporate social responsibility
Fairtrade Deutschland/Transfair e.V.	Cologne / Germany	Südzucker AG	2006	Promotion of fair trade
SAI – Sustainable Agriculture Initiative Platform	Geneva / Switzerland	Südzucker AG <sup>1</sup>	2014	Promotion of sustainable agricultural practice
Sedex Information Exchange Limited	London / Great Britain	AGRANA Beteiligungs-AG	2009	Promotion of good social and environmental practice in the value chain

<sup>1</sup> More than one legal entities of Südzucker Group endorse this initiative.

TABLE 009

# ENVIRONMENT

## Guidelines

Südzucker Group undertakes to adhere to environmental and energy policies that reduce resource consumption and the environmental impact of the company’s business activities, utilize energy efficiently and constantly improve the efficiency of its production processes. This includes

- complying with all statutory and internal rules and regulations
- continuously reviewing and optimizing the energy efficiency and minimizing the environmental impact of all plant designs, production processes and associated supply chains (including procurement)
- ensuring that management establishes strategic and operational targets and programs aimed at continuous improvement
- systematically measuring target achievement and evaluating the effectiveness of the established programs
- ensuring that management provides the necessary resources and information required to execute the programs and achieve the planned targets

## Production

### Management policy

Südzucker, BENE0 and CropEnergies adhere to the ISO 9001 quality management system at their German production locations to manage the environmental impact of their operations. A centralized environment department ensures that the plants adhere to legal requirements by assigning responsibilities and defining processes as well as internal audits. The company continuously reduces its environmental impact, especially noise and odor emissions, air pollution and wastewater emissions, freshwater requirements and waste volume according to industry benchmarks. Furthermore, it sets

targets and implements action programs at the factory level that incorporate employee suggestions.

The energy management system at Südzucker’s German and Austrian AGRANA, BENE0, Freiburger and CropEnergies production locations is certified in accordance with ISO 50001. The same applies to the sugar production plants in France, Poland, Romania, Slovakia, Czech Republic and Hungary, the remaining fruit juice concentrates division sites in the EU and the Freiburger location in Great Britain. The CropEnergies location in Great Britain is audited under the terms of the Energy Savings Opportunity Scheme. Energy consumption at the BENE0, CropEnergies and Belgian Raffinerie Tirlemontoise locations is certified to comply with “Les accords de branche de seconde génération”.

### Goals

The Environment section talks about energy use, greenhouse gas emissions, water withdrawal, water input and waste. Use of renewable and non-renewable energies and the associated greenhouse gas emissions are an extremely important topic for us.

Our aim is to further reduce our energy needs and the associated greenhouse gas emissions, especially by continuously improving our production process.

### Energy and emissions

Südzucker’s efficient production processes and modern energy management systems are first class. For example, combined heat and power plants and cascade switching in the utilization of process energy underlie the company’s above-average energy efficiency. This enables us to reduce the need for fuel and at the same time cut emissions of air pollutants and climate-relevant greenhouse gases.

Energy consumption within the group

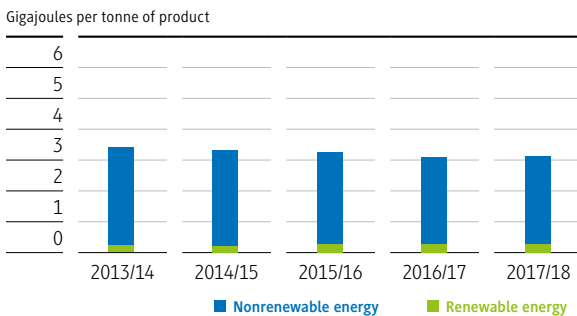


DIAGRAM 006

Emissions from direct and indirect energy consumption within the group

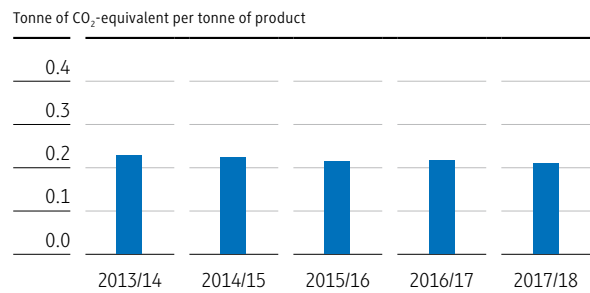


DIAGRAM 007

The Rackwitz biogas plant uses renewable raw materials to produce biomethane that is fed into the public distribution network year-round.

### Water withdrawal and water discharge

Water, the most important resource from a global perspective, is one of the many inputs to Südzucker Group's production processes. Our production plants stand out because they reduce fresh water consumption to a minimum by drawing the necessary water from a circuit. Quite often, the water contained in the agricultural raw materials – sugar beets and apples consist of about 75 % and 85 % water respectively – is used in the processes. For example, a large proportion of the water required by a sugar factory is already contained in the raw sugar beets delivered to the plant. Overall, the water contained in the processed field crops can make the wastewater volume greater than volume of water withdrawal. Furthermore, heavy rainfall can also lead to greater water input.

#### Group – water withdrawal / water discharge

Million m <sup>3</sup>	2013/14	2014/15	2015/16	2016/17	2017/18
Water withdrawal	41.6	39.7	34.1	36.0	39.7
Water discharge	33.7	36.6	32.9	38.1	40.7

TABLE 010

Of the total volume of water withdrawal, more than 60 % is from surface water, especially from rivers. This water is mostly used by the sugar factories' cooling systems; that is, the water is only used for process cooling, after which it is fed directly back to the discharge system. The increase of absolute volumes of water withdrawal and water input is mainly due to increased quantities processed within the Group.

### Waste

Due to the company's integrated production concepts, the raw materials used are almost entirely converted to high-quality products.

#### Group – waste

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17	2017/18
Recycling	566.8	455.8	376.0	241.5	296.5
Landfill	78.0	95.1	86.5	67.0	68.6
Composting	64.9	69.6	60.2	56.4	75.3
Incineration	15.7	14.9	22.6	19.6	24.7
Other	23.6	21.9	17.2	20.3	28.5
thereof dangerous waste <sup>1</sup>	1.3	1.1	1.5	0.8	1.6
<b>Total</b>	<b>749.0</b>	<b>657.3</b>	<b>562.4</b>	<b>404.7</b>	<b>493.5</b>

<sup>1</sup> Mainly used lubricants from production.

TABLE 011

Accordingly, total waste volume was higher than last year, driven by significantly increased processing and production volumes. In addition, this year waste from CropEnergies production plant in Wilton, Great Britain was included for the entire reporting period for the first time.

### Procurement

Südzucker Group's purchasing departments consider ecological, business and social aspects when procuring the goods and services.

#### Management policy

The Supplier Code of Conduct is part of the competitive bidding process and contract negotiations. Together with the environmental, labor and social standards guidelines, this code of conduct ensures that procurement remains sustainable. It applies to suppliers along the entire value chain.

The purchasing departments are subject to various annual audits and are certified in compliance with standards such as ISO 9001, International Food Standard, GMP+ or SAI.

In fiscal 2017/18, the company processed about 41.1 million tonnes of agricultural raw materials, such as sugar beets, grain, corn, chicory and fruits, at over 100 production locations around the world. Renewable agricultural materials thus comprise the largest share of the procurement volume.

Südzucker uses agricultural raw materials and primary products, which are sourced mainly from European production facilities and comply with the EU's cross compliance principles for agricultural production with associated constraints on farmers.

The latest EU agricultural policy reforms in 2013 covering the funding period to 2020 emphasized the need for environmentally sound farming. In addition to complying with the compulsory greening mechanisms, Südzucker's practice includes and promotes expanded crop rotation, intercropping, legume cultivation, flower strip planting, and establishing riparian strips.

A large share of the agricultural raw materials Südzucker processes is sourced from farmers under contract to the company. For example, Südzucker buys sugar beets exclusively from farming operations situated close to its sugar factories. Each cultivation year, the company signs annual sugar beet supply contracts governing cultivation, supply and payment conditions.

Special sustainability criteria apply to the agricultural raw materials used for bioethanol production. These ensure that the biomass cultivation does not take place in areas requiring protection or that it negatively impacts biological diversity. Certification systems recognized by the EU, such as REDcert EU, ISCC EU and 2BSvs are used to ensure factual adherence to these practices. The company's factories are certified and undergo external audits. Raw material suppliers are contractually obligated to comply with the criteria.

### **Sustainable Agriculture Initiative Platform**

Südzucker is a member of the Sustainable Agriculture Initiative Platform (SAI), the leading global initiative for promoting sustainable farming methods. The non-profit organization was founded in 2002 and currently has over 90 members – mainly large companies in the food industry, including many Südzucker customers. Food producers and their raw material suppliers join SAI to document their adherence to wide-ranging sustainability criteria.

Südzucker and its beet farmers in Germany, Belgium, France and Poland received RedCert2 certification in 2017, once again attesting to their compliance with the criteria of the SAI Platform. The status in Germany was raised from silver to gold. In Belgium the company implemented the Vegaplan System.

AGRANA uses the Farm Sustainability Assessment (FSA) developed by SAI to demonstrate sustainable agricultural practices at the farms under contract to supply sugar beets in Austria, Hungary, Slovakia, Czech Republic and Romania, for potatoes in Austria and apples in Hungary. In fiscal 2017/18, completion of the previously voluntary FSA questionnaire was added to the compulsory requirements for vendor selection. Based on the results of external audits measuring compliance

with SAI requirements, AGRANA Zucker can claim gold or silver status for 75 % of its operations.

### **Modern and sustainable farming**

Südzucker supports its farmers by providing wide-ranging expertise, for example in regard to soil treatment, seed selection, plant protection and soil fertility, to help them operate modern, sustainable farms. In addition, Südzucker analyses soil samples in order to provide plot-specific fertilization recommendations, as well as conducting analyses and providing recommendations to optimize the nutrient cycles of the farming operations.

### **Biodiversity**

Südzucker Group sources its sugar beets from a total cultivation area of about 450,000 ha. It is important to Südzucker to ensure crop rotation is practiced and that the company contributes positively to promoting biodiversity. Südzucker Group has therefore launched and promotes countless programs that raw material suppliers use to contribute to biodiversity. Seed mixtures for flowers at the edge of the field have been distributed in Germany since 2014, and in France, Belgium and Poland since 2016. In Austria, a seed mixture of flowers was used as an alternative to other intermediate crops. This helps loosen the soil, mobilize nutrients and activate soil organisms in the fields. The blooming fields and field edges also provide an ideal easement for wildlife, a bee pasture and an attractive landscape.

## **Logistics**

### **Management policy**

Efficient logistics are a prerequisite to smooth factory operation. This means factories must be supplied with the necessary raw materials and the finished products continuously distributed, both in consideration of limited available storage space and optimum utilization of production capacities. IT-assisted logistics control and selection of the most resource efficient transportation means are key to successfully implementing the policies.

### Procurement logistics

By far the largest volumes of about 41.1 million tonnes of raw materials processed by Südzucker Group are required for sugar and bioethanol production – about 40 million tonnes of beets and grain in the past fiscal year.

In Germany, Belgium, France and Poland, beets are delivered to the sugar factories on trucks. By the 1990s, Südzucker had already developed and introduced a system that allows sugar beets to be delivered efficiently from the field to the factory. A new logistics application – farm pilot – that optimizes truck navigation on the field paths is currently being introduced throughout the group. This app also enables continuous information flow between the beet root harvesters, beet loaders and the trucks, which continuously optimizes route guidance and eliminates unnecessary trips and waiting time.

In the countries where AGRANA has production facilities, about 36 % of the beets were delivered to the sugar factories by rail during the 2017/18 campaign. In Hungary, the share of beets delivered by rail was about 65 %.

The share of beets prewashed at the field is 84 %. The aim is to leave as much soil in the fields as possible. This also reduces transportation volume and weight, and thus the number of truck trips. Other programs include training truck drivers to drive in an environmentally friendly and careful manner, and using state-of-the-art trucks with high load capacities and low emissions.

We also strive to reduce emissions in the raw material supply chain for our bioethanol plants. The plants in Zeitz, Germany, Wanze, Belgium, Loon-Plage, France and Wilton, Great Britain are close to large grain cultivation areas and/or harbors and rail lines. This allows for shorter transportation routes, while at the same time enabling goods to be delivered by ship or rail. For example, in Wanze most of the raw materials used arrive by ship.

The delivery of rice for BENE0 in Wijgmaal, Belgium is increasingly made by inland waterway vessels.

Some of the raw materials used by the fruit segment to produce fruit preparations and fruit juice concentrates are also delivered by ship or rail.

### Distribution logistics

Product delivery presents significant challenges to distribution logistics. The aim is to optimize shipping distances and select appropriate transportation methods in order to reduce transport-related CO<sub>2</sub> emissions to the greatest extent possible, while at the same time avoiding extra costs. Products are shipped in bulk whenever possible to avoid unnecessary packaging waste.

Since the beginning of the 2017 campaign, significantly higher volumes of sugar have been shipped in bulk in block trains for export to various marine terminals in France, Belgium, Germany and Poland. Bulk sugar is increasingly delivered to Italy using bulk containers that are shipped by road and rail.

About 40 % of Südzucker Group's total sugar volume is shipped in bulk, primarily to the processing industry. As a result, a significant share of the volume requires no additional packaging.

To reduce transportation volume when shipping animal feed, we sell sugar beet pulp in southern Germany with higher dry solids content. Many of our plants ship carbolic lime, which we sell as Carbokalk, on the return leg of the truck's trip after it has delivered beets to the factory.

The CropEnergies segment ships most of its products via rail and ship.

# EMPLOYEES

At Südzucker, diversity is alive every day among our employees across the globe, who bring a broad range of experience, skills, personalities and cultures to the company. Their expertise makes us successful. To ensure this does not change, we aim to win talented employees for Südzucker, retain them and help them grow. To this end we offer a work environment that inspires and promotes teamwork. We treat our employees fairly and respectfully.

## Employees by segment and region<sup>1</sup>

### Employees by segment at balance sheet date

28 February	2018	2017	+/- in %
Sugar	7,034	6,929	1.5
Special products	5,697	4,643	22.7
CropEnergies	414	412	0.5
Fruit	5,370	4,924	9.1
<b>Group</b>	<b>18,515</b>	<b>16,908</b>	<b>9.5</b>

TABLE 012

The number of Südzucker Group employees as of the 28 February 2018 balance sheet date rose 9.5 % to 18,515 (16,908). This strong increase was attributable mainly to the special products and fruit segments. The main contributors were the special products segment's Freiburger division and the fruit segment's fruit preparations division. Almost 900 employees were added to Südzucker Group when Freiburger acquired Germany's HASA GmbH and the American company Richelieu Foods Inc. In fruit preparations, an additional 400 employees were hired on contract in Mexico and Morocco to process the significantly higher volumes. The size of the Sugar and CropEnergies segments' workforces remained almost unchanged.

### Employees by region at balance sheet date

28 February	2018	2017	+/- in %
Germany	4,185	3,864	8.3
Other EU	8,913	8,829	1.0
Other countries	5,417	4,215	28.5
	<b>18,515</b>	<b>16,908</b>	<b>9.5</b>

TABLE 013

<sup>1</sup> The information on employees by segment and region is stated as full-time equivalent. All other information relates to employee head count on the balance sheet date.

Almost one-quarter of all employees continued to work in Germany during the reporting year; slightly less than half in other EU countries.

The share of Südzucker Group employees working in the rest of the world rose to about 30 %, driven especially by the acquisition of American pizza producer Richelieu Foods Inc.

### Management policy

Südzucker manages the conduct of its employees in accordance with Südzucker's code of conduct, which amalgamates applicable law and international standards, operating procedures and rules, Südzucker corporate guidelines, as well as employment-contract-related obligations toward Südzucker. The latter is based among other things on the code of conduct outlining the social responsibility of European sugar industry companies, which came into force in 2004 (Society section/ Respect for human rights). Adherence to the code of conduct is monitored through programs such as an internal audit and an anonymous whistleblower system.

Strict adherence to applicable human rights protection regulations is an integral part of Südzucker's corporate responsibility. Every employee is obliged to respect the dignity and personal rights of every other employee and colleague, as well as other people with whom the company has a business relationship. We do not accept child labor, slavery or compulsory labor in any form.

## Gender equality and diversity

### Employees by relationship and gender

About 14 (13) % of the workers have a temporary employment relationship. This group of employees primarily represents seasonal workers who typically help with the harvest or are active during the processing campaigns.

Südzucker offers very flexible work time models and various holiday childcare programs to help employees balance their careers and family. The number of employees working from remote locations has increased significantly. The number of part-time workers employed by the company remained unchanged at about 3 %.

As of 28 February 2018, the number of employees according to employment relationship and gender for the group overall were as follows:

#### Employees by relationship and gender

28 February 2018		Total	Permanent	Non-permanent
Full-time	Male	13,045	11,791	1,254
	Female	5,644	4,184	1,460
Part-time	Male	110	73	37
	Female	472	456	16
<b>Total</b>		<b>19,271</b>	<b>16,504</b>	<b>2,767</b>

TABLE 014

#### Gender equality

Naturally Südzucker adheres to all legal requirements – including the general equal treatment law that prohibits discrimination. Employees are strictly hired and promoted according to their suitability, qualifications and performance, and willingness to learn. Men and women have equal opportunity to further their careers at the company.

Nevertheless, due to the company's strong production and technology orientation, men still outnumber women at all levels; in some areas significantly. For the past number of years, the number of female apprentices and women enrolled in so-called MINT career programs (English STEM – science, technology, engineering, math) has risen.

For Südzucker Group overall, the percentage of women on the payroll at the end of 2017/18 was about 32 (30) %. Women represent about 18 (19) % at the management level. The first and second management level structure below the executive board is as follows:

#### Management

28 February 2018	Total	Male	Female
1 <sup>st</sup> management level	163	148	15
2 <sup>nd</sup> management level	381	297	84
<b>Total</b>	<b>544</b>	<b>445</b>	<b>99</b>

TABLE 015

#### Age structure and length of service

The company's age structure continues to be relatively balanced. We have a high ratio of apprentices, which brings young people to the company. At the same time, the increase in the legislated retirement age will further boost the percentage of older workers in the coming years.

An average length of service for the group as a whole of more than 10 years is proof that Südzucker is an attractive employer. Fair remuneration, modern benefits and good conditions for successful work along with the corporate culture make an important contribution to creating a good working environment.

#### Employees according to age group in %

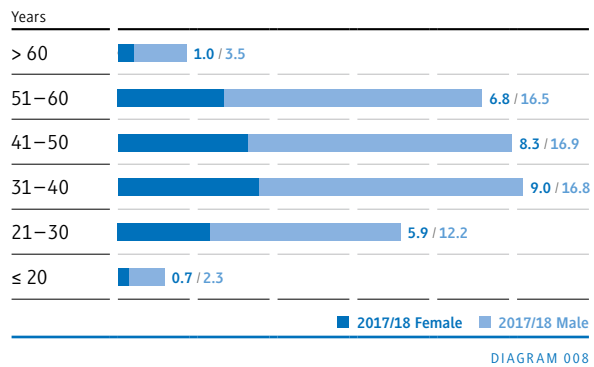


DIAGRAM 008

#### Length of service in years in %

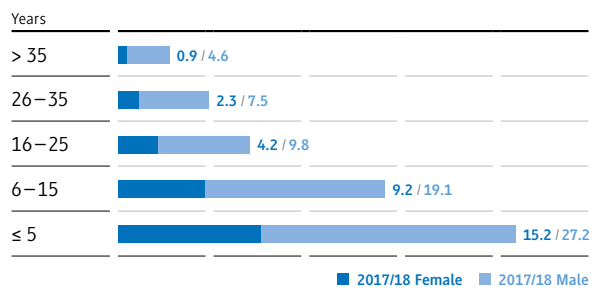


DIAGRAM 009

The following chart of new hires and employee turnover for employment relationships of indefinite duration shows the number of new hires to be considerably greater. Excluding the employees of the newly acquired Südzucker Group companies HASA GmbH und Richelieu Foods Inc., the number of new hires is about 100 more than the fluctuation attributable to terminations, resignations and retirees.

#### New hires and fluctuation

2017/18	Total	Male	Female
New hires	2,111	1,457	654
Fluctuation	1,108	811	297

TABLE 016

## Employee development/training and continuing education

Increasing full employment in skilled occupational fields, together with demographic shifts, make recruiting more and more challenging. Südzucker has excellent rankings in various employer and apprenticeship surveys, which is an advantage when competing for qualified employees. In parallel, the company invests in personnel development, continuing education and recruiting programs. This includes a variety of international trainee programs, junior management development programs, international "On Boarding" programs and many training events directly at the various operating sites. The company also offers conduct training – from management seminars to presentation skills – as well as foreign language courses and information sessions on IT security.

### Career training

Apprenticeships are a key part of Südzucker Group's recruiting program and contribute to meetig skilled worker requirements. As of 28 February 2018, the Südzucker Group had about 450 apprentices. Of these, 200 work in Belgium, France, Great Britain and Austria. About 243 are learning a skilled trade at Südzucker AG and other group companies in Germany. The awards won by apprentices and some locations are a testament to the high standard of training offered by the factories.

## APPRENTICESHIP CAREERS AT SÜDZUCKER GROUP

- Food technician
- Chemical lab technician
- Industrial clerk
- Office clerk
- Bachelor of science in information management
- Computer specialist in application development
- Computer science engineer
- Electrician
- Industrial electronics engineer
- Plant electrician and process control engineer
- Electronics engineer for automation systems
- Metals engineer
- Mechanical engineer
- Industrial mechanic
- Mechatronics engineer; electromechanical engineer
- Warehouse logistics specialistk
- Equipment and plant operator
- Farmer

## Workplace health and safety

### Workplace safety

#### Guidelines

Südzucker undertakes to implement worker protection policies that guarantee employees a high level of health and safety at the production plants. Work safety is of key importance to the entire Südzucker group. There are two aspects to safety, both of which must be equally addressed: creating a safe work environment on the one hand, and on the other, ensuring every individual employee is aware of safe work practices.

#### Management policy

We regularly assess and evaluate work and plant safety risks. We systematically check continuous improvement targets and the associated measures, and regularly evaluate the effectiveness of the established programs. An in-house work safety management system defines procedures for identifying hazards, investigating accidents, as well as training and roles and responsibilities.



### Injury rate and lost working day rate<sup>1</sup>

	2013/14	2014/15	2015/16	2016/17	2017/18
Injury rate	16.1	13.1	11.5	12.6	11.6
Lost working day rate	237	194	210	236	223

<sup>1</sup> Accident rate and lost working rate are both based on one million work hours. Lost working days are recorded if they lead to one or more days' absence.

TABLE 017

The accident rate in fiscal 2017/18 was 11.6, down from last year's 12.6. All on-the-job accidents were examined in depth and suitable countermeasures defined to avoid similar incidents in future. Even factories not directly involved are informed about accidents and corrective actions.

The programs to reduce work-related accidents vary in the different segments because they are adapted to meet their specific requirements. This includes assessing hazards, training employees and managers, and staging work protection action days during which employees are actively trained and sensitized using appropriate measures. Recommendations to improve health and work safety submitted by employees in conjunction with the company's employee suggestion program play a very important role.

### Goals

As a member of the sugar industry association "Verein der Zuckerindustrie", Südzucker actively supports the "VISION ZERO. Zero Accidents – Healthy at Work!" cooperation agreement between this employers' association and the professional association "Rohstoffe und chemische Industrie".

This was done at the following sugar segment locations in 2017/18: Buzău, Brottewitz, Cagny, Etrépagny, Merksem, Oostkamp, Ropczyce, Roye, Sered, Strzelin and Tandarei. In addition, BENE0-Remy in Wiggmaal and Ryssen in Loon Plage as well as many other production locations in the fruit segment were all accident free. The numbers are satisfactory compared to industry peers. Südzucker has played a pioneering role among German sugar factories for over twenty-five years.

Accident frequency and associated lost time is reported under work safety. Südzucker's goal is zero accidents throughout the group.

### Health protection

Südzucker has implemented various programs and initiatives that aim to protect the health of our employees, including prevention and reintegration after recovery from an illness, occupational health care by site doctors, vaccination programs and managing worker reintegration into operations. Personal health management seminars are also included in the company's annual employee training programs. For example, the Südzucker health insurance plan stages employee events surrounding work safety, with courses to generate stress awareness, build resilience, learn about life kinetics and relaxation. Last fiscal year, the sickness ratio as measured based on sick pay was 3.6 (3.4) %.

### Dialogue with employee representatives and unions

Südzucker is a co-determined company. This means that half of the supervisory board consists of employee representatives – who are chosen by the company's own workforce or the unions. This ensures that employee representatives have a say in all key corporate decisions.

Social dialogue is common daily practice at Südzucker Group. The unions negotiate annual or multiyear collective bargaining agreements at almost all European sites as well as many locations around the world. The majority of workers also have employee representatives.

The European Works Council comprises representatives of the group companies in Germany, Austria, Belgium, France, Poland and Hungary. The delegates discuss cross-border topics with the executive board at a regular annual meeting.

### Thank you from the executive board

The executive board thanks all Südzucker Group employees for their hard work, commitment and dependability. This vote of thanks extends to the employee representatives for their ongoing cooperation and constructive teamwork.

# SOCIETY

Business success and the acceptance of social responsibility belong together in our view and are a key prerequisite to sustainably conducting business.

The top priorities in regard to our obligations to society are our responsibilities towards our employees (► employees chapter) and the people who consume our products. Other considerations include greater value added in rural areas, social commitment, dialogue with our stakeholders and respect for human rights.

## Product responsibility and quality

### Quality management and product safety

We take full responsibility for producing and distributing safe food and animal feed.

#### Management policy

All divisions have implemented quality management systems to ensure that their products are safe and meet the desired quality standards – from the development stage of a product, through procurement, production and transportation, up to and including delivery to customers.

#### Certification

Today, almost all Südzucker production plants that produce food have certificates that are equivalent to the Global Food Safety Initiative Standard GFSI. Various production locations have specific additional certificates for certain product groups, according to special customer requirements; for example, kosher, halal or free of genetic modifications.

Customers in the food industry assign significant importance to checking the safety and legal compliance of our products. External certification organizations conduct the audits. Accordingly, our production processes are geared toward internationally recognized standards with extensive specifications and standardized assessment processes, such as IFS Food, BRC Global Standard Food Safety and FSSC 22000.

#### Implementation of quality management systems

The HACCP concept is a key element of each and every quality management system. The system is used to systematically analyze hazards and critical control points associated with raw material properties and end products, each individual production step, as well as transportation and storage factors. If necessary, appropriate steps are taken to protect consumers on the basis of this analysis.

The system includes complaint evaluation, whereby the results are used as an additional source of information for continuous improvement of products and processes.

Raw material specifications, information about the origin of commodities, quality management systems used by the suppliers and the quality of the buyer-supplier relationship also serve to maximize the safety of the company's in-house production process.

End product specifications contribute to reaching a common understanding of product properties. Südzucker also offers customers application-related advisory services, as well as help with developing products.

## Value added in rural areas

For Südzucker production locations, especially in rural areas, it is important that the areas surrounding the locations prosper economically and are attractive for qualified workers. A prerequisite is that the various regions have a functioning economic structure.

Südzucker Group's production locations have an above-average impact on growth and employment. Most of our production plants are located close to where agricultural raw materials are produced; that is, rural areas. As a result, we offer sustainable value added and jobs in structurally weaker regions. At the beginning of 2017, a study commissioned by Südzucker and conducted by the Wirtschaftsforschungsinstituts WifOR in Darmstadt, Germany was updated. The new study quantifies for the first time the business activities of the entire Südzucker group in the global economy. WifOR found that the company generates gross value added of € 4.5 billion. The gross value added multiplier, which measures the effect of the downstream activities, especially in agriculture, is 4.4, substantially higher than other sectors. The number of associated direct, indirect and spin-off jobs is 90,000.

In Europe, the sugar segment gross value added is € 3 billion, of which about 81 % is generated in rural areas. In Germany, Südzucker's sugar factories generate gross value added of € 1.2 billion. The 17,500 associated direct, indirect and spinoff jobs have a significant impact on employment. The employment multiplier in Germany is 7.2. This means that every direct job created by Südzucker generates more than six jobs in the downstream value chain – in agricultural operations and other companies. Südzucker's stated goal, both now and in future, is to contribute to further economic development of the region surrounding the factories.

## Social commitment

We participate in many projects and initiatives that serve the public interest in an effort to help deal with societal challenges. Our focus is on promoting science and education, among others, also at universities, stewardship of the historic heritage of the sugar industry at our museum sugar factory in Oldisleben, Germany, sponsoring sports and promoting local projects of various interest groups in the vicinity of our production plants such as "Südzucker for Kids". Here Südzucker financially supports employee initiatives, which are primarily aimed at improving child welfare.

## Dialogue with communities

We value having a good relationship with the communities in which our production locations are situated, as well as with our neighbors. Our respective factory management teams respond directly to local questions and concerns and

regularly exchange ideas and communicate with local political bodies. We offer factory tours that provide many citizens in the various regions the opportunity to learn firsthand how sugar is produced from their local crops.

## Dialogue with politicians and institutions

Südzucker is in close contact as a corporation to various social stakeholders. We are totally committed to maintain a dialogue with politicians, institutions and nongovernment organizations and to support industry associations through active participation and membership. Our aim here is to create workable, practice-oriented solutions when it comes to regulatory issues. Our communications are always based on substantive science-based positions.

Südzucker is listed in the EU transparency register, which tracks and monitors the activities of European stakeholders.

### Memberships in industry associations and interest groups

Industry association or advocacy organization	Registered Office	Member <sup>1</sup>	Scope
AEBIOM – The European Biomass Association	Bruxelles / Belgium	Biowanze S.A.	EU
BDBe – Bundesverband der deutschen Bioethanolwirtschaft e.V.	Berlin / Germany	CropEnergies Bioethanol GmbH	Germany
BLL – Bund für Lebensmittelrecht und Lebensmittelkunde e.V.	Berlin / Germany	Südzucker AG	Germany
BVE – Bundesvereinigung der Deutschen Ernährungsindustrie e.V.	Berlin / Germany	Südzucker AG	Germany
CEFS – Comité Européen des Fabricants de Sucre	Bruxelles / Belgium	Südzucker AG	EU
DBV – Deutscher Bauernverband e.V.	Berlin / Germany	Südzucker AG	Germany
DLG – Deutsche Landwirtschaftsgesellschaft e.V.	Frankfurt / Germany	Südzucker AG	Germany
dti – Deutsches Tiefkühlinstitut e.V.	Berlin / Germany	Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	Germany
ELC – Federation of European Specialty Food Ingredients Industries	Bruxelles / Belgium	BENEO GmbH	EU
ePURE – European Producers Union of Renewable Ethanol	Bruxelles / Belgium	CropEnergies Bioethanol GmbH	EU
FoodDrinkEurope	Bruxelles / Belgium	Südzucker AG	EU
Starch Europe	Bruxelles / Belgium	AGRANA Stärke GmbH	EU
VdZ – Verein der Zuckerindustrie e.V.	Bonn / Germany	Südzucker AG	Germany
WWZ – Wirtschaftliche Vereinigung Zucker e.V.	Bonn / Germany	Südzucker AG	Germany

<sup>1</sup> More than one legal entities of Südzucker Group are member.

TABLE 018

## Respect for human rights

Respect for human rights together with appropriate working are of key importance to the entire Südzucker group. Statutory provisions related to work conditions, child labor, slavery and compulsory labor are regarded as the minimum standard. The rules of the International Labor Organization (ILO) and the Supplier Ethical Data Exchange (SEDEX) are also applied.

### Management policy

The code of conduct that outlines the social responsibility of companies in the European sugar industry, which was signed by the Comité Européen des Fabricants de Sucre (CEFS) and the European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT), has been in force since 2004. When it was signed at the beginning of 2003, it was the first code of conduct specific to an industry and the first contract of this type between European social partners. Recognized standards such as the United Nations' Universal Declaration of Human Rights (UDHR) and the International Labour Organisation's (ILO) were used as a reference to establish the code.

Südzucker's own code of conduct is based on the sugar industry's code of conduct. Südzucker undertakes to conduct its business ethically, legally and responsibly. All of the company's sites around the world respect the code. At the same time, Südzucker AG expects its suppliers and contractual partners to also comply with the guidelines outlined in this directive. You can find the code of conduct on our website at [www.suedzucker.de/en/Unternehmen/Verhaltenskodex/](http://www.suedzucker.de/en/Unternehmen/Verhaltenskodex/).

### SEDEX

Südzucker is a member of the online platform SEDEX (Supplier Ethical Data Exchange). It demonstrates to our customers and partners that we prioritize and adhere to the principles of ethical and social sustainability. Many Südzucker Group locations are audited according to SMETA (Sedex Members Ethical Trade audit); for example, sites managed by the sugar segment and the BENE0 division in Germany, the starch division in Austria and the fruit segment in Austria, Poland, Turkey, Morocco, Brazil and the United States. The audit reports can be provided to customers on request. All production locations registered with SEDEX also conduct an annual SEDEX Self Assessment. Audits were conducted at 58 (57) locations in fiscal 2017/18. In total, around 56 (59) % of the company's production locations have been audited.

# RESEARCH AND DEVELOPMENT

The main purpose of our research is to continuously optimize and enhance every step in the value chain; from raw material cultivation through process technology, up to and including production of the final product. We also focus on evaluating new raw materials and product concepts using new technologies or based on new promising raw materials, in order to expand the company's product portfolio and develop new business sectors. Patent applications safeguard the company's know how and strengthen its market position, especially in the field of organic chemicals, functional ingredients and starch derivatives.

R&D handles projects for the entire group throughout the world; also in co-operation with external research institutes, other companies, government institutions and/or universities, and where appropriate, participates in publicly funded projects.

The R&D department has 431 (401) employees throughout the group. Added to that are students working toward their bachelor's, master's and doctor's degrees, who do their academic work at Südzucker's research centers or production plants. The total budget for research and development in 2017/18 was € 43.2 (41.8) million.

## Raw material security

Agricultural research focuses on subjects related to improving yield and quality, sustainable production and providing agricultural raw materials.

### Boosting sugar and inulin content

The objective in a project backed by the Federal Ministry of Education and Research is to improve sugar flow within sugar beets in order to boost sugar content. After completing the theoretical work on the project, the plan is to conduct field tests in 2020/21 and demonstrate feasibility. The next project will seek to improve sugar beets' frost tolerance. New breeding methods for chicory aim to inhibit inulin reducing enzymes. Associated growth and storage phase processes are being investigated.

### Optimizing harvest quality and improving long-term storage

In future, campaigns will be longer, which is why efficient and gentle harvesting, as well as low-loss raw materials storage, such as keeping sugar beets on the edges of fields, are becoming increasingly important. The R&D department is working with manufacturers of harvesting equipment to develop solutions for gentle beet harvesting with the help of innovative sensor technologies. On the topic of beet storage, the department is examining the extent to which antagonistic microorganisms can reduce the propagation of rot-inducing fungi in order to improve the health of beet piles. These fungi are the main cause of deteriorating beet quality during storage.

### Varietals

The breeding of varieties with properties that compensate negative plant growth factors, both biotic (e.g., diseases and pests) and abiotic (e.g. drought), is gaining importance. We support research projects that use new genome editing technologies such as CRISPR/Cas9 to quickly impart these properties into specific new varieties.

### Crop rotation

The purpose of integrating as many different types of crops into the beet crop rotation process as possible is to promote biome production and improve beet growth. Research is also being conducted on whether fertilizers and plant sprays can be reduced by applying these cultivation-related measures.

### Plant protection

The increased resistance of weeds, pathogens and pests to pesticides and herbicides, combined with a steady reduction in available plant protection substances, requires us to rethink plant protection. Accordingly, we initiate and support projects to mechanically control weeds, use organic substances to supplement or replace pure chemical preparations and conduct studies on sustainable crop rotation as the primary building block of an integrated plan cultivation process. We are working on the development and optimization of existing forecasting models to combat specific diseases and pests. By integrating the latest technologies – from highly sensitive sensors to self-driving vehicles with very precise dosing capabilities – we are finding new ways to optimize plant protection.

### Raw materials for starch

The focus of activities in the raw materials area continues to be to examine the influence of the degree of ripeness of grains such as corn on starch properties. Researchers harvest raw materials at various stages of maturity, then process them in the lab and in pilot plants in order to conduct in-depth analyses of the starch content.

On one project aiming to define a new raw material for starch, wheat varieties with a high amylopectin content were compared with waxy corn. Of key importance is to analyze wheat varieties with different origins.

### Processing technology

R&D continuously works on improving production processes so that the **sugar factory** campaigns can extend beyond 130 days and operate reliably with a minimum number of outages. Included in this work is to develop concepts to process non-optimal beet materials, such as improving juice purification and separating unwanted accompanying substances. These can then be recycled as input materials in a biogas plant.

The department continuously develops and uses mathematical models to evaluate the efficiency of individual sugar production process steps. It then defines specific actionable measures to improve efficiencies, adapted according to the needs of individual factories.

Researchers were able to demonstrate potential savings in the process water and product recycling processes for **functional carbohydrates** using a pilot membrane system. Plans call for integrating this technology into key Palatinose™ and isomalt process steps. The department was able to apply process and engineering expertise from the sugar process to optimize Palatinose™ crystallization.

We aim to use as wide a range of raw materials as possible for fermentation at our **bioethanol production plants**, which is why we continue to focus on evaluating the impact of new digestion technologies, as well as the efficiency and commercial effectiveness of new enzymes and yeasts.

The aim of continuously examining the efficiency and effectiveness of new enzymes and yeasts is to optimize the bioethanol yield of the input raw materials. Tests with new non-GMO yeasts are already showing a very positive impact on bioethanol yield. The plan is to develop a strain of yeast for use in production, especially designed for each specific factory. The department is also working on ways to optimize starch digestion using physical methods. A very promising technical solution was implemented on a large scale.

Additional studies and investigations into the use of various waste materials for fermentation were also conducted. In conjunction with these evaluations, the department examined concepts with lignocellulosic materials – so-called 2G concepts.

In the **fruit preparations** area, researchers were able to further improve the technology to reduce the activity of microorganisms on the surface of harvested fruits. Fruits treated in this way can be processed more gently and score higher when evaluated for properties such as aroma, taste, appearance and color.

Research also focused on improving the retention of fruit textures during processing. This technology aims to guarantee continuous product quality during the entire harvesting and processing stage. It also maintains the optical properties of fruits and products.

Working with Vienna University of Technology, the company gained new insight into best practice plant design in the fruit preparation production area. When implemented in a large scale plant, it should reduce fruit damage, improve productivity while at the same time saving energy.

In the **fruit juice concentrates** area, researchers further developed composite aromas for the beverage bases and aroma categories using in-house production plants and were able to further expand these areas.

## Products: Recipes and application concepts

New recipes were developed for the **sugar and specialty sugar products** division, using natural ingredients in accordance with the clean label trend. The department is also helping retailers with their market launches for exotic and less processed sugar varieties such as organic coconut blossom sugar and organic agave nectar.

Researchers developed additional application concepts in the **functional food ingredients** area, often by working hand-in-hand with customers.

The focus for **galenIQ™** is developing application options for tablets, especially mini tablets, coated products and powder applications, as well as new variants with special dissolution and disintegration time properties.

Beverage, baked goods and dairy product recipes were developed to market the nutritional benefits of **Palatinose™**, such as long-lasting energy release and improved blood glucose management.

For **inulin and oligofructose**, the focus continues to be on formulae to reduce sugar and fat in baked goods and dairy products.

The focus for **rice starch and rice flour** is on potential applications for baby food products and baked goods. Rice starch can also enhance the specified whiteness of coatings or glazing in many foods, as well as replace their titanium dioxide food color carriers. Special concepts were developed for this application.

**Plant-based proteins**, such as textured gluten, are sought-after ingredients by the fast growing vegetarian and vegan food market. In addition to working on new combinations made from gluten and rice – or wheat flour with various characteristic profiles – the department is developing the next generation of texturates with a further improved sensory profile and functionality.

The focus in the **starch** area is on developing products for the food industry that meet the demands of vegan and clean label market trends. A pre-gelatinized chickpea flour was developed for use in hummus spreads (instant hummus). Another innovative product based on pre-gelatinized chickpea flour is Agenovum®, an egg replacement that has yielded excellent results, especially in baked goods. A process adaptation enabled researchers to further optimize the characteristic profile of starches and replace the gelatin used in rubber goods.

Sustainability factors are also becoming increasingly important in the non-food markets and are included in buyers' specifications. The focus in the technical starch area is process optimization for the existing starch portfolio and bioplastics development. Thermoplastic starches were added to the biodegradable bioplastics product portfolio. Thanks to innovative recipes, products can now be offered that permit processing greater amounts of thermoplastic starch and enable transparent films to be produced.

For cosmetic industry products, the focus was on developing additional functionalized starches, especially for dry shampoo applications. A bio-tapioca starch varietal certified by COSMOS was brought to the stage of market readiness for the skin care natural cosmetics area.

Researchers developed sugar reduced **fruit preparations** with natural sweeteners for use in dairy products. In line with the trend to more natural fruit preparations, recipes were developed using thickeners that are not subject to labeling. Production time was reduced and viscosity-stable mixing recipes for mango, apples, pears and figs with other raw materials were successfully implemented with the help of new technologies.

## New products and processes

Südzucker Group is highly interested in the valorization of reusable materials from secondary streams for food applications – so-called upcycling. Most of our production plants are biorefineries. The aim is to extend the value chain by applying innovative processes and technologies to extract additional usable products from the material streams. The department is investigating concepts for coupled utilization paths to better exploit the energy and materials of secondary streams in bioethanol production plants.

### Proteins

There is a special focus on extracting functional proteins from the secondary streams of the bioethanol production plants. Three process concepts were designed for producing new protein products for food applications and the product characteristics, effectiveness and sustainability were evaluated. Initial functional proteins were extracted from small production runs directly in the bioethanol plants. These are now being tested in various food applications.

### **Organic chemicals**

Progress was made on research into the use of highly purified carbon dioxide generated during bioethanol production in so-called organic chemicals. An industrial concept can now be developed. Organic chemicals can be used as an alternate to petrochemical products and contribute positively to sustainability and the overall economics of bioethanol plants.

Several research projects, so-called “power to X” initiatives, were launched to explore recycling carbon dioxide in combination with renewable electricity to produce hydrogen. Depending on the process, this generates usable materials that can either be recycled to produce energy, used as the fuel additive or as an organic chemical.

A further project aims to develop an intermediary product for polymers from carbohydrates. After completion of the preliminary work in the laboratory, work started on building and operating a continuously operating pilot plant.

### **Bioethanol as a chemical raw material**

The department continues to work on concepts to produce C4 building blocks as a raw material for the chemical industry. The focus is on chemical-catalytic conversion of ethanol to butyl alcohol. After identifying suitable catalysts, the department is now operating a continuous pilot plant in order to optimize reaction parameters and yield.

### **Food acids and stabilizers**

A new project has researchers investigating the utilization of byproducts such as sugar beet pellets and apple pomace. The aim is to ferment some of the main components of the raw materials to make products for the food industry; for example, acids or stabilizers.



# BUSINESS REPORT

## Overall summary of business development

Our sugar segment went through a period of European sugar market upheaval in fiscal 2017/18. The expiry of EU quota regulations for sugar and isoglucose effective 30 September 2017 eliminated production restrictions and abolished existing export limitations and minimum EU quota beet prices. Südzucker and all its European competitors expanded their beet cultivation areas and significantly lengthened their campaigns. The associated cost degression effects and more flexible beet payment systems, which in many cases are tied to sugar price trends, have improved the international competitive position of profitable European regions. However, the 20 % higher sugar production has weighed heavily on European sugar prices. This EU development was further negatively impacted by plummeting world market prices due to record harvests around the world, together with a weaker US dollar. This led to a two-pronged result development. In the first half of fiscal 2017/18, the sugar segment was still able to generate satisfactory results. However, growth in the last months of fiscal 2017/18 – after elimination of the EU quota regulations – was predictably weak. Still, Südzucker increased sugar production by 26 %, from 4.7 to 5.9 million tonnes, enabling the company to establish a solid position in export markets, strengthen its EU market share and take advantage of the benefits of the optimized logistics of a European sugar group with 29 production locations.

The CropEnergies segment's results development was and continues to be strongly dependent on European bioethanol price trends. Last fiscal year, capacities continued to be well utilized with bioethanol production levels at 1.1 (1.0) million m<sup>3</sup>, which enabled the segment to generate satisfactory results despite slightly higher grain prices.

The special products and fruit segments were able to extend their successful growth trends and thereby confirm their contribution to sustained group results stabilization. Südzucker has further strengthened these segments over the past few years through acquisitions. In fiscal 2017/18, the convenience food business unit was further improved with the acquisition of frozen pizza manufacturer Richelieu Foods Inc., Braintree, USA and HASA GmbH, Burg, Germany. In the United States, the market share of private label frozen pizzas is still relatively low at 16 %, and market leader Richelieu Foods Inc. has the potential to grow significantly.

The € 432 million paid for these acquisitions drove net financial debt higher to € 843 (413) million, which still leaves the company with a solid financial structure measured against cash flow of € 693 (634) million. The investments increased capital employed and resulted in a slight decline in return on

capital employed (ROCE), which went from 7.1 to 6.7 %. Liquidity and the maturity profile of the financial liabilities were improved with the issue of a € 500 million bond with a maturity date of November 2025 and a 1.0 % coupon.

## Overall business situation and general conditions

### Business environment and currencies

The world economy grew about 3.8 (3.2) % in 2017. The growth was supported by improved economies in the euro zone, the United States and Canada, as well as economic recovery in Brazil and Russia.

In the euro region, gross domestic product (GDP) rose 2.4 (1.8) %; in Germany it was up 2.2 (1.9) % – the strongest growth since 2011. Rising consumer spending by private households in combination with increasing investment and strong export demand for German goods supported the upturn. Germany, Spain and France reported the strongest economic growth in the EU.

Excellent corporate and consumer sentiment in the euro zone drove the euro steadily higher, even though the Fed boosted interest rates several times in the United States, while interest rates in the euro zone remained at record lows. At the end of October 2017, the ECB extended its purchase program for investment grade corporate bonds until September 2018, but cut the monthly purchase volume in half to € 30 billion.

In the lead up to and after the approval of the US tax reforms at the beginning of December 2017, inflation expectations in the United States rose due to the expected economic stimulus.

On 15 February 2018, speculation surrounding a quicker monetary policy shift by the ECB drove the euro to a three-year high of 1.25 USD/€. At the end of the fiscal year, the euro was trading at 1.22 (1.06) US dollars.

### Volume and raw material markets

At the beginning of fiscal 2017/18, the world market price for sugar dropped sharply. This price drop was driven by expectations of a production surplus for the world market in sugar marketing year 2017/18. The trend was reinforced by financial speculation on the global commodity futures exchanges. The world market price for white sugar fell from about 500 €/t at the beginning of the fiscal year to around 300 €/t in the first half year. This was followed by a short-lived slight recovery, before prices once again came under pressure – also because of the expectations of another surplus year for the world market. At the end of the fiscal year the price was 296 €/t.

European ethanol prices again remained highly volatile in fiscal 2017/18. While prices were still above the 600 €/m<sup>3</sup> mark in March 2017, they declined significantly at the beginning of April 2017 and traded at around 550 €/m<sup>3</sup> to the end of September 2017. At the beginning of October 2017, prices dropped again, to about 460 €/m<sup>3</sup>, driven among other things by speculation surrounding the impact of eliminating the regulatory market framework for sugar quota and minimum sugar beet prices that had prevailed until that time. At the end of February 2018 European ethanol was quoted at 460 €/m<sup>3</sup>.

The global grain harvest and inventories will not quite match the previous year's record in the 2017/18 marketing year; however, supplies are still expected to be satisfactory. Significantly more grain is expected to be harvested in the EU, and with consumption remaining at last year's level, another substantial production surplus is forecast. In response to the excellent supply situation, wheat prices fell from 174 €/t at the beginning of March 2017 to 167 €/t at the end of February 2018.

The global fruit preparations market saw growth rates of about 1 % per annum for spoonable fruit yogurt by 2021 and 7.4 % for drinkable yogurt by 2021. Both markets exhibited a trend toward high-protein products. European apple juice concentrates market prices were initially stable at a solid level during the first half year, but failed harvests in the main cultivation regions subsequently drove concentrate prices up sharply.

For raw materials, the fruit preparations division was able to purchase its primary processed fruit, strawberries, at stable prices. Prices in the United States were sharply lower while in China they were significantly higher. The fruit juice concentrates division had to contend with one of the weakest apple harvests in the past ten years because of late frost in Poland, Germany and Italy.

### Energy and emissions trading

North sea crude oil was trading at 56 USD/barrel on 1 March 2017 and initially came under pressure because of renewed reservations about a quick return to a global market balance due to OPEC members' lack of consensus. Brent crude futures dropped to 46 USD/barrel in mid-June 2017. Since the end of the second quarter the global economic upswing combined with OPEC production cuts and American production outages caused a sustainable price upward trend. On 30 November 2017, OPEC and other non-OPEC countries reached agreement on extending the reduced production levels beyond March 2018 to the end of calendar 2018. On 25 January 2018, Brent crude reached a three-year high of 71 USD/barrel. Deliberations about a premature cancellation of the OPEC production cut agreement led to profit taking and at the end of the fiscal year Brent crude closed at about 66 USD/barrel.

European emissions trading (ETS) was dominated in 2017 by discussions and the first EU Commission resolutions regarding the fourth trading phase after 2021. European emission allowances (EUA) prices were low at the beginning of 2017, such as 4.50 €/EUA. Prices started to trend higher starting in the second quarter and at the beginning of September exceeded the 7 €/EUA mark for the first time in fiscal 2017/18 and continued to rise after that. On 28 February 2018, the EUA spot market price was around € 10, the highest price since 2012.

For further details about industry-specific business conditions please refer to the information in the various segment reports.

## Group consolidated earnings

### Revenues and operating result

The group's consolidated revenues rose 8 % to € 6,983 (6,476) million in fiscal 2017/18. The sugar, special products and CropEnergies segments all contributed to the increase, while the fruit segment's revenues were about the same as last year.

## Revenues and operating result

		2017/18	2016/17	+/- in %
<b>Revenues</b>	€ million	<b>6,983</b>	<b>6,476</b>	<b>7.8</b>
EBITDA	€ million	758	709	6.8
Depreciation on fixed assets and intangible assets	€ million	-313	-283	10.8
<b>Operating result</b>	€ million	<b>445</b>	<b>426</b>	<b>4.2</b>
Result from restructuring / special items	€ million	20	-20	-
Result from companies consolidated at equity	€ million	2	35	-94.0
<b>Result from operations</b>	€ million	<b>467</b>	<b>441</b>	<b>5.9</b>
EBITDA margin	%	10.8	10.9	
Operating margin	%	6.4	6.6	
Investments in fixed assets <sup>1</sup>	€ million	361	329	9.6
Investments in financial assets / acquisitions	€ million	432	164	>100
<b>Total investments</b>	€ million	<b>793</b>	<b>493</b>	<b>60.8</b>
Shares in companies consolidated at equity	€ million	370	433	-14.4
Capital employed	€ million	6,650	6,012	10.6
Return on capital employed	%	6.7	7.1	
<b>Employees</b>		<b>18,515</b>	<b>16,908</b>	<b>9.5</b>

<sup>1</sup> Including intangible assets.

TABLE 019

The group consolidated operating result rose slightly to € 445 (426) million. The fruit segment, and especially the sugar segment, contributed to this performance, while the CropEnergies and special products segments' operating result was below last year's high level, as forecast. A trend reversal that reflects the decline in the sugar and CropEnergies results in the second half of the fiscal year is apparent when the two halves of the fiscal year are viewed in isolation: In the first half-year, the group's consolidated operating result was still significantly higher than the year prior, while in the second half of the fiscal year it was down sharply from a year earlier.

### Capital employed and return on capital employed (ROCE)

Capital employed rose to € 6,650 (6,012) million. The substantial increase is the result of acquisitions within the special products segment and higher working capital in the sugar segment. Despite the improved operating result of € 445 (426) million, ROCE fell to 6.7 (7.1) %.

## Income statement

€ million	2017/18	2016/17	+/- in %
<b>Revenues</b>	<b>6,983</b>	<b>6,476</b>	<b>7.8</b>
Operating result	445	426	4.2
Result from restructuring / special items	20	-20	-
Result from companies consolidated at equity	2	35	-94.0
<b>Result from operations</b>	<b>467</b>	<b>441</b>	<b>5.9</b>
Financial result	-39	-34	14.7
<b>Earnings before income taxes</b>	<b>428</b>	<b>407</b>	<b>5.1</b>
Taxes on income	-110	-95	15.6
<b>Net earnings</b>	<b>318</b>	<b>312</b>	<b>1.9</b>
of which attributable to Südzucker AG shareholders	205	214	-4.0
of which attributable to hybrid capital	13	13	-2.2
of which attributable to other non-controlling interests	100	85	17.4
<b>Earnings per share (€)</b>	<b>1.00</b>	<b>1.05</b>	<b>-4.8</b>

TABLE 020

### Result from operations

The result from operations of € 467 (441) million for fiscal 2017/18 breaks down into the operating result of € 445 (426) million, the result from restructuring and special items of € 20 (–20) million and the result from companies consolidated at equity of € 2 (35) million.

### Result of restructuring and special items

The result from restructuring and special items of € 20 (–20) million is attributable mainly to the sugar segment and comprises income from excess production levies in sugar marketing years 1999/2000 and 2000/2001. It also includes income from property disposals and insurance payouts related to a fire at the Ochsenfurt sugar factory in summer 2017. These were offset by expenses for restructuring and reorganization programs.

### Result from companies consolidated at equity

The result from companies consolidated at equity fell to € 2 (35) million because of the sugar segment's low results contribution.

### Financial result

The financial result came in at € –39 (–34) million and comprises a net interest result of € –31 (–27) million and a result from other financing activities of € –8 (–7) million.

### Taxes on income

Earnings before taxes of € 428 (407) million resulted in taxes on income of € –110 (–95) million. The tax rate was 26 (23) %.

### Consolidated net earnings

Of the consolidated net earnings of € 318 (312) million, € 205 (214) million were allocated to Südzucker AG shareholders, € 13 (13) million to hybrid bondholders and € 100 (85) million to other non-controlling interests, mainly the co-owners of AGRANA Group and CropEnergies Group.

### Earnings per share

Earnings per share came in at € 1.00 (1.05). The calculation is based on the time-weighted average of 204.2 (204.2) million shares outstanding.

## Group financial position

### Cash flow statement

€ million	2017/18	2016/17	+/- in %
<b>Cash flow</b>	<b>693</b>	<b>634</b>	<b>9.2</b>
<b>Increase (–)/decrease (+) in working capital</b>	<b>–183</b>	<b>–89</b>	<b>&gt;100</b>
<b>Net cash flow from operating activities</b>	<b>501</b>	<b>548</b>	<b>–8.6</b>
Total investments in fixed assets <sup>1</sup>	–361	–329	9.6
Investments in financial assets/acquisitions	–432	–164	>100
<b>Total investments</b>	<b>–793</b>	<b>–493</b>	<b>60.8</b>
Other cashflows from investing activities	20	22	–9.1
<b>Cash flow from investing activities</b>	<b>–773</b>	<b>–471</b>	<b>64.0</b>
Dividends paid	–164	–115	42.0
Other cashflows from financing activities	428	–26	–
<b>III. Cash flow from financing activities</b>	<b>262</b>	<b>48</b>	<b>&gt;100</b>
Other change in cash and cash equivalents	14	–3	–
<b>Decrease (–)/Increase (+) in cash and cash equivalents</b>	<b>4</b>	<b>121</b>	<b>–96,7</b>
Cash and cash equivalents at the beginning of the period	581	459	26.4
<b>Cash and cash equivalents at the end of the period</b>	<b>585</b>	<b>581</b>	<b>0.8</b>

<sup>1</sup>Including intangible assets.

TABLE 021

### Cash flow

Cash flow came in at € 693 million versus € 634 million last year. This corresponds to 9.9 (9.8) % of revenues.

### Working capital

The cash outflow associated with the € 183 million increase in working capital was driven mainly by higher trade receivables in the sugar segment and volume-related additional funds required by the special products segment.

### Investments in fixed assets

Investments in fixed assets (including intangible assets) totaled € 361 (329) million. The sugar segment invested € 171 (153) million, mainly for replacements, but also on efficiency and logistics improvements. The special products segment invested € 121 (126) million, most of which was for the creation of new production capacities by the starch division and plant expansion and optimization by BENE0 and Freiburger. The CropEnergies segment invested € 20 (16) million for replacements and to improve the efficiencies of its production systems. The fruit segment's investments of € 49 (34) million were mainly for the installation of additional production capacity in the fruit preparations division.

### Investments in financial assets

Investments in financial assets totaling € 432 (164) million were mainly attributable to the special products segment, which paid € 384 million for the 100 % acquisition of pizza producer Richelieu Foods Inc., Braintree, Massachusetts and € 46 million for the 100 % purchase of frozen pizza producer HASA GmbH in Burg, Germany.

### Profit distribution

Profit distributions throughout the group in the fiscal year just ended totaled € 164 (115) million and included € 92 (61) million paid out to Südzucker AG's shareholders and € 72 (54) million to other shareholders.

### Development of net financial debt

The cash flow of € 693 million was primarily used to finance the € 183 million increase in working capital, investments in fixed assets of € 361 million and the dividend distribution of € 164 million. The € 432 million acquisition was mainly financed using borrowed funds. Net financial debt thus went from € 413 million to € 843 million as of 28 February 2018, up € 430 million.

## Group assets

### Non-current assets

Non-current assets rose € 373 million to € 5,153 (4,780) million. The acquisitions of the producer of frozen pizzas Richelieu Foods Inc. and HASA GmbH increased goodwill and other intangible assets, which caused total intangible assets to rise to € 1,659 (1,240) million. The carrying amount of fixed assets was up € 69 million to € 2,991 (2,922) million, driven by investments and changes to the scope of consolidation. The drop of € 115 million in other assets brought the total to € 503 (618) million and was primarily driven by the reduced shares of at equity consolidated companies of € 370 (433) million, reflecting the difficult sugar market environment for the British trading company ED&F MAN Holdings Ltd.

### Current assets

Current assets rose € 225 million to € 4,181 (3,956) million. This increase was driven mainly by higher inventories, which rose € 66 million, to € 2,119 (2,053) million – especially in the special products segments due to the first time consolidations of frozen pizza producer Richelieu Foods Inc., Braintree, Massachusetts and HASA GmbH, Burg, Germany – a € 91 million increase in trade receivables to € 972 (881) million and a € 68 million increase in other assets to € 1,090 (1,022) million. The latter was attributable mainly to receivables from the EU for excess production levies in sugar marketing years 1999/2000 and 2000/2001.

### Shareholders' equity

Shareholders' equity rose to € 5,024 (4,888) million. The equity ratio was slightly lower than last year at 54 (56) %, as total assets climbed to € 9,334 (8,736) million. Südzucker AG shareholders' equity rose € 109 million to € 3,456 (3,347) million. In parallel, other minority interests were up € 26 million to € 914 (888) million.

## Balance sheet

€ million	28 February 2018	28 February 2017	+/- in %
<b>Assets</b>			
Intangible assets	1,659	1,240	33.8
Fixed assets	2,991	2,922	2.3
Remaining assets	503	618	-18.6
<b>Non-current assets</b>	<b>5,153</b>	<b>4,780</b>	<b>7.8</b>
Inventories	2,119	2,053	3.2
Trade receivables	972	881	10.4
Remaining assets	1,090	1,022	6.7
<b>Current assets</b>	<b>4,181</b>	<b>3,956</b>	<b>5.7</b>
<b>Total assets</b>	<b>9,334</b>	<b>8,736</b>	<b>6.9</b>
<b>Liabilities and equity</b>			
Equity attributable to shareholders of Südzucker AG	3,456	3,347	3.2
Hybrid capital	654	653	0.1
Other non-controlling interests	914	888	3.0
<b>Total equity</b>	<b>5,024</b>	<b>4,888</b>	<b>2.8</b>
Provisions for pensions and similar obligations	781	823	-5.1
Financial liabilities	1,117	917	21.8
Remaining liabilities	353	300	17.7
<b>Non-current liabilities</b>	<b>2,251</b>	<b>2,040</b>	<b>10.3</b>
Financial liabilities	456	221	>100
Trade payables	946	917	3.1
Remaining liabilities	657	670	-1.9
<b>Current liabilities</b>	<b>2,059</b>	<b>1,808</b>	<b>14.0</b>
<b>Total liabilities and equity</b>	<b>9,334</b>	<b>8,736</b>	<b>6.9</b>
Net financial debt	843	413	>100
Equity ratio in %	53.8	56.0	
Net financial debt as % of equity (gearing)	16.8	8.4	

TABLE 022

**Non-current liabilities**

Non-current liabilities rose € 211 million to € 2,251 (2,040) million. Provisions for pensions and similar obligations dropped € 42 million to € 781 (823) million due to valuation at a higher discount rate, which rose to 2.20 % on 28 February 2018 from 1.90 % on 28 February 2017. Financial liabilities were up € 200 million to € 1,117 (917) million due to the placement of the 2017/2025 bond in the third quarter with a book value of € 495 million, together with higher bank liabilities. This was offset by a decline due to recognition of the € 400 million 2011/2018 bond due 29 March 2018 under current liabilities. The increase of € 53 million in other liabilities to € 353 (300) million is mainly due to deferred tax liabilities.

**Current liabilities**

Current liabilities rose € 251 million to € 2,059 (1,808) million. Current financial liabilities were up € 235 million to € 456 (221) million, because of the increase driven by the recognition now of the € 400 million 2011/2018 bond due on 29 March 2018 as a current liability, which was offset by repayment of bank liabilities. Trade payables were up € 29 million to € 946 (917) million. The latter include liabilities to beet growers totaling € 357 (442) million. Other debt, consisting of other provisions, taxes owed and other liabilities, declined € 13 million to € 657 (670) million.

### Net financial debt

Net financial debt climbed € 430 million to € 843 (413) million as of 28 February 2018. The ratio of net financial debt to equity was 16.8 (8.4) %.

The group's long-term financing requirements as of 28 February 2018 were covered by € 793 (697) million in bonds, € 43 (43) million in promissory notes and € 281 (174) million in bank loans.

The group's short term financing needs as of the balance sheet date were covered by bank loans of € 54 (138) million, bonds valued at € 400 (0) million and promissory notes totaling € 0 (83) million. As of the record date, Südzucker Group had access to adequate liquidity reserves of € 1.5 (1.6) billion, consisting of non-utilized syndicated credit lines and other bilateral bank credit lines. In addition, the company had cash and cash equivalents and securities totaling € 730 (725) million.

## Value added, capital structure and dividend

### Value added Group

€ million	2017/18	2016/17	2015/16	2014/15	2013/14
<b>Operating result</b>	<b>445</b>	<b>426</b>	<b>241</b>	<b>181</b>	<b>622</b>
Capital employed	6,650	6,012	5,791	5,877	5,873
Return on capital employed (ROCE)	6.7 %	7.1 %	4.2 %	3.1 %	10.6 %

TABLE 023

Capital employed was € 638 million higher than last year at € 6,650 (6,012) million, driven mainly by the acquisition of Richelieu Foods Inc. and HASA GmbH, together with increased working capital in the sugar segment due to higher trade receivables. Despite the improved operating result of € 445 (426) million, return on capital employed (ROCE) declined from 7.1 to 6.7 % in fiscal year 2017/18.

The debt ratio (ratio of net financial debt to cash flow) as of the balance sheet date was 1.2 (0.7). Net financial debt as of 28 February 2018 was 16.8 (8.4) % of shareholder's equity of € 5,024 (4,888) million. The equity ratio on the balance sheet date declined to 53.8 (56.0) % as total assets climbed to € 9,334 (8,736) million.

### Capital structure

		2017/18	2016/17	2015/16	2014/15	2013/14
<b>Debt factor</b>						
Net financial debt	€ million	843	413	555	593	536
Cash flow	€ million	693	634	480	389	697
Net financial debt to cash flow ratio		1.2	0.7	1.2	1.5	0.8
<b>Debt equity ratio</b>						
Net financial debt	€ million	843	413	555	593	536
Shareholders' equity	€ million	5,024	4,888	4,473	4,461	4,625
Net financial debt as % of equity (gearing)	%	16.8	8.4	12.4	13.3	11.6
<b>Equity ratio</b>						
Shareholders' equity	€ million	5,024	4,888	4,473	4,461	4,625
Total assets	€ million	9,334	8,736	8,133	8,474	8,663
Equity ratio	%	53.8	56.0	55.0	52.6	53.4

TABLE 024

## Dividend

		2017/18	2016/17	2015/16	2014/15	2013/14
Operating result	€ million	445	426	241	181	622
Cash flow	€ million	693	634	480	389	697
Earnings per share	€	1.00	1.05	0.53	0.10	1.37
Dividend per share <sup>1</sup>	€	0.45	0.45	0.30	0.25	0.50
Payout ratio	%	45.0	42.9	56.6	–	36.5

<sup>1</sup> 2017/18: Proposal.

TABLE 025

For years, Südzucker's dividend policy has been transparent and commensurate with the group's profit and debt situation, and aims for continuity. Distributions are based above all on the group maintaining sustainable results from operations. The historic dividend per share payments in relation to key earnings figures are shown in table 025.

Given earnings per share of 1.00 (1.05), the recommended dividend is 0.45 (0.45) €/share, which represents a payout ratio of 45 (43) %. Based on the 204.2 million shares outstanding, the total dividend distribution is € 91.9 (91.9).



## SUGAR SEGMENT

### PRODUCTION

LOCATIONS:	29 sugar factories, 2 refineries
RAW MATERIALS:	Sugar beets, sugar cane
PRODUCTS:	Sugar, sugar specialties, animal feed
MARKETS:	Europe and the world
CUSTOMERS:	Food industry, retailers, agriculture

## Market developments

### World sugar market

In its first estimate of the world sugar balance for the 2018/19 marketing year (1 October to 30 September) released in April 2018, German market analyst F. O. Licht expects another sugar production surplus, as in the 2017/18 marketing year. The two previous marketing years, 2015/16 and 2016/17, ended with production shortages.

High production levels of 192.7 (194.1) million tonnes of sugar are expected again in 2018/19 after the production ramp-up in fiscal 2017/18. Despite the continuing demand growth, from 183.6 to 186.6 million tonnes, inventories are again expected to climb, to 80.9 (75.8) million t. The ratio of inventories to annual consumption is thus 43 (41) %.

In marketing year 2017/18, total output was especially impacted by higher production in the EU, in Thailand and other Asian nations, as well as the recovery of production in India, which had suffered from drought the previous year.

Sugar consumption will again expand moderately in 2018/19, driven by population growth, especially in Africa and Asia.

Driven by expectations of a production surplus in marketing year 2017/18, the world market price for white sugar dropped sharply as of the beginning of fiscal 2017/18. It fell from about 500 €/t to almost 300 €/t during the first half year. During the summer of 2017, the price of sugar ranged between 300 and 340 €/t amidst strong volatility, before declining further in January 2018. With a weaker US dollar against the euro, it has since ranged between 280 €/t and 300 €/t. At the end of the reporting period, the world market price for white sugar was 296 €/t. The world market price has declined further since then.

The table 027 summarizes the most important sugar producing and consuming nations, along with the largest importers and exporters. With a share of about 18 %, Brazil continues to be the largest sugar producer and with shipments of 23.2 million tonnes, the largest sugar exporter by a wide margin in marketing year 2017/18.

### Global sugar balance

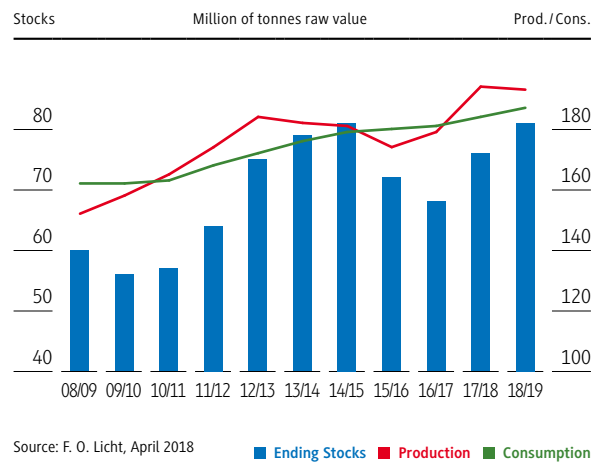


DIAGRAM 010

### Global sugar balance

Million of tonnes raw value equivalent	2014/15	2015/16	2016/17	2017/18	2018/19e
<b>Opening balance</b>	<b>79.2</b>	<b>80.9</b>	<b>71.7</b>	<b>68.1</b>	<b>75.8</b>
Production	180.7	174.0	179.4	194.1	192.7
Consumption	-178.6	-179.8	-180.6	-183.6	-186.6
Volume adjustments	-0.4	-3.4	-2.4	-2.8	-1.0
<b>Closing balance</b>	<b>80.9</b>	<b>71.7</b>	<b>68.1</b>	<b>75.8</b>	<b>80.9</b>
In % of consumption	45.3	39.9	37.7	41.3	43.3

Source: F. O. Licht, World sugar balance estimate, April 2018.

TABLE 026

### Global market sugar prices

1 March 2015 to 31 March 2018  
London, nearest forward trading month



DIAGRAM 011

Million of tonnes raw value	2014/15	2015/16	2016/17	2017/18	2018/19e
<b>Top 5 producer</b>					
Brazil	34.7	40.5	42.0	34.4	35.5
India	30.6	27.4	22.1	33.1	34.0
EU	19.1	15.1	17.5	21.1	19.8
Thailand	11.6	10.0	10.3	14.4	13.4
China	11.5	9.5	10.1	11.2	11.2
<b>Top 5 consumer</b>					
India	27.8	27.0	26.7	27.2	27.7
EU	19.2	18.6	18.5	18.5	18.5
China	16.6	17.3	16.7	17.0	17.2
Brazil	12.0	11.7	11.8	11.9	12.1
USA	10.9	10.9	11.1	11.3	11.5
<b>Top 5 net exporters</b>					
Brazil	23.7	29.8	29.6	23.2	23.4
Thailand	8.1	7.8	7.1	8.9	10.9
Australia	3.6	4.0	3.9	3.5	3.6
Guatemala	2.5	2.1	2.1	2.0	2.0
EU	-1.7	-1.9	-1.4	2.1	1.2
<b>Top 5 net importers<sup>1</sup></b>					
China	5.3	6.0	3.5	4.9	5.8
Indonesia	3.2	4.7	5.1	4.7	5.6
USA	3.2	3.0	2.9	3.0	3.3
Bangladesh	2.4	2.2	2.4	2.2	2.4
Algeria	1.4	1.7	1.5	1.8	1.8

Source: F. O. Licht, World sugar balance estimate, April 2018.

<sup>1</sup> Sugar consumed in the country without refining for third countries.

TABLE 027

### EU sugar market

The 2016/17 sugar marketing year ending 30 September 2017 (sugar marketing year: 1 October – 30 September) was the last one governed by quota and minimum beet price market regulations that had been in effect until that date.

For the 2017/18 sugar marketing year that began 1 October 2017, the EU Commission expects sugar production to expand, to 21.8 (17.6) million tonnes, with regional differences but overall good to excellent yields. With the elimination of sugar quota and minimum beet price regulations after October 2017, EU exports will no longer be restricted. The increased production levels will lead to higher EU exports, rising to 3.3 (1.4) million tonnes, while import volumes will decline. The EU will therefore be again a net exporter instead of a net importer.

The average price for quota sugar stabilized in sugar marketing year 2016/17 at about 500 €/t, but a sharp drop in the world market price negatively impacted the EU price level at the beginning of the new sugar marketing year 2017/18. The EU price for sugar (food and non-food) fell to 420 €/t for bulk sugar ex-factory in October 2017 and fell further in the following months. In February 2018, the EU price reached 369 €/t, a historic low.

### Sugar markets

The most important sugar markets in the producing countries Poland, Germany, France and Belgium are the chocolate, baked goods and beverage sectors. The trend toward reducing the percentage of sugar in processed foods has had a noticeable impact. In Western Europe, it has fallen by 2.5 % over the course of the past five years.

### Byproduct markets

Production of molasses pulp pellets and molasses expanded throughout the world in 2017/18. Molasses production is expected to reach 65 (61) million tonnes, supported by increased production in the EU. It will rise from 3.2 to 3.9 million tonnes. Global production of beet pellets is estimated at 16.7 (15.0) million tonnes (dried beet pulp equivalent). Half of this amount, about 8.0 (6.5) million tonnes, will be produced in the EU.

The demand for byproducts containing sugar continues to expand, both as a result of moderately increasing mixed feed production in the EU and steady demand from the fermentation and alcohol industries.

## EU sugar balance

Million of tonnes white sugar	2013/14	2014/15	2015/16	2016/17	2017/18e
<b>Beginning stocks incl. carry forward</b>	<b>3.2</b>	<b>2.6</b>	<b>4.1</b>	<b>1.9</b>	<b>2.2</b>
Production	17.6	20.3	15.7	17.6	21.8
Import	3.2	2.8	2.9	2.5	1.2
Consumption	-19.3	-19.4	-18.5	-17.4	-18.5
Export	-1.4	-1.4	-1.4	-1.4	-3.3
Net export processed products	-0.7	-0.8	-0.9	-1.0	-1.0
<b>Ending stocks incl. carry forward</b>	<b>2.6</b>	<b>4.1</b>	<b>1.9</b>	<b>2.2</b>	<b>2.4</b>
thereof carry forward	0.6	2.7	0.9	1.5	0.0

Source: EU commission, AGRI C4, estimate of EU sugar balance sheet 2017/18; April 2018.

TABLE 028

## EU price reporting

1 March 2015 to 28 February 2018  
€/t Ww.

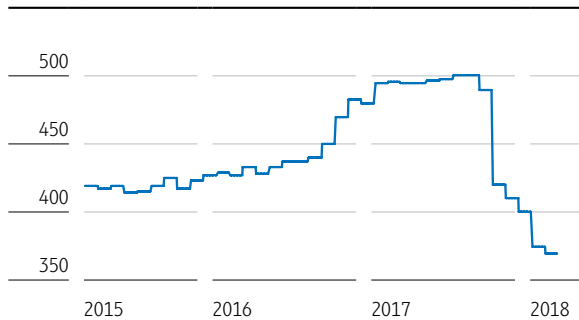


DIAGRAM 012

## Legal and political environment

### WTO negotiations

WTO-II negotiations during the so-called Doha round, whose primary aim is to improve the trade perspective of developing countries, have been ongoing since 2001 and have still not been concluded.

### Free trade agreements

In line with WTO negotiations, it was agreed to boost the EU CXL import quota by 114,000 tonnes to 791,000 tonnes as compensation for Croatia's entry into the EU. Brazil's share will comprise 78,000 tonnes of sugar cane for refining. The tariff for these additional volumes from Brazil was set at 11 €/t of sugar cane for the first six years. For the remaining 36,000 tonnes of cane sugar for refining "erga omnes", the tariff is set at 98 €/t of cane sugar, the same as for all other CXL imports. The additional import quota was granted as of 1 July 2017.

In parallel with the ongoing WTO discussions, the EU is negotiating with the various nations and communities, such as the MERCOSUR member states<sup>1</sup>, Mexico and Australia regarding potential free trade agreements. In the event sugar and sugary products are not defined as sensitive products – contrary to current trade practice – additional sugar volumes could in future be imported into the EU at preferential tariff rates.

BREXIT can impact the sugar trade. Tightknit trade interdependencies exist between the United Kingdom's (UK) and continental Europe's sugar industries: The EU-27 export about 0.5 million tonnes of sugar to the UK annually and import about 0.2 million tonnes of sugar from the United Kingdom. The European sugar industry's aim for the future is to have balanced market access to the British market. It is equally important that after BREXIT, the existing market access obligations of the EU-28 under the terms of its free trade agreements (e.g., Central America) and WTO obligations (CXL imports/AKP-LDC imports) be fairly distributed between the remaining EU-27 and Great Britain on the basis of past trade flows. Because the UK has the largest European sugar cane refinery, very strict rules of origin will be necessary for future trade agreements between the EU and the UK.

### Food policies

Over the past several years, eight EU member states have introduced taxes on sugary beverages, mostly by raising the associated consumption taxes. Some industrial and emerging nations have introduced similar rules across the globe.

Spurred by recommendations from the World Health Organization (WHO) concerning the amount of sugar in people's daily diet, there is increasing pressure on the EU commission and EU member states to actively pursue changes to product

<sup>1</sup> Brazil, Argentina, Paraguay, Uruguay

recipes. Already in 2016, the EU member states agreed that by 2020, the volume of so-called sugar added in the overall marketed volume of food be 10 % less than in 2015. This includes all types of sugar, not only the household variety, as well as fruit preparations added to food for the purpose of sweetening.

## Business performance

### Revenues and operating result

Driven by higher sugar volumes – especially for export – the sugar segment's revenues rose to € 3,017 (2,776) million. In the first half of the year, sugar sales revenues were higher than last year, but due to the strong decline in the second half, average sales revenues was lower than the year prior.

Despite significantly lower sales revenues since October 2017, the operating result increased to € 139 (72) million, driven by

the increase in sugar sales revenues in the first half year right up to September 2017 for both quota and non-quota sugar. To date during the new sugar marketing year, which began in October 2017, sales revenues for both EU and export volumes have declined steadily, which has weighed more and more on the result trend despite lower production costs.

### Result of restructuring and extraordinary items

The result from restructuring and extraordinary items of € 24 (–12) million includes mainly income from the excess production levies in sugar marketing years 1999/2000 and 2000/2001. It also includes income from property disposals and insurance reimbursements related to a fire at the Ochsenfurt sugar factory in summer 2017. The income was offset by expenses for restructuring and reorganization programs.

#### Business performance – Sugar segment

		2017/18	2016/17	+/- in %
<b>Revenues</b>	€ million	<b>3,017</b>	<b>2,776</b>	<b>8.6</b>
EBITDA	€ million	278	201	37.6
Depreciation on fixed assets and intangible assets	€ million	–139	–129	7.9
<b>Operating result</b>	€ million	<b>139</b>	<b>72</b>	<b>89.7</b>
Result from restructuring / special items	€ million	24	–12	–
Result from companies consolidated at equity	€ million	–28	7	–
<b>Result from operations</b>	€ million	<b>135</b>	<b>67</b>	<b>&gt; 100</b>
EBITDA margin	%	9.2	7.3	
Operating margin	%	4.6	2.6	
Investments in fixed assets <sup>1</sup>	€ million	171	153	11.3
Investments in financial assets / acquisitions	€ million	2	118	–98.3
<b>Total investments</b>	€ million	<b>173</b>	<b>271</b>	<b>–36.5</b>
Shares in companies consolidated at equity	€ million	308	370	–16.8
Capital employed	€ million	3,299	3,169	4.1
Return on capital employed	%	4.2	2.3	
<b>Employees</b>		<b>7,034</b>	<b>6,929</b>	<b>1.5</b>

<sup>1</sup> Including intangible assets.

TABLE 029

**Result from companies consolidated at equity**

The sugar segment’s result for companies consolidated at equity was € –28 (7) million and relates to ED&F MAN Holdings Limited, London, Great Britain, AGRANA-Studen Group and Maxi S.r.l. The result reflects the difficult sugar and grain environment for the ED&F MAN Group.

**Capital employed and return on capital employed**

Capital employed rose to € 3,299 (3,169) million, driven especially by increased working capital due to higher trade receivables. The significantly improved operating profit of € 139 (72) million drove ROCE to 4.2 (2.3) % in fiscal 2017/18.

**Investments in fixed assets**

Investments of € 171 (153) million went primarily toward replacements, efficiency improvements in Offstein, Roye, France and Leopoldsdorf, Austria, product developments at the site in Tienen, Belgium, energy savings in Zeitz and Cerekiew, Poland and investments in environmental protection programs at the German Ochsenfurt, Offstein and Plattling locations. Also noteworthy are logistics and infrastructure projects such as the ones at the Offenau, Offstein and Rain factories, as well as in Cagny, France.

**Raw materials and production**

**Cultivation area**

Südzucker Group significantly expanded its beet cultivation area in almost all countries in conjunction with the elimination of the quota system. In total, the beet cultivation area for 2017 was roughly 16 % larger than the year prior, reaching 445,000 (385,000) hectares. The expanded 2017 contracted area enabled the company to achieve the goal of loading its sugar factories for more than 120 days.

**Planting and beet development**

In 2017, planting began early amidst excellent conditions. During the second half of March, the weather was dry and warm in all regions, which allowed planting to be completed quickly. Cooler conditions and late April local ground frost did not cause any noteworthy damage to the beets. Temperatures began to rise in mid-May. Thunderstorm severity was quite diverse in the individual fields, but produced the required rainfall in almost all regions. Although weed control was often difficult in April due to frost and cold weather, all in all, farmers were able to keep weeds to minimum in the fields.

In some cases, beet growth at Südzucker Group varied greatly during the summer months. Adequate rainfall and warm weather resulted in strong beet growth in Germany and Belgium. The weather in Austria, Slovakia and Eastern Poland was very dry, causing beets to suffer from inadequate moisture.

**Yields**

Significantly above-average yields were achieved, particularly in Belgium, Germany and France. A mild summer with adequate rainfall produced excellent growth conditions for sugar beets. Yields in the other countries in which Südzucker Group operates were mostly above average. Overall, the yield for Südzucker Group was 80.8 (74.5) t/ha, higher than the five-year average. A simultaneous above-average sugar content of 17.8 (17.2) % led to a record sugar yield of 14.4 t/ha.

**2017 campaign**

The significantly expanded cultivation area and above-average beet yields drove total beet volume to 36.0 (28.6) million tonnes. Processing time at the individual factories was between 75 days at Falesti/Moldova and 161 days at Cagny, France. The average campaign duration for all factories was 133 (107) days.

Cultivation and production

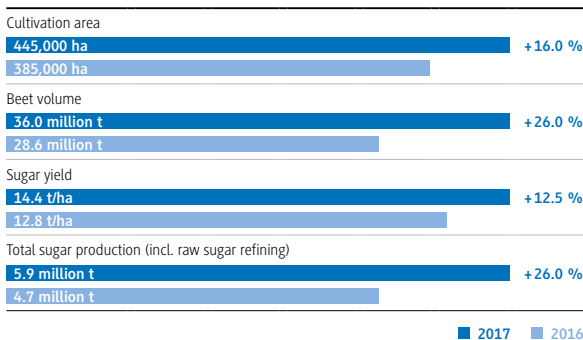


DIAGRAM 013

Sugar production by region

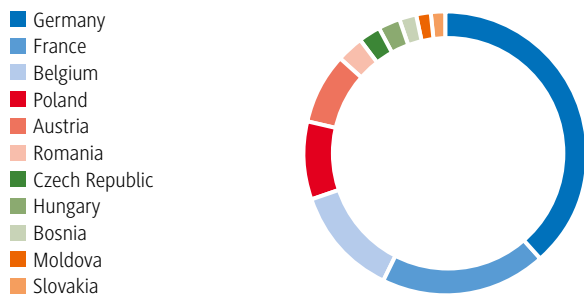


DIAGRAM 014

Harvest conditions were excellent until well into November 2017. Harvesting was mostly completed in December, although rainfall during the month hampered beet pulling in the last remaining beet fields. The unusually mild winter contributed to smooth campaign operations.

Syrup is being stored in tanks as an intermediate product at number of group sites. It will be converted to sugar in separate syrup campaigns. Some of the stored syrup will also be sold directly to customers.

The cultivation area for organic beets was expanded significantly in 2017. Organic sugar volumes produced from these beets were considerably higher than last year at the Warburg, Hrušovany, Czech Republic and Roman, Romania factories.

### Sugar and byproduct production

Total sugar production at the group rose to 5.9 (4.7) million tonnes, of which 5.7 (4.4) million tonnes was sugar produced from beets and 0.2 (0.3) million tonnes sugar refined from raw cane sugar.

Due to the 26 % increase in beet volume, the volume of by-products containing sugar also rose significantly, to 1.7 (1.4) million tonnes. Especially significant was the molasses pulp made at the German sites.

## Environment

### Energy and emissions

High-efficiency cogeneration (CHP) plants cover the energy requirements of the Südzucker Group sugar factories. A mix of predominantly fossil fuels is used, with natural gas making up more than half of this in recent years. Which fuels are used is determined by what is locally available. The factories are supplied in part based on procurement prices, i.e. the fuels used can change from one campaign to the next.

The sewage gas produced in the anaerobic wastewater plants is used as fuel in the sugar factories. Running the factories with energy directly from renewable sources such as solar and wind is not possible. This mainly has to do with the fact that heat is required in the form of process steam. One way of increasing the share of renewable energy in the long term would be to include biomass in the energy mix, provided this is locally available and economical.

The amount of CO<sub>2</sub> emissions depends not only on the total energy consumption, but also on the fuel mix used. Electric power in the sugar factories is generally provided directly by high-efficiency CHP plants.

Südzucker operates biogas plants at the sugar factories in Strzelin, Poland and Kaposvár, Hungary, which generate renewable energy for the sugar factories from biomass – primarily fresh beet pellets or beet pellet silage – and feed it into the public grid.

### Energy consumption by the sugar segment

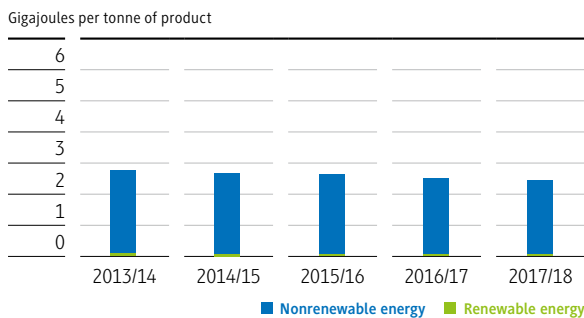


DIAGRAM 015

### Emissions from direct and indirect energy consumption in the sugar segment

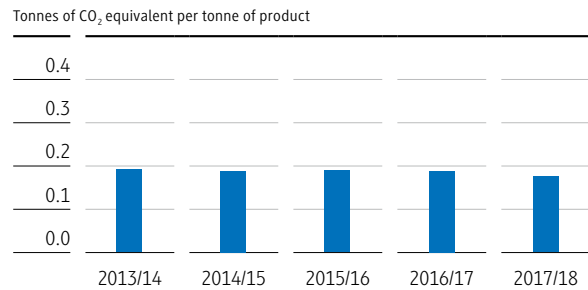


DIAGRAM 016

### Water withdrawal and water discharge

Water withdrawal at the factories is based on local water availability and is designed for the most efficient use of water as a valuable resource. The majority of withdrawn water (approximately 50 %) is used for continuous cooling systems, i.e. the water is only used to cool processes and then fed directly back to the receiving waters. Beets for processing consist of about three-quarters of water. This water is used both to wash the sugar beets and to extract sugar from the pellets. This water is used as process water in sugar production and is reused multiple times in the cycle. The water from sugar beets is used as a raw material and provides approximately 80 % of the fresh water required by the factories (excluding continuous cooling systems).

Südzucker Group has aerobic and anaerobic wastewater treatment plants at numerous production locations. The gas from purification plants resulting in the latter case is used for energy.

#### Sugar segment – water withdrawal / water discharge

m <sup>3</sup> per tonne product	2013/14	2014/15	2015/16	2016/17	2017/18
Water withdrawal	2.4	1.9	1.7	1.8	1.8
Water discharge	2.0	1.9	1.8	2.0	2.0

TABLE 030

### Utilization of raw materials

When processing agricultural raw materials, Südzucker uses all raw materials components to make high-quality products and by-products. For example, in addition to sugar, we use sugar beets to produce sugar beet pellets, molasses and carbocalk. Sugar beet pellets are used as animal feed or as a raw material to produce energy from renewable sources, molasses as animal feed and as a raw material in the fermentation industry to produce yeast, ethanol and citric acid, and carbocalk as a lime fertilizer in agricultural.

### Soil adhesion

Reducing soil adhesion during the harvest and truck loading has a positive impact on both the volume transported and the time and money spent on beet preparation and wastewater treatment. This is why beets are typically pre-cleaned at the edges of fields in central Europe. Weather conditions have a major impact on how much soil still clings to the beets after cleaning. During the 2017 campaign, soil adhesion was 6.1 (5.9) %. After sedimentation in soil holding ponds, the soil washed off at the factory is returned to the fields as high-

grade soil to maintain soil fertility. The soil that is washed off is drained and generally returned to the field because beet soil is high-grade topsoil. This recycling ensures lasting soil fertility.

### Waste

#### Sugar segment – waste

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17	2017/18
Recycling	454.3	343.2	271.2	153.5	192.3
Landfill	70.3	84.4	68.6	49.4	47.5
Composting	9.3	9.9	14.3	8.6	11.1
Incineration	2.2	2.2	9.7	1.8	3.0
Other	16.3	17.0	12.2	16.4	22.0
<i>thereof dangerous waste<sup>1</sup></i>	0.7	0.8	1.1	0.5	1.2
<b>Total</b>	<b>552.4</b>	<b>456.8</b>	<b>376.0</b>	<b>229.7</b>	<b>275.9</b>

<sup>1</sup> Mainly used lubricants from production.

TABLE 031

Our integrated production concepts process the high-value input products we buy almost entirely. Accordingly, the volume of waste produced is very low compared to the total volume of raw material processed. Most of any residual waste is recycled. The higher waste volume is primarily due to the significantly higher volume of raw material processed during the reporting year.

### Volume

#### Sugar

The consolidated volume of sugar for all group companies rose 13 % to 5.4 (4.8) million tonnes, driven especially by the growth in exports.

The volume produced by EU companies rose 15 % to 5.1 (4.4) million tonnes, of which about 4.4 (4.2) million tonnes were sold within the EU. The majority of this volume – 3.3 (3.1) million tonnes – was sold in countries in which Südzucker operates sugar factories. Deliveries to other EU countries totaled 1.0 (1.1) million tonnes.

The volume exported from the EU has quadrupled to 0.8 (0.2) million tonnes since export restrictions were eliminated in October 2017. All in all, exports to countries outside the EU will continue to become more important.

Production at the non-EU companies in the Republic of Moldova and the West Balkan remained unchanged at about 0.3 (0.3) million tonnes.

### Animal feed and molasses

Even though initial market expectations were muted for molasses pulp from the 2017/18 harvest due to the anticipated expanded beet cultivation area across Europe, the total molasses pulp volume was ultimately successfully sold to the mixed feed industry and retailers at price levels similar to the year prior. Organic pulp production was also higher than last year and also sold at prices similar to last year's levels.

The price for molasses sold to the fermentation and mixed feed industry and retailers was lower than last year throughout the group due to the higher volumes produced (especially in France, Germany and Belgium) and cheaper molasses produced from sugar cane. Organic molasses production was also higher than last year. Prices were slightly higher than the year before.

which leads to rising demand for ideally natural ingredients that align with these consumer demands, are nutritionally sensible and taste good. The same trend can be seen for functional components for animal feed, such as prebiotic dietary fibers, easy-to-digest carbohydrates or plant-based proteins.

The demand for frozen pizza grew at least 2 % in Germany in 2017. For brand-name products, higher volumes were offset by lower prices, whereas the share of higher-priced private label products grew amid slightly declining volume. In France, the frozen pizza market shrank, while significantly higher volume and revenues were generated in Great Britain, especially for private label products. In the United States, frozen pizzas with private labels also captured higher market shares in an overall stable market.

Target markets for portion packs in Europe – especially restaurants and large customers – are stagnating in a challenging environment. Demand for sugar portion packs in particular declined in 2017.

The market for starch products in foods remained largely stable. Packaging required for the steadily growing e-commerce business is generating increased demand for starch for the paper and cardboard industries. The price level for high-protein wheat gluten remained high due to continued strong demand. Similarly, there were hardly any changes for medium proteins because of the focus on soya and grain markets. Competitive pressures have increased for starch saccharification products, especially isoglucose, since deregulation of the sugar market in October 2017.

Prices for ethanol remained highly volatile in fiscal 2017/18. Please refer to the CropEnergies segment report for details about developments in the international bioethanol markets and the associated political framework.

## SPECIAL PRODUCTS SEGMENT

### Market developments

#### Target markets

The growth trend of the past few years in the special products segment's markets continued in nearly all product categories.

Demand for functional dietary fibers, carbohydrates and proteins continues to rise in Europe's, North America's and Asia's food sectors. The food industry responds to dietary trends such as carbohydrate, salt and fat reduction, organic products, gluten-free, high-fiber, vegetarian or vegan preferences,

DIVISION	BENEO	Freiberger	PortionPack Europe	Starch
TARGET MARKETS	World wide	Europe, USA	Primarily Europe	Central and Eastern Europe (mainly Austria and Germany), USA, UAE
MARKET SECTOR	Food, animal feed, pharmaceuticals industries	Food retailers in Europe and North America	Hotels, restaurants, caterers	Food, paper, textiles, industrial chemicals, pharmaceuticals, cosmetics, petroleum, animal feed industries



### Raw material markets

The special products segment converts a variety of agricultural raw materials into high-quality products for the food and animal feed, as well as technical industries.

Higher demand in Belgium and Chile was satisfied by planting additional chicory. The rice markets also had satisfactory supplies worldwide, although higher quality specifications limited the number of regions able to supply product. On the other hand, supply contracts for starch potatoes could not be completely filled due to high temperatures and unusually dry weather during the summer months. Furthermore, the average starch content was lower than last year because of the weather. The CropEnergies segment report discusses in detail developments in the international grain markets. The EU Commission's intervention in the milk market has caused cheese prices to rise significantly since mid-2016. Cheese is one of the most important ingredients for pizza production.

## Business performance

### Revenues and operating result

The special products segment was able to increase year-over-year revenues to € 1,997 (1,819) million. In addition to steady

volume growth in almost all product categories, contributions from frozen pizza producer Richelieu Foods Inc., Braintree, Massachusetts, acquired 1 December 2017, and HASA GmbH, Burg, Germany, purchased in July 2017, were included for the first time.

The operating result decline continued in the fourth quarter. At the end of fiscal 2017/18, it was posted at € 158 (184) million, down from last year's unusually strong result. The result improvement from volume and revenue gains was more than consumed by significantly higher write-downs and especially higher raw material prices than a year earlier.

### Result from companies consolidated at equity

The result of € 30 (28) million from companies consolidated at equity is mainly attributable to the share of earnings from Hungrana Group's starch and bioethanol businesses.

### Capital employed and return on capital employed (ROCE)

Capital employed increased primarily as a result of the acquisition of frozen pizza producers Richelieu Foods Inc. and HASA GmbH, together with investments, particularly in the starch area, to € 2,055 (1,499) million. The lower operating result of € 158 (184) million caused ROCE to decline to 7.7 (12.2) %.

#### Business performance – Special products segment

		2017/18	2016/17	+/- in %
<b>Revenues</b>	€ million	<b>1,997</b>	<b>1,819</b>	<b>9.8</b>
EBITDA	€ million	255	263	-2.6
Depreciation on fixed assets and intangible assets	€ million	-97	-79	24.1
<b>Operating result</b>	€ million	<b>158</b>	<b>184</b>	<b>-14.0</b>
Result from restructuring / special items	€ million	-3	-4	-8.8
Result from companies consolidated at equity	€ million	30	28	8.5
<b>Result from operations</b>	€ million	<b>185</b>	<b>208</b>	<b>-11.0</b>
EBITDA margin	%	12.8	14.4	
Operating margin	%	7.9	10.1	
Investments in fixed assets <sup>1</sup>	€ million	121	126	-3.8
Investments in financial assets / acquisitions	€ million	430	0	-
<b>Total investments</b>	€ million	<b>551</b>	<b>126</b>	<b>&gt; 100</b>
Shares in companies consolidated at equity	€ million	60	61	-0.7
Capital employed	€ million	2,055	1,499	37.1
Return on capital employed	%	7.7	12.2	
<b>Employees</b>		<b>5,697</b>	<b>4,643</b>	<b>22.7</b>

<sup>1</sup> Including intangible assets.

TABLE 032

### Investments in fixed assets

The special products segment invested € 121 (126) million. The BENE0 division's investments were mainly for efficiency improvements in the production process at Orafiti in Oreye, Belgium, and the expansion of the agglomerations system at Palatinit in Offstein, Germany. The starch division's main investments were for a capacity expansion in Aschach, Austria. The Freiberger division focused its investments on improving efficiencies by installing new production systems at the Westhoughton, Great Britain, location.

### Investments in financial assets

Investments in financial assets totaling € 430 (0) million comprise € 384 million for the 100 % acquisition of American pizza producer Richelieu Foods Inc., and € 46 million for the 100 % purchase of frozen pizza producer HASA GmbH.

## Production

The BENE0 division owns five production plants that convert chicory, beet sugar and rice to isomalt, Palatinose™, inulin, oligofructose and rice starch for food and animal feed. Production volumes and storage capacities were systematically adjusted to match the market and sales growth. The division was also able to successfully complete various process optimization projects in fiscal 2017/18.

Freiberger's production volume rose, due especially to the acquisition of HASA GmbH and Richelieu Foods Inc., the largest frozen and deli pizza producer in the American private label segment. The company produces frozen and chilled pizzas, from classic stone oven varieties to pizza from fresh dough to Alsace pizza, as well as various frozen pasta dishes, snacks, baguettes and sauces, at eleven plants in Germany, Great Britain, Austria and the United States.

We serve the portion pack market segment from five European locations under the brand names Hellma, Van Oordt, Elite, SAES and Single Source, as well as in line with specific customer demands. The portfolio comprises primarily production of single packages for sugar, sweeteners, honey, herbs, marmalades, cookies, sauces, coffee whitener, instant beverages and some non-food articles.

We were also able to boost production of starch and bioethanol at all of our sites. This is mostly due to the expansion of the cornstarch capacity at the Aschach site in Austria and the wheat starch plant in Zeitz, Germany which operated year round for the first time. The volume of potato starch processed at the factory in Gmünd, Austria, was also significantly higher, with the campaign extending to 164 (149) days. Production at the Pischelsdorf location in Austria was up only slightly.

## Environment

### Energy consumption and emissions

Because of the wide variety of products manufactured by the special products segment and commensurate diverse manufacturing processes, there is a wide range of different energy requirements. The division has its own generating facilities to cover most of its thermal requirements. Its electric power needs are covered both by drawing from the grid as well as highly efficient in-house cogeneration plants. Natural gas is the main fuel.

DIVISION	BENE0	Freiberger	PortionPack Europe	Starch
PRODUCTION LOCATIONS	Germany (1), Belgium (2), Italy (1), Chile (1)	Germany (4), Great Britain (1), Austria (1), USA (5)	Great Britain (1), Netherlands (2), Spain (1), Czech Republic (1)	Germany (1), Austria (3), Romania (1)
RAW MATERIALS	Beet sugar, rice, chicory root	Flour, milk (cheese), tomato paste, pork/salami	Finished products (confectionery, pastries, sugar)	Potatoes, corn, wheat

Energy consumption by the special products segment

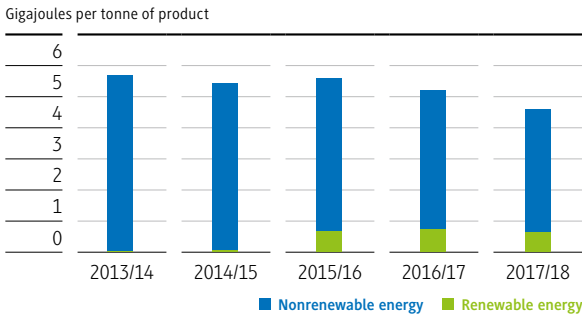


DIAGRAM 017

Emissions from direct and indirect energy consumption in the special products segment

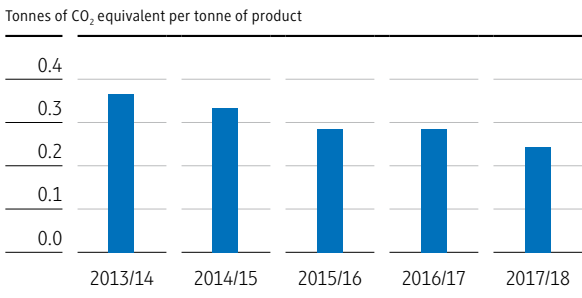


DIAGRAM 018

The volume of CO<sub>2</sub> emitted is a function of both total energy demand and input fuels mix. Further prospects to reduce CO<sub>2</sub> emissions include further improving the energy efficiency of the production processes and to the extent locally available and economically viable, increasing the share of energy from renewable sources.

At the Pemuco production site in Chile, we have been operating a biomass boiler since 2015, which essentially uses only scrap wood to generate steam and electricity.

At the Pischelsdorf, Austria location, the carbon dioxide generated during the fermentation of herbal raw materials is purified and liquefied using special equipment, then sold as biogenic carbon dioxide. It can then be used, for example, in the beverage industry.

Water withdrawal and water discharge

Water withdrawal at the special products segment’s factories is based on using the resource water as efficiently as possible. It is a function of the various manufacturing processes and accordingly, varies widely. The division uses mainly groundwater and potable water from public water supplies. Quite often, part of the water remains in the products. The starch division also uses surface water, primarily for cooling water.

Special products segment – water withdrawal/water discharge

m <sup>3</sup> per tonne product	2013/14	2014/15	2015/16	2016/17	2017/18
Water withdrawal	4.8	4.5	4.2	4.2	3.9
Water discharge	4.4	4.6	4.1	4.3	3.6

TABLE 033

Most of the special products segment’s production wastewater is treated in its own biological treatment plants. The remaining volume is fed to municipal treatment plants or third-party waste handling systems.

Raw material use

When processing agricultural raw materials in its BENE0 and starch divisions, Südzucker uses all components of the input raw materials and converts them to high-quality products. The Freiburger division uses primarily intermediate products such as flour, tomato sauce and cheese, which are purchased as required.

Soil adhesion

One of the products processed by the special products division is chicory, which usually arrives at the factory with a small amount of soil adhered to its surfaces, despite pre-washing. The soil washed from these raw materials is normally returned to farms.

## Waste

Most of the waste is composted. It consists mainly of rice husks and vinasse residues that occur in the BENE0 division when processing rice and chicory. A further large share of the waste is recycled, mainly in the AGRANA starch division.

### Special products segment – waste

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17	2017/18
Recycling	5.8	5.0	5.6	8.0	18.2
Landfill	2.2	2.9	7.2	5.1	4.0
Composting	42.0	47.8	32.6	40.0	52.7
Incineration	12.1	11.9	12.0	16.5	18.7
Other	3.7	4.3	4.0	3.4	5.1
<i>thereof dangerous waste<sup>1</sup></i>	<i>0.2</i>	<i>0.1</i>	<i>0.3</i>	<i>0.2</i>	<i>0.1</i>
<b>Total</b>	<b>65.8</b>	<b>71.8</b>	<b>61.4</b>	<b>73.0</b>	<b>98.8</b>

<sup>1</sup>Mainly used lubricants from production.

TABLE 034

## Volume

The volume of functional food and animal feed grew significantly in all core markets, in a wide variety of applications such as baked goods, cereals, dairy products, sweets, sports nutrition and baby food. All product groups contributed to the growth, from the functional dietary fibers inulin and oligofructose, to the sugar substitute isomalt and the functional carbohydrate Palatinose™ through to rice derivatives with clean label, gluten-free, lactose free and allergen free properties.

The beneficial effects of Palatinose™ on blood glucose regulation and energy metabolism as well as the benefits of inulin and oligofructose as prebiotic dietary fibers for bowel health were further reinforced by nutritional scientific studies in Asia, which provide the basis for further demand growth in the functional carbohydrate area.

In the chilled and frozen pizza sector, volume was further boosted by consistently focusing on product quality, contrary to the market trend. Aside from the acquisition-related growth in Germany, volume in the other European countries, and especially Great Britain, was also higher. Furthermore, the takeover of pizza and sauce producer Richelieu Foods Inc. resulted in a significant volume increase and corresponding higher market share in the American market.

The volume of portion packs sold by PortionPack Europe was slightly lower than last year; the demand for sugar portion packs in particular declined.

Starch product volumes expanded as a result of higher availability due to increased production volumes in Aschach and Zeitz. The volume of sweeteners, as well as native and modified starches and protein-rich food and animal feed increased accordingly. On the other hand, bioethanol volume was down slightly because of declining trading volumes.

DIVISION	BENE0	Freiberger	PortionPack Europe	Starch
PRODUCTS / SALES PRODUCTS	Functional Food Ingredients (dietary fibers, sugar substitutes, new sugar, rice starches/-flours, functionalized wheat protein)	Convenience Food (chilled and frozen pizzas, pasta, baguette, breadsnacks, sauces, dressings)	Portion packs (Food and non food)	Native and modified starches, sweeteners, ethanol, high-protein animal feeds, high-protein food products
BRANDS	Isomalt, Palatinose™, galenIQ™, Orafiti™ Inulin, Orafiti™ Oligofruktose	Alberto, Italissimo	Hellma, Van Oordt	ActiProt, BioAgnasol, AGENABEE, Südzucker-Starch
SALES LOCATIONS	9 (Europe, Asia, USA)	10 (Europe, USA)	8 (Europe)	7 (Europe)

## CROPENERGIES SEGMENT<sup>1</sup>

LOCATIONS	4 production locations in 4 countries, 2 branch sales offices in 2 countries
RAW	
MATERIALS	Grain, sugar syrup, raw alcohol, starch slurry
PRODUCTS	Fuel-grade ethanol, rectified spirits, protein-based food and animal feed, liquid CO <sub>2</sub>
MARKETS	Europe
CUSTOMERS	Oil companies and traders, food and animal feed producers, beverage and cosmetics producers, pharmaceutical companies

### Market developments

#### Ethanol market

Global ethanol production in 2017 was higher than last year at 117.2 (116.0) million m<sup>3</sup>. The volume split remained at about 84 % for the fuel sector and 16 % for beverages, cosmetics, medical or industrial applications. Global fuel-grade ethanol production of about 98.9 (97.4) million m<sup>3</sup> for the fuel sector represents about 5 % of the global gasoline market. Global ethanol production is again expected to increase in 2018. It should reach 119.2 million m<sup>3</sup>, and production of fuel-grade ethanol is expected to exceed 100 million m<sup>3</sup> for the first time.

In the United States, ethanol production in 2017 rose to 61.5 (59.5) million m<sup>3</sup>. With domestic consumption of 56.1 (55.5) million m<sup>3</sup>, net exports rose to 5.0 (4.3) million m<sup>3</sup>, taking into consideration higher inventories. Initial estimates for 2018 indicate that the US trade surplus will increase further in 2018. In light of higher production surpluses, one-month ethanol futures contracts on the Chicago Board of Trade declined from 1.55 USD/gallon<sup>2</sup> at the beginning of March 2017 to 1.47 USD/gallon at the end of February 2018. Expressed in euro, this corresponded to a decline from about 390 €/m<sup>3</sup> at the beginning of March 2017 to about 320 €/m<sup>3</sup> at the end of February 2018.

Brazil's ethanol production for the 2017/18 sugar marketing year is expected slightly above last year's level of 27.9 (27.8) million m<sup>3</sup>. Domestic ethanol demand should amount to 28.0 (27.5) million m<sup>3</sup>. As a result, there were again no noteworthy net ethanol exports.

The largely balanced supply and demand situation will remain virtually unchanged in sugar marketing year 2018/19. Brazilian ethanol prices rose about 14 % expressed in the country's

local currency; expressed in euro they declined slightly from around 530 €/m<sup>3</sup> at the beginning of March 2017 to about 490 €/m<sup>3</sup> at the end of February 2018. Over the course of the year, prices initially declined and expressed in euro, reached a low at the beginning of July 2017 of about 380 €/m<sup>3</sup>. The subsequent price increase is mainly due to taxation, strong domestic demand and restriction of ethanol imports from the United States effective September 2017.

#### EU bioethanol volume balance

million m <sup>3</sup>	2015	2016	2017	2018e
<b>Opening balance</b>	<b>2.4</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>
Production	7.3	7.0	7.3	7.6
thereof fuel ethanol	5.0	4.7	5.1	5.3
Import	0.7	0.6	0.5	0.5
Consumption	-7.8	-7.6	-7.8	-7.8
thereof fuel ethanol	-5.4	-5.2	-5.2	-5.3
Export	-0.2	-0.2	-0.2	-0.2
<b>Closing balance</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>2.1</b>

Source: F. O. Licht. Data estimated of EU bioethanol volume balance, April 2018.

TABLE 035

EU ethanol consumption (including alcohol for traditional and technical applications) in 2017 came in at 7.3 (7.0) million m<sup>3</sup>. The increase was primarily driven by higher levels of fuel-grade ethanol production. Domestic ethanol consumption rose to 7.8 (7.6) million m<sup>3</sup>, of which 5.2 (5.2) million m<sup>3</sup> was fuel-grade ethanol. It is also expected that the anticipated demand of 7.8 (7.8) million m<sup>3</sup> of ethanol will be largely covered by domestic production of 7.6 (7.3) million m<sup>3</sup> in calendar year 2018. European ethanol prices rose sharply, from about 600 €/m<sup>3</sup> FOB Rotterdam at the beginning of March 2017 to 460 €/m<sup>3</sup> at the end of February 2018. European prices have thus aligned with international levels. Over the course of the year, there was also increasing speculation about higher supplies of domestic ethanol from sugar beets due to the elimination of the EU sugar market regulation.

#### Protein market

The market for protein-based food and animal feed is influenced above all by the price of soybeans on the global market and European rapeseed meal prices.

According to US Department of Agriculture, the 2017/18 global soybean harvest will fall short of last year's record 335 (351) million tonnes. As a result, inventories are expected to decline

<sup>1</sup> Further details can be found in CropEnergies AG's current 2017/18 annual report.

<sup>2</sup> One US gallon equals 3.7854 liters.

to 94 (97) million tonnes. One-month futures for soybeans on the CBOT were trading at 10.45 USD/bushel at the end of February 2018, only slightly higher than the 10.40 USD/bushel quoted at the beginning of March 2017. European rapeseed meal prices followed suit, and at 224 (223) €/t at the end of February 2018, were almost unchanged from the price at the beginning of March 2017. The EU rapeseed harvest for 2017/18 is reported to have been slightly larger at 22 (20) million tonnes.

### Raw material markets

In its estimate for grain marketing year 2017/18 dated 10 April 2018, the US Department of Agriculture reckons that global grain production (excluding rice) will reach 2,075 (2,116) million tonnes, slightly shy of last year's record level. But given global grain consumption of 2,097 (2,092) million tonnes, worldwide inventories of 496 (518) million tonnes will continue to remain at a very satisfactory level. The EU Commission expects the EU grain harvest for the 2017/18 grain marketing year to rise to 307 (297) million tonnes, significantly higher than domestic consumption of 285 (284) million tonnes. In response to the high availability of grain, the one-month futures contract for bread wheat on the Euronext in Paris fell from 174 €/t at the beginning of March 2017 to 167 €/t at the end of February 2018.

## Legal and political environment

### Renewable Energy Directive

The Renewable Energy Directive defines the legal framework for biofuels in the EU. It stipulates that the share of renewable energies in the transportation sector be at least 10 % by 2020. Up to 7 % of this can consist of renewable fuels made from field crops. The remaining 3 % are to be produced using fuels from waste and recycling and / or renewable electricity in the rail and road traffic sectors, which in addition can be applied doubly or more to the renewable energy targets in the transport sector. EU produced biofuels must comply with strict sustainability criteria. For example, they must produce fewer greenhouse gas emissions compared to fossil fuels along the entire value chain.

Effective 1 January 2018, the minimum savings was increased from 35 % by weight to 50 % by weight. Furthermore, the origin of the processed biomass must be seamlessly documented.

### Fuel Quality Directive

The Fuel Quality Directive stipulates that by 2020, greenhouse gas emissions savings calculated across total fuel consumption must be 6 % by weight when compared to the base value of 94.1 g CO<sub>2</sub>eq/MJ.

### 2030 climate and energy package

On 30 November 2016, the EU Commission tabled a recommendation for a revised renewable energy directive to take effect after 2020. The recommendation states that the share of renewable energies in the EU shall rise to at least 27 % by 2030. However, the EU Commission's recommendation contains no specific targets for the transportation sector. Only the percentage of selected alternative fuels, mainly from waste and recycled materials, as well as electromobility, are to be increased step-by-step from 1.5 % in 2021 to 6.8 % in 2030. In contrast, the share of renewable fuels produced from field crops is to be cut from up to 7 % in 2021 to no more than 3.8 % in 2030.

The EU Council reached agreement on 18 December 2017 regarding its position on the EU Commission's recommendation and will begin negotiating in the European Parliament on this basis. The plan is to establish a binding target of at least 14 % renewable energies by 2030 in the transportation sector of every member state. The contribution of renewable fuels from field crops is to remain unchanged at up to 7 %. The share of biofuels from waste and recycled materials is to increase to at least 3 %. The European Parliament also stated its position on the Commission's recommendation on 17 January 2018. It states that the share of renewable energies in the EU in 2030 shall be at least 35 % and 12 % in the transportation sector specifically. The delegates want to keep the contribution from renewable fuels from normal crops largely at the same level as in 2017. Conversely, the shares of select alternative fuels, mainly from waste and recycled materials, as well as in particular electromobility, are to be increased step-by-step to at least 10 % in 2030.

In order to pass the new Renewable Energy Directive, the European Council and the European Parliament must reach consensus. They began their discussions together with the EU Commission (trialogue) in February 2018.

### Greenhouse gas reduction quotas in Germany

In Germany, the greenhouse gas reduction target was raised to 4 % by weight on 1 January 2017. As of 2020, it is to increase to 6 % by weight. The savings must be calculated in comparison to a greenhouse gas base value. This value was raised from 83.8 g CO<sub>2</sub>eq/MJ to 94.1 g CO<sub>2</sub>eq/MJ with enactment of the 38th Order for the implementation of the Federal Emissions Control Act (38. BImSchV) on 1 January 2018. It reflects an adjustment to bring the value into line with the real emissions associated with burning fossil fuels. In addition, the energy component of renewable fuels from field crops was limited to 6.5 % in the transportation sector. The share of fuels from waste and recycled materials is to increase from 0.05 % in 2020 to 0.5 % starting in 2025.

### Blend ratio directive in Belgium

In Belgium, the average share of ethanol in gasoline has been at least 8.5 % by volume since 1 January 2017. With the rollout of this law came the blanket introduction of E10, which very quickly established itself as the standard gasoline sector fuel.

### Blend ratio increase in Great Britain

In conjunction with an amendment to the mandatory blend ratios for renewable energies in Great Britain, it was decided that the renewable energy share is to be raised from the current 4.75 % by volume to 7.25 % by volume effective April 2018. The share of renewable fuels is to increase step-by-step to 9.75 % by volume by 2020. In addition to renewable fuels from field crops, which currently are allowed to contribute up to 4 % to achieving the targets, the use of renewable fuels from waste and recycled materials as well as renewable fuels for specific applications, such as air traffic, is to be especially promoted.

## Business performance

In fiscal 2017/18, CropEnergies was able to further expand its position as the leading producer of sustainably produced ethanol in Europe, despite a market environment marked by volatile ethanol prices. CropEnergies was again able to improve production and sales volumes significantly in comparison to the year prior. The restart of the production plant in Wilton/Great Britain in July 2016 was a major contributing factor. In addition, the segment was able to operate all of its plants at high loads, except for maintenance works.

### Revenues and operating result

Despite a decline in the fourth quarter due to significantly lower ethanol sales revenues than during the same period last year, CropEnergies was able to boost revenues to € 808 (726) million in fiscal 2017/18 just ended, driven especially by significantly higher production and sales volumes during the first half year due to the restart of the production plant in Wilton in the second quarter of 2016/17.

#### Business performance – CropEnergies segment

		2017/18	2016/17	+/- in %
<b>Revenues</b>	€ million	<b>808</b>	<b>726</b>	<b>11.4</b>
EBITDA	€ million	111	135	-17.7
Depreciation on fixed assets and intangible assets	€ million	-39	-37	5.4
<b>Operating result</b>	€ million	<b>72</b>	<b>98</b>	<b>-26.5</b>
Result from restructuring/special items	€ million	-1	-4	-79.5
Result from companies consolidated at equity	€ million	0	0	-
<b>Result from operations</b>	€ million	<b>71</b>	<b>94</b>	<b>-24.6</b>
EBITDA margin	%	13.7	18.6	
Operating margin	%	8.9	13.4	
Investments in fixed assets <sup>1</sup>	€ million	20	16	21.1
Investments in financial assets/acquisitions	€ million	0	0	-
<b>Total investments</b>	€ million	<b>20</b>	<b>16</b>	<b>21.1</b>
Shares in companies consolidated at equity	€ million	2	2	-5.0
Capital employed	€ million	452	479	-5.6
Return on capital employed	%	15.9	20.4	
<b>Employees</b>		<b>414</b>	<b>412</b>	<b>0.5</b>

<sup>1</sup>Including intangible assets.

TABLE 036

The severe decline in ethanol prices drove CropEnergies' fourth quarter operating result sharply lower than the unusually high number posted the year prior, which led to a significantly lower result of € 72 (98) million for the full fiscal 2017/18 period. The improved results from higher volumes and revenues were not enough to offset higher net raw material costs and the now full-year operating costs of the plant in Wilton, together with maintenance work and inspections at all production plants.

### Capital employed and return on capital employed (ROCE)

Capital employed came in at € 452 (479) million, lower than last year because investments were lower than write-downs. ROCE fell to 15.9 (20.4) %, driven by the lower operating result of € 72 (98) million.

### Investments

Investments totaling € 20 (16) million were for technical systems replacements such as the rectification column in Wanze, Belgium, but especially to improve production plant efficiencies, among other things by preparing for raw material flexibility in Zeitz, Germany, expanding gluten production in Wanze, Belgium and other projects at the Wilton site.

## Raw materials and production

Agricultural materials originating in Europe are only processed in Zeitz, Wanze, and Wilton. It is important to CropEnergies to source the raw materials feed grain and sugar syrups locally to keep freight costs low.

CropEnergies Group significantly increased bioethanol production to 1.1 (1.0) million m<sup>3</sup> in fiscal 2017/18. Dried food and animal feed production rose to 0.7 (0.6) million tonnes.

This higher production is first and foremost due to the full-year operation of the plant in Wilton, which ran almost continuously at high capacity utilization. After the plant was technically modified, it was restarted in July 2016, after which capacity utilization rose steadily. Substantial maintenance and optimization work was carried out in Zeitz and Wanze compared to last year. In spite of this, production was further expanded in Wanze. Here additional gluten capacities contributed above all else to the higher production levels.

CropEnergies can refine up to 60,000 cubic meters of alcohol annually for applications outside the fuel sector at its high-quality rectified spirit plant started up at the Zeitz location at the beginning of 2015. Due to market conditions, the segment took advantage of this capability and boosted recti-

fied spirit production. It was also able to increase rectified spirit production in Loon-Plage, France.

## Environment

The sustainability regulations for biofuels production ensure that significant greenhouse gas emissions savings compared to fossil fuels will be achieved, and cover the entire cycle – from biomass cultivation through to bioenergy generation and use. All CropEnergies bioethanol plants are certified to be sustainable and comply with at least one of the EU Commission's recognized certification systems. Annual audits are conducted. The certifications ensure that the fuel-grade ethanol produced by CropEnergies fulfills the sustainability criteria of the Renewable Energy Directive and for example, reduces greenhouse gas emissions in comparison to fossil fuels by at least 50 %.

At the Zeitz, Germany and Wilton, Great Britain locations, the carbon dioxide generated during the fermentation of herbal raw materials is purified and liquefied using special equipment, then sold as biogenic carbon dioxide; for example, to the beverage industry.

### Energy consumption and emissions

Specific energy consumption depends not only on process control and the technologies used, but also among other things the type and quality of the input raw materials. Thanks to the flexibility of its plants, CropEnergies is able to adjust the input raw materials it uses to benefit from prevailing market conditions. The quality and availability of agricultural raw materials is determined not least by seasonal weather and vegetation growth conditions.

The share of renewable fuels used is about 24 %. In Wanze, a biomass generating station produces most of the thermal and electric process energy required using chaff from the wheat, the bran, delivered to the plant. In Zeitz, the biomethane produced in the wastewater plant is converted to electrical and thermal energy in a cogeneration power station to reduce demand for fossil fuels.



The CO<sub>2</sub> emissions volume is a function of both total energy demand and the plants' fuel and energy mix.

#### Energy consumption by the CropEnergies segment

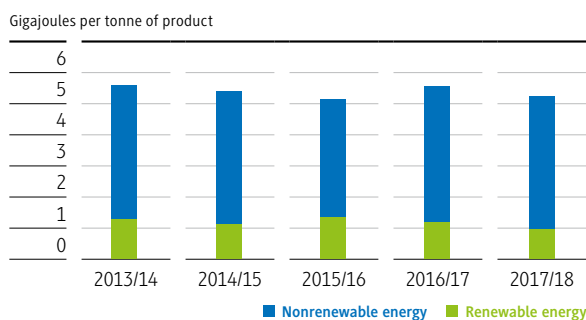


DIAGRAM 019

#### Emissions from direct and indirect energy consumption in the CropEnergies segment

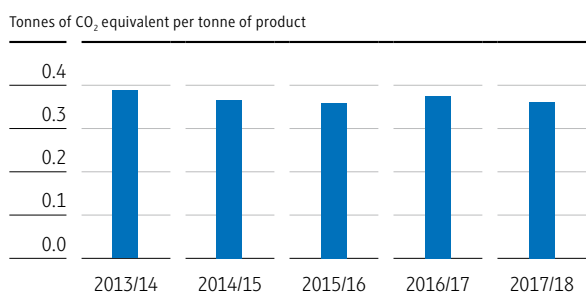


DIAGRAM 020

#### Water withdrawal and water discharge

Production plants stand out because they reduce the amount of fresh water required to a minimum by drawing the necessary volume from a circuit and reusing it for multiple tasks.

Wastewater treatment plants ensure environmentally sound wastewater treatment. After the treatment the water is routed to neighboring streams.

#### CropEnergies segment – water withdrawal/water discharge

m <sup>3</sup> per tonne product	2013/14	2014/15	2015/16	2016/17	2017/18
Water withdrawal	4,2	3,7	4,0	3,1	2,8
Water discharge	2,6	2,3	2,6	3,1	2,5

TABLE 037

#### Raw material use

Thanks to the company's integrated production concepts, the raw materials used are almost entirely processed, which results in very little waste. The raw material components that remain after producing ethanol are refined and processed further to make high-quality food and animal feed.

#### Waste

Most of the waste is recycled, composted or used as a source of energy.

#### CropEnergies segment – waste

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17	2017/18
Recycling	85.1	73.5	67.4	68.8	73.8
Landfill	7.4	8.5	9.2	7.8	8.7
Composting	0.0	0.0	1.0	1.5	1.6
Incineration	0.7	0.5	0.4	0.4	2.1
Other	0.4	0.5	1.0	0.5	0.7
<i>thereof dangerous waste<sup>1</sup></i>	0.2	0.2	0.1	0.1	0.1
<b>Total</b>	<b>93.6</b>	<b>83.0</b>	<b>79.0</b>	<b>79.0</b>	<b>86.9</b>

<sup>1</sup>Mainly used lubricants from production.

TABLE 038

#### Volume

##### Bioethanol

The total volume of bioethanol rose significantly in concert with higher production and trade levels, reaching 1.3 (1.2) million m<sup>3</sup>. About 0.2 (0.1) million m<sup>3</sup> of this total consisted of trading quantities.

CropEnergies fuel-sector customers include both international companies and medium-size petroleum companies. In addition to securing the German market position, the focus in fiscal 2017/18 was on greater regional diversification. CropEnergies has tank storage facilities at its production locations as well as in Rotterdam, Duisburg and Amsterdam in order to ensure serving its customers reliably and flexibly, while keeping freight costs low.

In Germany and Europe, the segment also supports the ethanol and ethanol-based fuel standardization process. The focus is on the E85 standardization process because it has important technical elements that can be important to the standardization of future fuels with a bioethanol content of more than 10 % by volume.

### Rectified spirits

In the past few years, CropEnergies has expanded its activities in market segments outside the fuel market. Some of the biggest names in the beverage, cosmetics, pharmaceutical and chemical industries buy the company's rectified spirits. CropEnergies' high-quality food grade rectified spirit plants in Zeitz and Loon-Plage give the segment attractive sales opportunities in these traditional market segments. Ryssen Chile SpA also helped distribute the rectified spirits.

### Food and animal feed

An integrated production concept enables the segment to produce dried protein-based animal feed (ProtiGrain®, DDGS), the liquid protein-based animal feed ProtiWanze® as well as gluten for food and animal feed applications from the same raw materials it uses to produce bioethanol. Volumes of dried food and animal feed rose to 0.7 (0.6) million tonnes in fiscal 2017/18 in line with higher production volumes and a higher percentage of grain in the raw materials mix.

## FRUIT SEGMENT<sup>1</sup>

### Market developments

#### Target markets

The most important application for fruit preparations is processed dairy products, especially spoonable yogurt. According to Euromonitor, the global market for spoonable fruit yogurt will grow just under 1 % to 2021. Western European and North American markets are stagnating, while volumes are growing in the Asia-Pacific region and parts of Africa. The drinkable yogurt category is expected to grow at a significantly higher 7.4 % during this same timeframe. Global market growth trends are also forecast for baked goods and ice cream.

The "natural" and "clean label" categories play a major role in fruit preparations product developments. The challenge is to have an ingredients list that is as simple and short as possible. This trend is already very strong in Europe and North America, but demand for such products is also increasing in other regions. Demand for protein-rich products and items supplemented by seeds and/or cereals, reduced-sugar fruit yogurt and foods with novel textures that give consumers a new taste experience is also on the rise. Premium products with several (fruit) layers or inclusions are well liked and demand is increasing, especially in the desert sector. In addition to soya, raw materials such as almonds, coconut, lupine and rice are increasingly used for the non-dairy plant-based category. This applies to ice cream and desserts as well as the yogurt product category.

In the fruit concentrates business, there continues to be a trend toward lower fruit content in beverages, as well as directly pressed 100 % juices. The demand for beverage bases with reduced fruit juice is rising. Sales of apple juice concentrates for cider making continues to be stable and cider consumption is growing globally.

European prices for apple juice concentrates stabilized at a satisfactory level in the first half of fiscal 2017/18 because of increased demand combined with a limited supply from the main cultivation areas. During the 2017 apple campaign, reduced harvest volumes in major cultivation regions such as Poland, Hungary, Germany and Italy drove concentrates prices significantly higher than the year prior. Compared to a year earlier, Chinese apple juice concentrates prices rose only slightly, which boosted demand for Chinese apple juice concentrates in Europe.

DIVISION	Fruit preparations	Fruit juice concentrates
LOCATIONS	28 production locations in 21 countries for fruit preparations	14 factories in 7 countries for producing apples and berry juice concentrates
RAW MATERIALS	Main raw material for fruit preparations: strawberries	Main raw material for fruit juice concentrates: apples
PRODUCTS	Fruit preparations	Fruit juice concentrates, pure juice, fruit wines, natural aromas and beverage bases
MARKETS	Worldwide	Focus Europe
CUSTOMERS	Dairy, ice cream and baked goods industries, Food services	Beverage industry

<sup>1</sup> Further details can be found in AGRANA's 2017/18 annual report.

### Raw material markets

Available apple volumes from the main processing regions in Europe were significantly lower than last year. Local frost, especially in the main sourcing country, Poland, led to the worst apple harvest in the past ten years in Europe.

Strawberries are the most important fruit for fruit preparations. The cost of this fruit was almost the same as last year in all regions.

The most competitive procurement markets for peaches are Greece and Spain, followed by China. Since harvests were mostly excellent, prices were significantly lower than the year prior.

Blueberries were about 50 % more expensive than last year because of poor harvests in Europe. In all other procurement regions, such as the United States and Canada, prices rose over the course of the year from an initial reasonable level during the harvest.

The purchase price of other ingredients remained stable. In countries such as Russia, Turkey and Egypt, weak local currencies reduced procurement costs.

Overall, normal volumes of the main fruits were available for the berry processing season for juice concentrates. Prices for the most important raw materials were higher than last year.

## Business performance

### Revenues and operating result

After declining in the first half year, the fruit segment's revenue began rising again and at the end of fiscal 2017/18 was slightly higher than last year at € 1,161 (1,155) million. Lower volumes for fruit juice concentrates were more than offset by higher volumes for fruit preparations.

The operating result rose again in the fourth quarter, climbing to € 76 (72) million for the full year. The result continued to be driven by higher margins and volumes in the fruit preparations division, which more than offset the volume and margin declines in the fruit juice concentrates division.

### Business performance – Fruit segment

		2017/18	2016/17	+/- in %
<b>Revenues</b>	€ million	<b>1,161</b>	<b>1,155</b>	<b>0.5</b>
EBITDA	€ million	114	110	2.9
Depreciation on fixed assets and intangible assets	€ million	-38	-38	-1.6
<b>Operating result</b>	€ million	<b>76</b>	<b>72</b>	<b>5.3</b>
Result from restructuring / special items	€ million	0	0	-
Result from companies consolidated at equity	€ million	0	0	-
<b>Result from operations</b>	€ million	<b>76</b>	<b>72</b>	<b>5.3</b>
EBITDA margin	%	9.7	9.5	
Operating margin	%	6.5	6.2	
Investments in fixed assets <sup>1</sup>	€ million	49	34	46.2
Investments in financial assets / acquisitions	€ million	0	46	-100.0
<b>Total investments</b>	€ million	<b>49</b>	<b>80</b>	<b>-37.7</b>
Shares in companies consolidated at equity	€ million	0	0	-
Capital employed	€ million	844	866	-2.5
Return on capital employed	%	9.0	8.3	
<b>Employees</b>		<b>5,370</b>	<b>4,924</b>	<b>9.1</b>

<sup>1</sup> Including intangible assets.

TABLE 039

### Capital employed and return on capital employed (ROCE)

Capital employed fell to € 844 (866) million, driven especially by reduced working capital due to lower inventories and trade receivables. The higher operating result of € 76 (72) million caused ROCE to improve to 9.0 (8.3) %.

### Investments in fixed assets

Investments totaled € 49 (34) million. The fruit preparations division invested in replacements, plant modernization and capacity expansions; for example, by starting construction of a second fruit preparation factory in Shanghai, China. The fruit juice concentrates division's focus is on replacements and product optimization, in addition to installation of a new carrot concentrates production line in Ersekhalma, Hungary.

## Raw materials and production

The fruit preparations division processed just under 5 % more raw material than last year. The volume of strawberries and blueberries processed was the same as last year. More peaches were processed than the year prior. In total, the fruit preparations division produced about 560,000 tonnes.

The European fruit juice concentrates factories were only about 50 % loaded during the 2017 campaign because of the poor apple harvest. The production season was very satisfactory in China.

Integration of the Argentinian company Main Process S.A. was completed in fiscal 2017/18 and fruit preparations production in Argentina concentrated at a new location. The Indian company founded last year recently began selling purées. Fruit preparations production will start in fiscal 2018/19.

In July 2017, a new company, AGRANA Fruit (Jiangsu) Company Limited, Changzhou, was founded in the south of China, in the Shanghai region. Construction of a new factory scheduled to open in November 2018 began in the third quarter of fiscal 2017/18.

## Environment

### Energy consumption and emissions

Fruit preparations and fruit juice concentrates divisions' energy requirements at their production locations around the world are covered by natural gas. A few sites also produce their own biogas. The production locations also purchase electricity from external sources. The volume of CO<sub>2</sub> emitted is essentially a function of total energy demand. The fruit segment's specific emissions from direct and indirect energy consumption per tonne of product were slightly lower than last year.

#### Energy consumption by the fruit segment

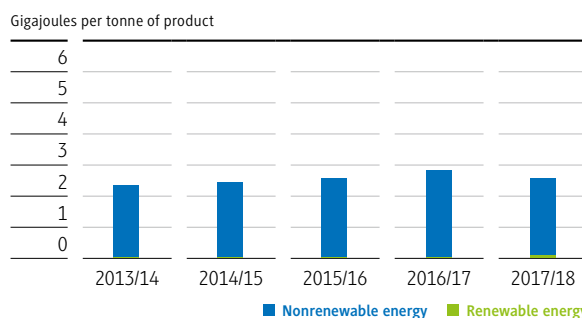


DIAGRAM 021

#### Emissions from direct and indirect energy consumption in the fruit segment

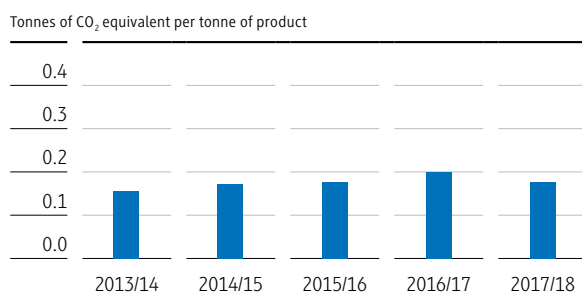


DIAGRAM 022

### Water withdrawal and water discharge

Approximately two-thirds of the water used for production comes from fountains and one-third from municipal water supplies. The fruit preparations division uses water for purposes such as washing fresh fruits in the initial processing plants and cleaning plant systems and transport containers. Some water also remains in the finished products.

Where possible – for example when producing apple juice concentrates – the water contained in the raw materials is used in the production process and recirculated.

Most of the fruit segment's production locations have aerobic and anaerobic waste treatment plants. Any that do not use municipal plants to treat wastewater.

#### Fruit segment – water withdrawal / water discharge

m <sup>3</sup> per tonne product	2013/14	2014/15	2015/16	2016/17	2017/18
Water withdrawal	3.9	4.2	4.3	4.3	4.4
Water discharge	3.9	4.0	4.0	4.1	4.0

TABLE 040

#### Raw materials use

Hardly any reusable agricultural residual materials occur when producing fruit preparations. However, when producing apple juice concentrates, the leftover press cakes, so-called pomace, are reprocessed. They are used by ballast suppliers; for example, in müsli and snack products. Other products include aromas and apple flour. Stems and leaves are returned to farmers, who use them as organic fertilizer.

#### Waste

##### Fruit segment – waste

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17	2017/18
Recycling	21.6	34.1	31.8	11.2	12.2
Landfill	5.5	7.8	9.7	11.0	15.5
Composting	6.2	3.4	4.1	0.0	2.8
Incineration	0.7	0.3	0.4	0.9	0.9
Other	3.2	0.1	0.0	0.0	0.7
<i>thereof dangerous waste<sup>1</sup></i>	0.2	0.0	0.0	0.0	0.2
<b>Total</b>	<b>37.2</b>	<b>45.7</b>	<b>46.0</b>	<b>23.0</b>	<b>31.9</b>

<sup>1</sup> Mainly used lubricants from production.

TABLE 041

The higher waste volume was driven by a higher processing volume. The majority of the fruit segment's accumulated volume of waste consists of packaging and production scrap and is properly disposed of or reused and/or recycled.

#### Volume

In the EU, the most important region for fruit preparations from a revenue perspective, the division was able to boost volume despite a declining market. It further concentrated on diversifying in the direction of fruit preparations for food service, baked goods and ice cream customers, and was able to increase volumes in these sectors. Long-term contracts with global customers solidify the division's market position. In addition, non-dairy products, such as fruit preparations for global convenience food chains or ice cream components for global markets, represent sustainable growth opportunities for the future.

## Actual and forecast business performance

		Outlook 2017/18 <sup>1</sup>	Actual 2017/18	Actual 2016/17
<b>Group</b>				
Revenues	€ billion	6.7 to 7.0	7.0	6.5
Operating result	€ million	Between 425 and 500	445.0	426.0
Return on capital employed	%	Improvement	6.7	7.1
Investments in fixed assets <sup>2</sup>	€ million	350	361.0	329.0
<b>Sugar segment</b>				
Revenues	€ billion	Moderate increase	3.0	2.8
Operating result	€ million	Significant increase	139.0	72.0
Return on capital employed	%	Higher	4.2	2.3
<b>Special products segment</b>				
Revenues	€ billion	Rise slightly	2.0	1.8
Operating result	€ million	Significant decline	158.0	184.0
Return on capital employed	%	Going down	7.7	12.2
<b>CropEnergies segment</b>				
Revenues	€ billion	0.7 to 0.8	0.8	0.7
Operating result	€ million	Range from 40 to 80	72.0	98.0
Return on capital employed	%	Drop	15.9	20.4
<b>Fruit segment</b>				
Revenues	€ billion	Moderate increase	1.2	1.2
Operating result	€ million	Moderate increase	76.0	72.0
Return on capital employed	%	Higher than last year	9.0	8.3

<sup>1</sup>Published on the press and analysts' conference (consolidated management report 2017/18) on 18 May 2017.

<sup>2</sup>Including intangible assets.

TABLE 042

The above table shows actual business performance in 2017/18, juxtaposed with the forecast for 2017/18 contained in the 2016/17 financial statements.

When the 2016/17 annual report was released at the balance sheet and analysts' press conference on 18 May 2017, Südzucker announced that it expected group consolidated revenues of € 6.7 to 7.0 billion for fiscal 2017/18. Südzucker forecast the operating result would improve further, to a range between € 425 and 500 million (fiscal 2016/17: 426). The company stated that the improved result would be driven mainly by the sugar segment, following the prior year's result of € 72 million. The special products segment's operating result was expected to be significantly lower (fiscal 2016/17: € 184 million). After a record 2016/17, the CropEnergies segment's operating result was expected to range between € 40 and 80 million. Südzucker expected a moderate year-over-year increase in the fruit segment's operating result.

The forecast for the CropEnergies segment's result range was raised to € 50 to 90 million with the release of the first quarter

2017/18 interim report. The forecasts for the group and the other segments were confirmed.

There were no changes to the forecast for the group, nor the sugar, special products or fruit segments in the first half year 2017/18 interim report. The CropEnergies segment's result range forecast was adjusted to € 60 to 90 million.

With the release of the third quarter 2017/18 quarterly statement on 11 January 2018, the forecast for projected group revenues was raised to € 6.9 to 7.1 billion, which took into consideration the revenue contribution from American frozen pizza and deli pizza producer Richelieu Foods Inc., acquired on 1 December 2018. The CropEnergies segment's result range was firmed up at € 65 to 85 million. The remaining results forecasts were unchanged.

Actual investments in fixed assets in fiscal 2017/18 came in at € 361 million, higher than than the forecast investment total of € 350 million.

# OUTLOOK

## Economic environment

According to International Monetary Fund (IMF) forecasts, global economic growth (expressed in terms of gross domestic product (GDP)) will climb slightly, from 3.8 % in 2017 to 3.9 % in 2018. The economic upswing is expected to be driven primarily by the United States at 2.7 (2.3) %, India at 7.4 (6.7) % and the Middle East at 3.2 (2.2) %. Brazil is also expected to have a higher growth rate of 2.3 (1.0) %. After the strongest economic growth in ten years, the EU Commission remains optimistic for the euro zone: On the heels of 2.4 % in 2017, the Commission is forecasting growth of 2.3 % and 2.0 % for 2018 and 2019 respectively. The rationale is a continuing robust demand being carried by private households, excellent employment rates and the unexpected strong recovery of the world economy. Furthermore, high capacity utilization and attractive financing conditions could further spur investments. Among other things, risks include the uncertain final outcome of the BREXIT negotiations, protectionist measures imposed by the American government and potential financial markets over-exuberance.

### Volume and raw material markets

For additional details about industry-specific business conditions please refer to the information in the segment reports.

After EU sugar quotas were eliminated on 1 October 2017, production expanded significantly in all key EU cultivation areas. The EU sugar market swung from being a net importer to a net exporter. As a result, the world market price is having a greater impact on the European price level. Because of global surpluses, the world market price for sugar fell by more than 200 €/t between spring 2017 and the beginning of the new fiscal year. Sugar was trading at about 280 €/t in March 2018. EU sugar prices continued the downward trend that started in mid-2017 as the 2018/19 fiscal year opened.

We expect the global sugar consumption growth to continue moderately in 2018/19.

Bioethanol consumption (including for traditional applications) in the EU is expected to rise slightly to 7.8 million m<sup>3</sup>, which will be covered almost completely by domestic production of 7.6 million m<sup>3</sup>. In spite of this, the EU member states still do not fully exploit the potential for using sustainably produced bioethanol as a clean and cost-effective alternative to fossil fuels, thereby improving air quality and reducing greenhouse gas emissions. To achieve a noteworthy expansion of renewable energies in the fuel sector, it would be necessary to implement the Europe-wide introduction of E10, as has been announced for years. According to the EU commission, E10's share of the gasoline market currently stands at only about 10 %.

CropEnergies expects ethanol prices to be below the high levels quoted at the beginning of 2017 amid continued volatility in fiscal 2018/19, as actual demand for bioethanol continues to be significantly lower than the forecasts contained in the national action plans of EU member states, upon which basis companies expanded their production capacities in the EU. Given moderately higher bioethanol imports, it is expected that European bioethanol prices will increasingly align with supply and demand in the EU.

The most important application for fruit preparations is processed dairy products, especially spoonable yogurt. Euro-monitor forecasts that global growth for spoonable yogurt will be just under 1 % p.a. to 2021. The Western Europe and North America regions are stagnating while volumes are growing in the Asia-Pacific region and some parts of Africa. Drinkable yogurt is expected to grow at a significantly higher 7.4 % per annum during the same timeframe. Positive global market trends are also forecast for baked goods and ice cream.

The US Department of Agriculture (USDA) again forecasts strong global grain production (excluding rice) of 2.1 billion tonnes, slightly below last year's record. Global inventories are expected to remain very high at 495 million tonnes. Because of the sometimes sharply lower grain prices, a moderate price increase cannot be excluded, but the price risk should remain limited thanks to the excellent supply situation. According to the International Grains Council's (IGC) March forecast, the 2018/19 grain harvest will again be over 2 billion tonnes.

## Business outlook

### Group

We are expecting group revenues of € 6.8 to 7.1 billion in fiscal 2018/19 (previous year: 7.0). We expect the sugar segment's revenues to drop significantly. We anticipate a range of € 760 to 820 million for the CropEnergies segment's revenues. We expect the special products and fruit segments' revenues to grow significantly.

The consolidated group operating result is expected to drop significantly to € 100 to 200 (previous year: 445) million, driven especially by the sugar segment's substantially lower results. The CropEnergies segment's result is also expected to decline. However, we expect the special products and fruit segments to report significantly rising operating results.

We expect capital employed to rise further. Because of the declining operating result, we expect ROCE to drop significantly (previous year: 6.7 %).

The operating result for the first quarter of the current 2018/19 fiscal year is expected to be noticeably lower than last year.

### **Sugar segment**

Given further declining sugar prices, we are forecasting another significant revenue drop for the sugar segment despite further increased sales volumes (previous year: € 3.0 billion).

The drastic drop in sugar prices to a historic low can by no means be offset by lower production costs and higher sales volumes. As a result, we expect an operating loss ranging between € –100 and –200 million (previous year: € 139 million) for the sugar segment.

The forecast for the sugar segment is marked by a high degree of uncertainty in a profoundly changing market environment.

### **Special products segment**

We expect the special products segment's revenues to rise substantially (previous year: € 2.0 billion). We also see operating profit rising sharply (previous year: € 158 million). This increase will be driven by both the consolidation of Richelieu Foods Inc. for the entire year, further rising sales volumes and declining raw material costs.

### **CropEnergies segment**

Business development for fiscal 2018/19 will again largely depend on the volatile bioethanol price developments. European bioethanol futures prices, which are of limited reliability for forecasting, indicate that prices will increase in fiscal 2018/19 from the very low level at the start of the fiscal year. Assuming continued high capacity utilization and constant sales volumes, CropEnergies expects revenues of € 760 to 820 million (previous year: € 808 million).

On this basis, and assuming slightly rising grain prices, CropEnergies is forecasting an operating result ranging between € 30 and 70 million (previous year: € 72 million) for fiscal 2018/19.

### **Fruit segment**

We expect the fruit segment's revenues (previous year: € 1.2 billion) and operating result (previous year: € 76 million) to rise significantly in fiscal 2018/19. Thanks to rising sales volumes in all business units we expect the fruit preparations division's revenues to grow and operating result to improve moderately. The fruit juice concentrates division's revenues and operating result are expected to rise significantly.



# RISK MANAGEMENT

## Risk management system

Südzucker Group's business policies aim to safeguard the company's continued life, to earn sustainable, reasonable returns and systematically and steadily improve shareholder value. Risk management systems are installed throughout the group to detect and actively manage risks.

### Risks and opportunities policy

Südzucker believes a responsible attitude toward business risks and opportunities is an important element of a sustainable, value-oriented management system. Südzucker views risks and opportunities as future developments and events that can negatively and/or positively influence implementation of strategic goals and operational plans. Südzucker uses an integrated system for the early identification and monitoring of group-specific risks. The guiding principle for successfully managing risk is to balance opportunities and risks. The company's risk culture is characterized by risk-aware conduct, clear responsibilities, independent risk controlling and internal audits. Insofar as it is possible and economically practical, insurable risks are covered by a group-wide insurance policy.

### Risk management

The risk management system is embedded in Südzucker Group's value-oriented management and planning system. The purpose of the risk management system is to detect

existing risks early and systematically, to evaluate them and to provide the relevant decision makers with properly organized risk information. This is accompanied by improving the internal transparency of all processes that have an element of risk and creating a culture of risk awareness among all employees. One of the key risk management tasks is to limit strategic, operative, legal and financial risks.

Südzucker Group's risk management system includes a monitoring system that ensures compliance with all actionable items.

### Risk management system

The executive board is responsible for the group-wide risk management system, as well as for the early detection and mitigation of existential and strategic risks. The risk management committee supports the board in this task. It regularly evaluates the suitability of the installed risk management rules and improves them if necessary. In addition, it continuously monitors material risks, including cross-business risks, and alerts those responsible if action is necessary. The auditor assesses the reliability and performance capability of the risk early warning system as part of the risk management system.

## RISK MANAGEMENT SYSTEM

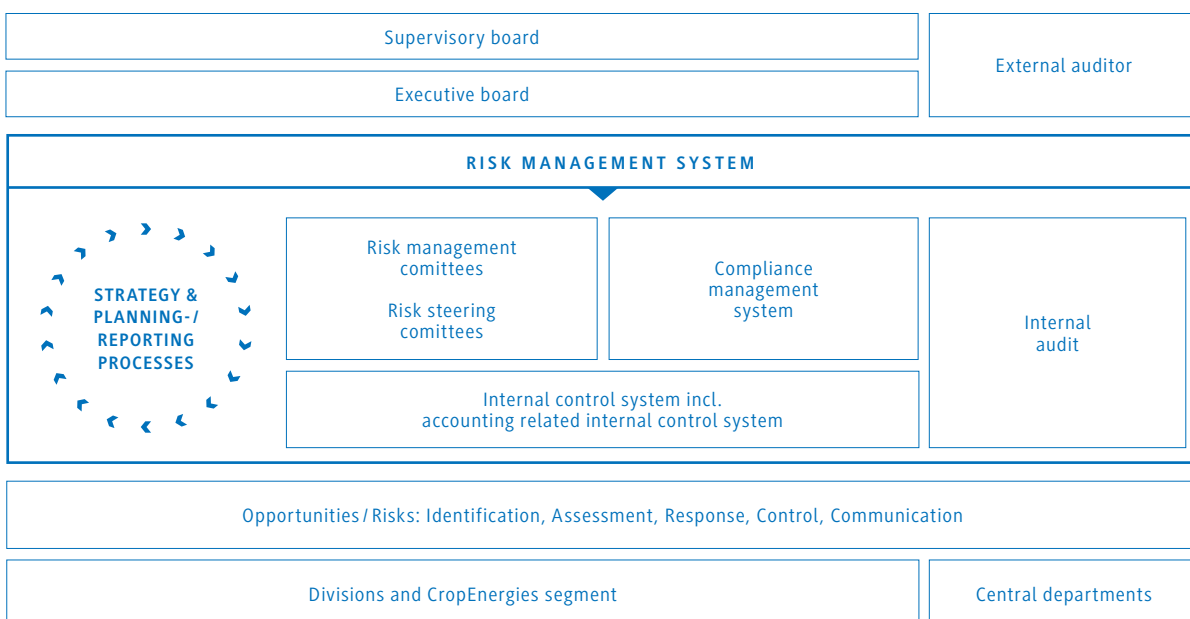


DIAGRAM 023

The divisions, the CropEnergies segment and the central departments are responsible for risk management and for identifying and evaluating opportunities and risks. They take steps to reduce and hedge operational risks, as well as financial and legal risks. Changes in market prices can exert considerable positive or negative pressure on the operating result. The company has therefore installed risk committees that evaluate how to handle such risks in those divisions in which operating results are materially affected by market price volatility. Market price risks resulting from commodity and selling prices, as well as currency exchange and interest-rate risks are also countered by selectively using derivatives. The executive board has defined the acceptable instruments for risk mitigation in a management directive of price risks from operating business, which also governs hedging strategies, responsibilities, processes and control mechanisms. Financial derivative instruments are only used to hedge underlying transactions and entered into with banks that have a high credit rating or on futures exchanges.

Operative, financial and strategic risks are reported and documented regularly as part of the overall planning, management and reporting process. The executive board and the divisions responsible receive monthly risk reports that outline risks and sensitive issues at both the divisional, business unit and group level and that focus on the current and subsequent fiscal year. The development of the risk parameters, in line with the current market situation and business performance, is compared with the budget and/or the current forecast, while the risk score is determined by evaluating its impact on operating result.

### Risk communication

Openly communicating with the employees within the company who are responsible for the businesses and processes is essential to a properly functioning risk management system. As such, the executive board, division and business managers as well as group executives communicate risks quickly and transparently. Employees are required to be aware of and deal with risks proactively. Regular meetings between the executive board and division and business units heads to discuss earnings developments and budgets is one tool Südzucker uses to ensure that information flows directly between the parties. Mitigating measures are defined and initiated for any strategic or operational risks identified during the sessions. Not only the heads of divisions and business areas, but also the group departments regularly report to their respective department heads concerning current developments in their areas of responsibility.

### Internal audit

The group's internal audit department monitors both the parent company and group companies. The department, which reports directly to the chairman of the executive board, systematically and rigorously assesses the effectiveness of the risk management system, the controls, management and monitoring processes on the basis of independent, objective auditing and advisory methods. In doing so, it focuses on improving them and the underlying business processes.

## Risks

### Summary of corporate risk exposure

Südzucker's exposure to material risks is outlined in the following section and classified according to the parameters "probability of occurrence" and "financial impact" based on the medium-term result forecast. The effect of already implemented countervailing measures is included.

	Likelihood of materialisation	Possible financial effects
low	< 10 %	€ < 5 million
medium	10 – 50 %	€ 5 – 50 million
high	> 50 %	€ > 50 million

TABLE 043

The relative and absolute values “low”, “medium” and “high” used for the corresponding categories are shown in the following table. The significance of the identified risks is determined by weighing.

The price volatility of raw materials, risks associated with fluctuating product prices and changes to the legal and political framework are currently the most significant risks. The potential financial impact of the other risks outlined in this report is comparably minor.

#### Overview of corporate risks

	Likelihood of materialisation	Possible financial effects
<b>Strategic risks</b>		
Risks from changes in in legal and political framework	medium	high
General economic risks	medium	medium
Risks from structural changes on sales markets	medium	high
<b>Risk from operational business</b>		
Risks of availability of raw materials	medium	medium
Risks of price volatility of raw materials	high	high
Risks of price volatility of products	high	high
Exchange rate fluctuation risks	medium	medium
Quality risks	low	medium
IT risks	medium	medium
Personnel risks	low	medium
Creditworthiness and default risks	medium	medium
Risks from the integration of acquisitions	low	high
Other operating risks	low	low
<b>Compliance risks</b>		
General legal risks	medium	medium
Antitrust risks	low	high
Corruption risks	low	medium
<b>Financial risks</b>		
Interest rate fluctuation risks	medium	medium
Exchange rate fluctuation risks	medium	medium
Liquidity risks	low	high
Creditworthiness and default risks	low	high
Risk of rating downgrade	medium	medium

TABLE 044

### Strategic risks

#### Risks due to changes in legal and political conditions

As outlined in the respective sections of the segments' management reports, Südzucker's business is subject to a variety of legal and political stipulations, both at the national and European level. The expiry of minimum beet price and quota regulations on 30 September 2017 caused beet sugar and starch saccharification production in the EU to expand. The EU will thus once again be a net sugar exporter. This led to increased competition in the markets. The highly volatile

world market price for sugar increasingly drives EU sugar market prices. Sugar prices will influence the availability of sugar beets as raw material in the future, whose cultivation is in competition with alternative crops. At the same time, the competitive situation will be distorted by the fact that several EU member states pay incentives tied to beet cultivation.

On 30 November 2016, the EU Commission presented recommendations for implementing the EU's climate and energy policies to 2030. In December 2017, the EU Council stated its

position on the recommendations. The European Parliament followed suit in January 2018. The parties subsequently entered into inter-institutional negotiations regarding the final wording of the directive. Because negotiations are still in progress, it is not possible at this point in time to state any final conclusions about the long-term impact on the ethanol business of any changes to the legal framework. Differentiating mandatory blend ratios according to production technologies and/or raw materials can postpone demand, which could weigh on CropEnergies' business.

Additional risks could also arise if additional duty-free import quotas for sugar are granted under the terms of new bilateral free trade agreements or if the level of EU tariff protection is lowered. For bioethanol too, restriction or promotion of the use of various materials to produce bioethanol, boosting or cutting national mandatory blend ratios after 2020, and regulating the use of cultivation areas can bring additional opportunities and risks. Changes to external trade relations with non-EU countries, legislative compensation policies for generating renewable energies as they exist in some EU countries as well as tariff rates can also lead to new opportunities or risks. Any potential changes to international and national trade agreements or agricultural market regulations are proactively analyzed without delay and evaluated within the risk management framework regarding their potential impact on Südzucker Group's earnings, financial and asset situation.

The exit of Great Britain from the European Union (Brexit) could pose new risks for Südzucker Group's business activities due to the changed legal and political framework; however, these risks can presently not yet be assessed.

Changes to national taxation and tariff schemes, as well as interpretation by regional authorities, pose further risks associated with general legal and political conditions.

#### Overall economic risks and risks associated with structural changes to target markets

Südzucker Group's products are subject to the risk of demand fluctuation due to overall economic developments. This has only a limited impact on the core business – the production of food and animal feed – because of the importance of the products to the human food supply. Food production and diet are always critically scrutinized, especially in developed industrial countries. Associated customer demands can require modifying food and beverage industry recipes or adding reduced sugar products to the portfolio. At the same time, worldwide sugar consumption continues to grow, due especially to expanding demand in emerging nations, which represent a significantly higher share of the world market than the industrial countries.

## Operational risks

### Risks arising from the availability of raw materials

Every year, Südzucker Group processes roughly 40 to 45 million tonnes of agricultural raw materials grown on more than 800,000 hectares of land. In addition to sugar beets, the crops comprise corn, wheat, barley, rice, triticale, chicory, potatoes and fruits.

As a processor of these raw materials, Südzucker is exposed – in spite of regional diversification – to procurement risks. These relate mainly to above-normal fluctuations of harvest yields, due primarily to extreme weather conditions (climate change), as well as pests and diseases that attack the company's crops. The associated risks result from more frequent and intense extreme weather events, such as sustained drought, flooding, storms and hail.

In addition, geographically shifting climatic zones or rainfall can negatively impact regional production of agricultural raw materials. This risk is addressed to the greatest extent possible by appropriate cultivation planning and targeted cultivation consultation and research.

However, in Europe climate change is also linked to opportunities when it comes to beet cultivation. An extended growing period that starts earlier, fewer frost days and faster heating of the soil hold the promise of rising yields.

Beets compete with other crops when farmers decide what to plant, which represents a procurement risk in the sugar segment. Advances in breeding have boosted beet profitability. The varieties offered are tested for their performance attributes and then their cultivation is optimized in consideration of differences in regional site conditions. The company conducts research and consults with farmers in an effort to reduce the negative impact of disease, pests and weeds on beet yield.

The EU ties the making of fuels produced from biomass to compliance with certain sustainability criteria. Bioethanol produced at all of our plants meets these requirements, provided sustainably produced raw materials are available.

### Risks arising from price volatility of raw materials

In addition to the procurement risks related to availability, agricultural raw materials are subject to price fluctuations that cannot always be directly passed on to the market. Grain and oilseed market price fluctuations are driven primarily by fundamental global and regional market data such as availability, demand and inventories. Markets are very sensitive to critical thresholds related to the ratio of annual consumption to inventories, as well as uncertainty about

supply and demand factors, and prices fluctuate accordingly. Over the last few years, this has been repeatedly observed for certain products and is in principle again possible in the future. The price volatility of global markets is increasingly mirrored in the European and domestic markets due to expanding global raw material trading.

Political measures such as export bans instituted by key exporting countries can also cause increased short-term price volatility.

The price Südzucker Group pays for beets is aligned with its realized sugar sales revenues during a particular sugar marketing year. The company does not guarantee a minimum beet price. Other factors, such as the return on beet cultivation in comparison to growing other crops, are also taken into consideration when setting beet prices. The utilization of raw sugar refining capacities at the Buzau, Romania and Brčko, Bosnia-Herzegovina plants is sensitive to the price of beets.

For producing bioethanol agricultural raw materials containing carbohydrates, such as grain and sugar syrup, are required. Price fluctuations on global agricultural markets directly impact raw material costs. To assess the risk of producing bioethanol, we calculate raw material costs minus sales revenues from food and animal feed (according to net raw material costs). Because grain price fluctuations mainly go hand-in-hand with an equivalent price change for food and animal feed containing protein, we are able to partly offset higher raw material costs with increased sales revenues from these products.

CropEnergies' business policy will continue to mitigate residual risks of raw material price increases by entering into long-term supply agreements and utilizing commodity futures contracts as a hedge, as well as using alternative raw materials. Also, the company regularly balances forward contracts for purchased raw materials and sales of food, animal feed and ethanol. The degree of hedging is determined by the market situation. However, depending on the market price situation, the risk that it will not be possible to secure cost covering hedging transactions or to pass price increases of raw materials on to bioethanol purchasers remains.

Raw material costs are also of key importance to starch production. Here too, the strategy is to use physical supply contracts to cover the planned requirements as well as possible. Hedging transactions are also used to a limited extent. There is a risk that short-term price increases for raw materials can be only partially passed on to customers.

Procurement risk in the fruit segment is affected by poor weather and any plant diseases that may arise. Poor harvests resulting from these factors can have a negative impact on both the availability and cost of raw materials. Through its worldwide presence and knowledge of local markets, AGRA-NA's fruit preparation division is able to detect regional supply bottlenecks and/or price volatility early and take steps to mitigate such situations. In addition, the division strives to enter into annual contracts where possible, both on the sales and procurement side. Fruit juice concentrates, raw material, production and distribution risks in the divisions are managed transregionally.

Südzucker Group counters energy price risks by designing its production plants to be capable of utilizing diverse energy sources in line with the particular circumstances, with the ultimate goal of minimizing costs. In addition, investments to improve the energy efficiency of the production plants throughout the group are an ongoing priority. The company utilizes long-term supply contracts or derivatives to hedge some of the fuels used during the campaign.

The free-of-charge CO<sub>2</sub> certificates allocated in conjunction with the third trading period in the EU from 2013 to 2020 will not cover Südzucker Group's consumption. Südzucker's present sugar, starch, inulin and bioethanol production processes meet current EU directives for carbon leakage, and accordingly, a limited number of CO<sub>2</sub> certificates will be allocated free of charge. We are currently not expecting our carbon leakage status to be canceled. For the upcoming four trading periods from 2021 to 2030, a significant reduction in the allocation of free-of-charge CO<sub>2</sub> certificates must be expected, even with an unchanged carbon leakage status. Given the current stage of the EU's legislative process, the actual free-of-charge allocation after 2021 is difficult to predict.

#### Risks arising from the price volatility of products

The sugar segment is exposed to selling price risks resulting from price fluctuations in the world sugar market, the EU common market and animal feed markets. EU sugar exports have been rising since the sugar marketing year 2017/18. This will increase the risk related to world market price fluctuations. There is evidence that the EU domestic market will also be increasingly tied to the development of the world sugar market prices. For the volumes tied directly to global market prices, we enter into sugar futures contracts on the exchanges in London and New York according to market conditions. The company thus pays particular attention to consistency in its sales strategy and long-term planned customer loyalty to mitigate the volume and price risk for animal feed.

Another example of price risk is bioethanol prices in Europe, which are affected by various factors such as supply and demand at the local level, the price level and availability in the United States, Brazil and other exporting countries, as well as general political conditions, and may thus fluctuate significantly. CropEnergies manages these risks by adjusting the wording and expiry date of its sales contracts and to the extent possible, using derivative instruments, as well as flexibly operating its bioethanol plant in Wilton, Great Britain, depending on the market situation and the associated costs and earnings.

European bioethanol prices are currently determined by price reporting agencies based on very low volumes, resulting in high price volatility. The EU Benchmark Directive became effective at the start of 2018. It prescribes a transparent pricing mechanism for determining reference prices in unregulated markets. It is not yet possible to predict its impact on pricing.

#### Currency exchange risks

Currency exchange risks arise at Südzucker's operations when sales revenues or the cost of materials and/or merchandise are denominated in a currency other than the local currency.

In the sugar segment, sugar exports to the world market are subject to US dollar exchange rate risks and are always hedged from the date of entering the sugar futures contract to the date of payment receipt. Raw sugar refining is exposed to currency risks from any raw sugar purchases denominated in US dollars.

In the special products segment, foreign exchange risks arise in the BENEOL division from US dollar sales revenues for which the underlying production costs are mostly incurred in euros and Chilean pesos. Freiburger Group's revenues in Great Britain and Canada are subject to currency risks associated with the British pound and the Canadian dollar.

The CropEnergies segment's raw material purchases and product sales are mainly denominated in euro. The company is only exposed to currency risks when purchasing raw alcohol in US dollars and selling industrial alcohol in euro. These transactions are hedged using forward exchange contracts immediately after purchasing the raw alcohol.

The fruit segment's currency risks relate primarily to volumes sold in euro or US dollars, whereas raw material and operating expenses are denominated in the respective local currency. When raw materials and/or sales are denominated in foreign currencies, the currency risk is partly hedged using forward exchange contracts.

#### Product quality risks and food safety

Serious safety standards violation incidents for food and other products could impact on consumer health, damage Südzucker's reputation and reduce the volumes of our products. Furthermore, one of our stated objectives is to supply customers with safe, high quality products at all times. In order to guarantee this, the company has a quality management system that documents responsibilities, activities and processes. The quality management system covers all processes; from the procurement of raw materials, through the production process itself, to delivery to customers.

Adherence to all internal and external specifications is regularly checked within the framework of the quality management system. The company takes any necessary steps to further optimize its products and processes, which contributes to further risk minimization.

#### IT risks

The management of our group is largely dependent on sophisticated information technology. As a result, risks associated with the security, quality or failure of IT systems are especially significant. It is likely that external cyber threats to Südzucker group's IT system will continue to increase. We employ qualified internal and external experts and take appropriate technical steps to ensure that the IT systems are properly maintained, optimized, and secured in particular. To facilitate these efforts, Südzucker has widely standardized the information systems and processes used by Südzucker Group.

#### Personnel risks

Südzucker Group competes intensely with other companies for trained personnel and is thus exposed to the risk of being unable to suitably fill vacancies. In order to protect Südzucker's position when competing for qualified employees, we emphasize the attractiveness of Südzucker Group as an employer through our human resources management policies, which aim to encourage specialists and managers to stay with the company for the long term. In addition to attractive social benefits and compensation policies, we offer a wide range of opportunities at Südzucker Group, such as advanced and continuing education courses, trainee programs and possibilities to work for various group companies. One-half of Südzucker's supervisory board constitutes employee representatives from inside the company or the unions. Südzucker is bound by collective bargaining agreements in many countries and social dialogue is common daily practice, which mitigates the risk of strikes. Employees are kept abreast of current events and given the opportunity to discuss issues with management in regular employee meetings. There are also risks associated with sick leave, along absences and the associated additional workload on staff members still on the job. Südzucker looks

after the health and safety of its employees by providing them with company doctors, vaccinations, reintegration programs and information sessions. There are also extensive programs surrounding work safety that aim to achieve “zero accidents”, in addition to in-depth analysis of any on-the-job accidents.

#### Creditworthiness and default risks

Südzucker could suffer significant losses if a large number of its customers were unable to meet their contractual payment obligations. Südzucker AG counters credit and default risks associated with outstanding receivables by constantly monitoring the creditworthiness and payment history of its debtors and setting appropriate credit limits. A group-wide credit management system continues to be strictly enforced. Furthermore, risks are capped using credit insurance and bank guarantees. Default risks associated with the financial instruments with which we have entered into hedging transactions also exist.

#### Risk of integrating acquired companies

Südzucker Group buys companies in order to expand its business activities. In 2017/18, Freiburger acquired Richelieu Foods Inc., the largest producer of private-label frozen and chilled pizzas in the United States, as well as German frozen pizza producer HASA GmbH, Burg. Acquisition risks include failing to meet strategic objectives or delaying the execution of operative plans. There are also risks associated with integrating the various corporate cultures and processes.

Südzucker Group owns shares in joint ventures and associated companies, and has other shareholdings as well. With a minority interest, the possibility of integrating these companies is limited.

#### Other operating risks

Other operating risks that may arise in the production, logistics, research and development areas are not expected to have any material impact on the company's position. The environmental risks associated with our production processes are mainly the utilization of energy and water, and the emergence of emissions, wastewater and waste materials. Südzucker mitigates these environmental and other operating risks by constantly monitoring them and improving its business processes.

### Compliance risks

#### General legal risks

Various lawsuits are pending against Südzucker AG and the group's companies. Accruals are being formed to cover the legal costs for these proceedings. Accruals for the lawsuit risks are built when the likelihood that the company will be liable and the extent of the liability can be adequately determined. The final

outcome of individual proceedings may affect earnings during a particular reporting period, but the potential associated liabilities would have no long-term impact on the group's assets and financial position.

Südzucker is exposed to potential changes in the legal environment, particularly as relates to food and environmental laws. Such risks are documented without delay, their impact on the group's business activities evaluated and appropriate action taken if necessary.

Europe's General Data Protection Regulation (GDPR) comes into force on 25 May 2018. It provides a consistent, immediately valid data protection law applicable to all members of the EU and therefore ensures a high level of data protection in Europe. The comprehensive list of obligations is subject to substantial penalties in the event of non-compliance. Südzucker analyzed the obligations and risks contained in the EU GDPR regulations and is taking the necessary technical and organizational steps to amend its existing data protection culture commensurate with associated risks, in order to guarantee the protection and security of personal data, especially of its employees, customers, suppliers and other business partners in accordance with applicable data protection laws.

#### Risks arising from antitrust law

There is a risk that antitrust authorities may interpret the conduct of company organs and employees as violating antitrust laws, and that they may initiate proceedings. Such proceedings always negatively impact the company's reputation and can result in high fines and potentially, unfounded claims for compensation from third parties.

A groupwide standard on compliance with antitrust laws at Südzucker Group (Competitive Guideline) has been in force. The objective of this guideline is to prevent employees from violating antitrust laws and to provide practical support in the application of relevant rules and regulations. This includes the obligation of all employees to comply with antitrust legislation. Südzucker further strengthened its antitrust law compliance program again in fiscal 2017/18 in particular by conducting audits and intensifying reporting and documentation. Training courses and audits to prevent antitrust law violations are conducted at regular intervals.

As described in last year's annual reports, the German Federal Antitrust Authority charged German sugar producers Südzucker AG, Nordzucker AG and Pfeifer & Langen GmbH & Co. KG with engaging in unlawful practice to restrict competition, including territorial, quota and price-fixing agreements. Südzucker accepted the penalty notice issued on 18 February 2014 as part of a settlement and paid the fine in order to

bring to a close the case and achieve legal and planning certainty going forward. The case was based on statements by a crown witness for the prosecution and had lasted almost five years. After payment of the fine, the German antitrust case was closed.

Since closure of the German antitrust proceedings, customers are claiming damages as expected, due to alleged cartel-related markups. Südzucker and the two other fined German sugar producers are categorically disputing these claims, especially since various appraisers have stated that no customers were disadvantaged during the timeframe considered by the Antitrust Authority. Some customers have made claims for damages or information against the affected sugar manufacturers – mostly jointly and severally. Claims are pending in various German district courts. They are at an early stage of the process, some at the hearing of evidence stage. The evidence hearing stage is expected to be lengthy for all of the claims. To date no decisions have been taken regarding the cases.

As outlined in last year's annual report, in September 2010, the Austrian Federal Competition Authority referred AGRANA Zucker GmbH and Südzucker AG to the Vienna cartel court, requesting a decision on an alleged violation of the Austrian Cartel Act. AGRANA and Südzucker are accused of anticompetitive agreements relating to Austria in connection with the German antitrust fine. The defendants continue to consider the accusations groundless and dispute the claims submitted in October 2011 by the antitrust authorities based on the evidence presented at the hearings that have been held to date, even after the latest witnesses took the stand in September 2014. The antitrust court in Vienna has not announced a decision and when it will do so is not foreseeable.

#### Corruption and bribery risks

Risks due to corruption and bribery can arise if Südzucker Group organs or employees violate laws, internal rules or regulatory standards recognized by Südzucker and the respective Südzucker Group company subsequently suffers damage to its assets or image. The company follows up on all reports of malpractice. The compliance program and the compliance organization were further enhanced in fiscal 2017/18. The management culture focus on transparency and corporate principles was continuously enhanced to strengthen the compliance culture. Training was further intensified in order to ensure that each and every employee behaves in a proper manner regarding legal conformity and social ethics. Specific recommendations on selected topics were further developed and made available to employees.

#### Financial risks

Because it conducts business worldwide, Südzucker Group is exposed to a variety of financial risks. This includes risks associated with fluctuating currency exchange and interest rates, liquidity risks, as well as credit rating and default risks. We classify market price risks associated with sugar exports, bioethanol volumes, or energy and raw materials procurement as operative risks. These are described in the respective section of this risk management report.

#### Interest rate risks

Südzucker Group is exposed to a limited extent to unexpected changes in interest rates on variable-rate or short-term financial obligations and investments. Exposure to these loans and investments fluctuates significantly over the course of the year because of campaign-related financing requirements. Long-term interest rate changes are of minor importance because of the company's low indebtedness.

#### Currency exchange risks

Financing-related currency exchange risks are mainly due to intra-group financing of subsidiaries in currencies other than the local currency. In the US and Eastern Europe, Südzucker Group finances some subsidiaries through intragroup loans denominated in euro. US dollar financing also occurs in Mexico. To a lesser extent, Group companies in the eurozone also provide financing to subsidiaries in their differing national currencies.

#### Liquidity risks

Südzucker is exposed to liquidity risk in that it may not be able to raise the necessary funds to fulfill a payment obligation in time or at all. Südzucker Group's liquidity is thus monitored daily. To the extent that they make sense economically, the company uses cash pools, both in Germany and internationally. Excess cash is also utilized throughout the group. Südzucker ensures that it has a balanced debt repayment scheme and reduces its financing risks by issuing long-term bonds and using bank credit lines. Risks resulting from cash flow fluctuations are detected and controlled at an early stage as part of short, medium and long-term liquidity planning, which is an integral part of corporate planning. A commercial paper program and approved bank credit lines give Südzucker access to immediate and adequate liquidity to meet the seasonal financing requirements associated with sugar campaign production at any given time.



### Creditworthiness and default risks

There are also financial creditworthiness and default risks associated with financial institutions with which we have entered into hedging transactions, have deposited funds, have credit lines or that have provided guarantees on behalf of Südzucker. These risks increased due to the financial crisis and we limit them by conducting our financial business only with banks that have a high credit rating. Accordingly, we continuously monitor the creditworthiness of the financial institutions.

### Risk of rating downgrade

The rating agencies Moody's and Standard & Poor's assess Südzucker's creditworthiness. Südzucker is committed to maintain a stable investment grade rating. A downgrade in the assigned rating could negatively impact the group's cost of capital for future financing needs.

Detailed information regarding credit, liquidity, currency exchange, interest rate and price risks, including the use of derivative financial instruments for hedging risks, is provided in the notes to the consolidated financial statements (31) "Risk management at Südzucker Group".

## Overall risk position

Material risks that could impact the future growth of Südzucker Group are particularly those arising from fluctuations in product and raw material prices, together with the risks associated with a change in the legal and political framework under the terms of which the company operates. The pressure of the world market price on the price of sugar in the European Union has increased for the sugar segment. This pressure will become even greater in future; the risk associated with fluctuations in EU sugar prices will thus also increase. The CropEnergies segment's result is tied primarily to the price of raw materials – particularly wheat – and to bioethanol revenues. In phases of declining bioethanol prices with unchanged or increased grain prices, losses may be incurred when margins do not contribute enough to covering costs. When the variable costs are no longer covered, temporary production stoppage may become necessary. Because the markets for wheat and bioethanol are relatively independent of each other, forecasting result development is difficult. Nevertheless, it is not always practical or possible to hedge all price risks in advance, as this would reduce the future opportunities for positive price development. In addition, insufficient liquidity of price hedging instruments with longer terms limits their use.

The group's overall risk position remains unchanged compared to last year. There are still no apparent risks that threaten the organization's continued existence.

## Opportunities

Rigorously pursuing a corporate strategy aimed at long term value-based growth also creates many opportunities for Südzucker Group. This section outlines opportunities with regard to business activities in the individual segments and divisions.

Südzucker is Europe's leading sugar producer. The company's special products (functional ingredients for food and animal feed, frozen products, portion packs and starch), CropEnergies and fruit (fruit preparations, fruit concentrates) segments have captured significant market shares in their target sectors.

As a result, Südzucker Group will continue to operate in what will remain strongly growing international markets that will drive demand for agricultural commodities, food, animal feed and energy even higher. Südzucker's European locations have advantageous natural geography with excellent soils, high yields and favorable weather conditions compared to other regions around the globe. The company enjoys a stable and reliable foundation for competing internationally as a result. The expanding global population and the trend toward high-quality foods should increase the market opportunities for Südzucker products, especially in countries with rising living standards. With its infrastructure for producing and marketing bioethanol in Europe, the group is in an outstanding position to benefit from the growing European market for fuel from renewable raw materials.

### Sugar segment

Südzucker's competitive position in the European Union is excellent due to its concentration on the top beet growing regions in Europe and the company will be able to take advantage of the expiry of the quota regulations to strengthen its production and market position. Producing in the European core markets and being close to industrial customers is also a major advantage logistics-wise. Additional market opportunities may rise in the non-food market, such as in bio-based chemicals.

Opportunities will arise from exporting sugar outside the EU, which since October 2017 is no longer subject to export restrictions. After the expiry of quota regulations, Südzucker in-

creased capacity utilization by extending the duration of the 2017 campaigns. We expect worldwide sugar consumption to rise further from the current slightly over 180 million tonnes, to more than 200 million tonnes by 2025. Still, in the near term, other factors, especially weather conditions in the main growing regions for sugar cane and sugar beets, exchange rate fluctuations and financial investor positions will have a significant influence. This applies especially to the Brazilian real and the Brazilian government's ethanol policies, which can impact the world market price for sugar. The participation in ED&F MAN will also give Südzucker additional opportunities to participate in market growth.

There are also opportunities from the continuously increasing sugar yield per hectare associated with beet cultivation. The yield increase for sugar beets is greater than for comparable alternative fruits, as well as cane sugar.

### Special products segment

Südzucker enjoys an excellent position in several growth markets due to the expansion of its special products segment.

The BENE0 functional food products are a key business unit of the special products segment, which will benefit from the long-term trend toward healthier dietary habits. BENE0 is a worldwide leading supplier of functional food ingredients for food and beverages and animal feed. It offers functional carbohydrate product lines – Isomalt, Palatinose™ – and the functional dietary fibers inulin and oligofructose. A clearly differentiated market offering is the special product line based on ingredients made from rice, which has hypoallergenic properties. The division aims to take advantage of current growth opportunities for the group by promoting its product lines for new applications.

Freiberger Group uses its Europe-wide leading position as a supplier of customer-specific convenience products labeled as the private brands of international trading companies to tap the resulting growth potential. The group's European sales and distribution activities have been extended to cover the North American markets. With the purchase of Richelieu Foods Inc., Freiberger purchased the leading American producer in the private label pizza market. The acquired company has an established customer base. The acquisition also provides a platform for Freiberger to realize its planned expansion of German discounters in the North American market and thereby generate higher volumes. The acquired production locations, the established Richelieu Foods organization and Freiberger's innovation strength and technical expertise provide a broad foundation for the planned expansion.

As the European market leader, PortionPack Europe creates, produces and distributes portion-sized articles. The product range

covers mainly the food sector, but a number of non-food articles are also available. The key markets are in food service sectors such as hotels, restaurants and bars and caterers. PortionPack Europe is expanding its European market share by growing internally and externally, responding flexibly to customer demands and continuously working on product innovations.

Starch focuses on high-value-added specialty products. Innovative, customer-oriented products with accompanying applications consultation, ongoing product development and continuous cost optimization are among the division's key objectives. Examples include the leading shares in organic starches and non-GMO starches for the food industry or the technical leadership for specialty starches in the paper, textiles, cosmetics, pharmaceuticals and construction sectors.

### CropEnergies segment

The segment's ongoing development and results are primarily driven by sales revenue growth for bioethanol, food, animal feed and the costs of the raw materials used.

Opportunities arise from lower grain prices and/or higher prices for bioethanol and the food and animal feed products produced in parallel. CropEnergies can to some extent avoid the volatility of the grain markets by using sugar syrups as a raw material. In addition, CropEnergies benefits by generating sales revenues from high quality foodstuffs and animal feed, which lowers net raw material costs and optimizes production process energy consumption.

In the medium term, CropEnergies expects that the agreements reached at the Paris Climate Summit will result in further growth, also for renewable energies in the transportation market. If not, the goals to limit the increase of the earth's temperature to 2 °C and cut the consumption of fossil fuels will be impossible to reach.

As one of Europe's leading bioethanol producers, with adequate plant flexibility and capacity, CropEnergies is well positioned to meet the associated increased demand. This is in part due to the successful restart of the production plant in Wilton in July 2016, which enables CropEnergies to now flexibly deploy the entire production capacity according to the market and contract situation.

Additional opportunities for CropEnergies could arise from a consolidation of the number of suppliers in the European bioethanol market, as CropEnergies enjoys competitive advantages based on its size, locations and technological leadership.

### Fruit segment

The AGRANA fruit segment is the world market leader for fruit preparations for the dairy, ice cream and baked goods industries and the European market's largest producer of fruit juice concentrates from apples, red fruit and berries. Growth opportunities arise in countries with rising incomes, such as Russia, China and Brazil. A greater emphasis is also being placed on the American market, the regions of North Africa and the Middle East.

## Internal control and risk management system as it applies to accounting systems

### Essentials

Südzucker AG's accounting-related internal control system aims to ensure that its financial reporting and accounting practices comply with recognized standards, are reliable and effective, and that they truly reflect the company's assets, financial and earnings situation at all times. The system is embedded in the underlying business processes in all relevant legal entities and central departments and is continuously being enhanced. The main elements of the system are the principles, procedures and controls that ensure thorough and complete financial reporting; for example, consistent accounting, valuation and balance sheet procedures, processes and practices throughout the group.

### IFRS reporting guideline

Südzucker Group's accounting and valuation guidelines, including the accounting principles as per International Financial Reporting Standards (IFRS), ensure that the accounting and valuation systems used for all business transactions by the German and foreign subsidiaries included in Südzucker's consolidated financial statements are consistent throughout the group. Südzucker's internal IFRS Reporting Guideline ensures that IFRS is applied as applicable to Südzucker and explains accounting topics. The contents of the IFRS Reporting Guideline are prepared centrally and are regularly updated.

### Internal audit system as relates to the accounting process

The group accounting process starts with the group's individual companies. Individual organizational entities prepare and check their financial statements and send them to Südzucker AG's central consolidation department by uploading the data to the consolidation system. Clearly structured authorization rules are in place for all of the group's accounting-related IT systems.

Südzucker AG's central consolidation department is in charge of completing the overall consolidation and preparing the group management report and consolidated financial statements. It also oversees the group's binding standard chart of accounts and manages the IT consolidation tool.

External auditors are regularly appointed as part of the preparation of the financial statements for the valuation of provisions, primarily those for personnel.

Südzucker Group's internal monitoring system has two components: controls integrated into the processes and process-independent controls. There is a strong emphasis on the principle of segregation of duties and the principle of dual control, as well as compliance with guidelines and rules related to key business processes.

Automated validation rules and plausibility checks, especially in the IT-based consolidation system, ensure that the data entered by the individual companies is complete and correct.

Segregating the administrative, executive, accounting and approval functions and making different persons responsible greatly restricts the opportunities to engage in criminal activity. Nevertheless, it is impossible to fully exclude every eventuality, especially arbitrary personal decisions with negative ramifications, erroneous audits, criminal activities or other circumstances.

The monitoring steps taken to ensure proper and reliable accounting include, for example, analyzing business developments on the basis of specific key indicator analyses, as well as analyzing individual transactions in detail. At the group level, specific audit activities to ensure that the group accounting is being properly and reliably carried out include analyzing and, if necessary, adjusting the individual group company financial statements, taking into consideration the external auditors' reports and/or the audit debriefings.

Before integrating newly acquired companies, their internal control systems are quickly adapted to meet Südzucker Group's high standards.

**Internal audit**

The audit committee deals mainly with compliance, monitoring the accounting process and the annual audit of the financial statements. It also reviews and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing process. The internal audit department audits the internal control system, compliance with legal requirements and internal corporate guidelines, as well as the risk management system. It makes recommendations and develops any necessary process changes accordingly, thereby contributing to continuous improvement of the internal control and risk management systems.

**External audit**

The external auditor checks that the early risk identification procedure integrated into the risk management system is entirely suitable for timely identification of existential risks. The auditor also reports to the supervisory board any material weaknesses found in the internal control and risk management system. During the audit of the closing financial statements, the auditor confirmed that Südzucker's early warning system is capable of timely detection of existential risks. The auditor has not encountered any material weaknesses in the internal accounting-related auditing system during its audit.

# CORPORATE GOVERNANCE AND RESPONSIBILITY

In the section described below, Südzucker reports on corporate management in accordance with article 315d of the German Commercial Code (HGB) in conjunction with article 289f of the German Commercial Code and corporate governance as per item 3.10 of the German Corporate Governance Code. In addition, the following section reports on corporate responsibility regarding the non-financial statement in accordance with articles 315b and 315c of the German Commercial Code in conjunction with articles 289b and 289c of the German Commercial Code.

## Supervisory board and executive board operating procedures

The following summary outlines the operating procedures of the executive and supervisory boards in accordance with articles 289f, paragraph 2, item 3 and 315d of the German Commercial Code.

### General information

Südzucker AG is a German stock corporation and as such has a dual management structure consisting of an executive board and supervisory board, each having members with independent expertise in different areas. The executive and supervisory boards work on the basis of mutual trust and closely cooperate to manage and supervise the company.

### Executive board

Südzucker AG's executive board currently consists of four members. The management body independently manages the company's businesses in the interests of the corporation with the aim of generating sustainable added value. The duties assigned to the executive board members are outlined in the rules of procedure for the executive board in the version dated 26 January 2016.

Some executive board members have dual responsibilities with respect to the subsidiary AGRANA Beteiligungs-AG, Vienna, Austria. The CEO of AGRANA Beteiligungs-AG, Johann Marihart, Limberg, Austria, is also a member of Südzucker AG's executive board and the CFO of Südzucker AG. Mr. Thomas Kölbl, Speyer, Germany, is also a member of the executive board of AGRANA Beteiligungs-AG.

Südzucker AG's executive board members are also either members or chairs of the supervisory boards of Südzucker Group's major subsidiaries.

### Supervisory board

The supervisory board supervises and advises the executive board in its management of the company. It is involved in strategy and planning, as well as all issues of material importance to the company. For important business processes, such as budgeting and strategic planning, acquisitions and divestments, the rules of procedure of both the executive board and the supervisory board stipulate that decisions are subject to approval by the supervisory board. The chair of the supervisory board coordinates the supervisory board's work, chairs the meetings and speaks on behalf of the panel to the outside world.

The executive board submits comprehensive, timely reports regarding planning, business developments and the group's positioning to the supervisory board – in writing and at regular meetings. Risk management and compliance are additional key reporting topics. If necessary, extraordinary meetings are held with the supervisory board to discuss important issues. The supervisory board has established rules of procedure for its work, which are in force as per the version dated 16 November 2017. The shareholder representatives and employee representatives always meet separately to prepare the supervisory board meetings.

### Supervisory board structure

Südzucker AG's supervisory board consists of twenty members as per the articles of incorporation, of which ten are elected by the shareholders and ten by the employees. The terms of office are identical: The term of office of all supervisory board members runs until the close of the annual general meeting at which shareholders will vote on ratifying the board's actions for fiscal 2021/22 (that is, until the end of the annual general meeting in 2022).

### Supervisory board diversity policy

As per a resolution passed on 16 November 2017, the supervisory board is aiming for the following targets and competence profiles for the full board in its future composition, in consideration of the sector, the size of the company and the share of international business activity:

- All supervisory board members shall have adequate corporate or operational experience and shall ensure they have sufficient time to fulfill their supervisory board duties.
- Each member of the supervisory board shall demonstrate the required reliability and personal integrity to fulfill the board's supervisory duties.
- At least two members of the supervisory board should be independent as per item 5.4.2 of the German Corporate

Governance Code. Not independent as per item 5.4.2 of the German Corporate Governance Code is anyone who has a personal or business relationship with the company, its organs, a controlling shareholder or company associated with these, which could result in a material and not merely temporary conflict of interest.

- Not more than two former members of the executive board shall be members of the supervisory board.
- The supervisory board shall have at least two members with international experience or specialized knowledge in one of the company's key non-German markets.
- At least one member of the supervisory board shall be a financial expert.
- The supervisory board shall have at least three female and three male members to represent the employees.
- No candidate older than seventy shall be recommended for election or reelection to the supervisory board, unless it would be in the interests of the company.

There is no rule regarding the maximum term of office of a supervisory board member. This is to ensure continuity and long-term expertise on the supervisory board.

When recommending supervisory board members for election, the supervisory board will continue to focus primarily on the personal suitability of the candidates, their specialized skills and experience, their integrity and independence, as well as their motivation and capabilities.

The degree to which the competence profile of the entire body has been achieved is as follows:

The supervisory board's employee representatives were elected on 16 April 2017 by the company's workers and its shareholder representatives by shareholders at the annual general meeting on 20 July 2017. The board has the opinion that since 20 July 2017, it has had at least two independent members, which is in compliance with requirements. At least two members especially meet the criterion of "internationality". The supervisory board has seven female members – four representing the employees and three representing shareholders. There are no former Südzucker AG executive board members on the supervisory board. All members of the supervisory board are familiar with the sector in which Südzucker AG conducts business. The financial expert on the supervisory board and on the audit committee is Ms. Veronika Haslinger, Vienna, Austria.

### Executive board diversity policy

In its meeting of 16 November 2017, the supervisory board decided – in part also because of existing executive board member contracts that will not expire for some time – not to define a diversity policy for the composition of the executive

board with respect to aspects such as age, gender, education or professional background at this time.

### Supervisory board committees

The supervisory board has formed an executive committee, audit committee, agricultural committee, social committee and mediation committee from among its members. These committees prepare and supplement its work. The executive and mediation committees each consist of four members. The other committees have six members each, with an equal number of shareholder and employee representatives. The duties of the executive board and the other committees are outlined in the supervisory board rules of procedure version dated 16 November 2017. In addition, the audit committee's rules of procedure version dated 21 July 2009 apply to the audit committee. The current members of the committees are presented in the notes under item 37 "Supervisory board and executive board".

The chairman of the supervisory board is not simultaneously the chairman of the audit committee.

### Shareholders and annual general meeting

Südzucker AG's shareholders exercise their voting and control rights at general meetings held at least once a year. On an annual general meeting, shareholders vote on all issues as per the statutory requirements. The decisions are binding for all shareholders and the company. Shareholders are entitled to one vote for each share held.

Every shareholder who meets the general requirements for participating and exercising voting rights and who registered by the due date is entitled to participate in the annual general meeting. Shareholders who are unable to attend personally have the option of exercising their voting rights by proxy through a financial institution, a shareholder association, Südzucker AG appointees who are bound by the directives of the shareholders or by some other authorized representative of their choice. Shareholders also have the option of submitting their vote in advance of the general meeting via Südzucker AG's website ([www.suedzucker.de/en/Investor-Relations/Hauptversammlung/](http://www.suedzucker.de/en/Investor-Relations/Hauptversammlung/)) or by assigning power of attorney to Südzucker AG's proxies or to a third party.

## Risk management

Responsible management of business risks is fundamental to good corporate governance. Südzucker AG's executive board and Südzucker Group's managers make use of group-wide, company-specific reporting and control systems to detect, evaluate and manage these risks. The executive board regularly keeps the supervisory board abreast of existing risks and how they evolve. The audit committee deals mainly with monitoring the accounting process and the annual audit of the financial statements. It also reviews and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing process. Details regarding risk management are outlined in the risk report.

## Corporate governance report

Corporate governance aims to ensure that companies are managed and controlled responsibly and that they provide lasting shareholder value. The following corporate governance report is prepared in accordance with articles 289f, paragraph 2, item 1, 4–6 and 315d of the German Commercial Code. Effective and efficient cooperation between the executive and supervisory boards ensures transparency and the claim to keep shareholders and the public fully informed in a timely manner. The corporate governance report published here by Südzucker AG complies with legal requirements and the German Corporate Governance Code rules.

Good corporate governance is a given at Südzucker and has been practiced since many years. The company's policies are consistent with the recommendations of the Code and compliance is a key executive board and supervisory board responsibility.

Südzucker regards the current version of the Code dated 7 February 2017<sup>1</sup> as largely balanced, practical and of high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles. We comply with the recommendations of the code with the exception of the items outlined in the declaration of compliance.

## 2017 Declaration of Compliance

In the 2017 mutual declaration of compliance by the executive board and the supervisory board in accordance with article 161 of the German Stock Corporation Act (AktG), the following deviations from the recommendations – compared to last year's statement – were added:

- Item 4.1.3 – Compliance, whistleblower system

Südzucker AG's current compliance system includes a telephone hotline to the compliance officer. By the end of 2017, a whistleblower feature will be added to the system, which will enable employees and third parties to securely inform corporate management by electronic means about any compliance infringements within the company. Since technical implementation has not been completed to date, a deviation to item 4.1.3 clause 3 is reported as a precautionary measure.

The complete version of the mutual 2017 declaration of compliance by the executive board and supervisory board – as well as the declaration of compliance for prior years – is posted on Südzucker's website ([www.suedzucker.de/en/Entsprechenserklaerung/](http://www.suedzucker.de/en/Entsprechenserklaerung/)).

## Gender quota

The amended German Stock Corporation Act due to the Gender Quota Law stipulates that listed and co-determined companies have a fixed gender quota of 30 % on the supervisory board and set targets for the number of women on the executive board and the two management levels below the executive board. 35 percent of the supervisory board's members are women. The legal quota requirement is thus fulfilled.

In its meeting on 17 May 2017, the supervisory board resolved to keep the number of women on the executive board at 0 % until 16 May 2022, taking into consideration all relevant factors and especially the current status quo.

In its meeting of 12 June 2017, the executive board resolved to raise the percentage of women at Südzucker AG at the first and second management levels below the executive board level to 9 and 13 %, respectively, from the current 8.3 % and 12.2 %, respectively, by 11 June 2022.

<sup>1</sup> The version 7 February 2017 came into force with the publication of the German Federal Gazette on 24 April 2017.

### Education and training

Members of the supervisory board are solely responsible for any education and training measures they may require to fulfill their duties. They received appropriate support from Südzucker. Again in fiscal 2017/18, an information seminar regarding corporate governance topics was presented by an external legal expert. Most of the supervisory board members attended. In February 2018 a closed meeting of employee representative members of the supervisory board was held – especially for the information of newly elected members – at which Südzucker management made presentations on company fundamentals.

### Remuneration

#### Executive board

Südzucker AG's executive board compensation consists of a fixed annual base salary, a variable incentive component based on the average dividends of the previous three years, a company pension plan, which is mainly based on a fixed percentage of the annual base salary, plus payments in kind. The remuneration does not include any share-based compensation or comparable long-term remuneration components. The executive committee has prepared the executive board's compensation, which is defined by the full supervisory board and reviewed at regular intervals. Article 87, paragraph 1 of the German Stock Corporation Act states that the remuneration system for listed companies must be based on sustainable corporate growth and that variable compensation components must therefore be based on terms longer than one year. The requirement regarding a term longer than one year within Südzucker AG is met by basing the variable component on the average dividend of the three previous fiscal years.

#### Supervisory board

The supervisory board is compensated in accordance with article 12 of Südzucker AG's articles of incorporation.

Each member of the supervisory board receives a basic remuneration in addition to the reimbursement of his or her cash outlays and the value-added tax incurred arising from supervisory board activities. This base amount consists of a fixed sum of € 60,000 payable at the end of the fiscal year plus a variable remuneration of € 500 for each € 0.01 of distributed dividends on ordinary shares exceeding € 0.50. Tax-related special dividends are not considered in the remuneration calculation. The chair receives triple this amount and the deputy and other members of the executive committee receive one-and-a-half times this remuneration. Committee members' remuneration increases by 25 % for each committee of which they are a member and committee chairs' by 50 %, assuming the committee actually met during the fiscal year. The latter does not apply to members of the executive and mediation

committees. As discussed in detail in the declaration of compliance, Südzucker AG does not disclose the level of compensation of individual executive and supervisory board members because the benefits of such information bear no reasonable relation to the associated invasion into their privacy.

The total remuneration of executive and supervisory board members is presented under item 36 "Related parties" of the notes to the annual report.

### Asset loss liability insurance

The company has taken out asset loss liability insurance with a deductible, which covers the activities of members of the executive and supervisory boards (D&O insurance). Article 93, paragraph 2 of the German Stock Corporation Act (AktG) states the deductible for supervisory board members shall be at least 10 % of the damage up to at least 1.5 times their fixed annual remuneration. The German Corporate Governance Code endorses this recommendation with respect to supervisory board members. The D&O insurance deductibles for the executive and supervisory board members have been adjusted accordingly.

### Shares held by members of the executive and supervisory boards/security transactions

No member of the executive or supervisory board owns shares or related financial instruments that either directly or indirectly represent more than 1 % of Südzucker AG's total share capital. Furthermore, the total shareholdings of all executive and supervisory board members are less than 1 % of the total shares issued by the company.

In fiscal 2017/18, the members of the executive and supervisory boards have not informed Südzucker AG about any notifiable directors' dealings in securities.

## Compliance

The following summary relates to disclosures about corporate policy regarding compliance in accordance with articles 289f, paragraph 2, item 2 and 315d of the German Commercial Code.

### Compliance-corporate governance and code of conduct

For Südzucker, compliance; that is, operation in accordance with laws and company policies, is a standard part of good corporate management. At Südzucker, practicing compliance is not merely the responsibility of the executive board, but also the managers of all of the group departments, divisions



and subsidiaries or companies in which Südzucker Group holds an interest.

In addition to group-wide guidelines, compliance in the company is enshrined in the code of conduct and in the corporate compliance principles. The Compliance corporate principles highlight key issues that are very important in day-to-day practice. The corporate compliance principles are published on Südzucker's website at [www.suedzucker.de/en/Unternehmensgrundsaeetze/](http://www.suedzucker.de/en/Unternehmensgrundsaeetze/) and the code of conduct at <http://www.suedzucker.de/en/Verhaltenskodex/>.

Südzucker applies the laws currently in force and expects the same from its employees and business partners.

### Compliance-management system

Existing Südzucker Group corporate rules were incorporated into the compliance management system policies and various compliance-critical company departments and activities were integrated into the program. The compliance management and its principles of "knowledge" (informing and training), "compliance" (verifying and documenting) and "improvement" (reporting and acting) aim to ensure the lawful conduct of the company, its executive bodies and its employees. The goal is to prevent employees from breaking any laws and to help them apply laws and corporate guidelines properly and professionally.

#### "Knowledge"

Südzucker provides its employees with the necessary information sources and advice to enable them to avoid contravening any rules or laws. All supervisors must organize their area of responsibility to ensure that the corporate compliance principles, the code of conduct, the company's internal directives and statutory requirements are adhered to. After all, only risk-aware employees can recognize risks and successfully avoid or at least mitigate them.

The compliance officer and compliance representatives ensure that information flow is timely. In fiscal 2017/18, about 5,000 employees were trained in seminars and with the help of e-learning on the topics of corruption and bribery prevention throughout the group. This covers about 80 % of the defined persons (salaried employees including management).

#### "Compliance"

All employees are obliged to report any violation of the corporate compliance principles, the code of conduct, the company's internal directives and statutory requirements to the compliance officer, the compliance representatives or the executive board immediately. Violations of external and

internal rules are not tolerated. Any indication of wrongdoing is investigated.

#### "Improvement"

Compliance activities and the compliance organization were continuously enhanced in fiscal 2017/18 just ended.

#### Main items: Antitrust laws, bribery and corruption control

The focus of the group-wide corporate compliance principles continues to be compliance with antitrust laws, corruption and bribery prevention – with country and company-specific adaptation. These principles are reinforced by guidelines. The executive board has ruled that all contact with competitors be approved in advance by the responsible supervisor and that such contact always be documented.

The executive board regularly reports to Südzucker AG's supervisory board and the supervisory board's audit committee regarding compliance issues.

### Disclosures on takeovers

The following disclosures provide further details in accordance with articles 289a, paragraph 1 and 315a, paragraph 1 of the German Commercial Code and an explanatory report as per article 176, paragraph 1, clause 1 of the German Stock Corporation Act (AktG); they form part of the audited group management report.

### Composition of subscribed capital and voting rights

As of 28 February 2018, Südzucker's subscribed capital amounts to € 204,183,292 million and consists of 204,183,292 ordinary bearer shares, each of which represents a notional holding of € 1 per share. The company held no treasury shares as of the balance sheet date.

### Voting rights, share transfers

All shares entitle holders to the same rights and each share is worth one vote at the annual general meeting. Voting rights for the shares may be restricted as per German Stock Corporation Act regulations. Under certain conditions, shareholders may not be entitled to vote (article 136 of the German Stock Corporation Act [AktG]).

A voting agreement exists between Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, Germany, and Zucker Invest GmbH (Zucker Invest), Vienna, Austria, which is one of the companies of the registered Raiffeisen Holding Niederösterreich-Wien cooperative with limited liability (Raiffeisen-Holding), Vienna, Austria.

Additional voting agreements exist between companies of the Raiffeisen group. Furthermore, SZVG has an option to buy 18,797,796 of Zucker Invest's Südzucker shares and Zucker Invest has an option to buy 246,368 of the Südzucker shares held by SZVG.

#### **Südzucker AG shareholdings exceeding 10 %**

Südzucker AG knows of two direct equity investments in the company that exceed 10 %: SZVG owns 56.5 % of total share capital and Zucker Invest 10.3 %. Raiffeisen-Holding and its associated companies hold a direct interest via Zucker Invest. The shareholdings are reciprocally attributed to the companies, so that each holds a share of about 67 % of total share capital, according to the German Securities Trading Act.

#### **Shares with special rights, voting rights control for shares held by employees**

Shares with special rights that would impart controlling authority do not exist at Südzucker. No employees who hold shares of Südzucker AG are subject to voting rights control.

#### **Appointment and dismissal of executive board members**

Executive board members are appointed and dismissed by the supervisory board in accordance with articles 84 and 85 of the German Stock Corporation Act (AktG) and article 31 of the German Codetermination Act (MitbestG). In accordance with article 5, item 2 of Südzucker AG's articles of incorporation in the current version dated 23 December 2016, the supervisory board determines the number of executive board members and the supervisory board has the authority to appoint deputy members.

#### **Amendments to the articles of association**

Amendments to the articles of association are governed by articles 179 and following of the German Stock Corporation Act (AktG). Article 22 of the articles of incorporation authorizes the supervisory board to make amendments to the company's articles of association that only affect the wording.

#### **Authority of the executive board, especially as relates to issuing and share buyback**

Subject to approval by the supervisory board, the executive board is authorized to increase the company's share capital once or several times up until 15 July 2020 by up to € 20,000,000 by issuing new no-par value bearer shares in exchange for cash contributions and/or contributions in kind, for the entire amount or in tranches (Authorized Capital 2015). Subject to approval by the supervisory board and according to article 4, paragraph 4 of the articles of incorporation, the executive board may exclude subscription rights of shareholders in certain cases, provided the shares issued

under exclusion of the subscription rights do not exceed 10 % of total share capital, neither at the time of the coming into force of this authorization, nor at the time of exercising same. Details are outlined in article 4, paragraph 4 of the articles of association. Authorized Capital 2015 has not been utilized to date.

Shareholders at the 16 July 2015 annual general meeting authorized the executive board to buy back up to 10 % of the company's total share capital existing at that time until 15 July 2020 in accordance with article 71, paragraph 1, item 8 of the German Stock Corporation Act (AktG). The shares may be acquired on the open stock market or via a public offer to purchase to all shareholders. The costs of buying back own shares may be charged against net retained earnings or other revenue reserves. The executive board was also authorized, subject to approval by the supervisory board, to sell the shares bought back to third parties and to exclude shareholder subscription rights in the case of corporate mergers or when purchasing companies or parts of companies or shares of companies. Details are provided in the authorization approved at the annual general meeting on 16 July 2015. To date, the board has not exercised the right granted in 2015 to purchase own shares.

#### **Change of control and compensation agreements**

Südzucker AG has signed an agreement with a banking consortium providing access to a line of credit in the amount of € 600,000,000. In the event of a change of control, each member of the bank consortium would under certain conditions have the right to terminate the line of credit and its share of the outstanding loans, and demand immediate repayment of same, including interest. Other than that, there are no material agreements pursuant to articles 289a, paragraph 1, clause 1, item 8 and 315a, paragraph 1, clause 1, item 8 of the German Commercial Code that would be affected by a change of control resulting from a takeover offer. Compensation agreements with members of the executive board or in favor of employees that would come into effect in the event of a change of control do not exist either.

Details regarding the executive and supervisory boards' compensation are outlined in the section "compensation report" section of the corporate governance report, which forms part of this group management report.

## Non-financial statement

Südzucker uses the GRI standards of the Global Reporting Initiative (GRI) guideline, an international framework, to collect and present the non-financial data that relates to its business activities. The standards will be further explained at the end of this fiscal year. In the current consolidated management report, non-financial information is integrated in accordance with articles 315b and 315c of the German Commercial Code in conjunction with article 289e of the German Commercial Code. References to the information regarding the contents of the non-financial statement are listed in the table at the end of this section.

The concepts – that is, guidelines, principles and management approach – for each aspect are described in the respective chapters. This includes disclosure of targets and degree of achievement.

The financial performance indicators are described in the chapter on value management. The expected development is presented in the outlook section. At the present time, no non-financial performance indicators exist at the Südzucker Group level as defined in article 289c, paragraph 3, item 5 of the German Commercial Code.

The risk and opportunities report provides a summary of the financial and non-financial corporate risks. Non-financial corporate risks arise at Südzucker as a result of the impact of its own activities on the environment, employees and society. The same applies to its activities surrounding associated business relationships. Examples here include energy use, especially as a result of large-scale processing of agricultural products, respect for union rights and social dialogue, and the impact of the company's products on consumers. Südzucker has implemented extensive programs to reduce these non-financial risks and to prevent negative impacts. As a result of these programs, for example in the areas of environmental protection, work safety and quality assurance, there are no material non-financial corporate risks associated with Südzucker's business activities, business relationships and products.

The non-financial statement provided for the group is equally applicable to Südzucker AG. All of the guidelines and associated management approach apply for the entire Südzucker group. There are no non-financial targets that only apply to Südzucker AG. Information on Südzucker AG's non-financial reporting in accordance with articles 289b and following of the German Commercial Code is included.

As part of the annual audit, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main (PwC) verified that the non-financial statement was presented in accordance with article 317, paragraph 2, clause 4 of the German Commercial Code. The supervisory board also commissioned PwC to audit with limited assurance the non-financial statement and compare the requirements of ISAE 3000 (Revised) to the requirements of the CSR Guidelines Implementation Law. PwC issued an unqualified audit certificate.

## Information regarding the contents of the non-financial statement

Aspects of the non-financial items according to section 289 of the HGB	Items according to the materiality matrix	Section	Page
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Sustainability	–	Sustainability / Rooted in our corporate culture, external assessment of sustainability	33 35
Materiality matrix	–	About the group / Sustainability / sustainability management	33
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	production wastewater	Special products segment / Environment	68f
	production material waste	CropEnergies segment / Environment Fruit segment / Environment	74f 78f
	vendor selection / procurement	Environment / Procurement Environment / Logistics / Procurement logistics	37 39
	distribution / logistics	Environment / Logistics / Distribution logistics	39
	biodiversity	Environment / Procurement / Biodiversity	38
Employee issues	respect for human rights at all production plants around the world	Employees / Management approach Society / Respect for human rights	40 46
	gender equality and diversity	Employees / Gender equality and diversity	40ff
	training and personnel development	Employees / Employee development / Training and continuing education	42
	workplace health and safety	Employees / Workplace health and safety	42f
	union rights, freedom of association and social dialogue	Employees / Dialogue with employee representatives and unions	43
	general conditions such as existence of collective bargaining agreements	Employees / Dialogue with employee representatives and unions	43
Social issues	social aspects of vendor selection / procurement	Environment / Procurement	37
	product safety and consumer protection	Society / Product responsibility and quality	44
	maintaining and creating value and jobs	Society / Value added in rural areas	44f
	dialogue with communities and consideration of local concerns	Society / Dialogue with communities	45
	dialogue with political institutions, political lobbying	Society / dialogue with governments and institutions	45
Human rights protection	vendor selection / procurement	Environment / Procurement	37
	respect for human rights at all of production plants around the world	Employees / Management approach Society / Respect for human rights	40 46
	prohibition of child labor, forced or compulsory labor	Employees / Management approach Society / Respect for human rights	40 46
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	<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	149	(24) Inventories
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133	(10) Personnel expenses	179	(36) Related parties
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# STATEMENT OF COMPREHENSIVE INCOME

1 March 2017 to 28 February 2018

€ million	Notes	2017/18	2016/17	+/- in %
<b>Income statement</b>				
<b>Revenues</b>	(6)	<b>6,982.9</b>	<b>6,476.0</b>	<b>7.8</b>
Change in work in progress and finished goods inventories and internal costs capitalized	(7)	34.6	141.1	-75.5
Other operating income	(8)	135.7	98.7	37.5
Cost of materials	(9)	-4,556.5	-4,323.2	5.4
Personnel expenses	(10)	-927.0	-841.7	10.1
Depreciation	(11)	-312.9	-285.9	9.4
Other operating expenses	(12)	-891.8	-859.1	3.8
Result from companies consolidated at equity	(13)	2.1	35.0	-94.0
<b>Result from operations</b>	(14)	<b>467.1</b>	<b>440.9</b>	<b>5.9</b>
Financial income	(15)	62.1	50.7	22.5
Financial expense	(15)	-101.4	-84.6	19.9
<b>Earnings before income taxes</b>		<b>427.8</b>	<b>407.0</b>	<b>5.1</b>
Taxes on income	(16)	-109.7	-94.9	15.6
<b>Net earnings</b>	(18)	<b>318.1</b>	<b>312.1</b>	<b>1.9</b>
of which attributable to Südzucker AG shareholders		205.1	213.6	-4.0
of which attributable to hybrid capital		13.1	13.4	-2.2
of which attributable to other non-controlling interests		99.9	85.1	17.4
<b>Earnings per share (€)</b>	(18)	<b>1.00</b>	<b>1.05</b>	<b>-4.8</b>

€ million	Notes	2017/18	2016/17	+/- in %
<b>Statement of other comprehensive income</b>				
<b>Net earnings</b>		<b>318.1</b>	<b>312.1</b>	<b>1.9</b>
Market value of hedging instruments (cash flow hedge) after deferred taxes		13.8	4.6	>100
Revaluation not affecting income		68.5	-5.0	-
Realization resulting in a profit or loss		-49.0	11.4	-
Deferred taxes		-5.7	-1.8	>100
Market value of securities (available for sale) after deferred taxes		-0.1	0.3	-
Revaluation not affecting income		-0.1	0.4	-
Deferred taxes		0.0	-0.1	-100.0
Exchange differences on net investments in foreign operations after deferred taxes		-3.5	0.6	-
Revaluation not affecting income		-5.1	0.8	-
Deferred taxes		1.6	-0.2	-
Foreign currency translation differences		-38.0	25.9	-
Share from companies consolidated at equity		-36.5	2.9	-
<b>Income and expenses to be recognized in the income statement in the future</b>	(19)	<b>-64.3</b>	<b>34.3</b>	<b>-</b>
Remeasurement of defined benefit pension plans and similar obligations after deferred taxes	(27)	33.4	-10.1	-
Revaluation not affecting income		46.1	-14.6	-
Deferred taxes		-12.7	4.5	-
Share from companies consolidated at equity		1.5	-2.0	-
<b>Income and expenses not to be recognized in the income statement in the future</b>	(19)	<b>34.9</b>	<b>-12.1</b>	<b>-</b>
<b>Other comprehensive result</b>	(19)	<b>-29.4</b>	<b>22.2</b>	<b>-</b>
<b>Comprehensive income</b>		<b>288.7</b>	<b>334.3</b>	<b>-13.6</b>
of which attributable to Südzucker AG shareholders		195.3	237.9	-17.9
of which attributable to hybrid capital		13.1	13.4	-2.2
of which attributable to other non-controlling interests		80.3	83.0	-3.3

TABLE 046

Further disclosures regarding the statement of comprehensive income are outlined in notes (6) to (19) and (27) of the notes to the consolidated financial statements.

# CASH FLOW STATEMENT

1 March 2017 to 28 February 2018

€ million	2017/18	2016/17	+/- in %
Net earnings	318.1	312.1	1.9
Depreciation and amortization of intangible assets, fixed assets and other investments	312.9	285.9	9.4
Decrease (-)/Increase (+) in non-current provisions and deferred tax liabilities and increase (-)/decrease (+) in deferred tax assets	4.2	21.5	-80.5
Other income (-)/expenses (+) not affecting cash	57.3	14.5	>100
<b>Cash flow</b>	<b>692.5</b>	<b>634.0</b>	<b>9.2</b>
Gain (-)/Loss (+) on disposal of items included in non-current assets and of securities	-8.5	3.6	-
Decrease (-)/Increase (+) in current provisions	16.9	24.8	-31.9
Increase (-)/Decrease (+) in inventories, receivables and other current assets	-158.5	-237.0	-33.1
Decrease (-)/Increase (+) in liabilities (excluding financial liabilities)	-41.1	123.0	-
<b>Increase (-)/Decrease (+) in working capital</b>	<b>-182.7</b>	<b>-89.2</b>	<b>&gt;100</b>
<b>I. Net cash flow from operating activities</b>	<b>501.3</b>	<b>548.4</b>	<b>-8.6</b>
Investments in fixed assets and intangible assets	-360.5	-329.0	9.6
Investments in financial assets	-432.0	-163.9	>100
<b>Investments</b>	<b>-792.5</b>	<b>-492.9</b>	<b>60.8</b>
Cash received on disinvestments (+)	0.0	14.2	-100.0
Cash received on disposal of non-current assets (+)	19.8	7.4	>100



€ million	2017/18	2016/17	+/- in %
<b>II. Cash flow from investing activities</b>	<b>-772.7</b>	<b>-471.3</b>	<b>64.0</b>
Issuance (+) of the bond 2017/2025 (2016/2023)	496.8	299.1	66.1
Repayment (-)/Issuance (+) of commercial papers	0.0	-125.0	-100.0
Other repayment (-)/refund (+) of financial liabilities	-69.4	-199.9	-65.3
<b>Repayment (-)/Refund (+) of financial liabilities</b>	<b>427.4</b>	<b>-25.8</b>	<b>-</b>
Increases in stakes held in subsidiaries (-)	-2.9	-0.3	>100
Decrease in stakes held in subsidiaries/capital increase (+)/capital buyback (-)	0.8	189.0	-99.6
Dividends paid (-)	-163.7	-115.3	42.0
<b>III. Cash flow from financing activities</b>	<b>261.6</b>	<b>47.6</b>	<b>&gt;100</b>
<b>Change in cash and cash equivalent (total of I., II. and III.)</b>	<b>-9.8</b>	<b>124.7</b>	<b>-</b>
Change in cash and cash equivalents			
due to exchange rate changes	4.9	2.9	69.0
due to changes in entities included in consolidation/other	9.3	-6.2	-
<b>Decrease (-)/Increase (+) in cash and cash equivalents</b>	<b>4.4</b>	<b>121.4</b>	<b>-96.4</b>
Cash and cash equivalents at the beginning of the period	580.8	459.4	26.4
<b>Cash and cash equivalents at the end of the period</b>	<b>585.2</b>	<b>580.8</b>	<b>0.8</b>
Dividends received from companies consolidated at equity/other participations investments	39.4	29.7	32.7
Interest receipts (20)	16.6	18.7	-11.2
Interest payments (20)	-32.1	-29.9	7.4
Income taxes paid (20)	-126.1	-72.9	73.0

TABLE 047

Further disclosures on the cash flow statement are included in note (20) of the notes to the consolidated financial statements.

# BALANCE SHEET

## 28 February 2018

€ million	Notes	28 February 2018	28 February 2017	+/- in %
<b>Assets</b>				
Intangible assets	(21)	1,659.0	1,240.3	33.8
Fixed assets	(22)	2,990.5	2,922.3	2.3
Shares in companies consolidated at equity	(23)	370.3	432.8	-14.4
Other investments	(23)	23.0	23.6	-2.5
Securities	(23), (30)	18.7	18.8	-0.5
Other assets	(25)	11.8	10.4	13.5
Deferred tax assets	(16)	79.7	131.9	-39.6
<b>Non-current assets</b>		<b>5,153.0</b>	<b>4,780.1</b>	<b>7.8</b>
Inventories	(24)	2,119.2	2,052.5	3.2
Trade receivables	(25)	972.1	880.8	10.4
Other assets	(25)	346.5	295.0	17.5
Current tax receivables	(16)	32.7	20.7	58.0
Securities	(30)	125.7	125.7	0.0
Cash and cash equivalents	(30)	585.2	580.8	0.8
<b>Current assets</b>		<b>4,181.4</b>	<b>3,955.5</b>	<b>5.7</b>
<b>Total assets</b>		<b>9,334.4</b>	<b>8,735.6</b>	<b>6.9</b>

€ million	Notes	28 February 2018	28 February 2017	+/- in %
<b>Liabilities and shareholders' equity</b>				
Equity attributable to shareholders of Südzucker AG		3,455.7	3,347.1	3.2
Hybrid capital		653.7	653.1	0.1
Other non-controlling interests		914.5	887.9	3.0
<b>Total equity</b>	(26)	<b>5,023.9</b>	<b>4,888.1</b>	<b>2.8</b>
Provisions for pensions and similar obligations	(27)	780.8	822.5	-5.1
Other provisions	(28)	90.5	91.7	-1.3
Financial liabilities	(30)	1,116.7	917.2	21.8
Other liabilities	(29)	15.6	24.5	-36.3
Tax liabilities	(16)	83.0	102.9	-19.3
Deferred tax liabilities	(16)	164.1	81.3	>100
<b>Non-current liabilities</b>		<b>2,250.7</b>	<b>2,040.1</b>	<b>10.3</b>
Other provisions	(28)	249.9	233.2	7.2
Financial liabilities	(30)	455.9	221.1	>100
Trade payables	(29)	945.6	916.9	3.1
Other liabilities	(29)	383.4	387.0	-0.9
Current tax liabilities	(16)	25.0	49.2	-49.2
<b>Current liabilities</b>		<b>2,059.8</b>	<b>1,807.4</b>	<b>14.0</b>
<b>Total liabilities and equity</b>		<b>9,334.4</b>	<b>8,735.6</b>	<b>6.9</b>
Net financial debt		843.0	413.0	>100
Equity ratio		53.8	56.0	
Net financial debt as % of equity (gearing)		16.8	8.4	

TABLE 048

Further disclosures regarding the balance sheet are outlined in notes (16) and (21) to (30) of the notes to the consolidated financial statements.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1 March 2017 to 28 February 2018

€ million	Outstanding subscribed capital	Capital reserve	Other reserves
<b>1 March 2016</b>	<b>204.2</b>	<b>1,614.9</b>	<b>1,424.2</b>
Net earnings			213.6
Other comprehensive income/loss before taxes			-9.4
Taxes on other comprehensive income			3.5
<b>Comprehensive income</b>			<b>207.7</b>
Distributions			-61.3
Decrease in stakes held in subsidiaries / capital increase	0.0	0.0	5.7
Other changes			6.4
<b>28 February 2017</b>	<b>204.2</b>	<b>1,614.9</b>	<b>1,582.7</b>
<b>1 March 2017</b>	<b>204.2</b>	<b>1,614.9</b>	<b>1,582.7</b>
Net earnings			205.1
Other comprehensive income/loss before taxes			45.7
Taxes on other comprehensive income			-12.7
<b>Comprehensive income</b>			<b>238.1</b>
Distributions			-91.9
Decrease in stakes held in subsidiaries / capital increase	0.0	0.0	0.0
Other changes			5.2
<b>28 February 2018</b>	<b>204.2</b>	<b>1,614.9</b>	<b>1,734.1</b>

Further disclosures on shareholders' equity are included in note (26) of the notes to the consolidated financial statements.

Other equity accounts								
Market value of hedging instruments (cash flow hedge)	Market value of securities (available for sale)	Exchange differences on net investments in foreign operations	Accumulated exchange differences	Share from companies consolidated at equity	Equity of Südzucker share-holders	Hybrid capital	Other non-controlling interests	Total equity
-5.1	1.6	-14.2	-67.4	0.2	3,158.4	653.1	661.4	4,472.9
					213.6	13.4	85.1	312.1
2.9	-0.1	0.8	25.0	2.5	21.7		-1.9	19.8
-0.7	0.0	-0.2			2.6		-0.2	2.4
2.2	-0.1	0.6	25.0	2.5	237.9	13.4	83.0	334.3
					-61.3	-13.4	-34.9	-109.6
					5.7		183.3	189.0
					6.4		-4.9	1.5
-2.9	1.5	-13.6	-42.4	2.7	3,347.1	653.1	887.9	4,888.1
-2.9	1.5	-13.6	-42.4	2.7	3,347.1	653.1	887.9	4,888.1
					205.1	13.1	99.9	318.1
20.1	-0.1	-5.1	-18.9	-34.5	7.2		-19.8	-12.6
-5.9	0.0	1.6			-17.0		0.2	-16.8
14.2	-0.1	-3.5	-18.9	-34.5	195.3	13.1	80.3	288.7
					-91.9	-13.1	-53.3	-158.3
					0.0	0.6	0.2	0.8
					5.2		-0.6	4.6
11.3	1.4	-17.1	-61.3	-31.8	3,455.7	653.7	914.5	5,023.9

TABLE 049

# SEGMENT REPORT

€ million	2017/18	2016/17	+/- in %
<b>Südzucker Group</b>			
<b>Gross revenues</b>	<b>7,392.1</b>	<b>6,865.6</b>	<b>7.7</b>
Consolidation	-409.2	-389.6	5.0
<b>Revenues</b>	<b>6,982.9</b>	<b>6,476.0</b>	<b>7.8</b>
<b>EBITDA</b>	<b>757.4</b>	<b>708.9</b>	<b>6.8</b>
EBITDA margin	10.8 %	10.9 %	
Depreciation	-312.9	-282.5	10.8
<b>Operating result</b>	<b>444.5</b>	<b>426.4</b>	<b>4.2</b>
Operating margin	6.4 %	6.6 %	
Result from restructuring/special items	20.5	-20.5	-
Result from companies consolidated at equity	2.1	35.0	-94.0
<b>Result from operations</b>	<b>467.1</b>	<b>440.9</b>	<b>5.9</b>
Investments in fixed assets <sup>1</sup>	360.5	329.0	9.6
Investments in financial assets/acquisitions	432.0	163.9	>100
<b>Total investments</b>	<b>792.5</b>	<b>492.9</b>	<b>60.8</b>
Shares in companies consolidated at equity	370.3	432.8	-14.4
Capital employed	6,650.0	6,012.1	10.6
Return on capital employed	6.7 %	7.1 %	
<b>Employees</b>	<b>18,515</b>	<b>16,908</b>	<b>9.5</b>
<b>Sugar segment</b>			
<b>Gross revenues</b>	<b>3,236.8</b>	<b>2,992.7</b>	<b>8.2</b>
Consolidation	-220.3	-216.3	1.8
<b>Revenues</b>	<b>3,016.5</b>	<b>2,776.4</b>	<b>8.6</b>
<b>EBITDA</b>	<b>278.1</b>	<b>202.1</b>	<b>37.6</b>
EBITDA margin	9.2 %	7.3 %	
Depreciation	-138.7	-128.6	7.9
<b>Operating result</b>	<b>139.4</b>	<b>73.5</b>	<b>89.7</b>
Operating margin	4.6 %	2.6 %	
Result from restructuring/special items	24.4	-13.2	-
Result from companies consolidated at equity	-28.4	6.6	-
<b>Result from operations</b>	<b>135.4</b>	<b>66.9</b>	<b>&gt;100</b>
Investments in fixed assets <sup>1</sup>	170.4	153.1	11.3
Investments in financial assets/acquisitions	2.0	118.4	-98.3
<b>Total investments</b>	<b>172.4</b>	<b>271.5</b>	<b>-36.5</b>
Shares in companies consolidated at equity	308.0	370.0	-16.8
Capital employed	3,299.2	3,169.2	4.1
Return on capital employed	4.2 %	2.3 %	
<b>Employees</b>	<b>7,034</b>	<b>6,929</b>	<b>1.5</b>

<sup>1</sup> Including intangible assets.

€ million	2017/18	2016/17	+/- in %
<b>Special products segment</b>			
<b>Gross revenues</b>	<b>2,111.4</b>	<b>1,915.2</b>	<b>10.2</b>
Consolidation	-114.5	-96.6	18.5
<b>Revenues</b>	<b>1,996.9</b>	<b>1,818.6</b>	<b>9.8</b>
<b>EBITDA</b>	<b>255.2</b>	<b>262.0</b>	<b>-2.6</b>
EBITDA margin	12.8 %	14.4 %	
Depreciation	-97.4	-78.5	24.1
<b>Operating result</b>	<b>157.8</b>	<b>183.5</b>	<b>-14.0</b>
Operating margin	7.9 %	10.1 %	
Result from restructuring/special items	-3.1	-3.4	-8.8
Result from companies consolidated at equity	30.6	28.2	8.5
<b>Result from operations</b>	<b>185.3</b>	<b>208.3</b>	<b>-11.0</b>
Investments in fixed assets <sup>1</sup>	121.2	126.0	-3.8
Investments in financial assets/acquisitions	430.0	0.0	-
<b>Total investments</b>	<b>551.2</b>	<b>126.0</b>	<b>&gt;100</b>
Shares in companies consolidated at equity	60.4	60.8	-0.7
Capital employed	2,055.0	1,498.7	37.1
Return on capital employed	7.7 %	12.2 %	
<b>Employees</b>	<b>5,697</b>	<b>4,643</b>	<b>22.7</b>
<b>CropEnergies segment</b>			
<b>Gross revenues</b>	<b>882.0</b>	<b>801.7</b>	<b>10.0</b>
Consolidation	-73.8	-76.0	-2.9
<b>Revenues</b>	<b>808.2</b>	<b>725.7</b>	<b>11.4</b>
<b>EBITDA</b>	<b>110.9</b>	<b>134.8</b>	<b>-17.7</b>
EBITDA margin	13.7 %	18.6 %	
Depreciation	-39.2	-37.2	5.4
<b>Operating result</b>	<b>71.7</b>	<b>97.6</b>	<b>-26.5</b>
Operating margin	8.9 %	13.4 %	
Result from restructuring/special items	-0.8	-3.9	-79.5
Result from companies consolidated at equity	-0.1	0.2	-
<b>Result from operations</b>	<b>70.8</b>	<b>93.9</b>	<b>-24.6</b>
Investments in fixed assets <sup>1</sup>	19.5	16.1	21.1
Investments in financial assets/acquisitions	0.0	0.0	-
<b>Total investments</b>	<b>19.5</b>	<b>16.1</b>	<b>21.1</b>
Shares in companies consolidated at equity	1.9	2.0	-5.0
Capital employed	451.7	478.7	-5.6
Return on capital employed	15.9 %	20.4 %	
<b>Employees</b>	<b>414</b>	<b>412</b>	<b>0.5</b>

<sup>1</sup> Including intangible assets.

€ million	2017/18	2016/17	+/- in %
<b>Fruit segment</b>			
<b>Gross revenues</b>	<b>1,161.9</b>	<b>1,156.0</b>	<b>0.5</b>
Consolidation	-0.6	-0.7	-14.3
<b>Revenues</b>	<b>1,161.3</b>	<b>1,155.3</b>	<b>0.5</b>
<b>EBITDA</b>	<b>113.2</b>	<b>110.0</b>	<b>2.9</b>
EBITDA margin	9.7 %	9.5 %	
Depreciation	-37.6	-38.2	-1.6
<b>Operating result</b>	<b>75.6</b>	<b>71.8</b>	<b>5.3</b>
Operating margin	6.5 %	6.2 %	
Result from restructuring/special items	0.0	0.0	-
Result from companies consolidated at equity	0.0	0.0	-
<b>Result from operations</b>	<b>75.6</b>	<b>71.8</b>	<b>5.3</b>
Investments in fixed assets <sup>1</sup>	49.4	33.8	46.2
Investments in financial assets/acquisitions	0.0	45.5	-100.0
<b>Total investments</b>	<b>49.4</b>	<b>79.3</b>	<b>-37.7</b>
Shares in companies consolidated at equity	0.0	0.0	-
Capital employed	844.1	865.5	-2.5
Return on capital employed	9.0 %	8.3 %	
<b>Employees</b>	<b>5,370</b>	<b>4,924</b>	<b>9.1</b>

<sup>1</sup>Including intangible assets.

TABLE 050

As outlined in IFRS 8 (Operating Segments), the reporting segments of Südzucker Group are aligned with the internal reporting structure compared to the group executive board. Südzucker Group reports for the four segments sugar, special products, CropEnergies and fruit.

### Sugar segment

The sugar segment produces and markets sugar, specialty sugar products and animal feed. The segment comprises the division "business area sugar" including the four production locations in Belgium (Raffinerie Tirlemontoise S.A., Tienen), Germany (Südzucker AG, Mannheim), France (Saint Louis Sucre S.A.S., Paris) and Poland (Südzucker Polska S.A., Wrocław) as well as distributors in Greece, the United Kingdom, Israel, Italy and Spain. The AGRANA Zucker division comprises sugar production in Austria, Romania, Slovakia, Czech Republic and Hungary. There is also a sugar production division in Moldova (Südzucker Moldova S.A., Chişinău) and an agricultural division (Südzucker AG, Landwirtschaft, Agrar und Umwelt AG Loberaue, Rackwitz; Terra e.G., Sömmerda). The British trading company ED&F MAN Holdings Limited, AGRANA Studen Group (including sugar production in Bosnia) and the Italian joint venture Maxi S.r.l. are consolidated at equity.

### Special products segment

The special products segment includes the four divisions BENE0, Freiburger, PortionPack Europe and starch. BENE0 produces and sells ingredients made from various raw materials for food products and animal feed with nutritional and technological benefits. Freiburger Group is a producer of chilled and frozen pizzas, frozen pasta dishes and snacks with a clear focus on private label business in Europe and the USA. PortionPack Europe Group specializes in developing, packaging and marketing portion packs. The starch division comprises AGRANA Group's starch and bioethanol business with potato, corn and wheat starch production in Austria, cornstarch production in Romania and bioethanol production in Austria. The wheat starch plant at the site in Zeitz is also allocated to the starch division. The starch and bioethanol activities of Hungrana Group in Hungary are consolidated at equity.



### CropEnergies segment

The CropEnergies segment bundles the bioethanol activities of Südzucker Group at the four production sites in Germany, Belgium, France and the United Kingdom as well as trading activities in Brazil and Chile, and conducts business as a publicly held company (Aktiengesellschaft). CropEnergies is a leading manufacturer of sustainably produced bioethanol for the European fuel sector and a producer of food and animal feed. CropEnergies also holds a 50 % stake in CT Biocarbonic GmbH, which operates a plant in Zeitz for the production of food-grade liquid CO<sub>2</sub>; this company is consolidated at equity.

### Fruit segment

The fruit segment comprises the fruit preparations (AGRANA Fruit) and fruit juice concentrates divisions (AUSTRIA JUICE). Companies in the fruit segment are active across the globe and serve international food companies from the dairy, baked goods, ice cream and beverage industry.

### Result from operations

The result from operations reported in the statement of comprehensive income breaks down into the operating result, the result from restructuring/special items and the result from companies consolidated at equity. Result from operations is a key ratio that represents a benchmark for entities with different financial structures and tax systems by which the net earnings are adjusted for the financial result and the tax expense.

### Operating result

Operating result is the result from operations adjusted for special items and effects from at equity consolidation. Special items do not regularly recur within business operations and include also items that influence earnings but are not attributable to the reporting period. Operating result serves as a basis for internal group management. Operating margin is calculated as the percentage of operating result to revenues.

### ROCE – Return on capital employed

ROCE (return on capital employed) represents the ratio of operating result to capital employed. Capital employed is calculated as follows:

€ million	2017/18	2016/17
<b>Operating result</b>	<b>444.5</b>	<b>426.4</b>
Goodwill	1,502.1	1,303.1
Concessions, industrial and similar rights	269.5	49.7
Fixed assets	2,990.5	2,922.3
<i>Non-interest bearing receivables</i>	<i>1,268.6</i>	<i>1,128.6</i>
<i>Inventories</i>	<i>2,119.2</i>	<i>2,052.5</i>
<i>./ Current provisions</i>	<i>-249.9</i>	<i>-233.2</i>
<i>./ Non-interest bearing liabilities</i>	<i>-1,250.0</i>	<i>-1,210.9</i>
Working capital	1,887.9	1,737.0
<b>Capital employed</b>	<b>6,650.0</b>	<b>6,012.1</b>
<b>Return on capital employed</b>	<b>6.7 %</b>	<b>7.1 %</b>

TABLE 051

## Capital Employed

Capital employed reflects operating capital tied up in the segments and in the group. It consists of fixed assets, including intangible assets, and working capital (inventories, trade receivables and other assets less trade accounts payable, other liabilities and current provisions). In order to uniformly present the actual capital employed from a group perspective, the carrying amounts of goodwill items from the fruit segment are fully disclosed as at the level of the immediate parent company, AGRANA Beteiligungs-AG. Working capital includes only inherently non-interest bearing receivables and payables.

Transactions between segments – with revenues of € 409.2 (389.6) million – were conducted at market conditions.

Information about geographic segments is provided below:

€ million	2017/18	2016/17
<b>Third-party revenues</b>		
Germany	1,638.8	1,521.0
Other EU	3,923.6	3,799.9
Other countries	1,420.5	1,155.1
	<b>6,982.9</b>	<b>6,476.0</b>
<b>Expenditures on fixed and intangible assets (excluding goodwill)</b>		
Germany	99.2	116.1
Other EU	225.9	189.5
Other countries	35.4	23.4
	<b>360.5</b>	<b>329.0</b>
<b>Carrying amount fixed and intangible assets (excluding goodwill)</b>		
Germany	1,043.8	1,027.8
Other EU	1,653.2	1,605.1
Other countries	563.0	339.2
	<b>3,260.0</b>	<b>2,972.0</b>
<b>Employees</b>		
Germany	4,185	3,864
Other EU	8,913	8,829
Other countries	5,417	4,215
	<b>18,515</b>	<b>16,908</b>

TABLE 052

Third-party revenues are based on delivery destination. The regional allocation of segment assets, investments and employees is according to the countries in which the subsidiaries of Südzucker Group are headquartered. As a general rule, unless otherwise indicated, information on the number of employees in the group is presented as the fulltime equivalent at the balance sheet date.

# GENERAL EXPLANATORY NOTES

## (1) Principles of preparation of the consolidated financial statements

Südzucker AG is headquartered at Maximilianstraße 10 in 68165 Mannheim, Germany; the company is registered in the commercial register under HRB No. 42 at the district court of Mannheim. According to article 2 of the Articles of Incorporation of the company dated 23 December 2016, the corporate purpose of the company is the production of sugar, its sales, the utilization of its by-products and conducting agricultural operations. The company is also authorized to participate in other undertakings in any permissible form, to acquire such undertakings and to enter into any transactions that appear directly or indirectly beneficial to achieving or promoting the corporate purpose.

The consolidated financial statements present the operations of Südzucker AG and its subsidiaries. Südzucker has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, based on the interpretations of the IFRS Interpretations Committee (IFRS IC) as to be applied in the EU. The statutory commercial requirements as set out in section 315e, paragraph 1 of the German Commercial Code (HGB) have also been considered. All IFRSs issued by the IASB that were effective and applied by Südzucker AG at the time these consolidated financial statements were prepared have been adopted by the European Commission for application in the EU.

The consolidated financial statements for the period ended 28 February 2018 were prepared on 23 April 2018 by the executive board and received an unqualified audit opinion by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The audit committee will audit the consolidated financial statements on 8 May 2018, which are subsequently audited and approved by the supervisory board at its meeting on 16 May 2018. The publication date of the consolidated financial statements including the management report (annual report) is 17 May 2018.

Südzucker prepares and presents the consolidated financial statements in euros; unless otherwise indicated, all amounts are disclosed in millions of euros (€ million). The previous year's numbers are generally shown in parentheses. Numbers and percentages are subject to differences due to rounding.

In addition to a statement of comprehensive income, which comprises the income statement, a statement of income and expense recognized directly in equity, the cash flow statement and the balance sheet, the consolidated financial statements also provide a statement of changes in shareholders' equity. The disclosures in the notes also include segment reporting.

Certain items on the balance sheet and in the statement of comprehensive income have been combined and subtotals included in order to improve the clarity of presentation. These items are shown separately and described in the notes to the financial statements. The income statement is part of the statement of comprehensive income and has been prepared using the nature of expense method.

The consolidated financial statements are prepared based on historical cost, provided no other method is reported under note (5) Accounting policies.

### First-time adoption of IFRSs and IFRIC

The following standards were mandatory for the first time in the 2017/18 financial year:

Standard		Passed by IASB	Adopted by the EU
IAS 7	Statement of Cash Flows (amendment)	29.01.2016	06.11.2017
IAS 12	Deferred Taxes (amendment)	19.01.2016	06.11.2017
Miscellaneous	Annual Amendments – 2014–2016 Cycle (amendments to IFRS 12 are to be applied from 2017/18 onwards)	08.12.2016	07.02.2018

TABLE 053

The first-time adoption of the amended IAS 7 (Cash Flow Statements) expanded the scope of disclosure to include reconciliation of financial liabilities from the opening balance sheet to the balance sheet date, which is presented in note (30) of these notes to the financial statements. Other changes had no material effect on the presentation of the financial position and performance or the notes of Südzucker.

### Future application of IFRSs and IFRIC

The following is a summary of the standards and interpretations that must be applied as of the 2017/18 financial year or later, because they have already been accepted by the EU or that were published by the IASB, but have yet to be recognized by the EU. The expected effective date is provided for standards that have not yet been recognized by the EU. Südzucker has not opted for the early adoption of any of the new or amended requirements below. The information on the content is based on whether and in what form the provisions are relevant to Südzucker; if future requirements do not apply to Südzucker, no information on content is provided.

Standard/ Interpretation	Passed by IASB	Mandatory application for Südzucker as of financial year	Content and, if relevant, expected impact on Südzucker
	Adopted by the EU		
<b>IAS 19 (amended 2018)</b> Employee Benefits	<u>07.02.2018</u> No	2019/20	In the event of an amendment, curtailment or settlement of a defined-benefit pension plan, it is now mandatory that the current service cost and the net interest for the remaining financial year be re-determined using the current actuarial assumptions used for the required re-measurement of the net defined benefit liability (asset). In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Insofar as no corresponding circumstances exist, the amendment is not relevant to Südzucker.
<b>IAS 28 (amended 2011)</b> Investments in Associates (amendment)	<u>11.09.2014</u> No	postponed indefinitely	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
<b>IAS 28 (amended 2017)</b> Investments in Associates (amendment)	<u>12.10.2017</u> No	2019/20	The amendment clarifies that IFRS 9 (Financial Instruments) is to be applied to long-term interests in an associate or joint venture, provided that they form part of the net investment and are not consolidated at equity. The amendment is not relevant to Südzucker.
<b>IAS 40</b> Investment Property (amendment)	<u>08.12.2016</u> <u>14.03.2018</u>	2018/19	The amendment is not relevant to Südzucker.
<b>IFRS 2</b> Share-based Payment	<u>20.06.2016</u> <u>26.02.2018</u>	2018/19	The standard is not relevant to Südzucker.
<b>IFRS 4</b> Insurance Contracts	<u>12.09.2016</u> <u>03.11.2017</u>	2018/19	The standard is not relevant to Südzucker.
<b>IFRS 9 (2014)</b> Financial Instruments	<u>24.07.2014</u> <u>22.11.2016</u>	2018/19	The new rules on the classification of financial assets will in some cases lead to changes in measurement and recognition depending on the existing business model. The new requirements for impairment will in some cases lead to earlier recognition of expected losses as an expense in the future. Due to the high share of credit-insured receivables, a necessary additional risk provision of less than € 1 million is expected as a result of this new rule on the recognition of impairment for credit risks relating to past-due receivables (impairment matrix). For hedge accounting, in some cases the hedged risk will take more components into account in the future, which will slightly increase the degree of effectiveness.
<b>IFRS 9 (amended 2017)</b> Financial Instruments (amendment)	<u>12.10.2017</u> <u>22.03.2018</u>	2019/20	The amendment lays down that certain financial instruments containing symmetric termination and compensation clauses (prepayment features with negative compensation) that would otherwise be measured through profit or loss can qualify for amortised cost measurement. The amendment is not relevant to Südzucker.

Standard / Interpretation	Passed by IASB Adopted by the EU	Mandatory application for Südzucker as of financial year	Content and, if relevant, expected impact on Südzucker
<b>IFRS 10</b> Consolidated Financial Statements (amendment)	<u>11.09.2014</u> No	postponed indefinitely	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
<b>IFRS 14</b> Regulatory Deferral Accounts	<u>30.01.2014</u> No	postponed indefinitely	The standard is not relevant to Südzucker. The European Commission has decided not to include this interim standard for the endorsement process, but to wait for the final standard.
<b>IFRS 15</b> Revenue from Contracts with Customers	<u>28.05.2014</u> <u>22.09.2016</u>	2018/19	IFRS 15 establishes the principles that an entity needs to apply when reporting on the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In particular, it draws up criteria according to which performance obligations in a contract are to be regarded as distinct. Südzucker expects the application to increase equity by € 1.6 million at the date of transition; the effects of the application are therefore of minor importance.
<b>IFRS 15 (amended 2016)</b> Revenue from Contracts with Customers (amendment)	<u>12.04.2016</u> <u>31.10.2017</u>	2018/19	The amendment to IFRS 15 provides clarifications regarding the identification of performance obligations, control over leased assets, corporate actions that have a material impact on intellectual property and eased transitional provisions with regard to the presentation of contracts concluded or amended prior to the earliest period to be presented. The amendment is not expected to have any impact on the presentation of the financial position and performance.
<b>IFRS 16</b> Leases	<u>13.01.2016</u> <u>31.10.2017</u>	2019/20	IFRS 16 reinterprets how leases are recognized, measured and presented. The standard provides a single lessee accounting model, requiring lessees to recognize the right of use as an asset and the obligation as a liability. Südzucker will take advantage of the option of non-capitalization for low-value assets and short-term leases. Südzucker uses leasing in logistics and agricultural operations when leasing agricultural land. There are also long-term lease contracts for buildings in administration and production. A notional first-time application on 28 February 2018 would result in a right of use/financial liability of around € 150 million.
<b>IFRS 17</b> Insurance Contracts	<u>18.05.2017</u> No	2021/22	The standard is not relevant to Südzucker.
<b>Miscellaneous</b> Annual Improvements of IFRS – 2014–2016 Cycle	<u>08.12.2016</u> <u>07.02.2018</u>	2018/19	The amendments to IFRS 12 are already to be applied from 2017/18 onwards. The amendments to IFRS 1 and IAS 28 take effect in 2018/19. The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
<b>Miscellaneous</b> Annual Improvements of IFRS – 2015–2017 Cycle	<u>12.12.2017</u> No	2019/20	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
<b>IFRIC 22</b> Foreign Currency Transactions and Advance Consideration	<u>08.12.2016</u> <u>28.03.2018</u>	2018/19	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
<b>IFRIC 23</b> Uncertainty over Income Tax Treatments	<u>07.06.2017</u> No	2019/20	IFRIC 23 clarifies the accounting for uncertainties with regard to income taxes. An entity is required to use judgement to determine whether to consider tax treatments individually or collectively. The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.

TABLE 054

## (2) Companies included in consolidation

### Fully consolidated subsidiaries

In addition to Südzucker AG, all material domestic and foreign subsidiaries in which Südzucker AG has direct or indirect control are fully consolidated in the consolidated financial statements. 158 (152) companies in addition to Südzucker AG were included in the consolidated financial statements for the year ended 28 February 2018. Six companies were purchased as part of acquisitions, two established companies were consolidated for the first time and two companies were merged. There were no disposals in the 2017/18 financial year.

€ million	Effects of the disposal of consolidated companies	
	2018	2017
28 February		
Non-current assets	0.0	-6.1
<i>Inventories</i>	0.0	-3.9
<i>Receivables and other assets</i>	0.0	-9.2
<i>Cash and cash equivalents and securities</i>	0.0	-1.7
Current assets	0.0	-14.8
<b>Total assets</b>	<b>0.0</b>	<b>-21.0</b>
Shareholders' Equity	0.0	-7.1
Non-current liabilities	0.0	-0.2
Current liabilities	0.0	-13.7
<b>Total liabilities and equity</b>	<b>0.0</b>	<b>-21.0</b>

TABLE 055

### First-time consolidation of HASA GmbH

Freiberger Lebensmittel GmbH & Co KG, a 100 % subsidiary of Südzucker AG, acquired 100 % of the shares in HASA GmbH on 14 July 2017. HASA GmbH is fully consolidated in the group financial statements from 1 July 2017.

HASA GmbH founded in 2003 and headquartered in Burg/Saxony-Anhalt, -Germany is now the fifth-largest supplier of frozen pizza in Germany with sales primarily in the newly formed German states. The integration of HASA GmbH with its focus on frozen stone oven pizzas enables Freiberger Group to serve this growing market segment and take a leading position in Europe in terms of volume with associated cost advantages thanks to this addition.

The purchase price in the amount of around € 45.8 million – this had an immediate impact on cash with the acquisition – is largely attributable to the like-new production structure and existing customer relationships. Based on the derivation of the market values of the individual assets and liabilities of HASA GmbH at the date of acquisition, the resulting goodwill is € 28.4 million.

## Purchase price allocation HASA GmbH

€ million	Fair values at acquisition date
Non-current assets	27.2
<i>Inventories</i>	6.1
<i>Receivables and other assets</i>	1.2
<i>Cash and cash equivalents and securities</i>	1.9
Current assets	9.2
<b>Total assets</b>	<b>36.4</b>
<i>./. Non-current liabilities</i>	–11.5
<i>./. Current liabilities</i>	–7.5
<b>Net assets (shareholders' equity)</b>	<b>17.4</b>
<b>Goodwill</b>	<b>28.4</b>
<b>Purchase price</b>	<b>45.8</b>

TABLE 056

## First-time consolidation of Richelieu Foods Inc.

Freiberger USA Inc., Morris Plains, New Jersey, USA, a 100 % subsidiary of Südzucker AG, acquired 100 % of the shares of Richelieu Foods Inc., Braintree, Massachusetts, USA on 1 December 2017, based on a purchase price of € 385.8 million; € 384.0 impacted cash in the 2017/18 financial year. Richelieu is the largest manufacturer of frozen and premium private label pizza for the retail food industry in the United States. Richelieu makes private label frozen and premium pizzas as well as sauces and dressings for retail and food service customers in the United States. The company has five production locations in the US and produces around 105 million pizzas and nearly 9 million units of sauce and dressing annually. This positions Freiberger Group in the US market – the world's largest and still growing pizza market. At 16 % of the total market in the United States, the share of private label frozen pizzas is relatively low compared to other markets, which is why Südzucker sees significant market potential here.

Richelieu's existing customer relationships in the US and the technical production capacity available there make it possible for Freiberger to participate directly in the available market potential, increase market penetration in the United States and eventually optimize existing processes through the transfer of technologies. The derivation of the market values of the individual assets and liabilities results in goodwill of € 177.7 million at the date of acquisition. Non-current assets include primarily customer lists.

## Purchase price allocation Richelieu Foods Inc.

€ million	Fair values at acquisition date
Non-current assets	263.7
<i>Inventories</i>	29.6
<i>Receivables and other assets</i>	39.6
<i>Cash and cash equivalents and securities</i>	6.9
Current assets	76.1
<b>Total assets</b>	<b>339.8</b>
<i>./. Non-current liabilities</i>	–96.9
<i>./. Current liabilities</i>	–34.8
<b>Net assets (shareholders' equity)</b>	<b>208.1</b>
<b>Goodwill</b>	<b>177.7</b>
<b>Purchase price</b>	<b>385.8</b>

TABLE 057

HASA was acquired during the fiscal year, so its prorated temporis contribution for eight months was € 39.5 million, and Riche-lieu's three-month contribution was € 81.2 million. The combined total contribution to group consolidated revenues of the two acquisitions was thus € 120.7 million, and € 28.1 million to consolidated net earnings – due especially to the one-time effects for Richelieu of US tax reform. Extrapolated on a pro-rated base for the full fiscal year, this would have represented sales revenues of about € 59 million or about € 325 million, while the consolidated net earnings would still have been impacted by the one-time tax gain.

### Companies consolidated at equity

The equity method was used for the 16 (15) joint ventures of Hungrana and AGRANA Studen Group, CT Biocarbonic GmbH, Maxi S.r.l. and Collaborative Packing Solutions (Pty) Ltd and also for the associate ED&F MAN Holdings Limited. The share of results is recognized in profit or loss; the effects of market value measurements and exchange rate differences attributable to Südzucker are shown in equity under other comprehensive income.

The following is a summary of the financial position and performance of joint ventures with the largest share attributable to Hungrana Group:

28 February	2018			2017		
	Total	Hungrana Group	Other	Total	Hungrana Group	Other
€ million						
Non-current assets	154.5	105.1	49.4	150.3	105.7	44.6
Inventories	109.2	58.4	50.9	117.6	44.3	73.3
Receivables and other assets	99.5	32.5	67.1	118.1	38.9	79.2
Cash, cash equivalents and securities	7.3	0.8	6.5	10.5	0.6	9.9
Current assets	216.1	91.6	124.5	246.2	83.8	162.4
<b>Total assets</b>	<b>370.5</b>	<b>196.7</b>	<b>173.8</b>	<b>396.5</b>	<b>189.5</b>	<b>207.1</b>
Equity	156.0	118.1	37.9	155.5	119.0	36.5
External financial liabilities	1.0	0.0	1.0	1.7	0.0	1.7
Other liabilities	7.6	2.0	5.6	3.7	2.3	1.4
Non-current liabilities	8.7	2.0	6.6	5.4	2.3	3.1
External financial liabilities	88.6	48.5	40.2	78.1	35.0	43.1
Other liabilities	117.2	28.1	89.1	157.6	33.2	124.4
Current liabilities	205.8	76.5	129.3	235.6	68.2	167.5
<b>Total liabilities and equity</b>	<b>370.5</b>	<b>196.7</b>	<b>173.8</b>	<b>396.5</b>	<b>189.5</b>	<b>207.1</b>
Revenues	746.1	319.2	426.9	772.0	329.7	442.3
Depreciation	-17.4	-13.5	-3.9	-17.1	-13.5	-3.6
Other expenses	-654.2	-234.9	-419.3	-674.8	-247.9	-426.9
<b>Result from operations</b>	<b>74.5</b>	<b>70.9</b>	<b>3.6</b>	<b>80.1</b>	<b>68.3</b>	<b>11.8</b>
Interest income	1.1	0.0	1.1	1.4	0.0	1.4
Interest expense	-2.4	-0.6	-1.8	-2.5	-0.7	-1.8
Other financial expense	-1.0	-0.6	-0.3	-0.3	-0.1	-0.2
<b>Earnings before income taxes</b>	<b>72.3</b>	<b>69.7</b>	<b>2.6</b>	<b>78.7</b>	<b>67.6</b>	<b>11.1</b>
Taxes on income	-10.2	-8.7	-1.5	-13.4	-11.3	-2.0
<b>Net earnings</b>	<b>62.1</b>	<b>61.0</b>	<b>1.1</b>	<b>65.4</b>	<b>56.3</b>	<b>9.1</b>
Income and expenses recognized in other comprehensive income	-1.8	-1.8	0.0	1.6	1.5	0.1
<b>Comprehensive income</b>	<b>60.3</b>	<b>59.2</b>	<b>1.1</b>	<b>67.0</b>	<b>57.8</b>	<b>9.2</b>

TABLE 058



### ED&F MAN Holdings Limited

As the only material associated company, ED&F MAN Holdings Limited, London, Great Britain, is consolidated at equity. The company has a different financial year than Südzucker that ends on 30 September and also prepares its consolidated financial statements in compliance with IFRSs in US-Dollar. This subgroup's interim financial statements with a reporting date two months earlier than those of Südzucker have been included. The financial position and performance of ED&F MAN Holdings Limited summarized below thus covers the period from 1 January to 31 December.

€ million	31 December	2017	2016
Non-current assets		662.4	696.6
Current assets		15,418.4	16,500.1
<b>Total assets</b>		<b>16,080.8</b>	<b>17,196.7</b>
Equity		695.8	933.8
Non-current liabilities		596.6	923.2
Current liabilities		14,788.4	15,339.7
<b>Total liabilities and equity</b>		<b>16,080.8</b>	<b>17,196.7</b>
Revenues		9,060.3	8,048.8
– other expenses		–9,216.5	–7,982.8
= Net earnings		–156.2	66.0
Income and expenses recognized in other comprehensive income		–92.4	–1.0
<b>Comprehensive income</b>		<b>–248.6</b>	<b>65.0</b>

TABLE 059

The net loss in 2017 of € –156.2 million after net earnings of € 66.0 million a year earlier reflects the difficult trading conditions and the related business development in the sugar and cereals business. The strategy is being reviewed in both segments and actions will be taken to restructure business. Moreover, ED&F MAN was victim to a transaction with invalid warehouse warrants, which resulted in a one-time charge of € 63 million; this one-time effect was already included in the equity result in the 2016/17 financial year thus amounting the equity result in the financial year just ended to € –28.9 million. Income and expenses recognized directly in equity of € –92.4 (–1.0) million largely reflect the foreign currency loss due to the depreciation of the US dollar by around 15 % in the 2017/18 financial year. Südzucker holds a stake of around 35 % in the trading company ED&F MAN Holdings Limited. The voting share is currently capped at 24.99 %; however, Südzucker has a statutory blocking stake and veto power over major transactions.

The carrying amount of all shares in companies consolidated at equity is € 370.3 (432.8) million. Significant events up to the Südzucker AG balance sheet date are considered. The carrying amounts for the two significant investments ED&F MAN Group and Hungrana Group are derived as follows:

28 February	2018		2017	
	ED&F MAN Group	Hungrana Group	ED&F MAN Group	Hungrana Group
€ million				
Equity	695.8	118.1	933.8	119.0
+/- Adjustments (in substance other minority interests)	-22.3	-0.0	-102.8	0.0
<b>= Equity attributable to shareholders</b>	<b>673.5</b>	<b>118.1</b>	<b>831.0</b>	<b>119.0</b>
<i>thereof Südzucker-share in equity</i>	<i>235.7</i>	<i>59.1</i>	<i>290.9</i>	<i>59.5</i>
+ Goodwill	49.5	0.5	57.0	0.5
<b>= Shares in companies consolidated at equity (carrying amount)</b>	<b>285.2</b>	<b>59.5</b>	<b>347.9</b>	<b>60.0</b>
Dividends paid to Südzucker	5.3	30.0	0.0	24.5

TABLE 060

### (3) Consolidation methods

#### Consolidation based on the purchase method

Under IFRS all business combinations are to be accounted for using the purchase method. The purchase price for the acquired subsidiary is allocated to the assets acquired and liabilities and contingent liabilities assumed. The value ratios at the date the possibility of control of the subsidiary is obtained are considered to be significant. Assets and assumed liabilities and contingent liabilities that qualify for recognition are recognized – independent of the investment amount – in full at their fair value. Intangible assets are recognized separately from goodwill if they are separable from the entity or if they result from contractual or other legal rights. Remaining differences are capitalized as goodwill and tested for impairment at least annually. Negative goodwill arising from initial consolidation is recognized in profit or loss. Costs related to an acquisition are recognized as an expense when they are incurred.

Transactions involving non-controlling interests are treated the same as transactions with shareholders. The difference between the amount paid for a non-controlling interest and the corresponding share of the carrying amount of the net assets of the subsidiary is recognized in equity. Costs arising from reductions in non-controlling interests without loss of control are also recognized in equity.

#### Equity method measurement

Investments in joint ventures and associates are included in the consolidated financial statements using the equity method as from their date of acquisition or when the application requirements of IFRS 11 (Joint Arrangements) or IAS 28 (Investments in Associates) have been met. Associates are companies over which significant influence over management can be exercised and that are not subsidiaries, joint ventures or joint operations. This is typically demonstrated by a share of voting rights between 20 and 50 %.

**Business combinations achieved in stages**

In the case of business combinations achieved in stages, the shares of the entity being sold are purchased in stages. In other words, the control of the entity is gained in several steps. IFRS 3 is to be applied to the combination as soon as the acquirer gains control. Before control is gained, the interest is reported as investments in associates, as joint arrangements or as financial instruments – depending on which rules are relevant. The fair value of assets and liabilities including the purchased entity's goodwill is remeasured until the point control is gained with the fundamental option in the case of business combinations of recognizing either the entire goodwill (full goodwill method) or only the goodwill inferred based on the proportionate revalued net assets (purchased goodwill method). Obtaining control triggers a complete revaluation of all assets and liabilities. Any adjustments to a previously held equity interest are recognized in profit or loss once control is obtained.

**Elimination of intragroup transactions**

Intragroup revenues, expenses and income and all receivables, liabilities and provisions between consolidated entities are eliminated. Intercompany results included in non-current assets and inventories and arising from intragroup deliveries are eliminated.

**(4) Foreign currency translation**

Transactions in foreign currencies are translated into the functional currency using the exchange rates on the date of the transaction.

The annual financial statements are prepared in the functional currency of the respective entity. With the exception of the distributor BENEQ Asia Pacific Pte. Ltd. in Singapore, which uses euros and S.Z.I.L. LTD, Kfar Saba, Israel, which accounts in USD, the subsidiaries' functional currency corresponds with the country currency in which the respective subsidiary has its headquarters.

When the financial statements of foreign group companies are prepared in a functional currency other than euros – Südzucker's reporting currency – translation of assets and liabilities takes place at ECB reference rates or other published reference rates at the balance sheet date (closing rate). As a general rule, the overall result is translated at the average annual rates. However, if the application of the average annual rates leads to incorrect results, translation of the affected items takes place at an adjusted average rate. The remaining income and expense items have been translated unchanged at the average annual rate.

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

Country	Currency code	1 € = Local Currency				
		Year-end rate	Average rate	Year-end rate	Average rate	Year-end rate
		28.02.2018	2017/18	28.02.2017	2016/17	29.02.2016
Egypt	EGP	21.52	20.54	16.64	12.73	8.54
Australia	AUD	1.56	1.50	1.38	1.46	1.53
Brazil	BRL	3.96	3.71	3.28	3.69	4.34
Chile	CLP	724.80	739.58	689.12	734.05	754.45
China	CNY	7.73	7.71	7.28	7.37	7.14
Great Britain	GBP	0.88	0.88	0.85	0.83	0.79
Mexico	MXN	22.94	21.48	21.08	21.00	19.80
Moldova	MDL	20.56	20.71	21.17	21.91	22.11
Poland	PLN	4.18	4.23	4.32	3.99	4.36
Romania	RON	4.66	4.59	4.52	4.49	4.48
Russia	RUB	68.75	67.03	61.76	70.57	82.64
Czech Republic	CZK	25.42	26.05	27.02	27.03	27.06
Ukraine	UAH	33.15	30.90	28.64	28.41	29.78
Hungary	HUF	313.93	309.57	308.25	310.83	311.26
USA	USD	1.22	1.16	1.06	1.10	1.09

TABLE 061

Intragroup loans for long-term financing of subsidiaries primarily represent a part of the net investment in these foreign operations; exchange rate fluctuations resulting from the year-end valuation are recognized directly in equity and reported in comprehensive income as a component of income and expense recognized directly in equity in the item "Exchange differences on net investments in foreign operations".

## (5) Accounting policies

The relevant accounting policies under IFRS are to be applied uniformly for similar transactions and other events in similar circumstances when preparing the consolidated financial statements of group companies. An explanation of the accounting policies is given only if the relevant standards provide accounting and measurement options or when the principles are specified in greater detail. In particular, the text of the respective standards is not repeated nor are the basic rules restated.

### Intangible assets

Acquired goodwill is recognized on the balance sheet as part of intangible assets. Goodwill and intangible assets with indefinite useful lives are not amortized, but are subject to an impairment test (impairment-only approach) at least annually or when there is an indication of impairment (triggering events). The procedure adopted in carrying out this impairment test is described more fully in the notes on balance sheet items below. Acquired intangible assets (without goodwill) with finite useful lives are generally stated at acquisition cost less straight-line depreciation. The respective useful life is determined based on the term of the underlying contract or the estimated consumption of the intangible asset's utilization potential. Intangible assets with indefinite useful lives include brand names acquired as part of acquisitions. They are measured at acquisition cost; an impairment test is carried out annually or when there is an indication of impairment.

### Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less straight-line or campaign related depreciation and impairment. Items of fixed assets are depreciated pro rata temporis in the year of their acquisition. Government subsidies and grants are deducted from acquisition cost.

Depreciation of fixed assets and of intangible assets with limited useful lives is charged based on the following useful lives:

#### Useful lives

	Years
Intangible Assets	2 to 15
Buildings	10 to 50
Technical equipment and machinery	5 to 25
Other equipment, factory and office equipment	3 to 15

TABLE 062

### Securities

Non-current and current securities are recognized independent of their maturity. Initial measurement takes place at market value plus transaction costs at the settlement date. Classification is made in the categories "Held for Trading" via the income statement, "Available for Sale" and "Loans and Receivables". Interest bearing loans are also allocated to the latter category and are recognized at their amortized cost using the effective interest method.

### Other investments

Initial measurement is based on the acquisition costs plus transaction costs. Subsequent measurement of other investments with no active market price available and whose fair value cannot be reliably measured takes place at cost.

### **Inventories**

Inventories are stated at acquisition or production cost using average cost or the first-in, first-out method for raw materials, as this represents actual usage. Production cost includes all production related costs determined assuming normal levels of production capacity. In detail, it includes directly attributable costs, fixed and variable production overheads as well as depreciation of production machinery. Finance charges are not considered here. Where necessary, the lower net realizable value less costs to complete is used. Sugar is primarily produced from September to January. This is why depreciation on systems used for the campaign is predominantly applied in the third and fourth quarter of the Südzucker financial year. Any material, personnel and other operating expenses incurred in preparation for production prior to the next sugar campaign are capitalized during the financial year via changes in inventories and recognized on the balance sheet under inventories as work in progress. In the subsequent sugar production these are then taken into account when determining production costs of the sugar produced and thus recognized under inventories as part of finished goods.

### **Trade receivables and other assets**

Receivables and other financial assets are measured at market value plus transaction costs at the time of initial recognition and subsequently at amortized cost using the effective interest method. Adequate individual allowances are made in separate accounts for bad debts and other risks in receivables. The nominal value less any necessary impairment corresponds to the fair value. Attention is directed to the individual case when writing off uncollectible receivables.

### **CO<sub>2</sub> emissions rights**

CO<sub>2</sub> emissions rights are recognized in accordance with IAS 38 (Intangible Assets), IAS 20 (Government Grants) and IAS 37 (Provisions). CO<sub>2</sub> emissions rights issued or granted at no charge for each calendar year are intangible assets, which are classified as other current assets. They are measured at cost, which, in the case of emissions rights issued at no charge, is zero.

If actual emissions exceed the certificates allocated, a provision for CO<sub>2</sub> emissions is recognized. The provision is measured reflecting the acquisition cost of additional certificates or the market value of emissions certificates at the balance sheet date.

### **Hybrid capital**

Pursuant to IAS 32 (Financial Instruments: Presentation) the terms and conditions of the hybrid capital issued in summer 2005 call for the reporting of this as shareholders' equity of Südzucker Group. Interest payment is dependent on the capital markets. The tax-deductible interest is not reported as interest expense but rather is treated the same as dividend payments to Südzucker AG shareholders.

### **Provisions for pensions and similar obligations**

Provisions for pensions and similar obligations for defined benefit plans are determined as set out in IAS 19 (Employee Benefits) using the projected unit credit method. With the projected unit credit method, not only the pensions known at the effective date and acquired benefits are considered but also future adjustments to salaries and pensions. The calculation relies on actuarial reports taking biometric data into account.

Payments for defined contribution plans are recognized as an expense when due and reported under personnel expenses. Payments for state benefit plans are treated the same as those for defined contribution plans. The group does not have any other obligations beyond the payment contributions.

### Other Provisions

Other provisions cover risks arising from legal disputes and proceedings (litigation), provided there is a more than 50 % likelihood of occurrence and a reliable estimate can be made. The rules of IAS 37.92 were applied regarding the relevant information on changes in provisions to be disclosed in the notes. Assessment and estimation of the provision amount takes place through factual assessment of the situation, by considering the level of the claims – including the results of comparable procedures – and by getting independent legal opinions.

### Income tax

Reported income tax comprises taxes on taxable income plus changes to deferred tax assets and liabilities as applicable in the individual countries.

### Current income tax

Current income tax is reported as the amount of tax expected to be payable based on the applicable or enacted legislation as of the balance sheet date. Initial and subsequent measurement takes place completely in the tax expense. The discounting and unwinding of the discount of tax liabilities and the tax benefits are recognized in the income statement in the item "Taxes on income".

### Tax assets and liabilities

Income tax liabilities from the fiscal year just ended are reported on the balance sheet under current tax liabilities, and receivables from prepayments under current tax assets. Non-current tax liabilities primarily comprise income tax for prior year periods that have not yet been conclusively audited.

### Deferred tax

Deferred tax is recognized on temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet, as well as on tax loss carryforwards, to the extent they can be offset against future taxable income. Deferred tax assets and deferred tax liabilities are recognized separately on the face of the balance sheet. Deferred tax assets have been offset against deferred tax liabilities to the extent the related taxes on income are imposed by the same tax authorities and there is a legally enforceable right to set-off. A resulting excess of deferred tax assets is only recognized to the extent that it is likely that taxable income will be available against which deferred taxes can be offset. Individual companies forecast the recoverability of deferred tax assets, among other things, based on the future earnings situation at the respective group company.

Deferred tax liabilities that arise as a result of temporary differences in connection with investments in subsidiaries and companies consolidated at equity are recognized unless the timing of the reversal of the temporary differences can be controlled by the group and it is likely that the temporary differences will not reverse as a result of this controlling influence within the foreseeable future.

Deferred tax is calculated according to IAS 12 (Income Taxes), taking into consideration the respective applicable national income tax rates or those that have been substantively enacted as of the balance sheet date and that are expected to apply when the related deferred income tax asset is recognized or the deferred tax liability is settled. Deferred tax assets and liabilities associated with earnings and expenses directly recognized in shareholders' equity are treated identically.

### Trade payables and other financial liabilities

Non-current and current financial liabilities are initially measured at market value less transaction costs and subsequently measured at amortized cost.

**Financial liabilities**

Financial liabilities for bonds issued are shown net of their issue discount and transaction costs. Unwinding of the discount takes place using the effective interest method.

**Derivative financial instruments**

Derivative financial instruments are recognized as assets or liabilities and measured – independent of their purpose – at fair value. Changes to this value are recognized in profit or loss unless the derivatives are in a hedging relationship with a hedged item. In this case, recognition of the changes in fair value is based on the nature of the hedge. Initial recognition is on the trading day.

Fair value hedges are used to hedge the exposure of recognized assets or liabilities to changes in the fair value. Here, changes in the fair values of both the hedges and the associated hedged items are recognized in the income statement. If the hedged items and hedges are already measured as primary instruments at their fair values, the application of the special rules for fair value hedge accounting can be waived to achieve the fair value hedge.

Cash flow hedges are used to hedge the exposure to variability in future cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. When there is a cash flow hedge, the unrealized gains and losses of the hedge transaction are initially recognized in other comprehensive income. They are not transferred to the income statement until the hedged item is recognized in profit or loss. If the transactions lead to the recognition of non-financial assets or liabilities, e.g. for the acquisition of fixed assets, the amounts recognized directly in equity are offset with the initial recognition of the carrying amount of the asset or liability.

**Revenues**

Revenues comprise the fair value of the consideration received or to be received for the sale of goods in the ordinary course of business. Revenues are reported less discounts and price reductions, without sales tax, and after eliminating intragroup sales. For variable price agreements, an estimate of the expected final prices is carried out for revenue recognition based on the individual agreements. Revenues are recognized when the delivery or service has been rendered and significant opportunities and risks have been transferred. The transfer of opportunities and risks to the buyer is generally governed by INCOTERMS (International Commercial Terms).

**Judgments, assumptions and estimates**

The preparation of the consolidated financial statements under IFRS requires that judgments, assumptions and estimates be made. These management assessments can impact the valuation of the assets and liabilities recognized, the income and expenses, and the disclosure of contingent liabilities.

Certain contracts require an assessment whether they should be treated as derivatives or as so-called own-use contracts and be accounted for as executory contracts.



With regard to provisions for pensions and similar obligations, the discount rate is one of the important factors. The discount rate for pension obligations is determined by reference to market yields observable at the balance sheet date on high-quality, fixed-rate corporate bonds, making analytically derived assumptions about the age at entry into the pension benefits, life expectancy, staff turnover rates and future wage and pension increases. Please see the sensitivity analysis disclosures under note (27) "Provisions for pensions and similar obligations" for information on the impact of changes to individual actuarial assumptions on the amount of the defined benefit pension obligations. Assumptions and estimates are also related to the accounting and measurement of other provisions.

Uncertainties may arise in the accounting of provisions or the disclosure of contingent liabilities because it is necessary – especially in connection with pending or potential legal disputes – to make estimates and assumptions, e.g. about the probability of the outcome of proceedings. In the recognition of liabilities – to a lesser extent, however, than in the accounting of provisions – there can be uncertainties with respect to the reason and amount of the payment obligation and the measurement of manufacturing costs, e.g. for the beet payment and the derivation of sugar revenue-dependent beet costs at the balance sheet date.

The recoverability of goodwill is assessed based on forecasts for the cash flows of cash generating units for the next five years using a discount rate adjusted for the business risks.

The determination of the useful life of the depreciable fixed asset, the net selling price of the inventories and the fair value of intangible assets, property, plant and equipment and liabilities acquired in business combinations is also based on estimates.

Deferred tax assets are recognized to the extent that the recoverability of future tax benefits is probable. The actual tax result situation of subsequent periods and therefore the actual utility of deferred tax assets can vary from the assessment at the time of recognition of the deferred taxes. Income tax can be subject to uncertainties with regard to the probability and amount of the expected tax payment or refund. This requires the company to make an estimate.

Further explanatory notes on the underlying assumptions and estimates made for these consolidated financial statements are given in the disclosures on individual items in the financial statements.

All assumptions and estimates are based on the circumstances and assessments at the balance sheet date. In assessing the expected business development, the future economic environments in which the group will operate and which are assumed to be realistic at the balance sheet date were also considered. The actual amounts may vary from the estimates should the conditions develop counter to our assumptions. If this is the case, the assumptions are adjusted and, where necessary, the carrying amounts of the affected assets and liabilities as well.

# NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

## (6) Revenues

Revenues are detailed in the note on segment reporting.

## (7) Change in work in progress and finished goods inventories and internal costs capitalized

€ million	2017/18	2016/17
Change in work in progress and finished goods inventories		
Sugar	28.1	134.7
Special products	-4.8	17.1
CropEnergies	0.7	5.3
Fruit	5.2	-22.4
	<b>29.2</b>	<b>134.7</b>
Internal costs capitalized	5.4	6.4
	<b>34.6</b>	<b>141.1</b>

TABLE 063

Change in work in progress and finished goods also includes write-downs of inventories to net disposal proceeds and reversals of impairment losses; see note (24) "Inventories" for explanations.

## (8) Other operating income

€ million	2017/18	2016/17
Foreign exchange and currency translation gains	18.1	27.9
Gain on sales of current and non-current assets	4.3	1.9
Income from derivatives	5.4	2.0
Reversal of bad debt allowances	2.6	1.6
Income from special items	43.7	6.5
Other income	61.6	58.8
	<b>135.7</b>	<b>98.7</b>

TABLE 064

Other income in the amount of € 61.6 (58.8) million includes, among other things, insurance settlements and other compensation, agricultural compensation payments and grants, income from services performed and from rents and leases, income from prior periods (without taxes and interest) and income from the reversal of provisions.

Income from special items of € 43.7 (6.5) million resulted in particular from the production levy that was imposed at too high a level by the EU for the sugar marketing years 1999/2000 and 2000/01. Income from the disposal of property as well as insurance settlements in connection with the fire at the sugar factory in Ochsenfurt, Germany in the summer of 2017 are also included here.

## (9) Cost of materials

€ million	2017/18	2016/17
Cost of raw materials, consumables and supplies and of purchased merchandise	4,198.6	4,032.8
Cost of purchased services	357.9	290.4
	<b>4,556.5</b>	<b>4,323.2</b>

TABLE 065

## (10) Personnel expenses

€ million	2017/18	2016/17
Wages and salaries	725.6	642.6
Contributions to statutory old-age insurance	50.0	43.1
Social security, pension and welfare expenses	151.4	156.0
	<b>927.0</b>	<b>841.7</b>

TABLE 066

Of the total personnel expenses in the amount of € 927.0 (841.7) million, € 10.8 (10.5) million is reported in the result from restructuring and special items and is largely related to the sugar segment's restructuring measures. Last year this item primarily included Südzucker's new early retirement program as well as personnel expenses at the UK bioethanol plant until its recommissioning and at the starch factory in Zeitz until the completion of the test phase.

The number of employees in Südzucker Group varies throughout the year due to campaign activities, particularly in the sugar and fruit segments. The development of each segment throughout the year (expressed in fulltime equivalents as of the respective quarterly closing date) is presented in the following and provides an overview of the average number of employees per financial year.

## Full-time equivalents at quarterly balance sheet date

Employees	31.05.2017	31.08.2017	30.11.2017	28.02.2018
Sugar	6,963	7,123	8,385	7,034
Special products	4,751	4,903	4,889	5,697
CropEnergies	411	408	406	414
Fruit	6,291	5,596	5,121	5,370
<b>Total</b>	<b>18,416</b>	<b>18,030</b>	<b>18,801</b>	<b>18,515</b>
Employees	31.05.2016	31.08.2016	30.11.2016	28.02.2017
Sugar	7,012	7,192	8,441	6,929
Special products	4,602	4,599	4,589	4,643
CropEnergies	405	405	412	412
Fruit	5,903	5,453	4,949	4,924
<b>Total</b>	<b>17,922</b>	<b>17,649</b>	<b>18,391</b>	<b>16,908</b>

TABLE 067

The number of employees in the group as of 28 February 2018 increased year-over-year by 1,607 to 18,515 (16,908). The addition of 1,054 workers in the special products segment – especially at Freiberger due to the addition of employees as part of the acquisition of Richelieu Foods Inc., USA, and HASA GmbH as well as hiring activities for starch in Austria – brought the total employee head-count to 5,697 (4,643). The increase of 400 employees in the fruit segment was largely attributable to the higher number of temporary employment relationships in Mexico and Morocco as a result of significantly higher processing volumes.

## (11) Depreciation

€ million	2017/18	2016/17
Intangible assets	18.4	12.9
Fixed assets	285.9	268.7
<b>Depreciation and amortization</b>	<b>304.3</b>	<b>281.6</b>
Intangible assets	0.0	0.0
Fixed assets	8.5	4.3
<b>Impairment losses including special items</b>	<b>8.5</b>	<b>4.3</b>
<b>Income from reversal of impairment losses</b>	<b>0.1</b>	<b>0.0</b>
<b>Net depreciation</b>	<b>312.9</b>	<b>285.9</b>
thereof operating result	312.9	282.6
thereof result from restructuring/special items	0.0	3.3
<b>Impairment according to segments</b>		
Sugar	5.7	0.8
Special products	2.4	1.2
CropEnergies	0.3	2.3
Fruit	0.1	0.0
<b>Total</b>	<b>8.5</b>	<b>4.3</b>

TABLE 068

Impairment losses (including special items) totaling € 8.5 (4.3) million were attributable to write-downs of unusable equipment to the fair value; € 0.0 (3.3) million was recognized under special items.

## (12) Other operating expenses

€ million	2017/18	2016/17
Selling and advertising expenses	389.4	353.5
Operating and administrative expenses	292.8	257.3
Advertising expenses	44.8	51.7
Expenses due to restructuring/special items	9.6	7.2
Expenses from lease and service agreements	47.3	43.6
Production levy	0.0	19.1
Losses on disposals of current and non-current assets	5.0	8.5
Bad debt allowances	4.5	3.1
Foreign exchange and currency translation losses	22.3	28.4
Expense from derivatives	5.3	4.9
Other taxes	27.6	25.4
Other expenses	43.2	56.4
	<b>891.8</b>	<b>859.1</b>

TABLE 069

Operating and administrative expenses in the amount of € 292.8 (257.3) million comprise items such as office, communication and travel expenses, consulting fees, fees and contributions, insurance premiums, employee training, employee benefits and outsourced maintenance and repair services.

Expenses from restructuring and special items of € 9.6 (7.2) million related among other things to expenses from an AGRANA restructuring project in the sugar segment. Prior year expenses were largely attributable to value added tax risks in the sugar segment in Romania as well as to provisions for excise tax proceedings in the CropEnergies segment in Germany.

Other taxes in the amount of € 27.6 (25.4) million comprise taxes on income and property, excise tax and transport taxes. Other operating expenses totaling € 43.2 (56.4) million comprise items such as research and development costs, market research fees, license fees and other services.

## (13) Result from companies consolidated at equity

The result from companies consolidated at equity of € 2.1 (35.0) million includes the share of earnings from the joint ventures of Hungrana Group, AGRANA Studen Group, CT Biocarbonic GmbH, Maxi S.r.l. and Collaborative Packing Solutions (Pty) Ltd and the associate ED&F MAN Holdings Limited. The decline was due to a lower operating result contribution in the sugar segment. Further information on the development of income from companies consolidated at equity is found under note (2) "Companies included in consolidation" in connection with the disclosures on companies consolidated at equity.

## (14) Result from operations

€ million	2017/18	2016/17
<b>Result from operations</b>	<b>467.1</b>	<b>440.9</b>
thereof operating result	444.5	426.4
thereof result from restructuring/special items	20.5	-20.5
thereof result from companies consolidated at equity	2.1	35.0

TABLE 070

The breakdown of the result from operations and its components is found in segment reporting.

## (15) Financial income and expense

€ million	2017/18	2016/17
Interest income	18.3	19.1
Interest expense	-49.2	-46.0
<b>Interest income and expense, net</b>	<b>-30.9</b>	<b>-26.9</b>
Other financial income	43.8	31.6
Other financial expense	-52.2	-38.6
<b>Other financial income and expense, net</b>	<b>-8.4</b>	<b>-7.0</b>
<b>Financial expense, net</b>	<b>-39.3</b>	<b>-33.9</b>
thereof financial income	62.1	50.7
thereof financial expense	-101.4	-84.6

TABLE 071

The interest expense remained at last year's level: € -30.9 (-26.9) million. The net interest expense also contains the net expense from the unwinding of the discount for provisions for pensions and similar obligations totaling € 15.2 (unchanged) million and the expense from the unwinding of the discount for other non-current provisions and liabilities of € 0.9 (0.8) million.

The other financial result was an expense of € -8.4 (-7.0) million. This included currency translation losses of € -5.6 million from € -0.5 million the year prior, largely due to the depreciation of the US dollar by around 15 % in the reporting period. Last year the other financial result was affected by an impairment to the cash and cash equivalents of AGRANA Fruit in the Ukraine totaling € -4.8 million.

## (16) Taxes on income

The tax expense of € 109.7 (94.9) million is comprised of current taxes paid or payable and deferred tax expense/income as follows:

€ million	2017/18	2016/17
Current taxes	87.8	86.6
Deferred taxes	21.9	8.3
<b>Taxes in income</b>	<b>109.7</b>	<b>94.9</b>

TABLE 072

The unchanged projected theoretical tax expense of 29.1 % for fiscal 2017/18 was calculated by applying the German corporate income tax rate comprising the solidarity surcharge of 15.8 % and the trade tax on income of 13.3 %. The reconciliation of the theoretical and actual tax expense is shown below:

€ million	2017/18	2016/17
Earnings before taxes on income	427.8	407.0
Theoretical tax rate	29.1 %	29.1 %
<b>Theoretical tax expense (+)</b>	<b>124.6</b>	<b>118.5</b>
Change in theoretical tax expense as a result of:		
Different tax rates	-9.3	-14.0
Tax reduction for tax-free income	-9.1	-18.6
Tax increase for non-deductible expenses	12.5	10.8
Tax effects from prior periods	-20.3	-6.1
Tax effects from the recognition and measurement of capitalized losses carried forward and temporary differences	10.4	-4.1
Other	0.9	8.4
<b>Taxes on income</b>	<b>109.7</b>	<b>94.9</b>
<b>Effective tax rate</b>	<b>25.6 %</b>	<b>23.3 %</b>

TABLE 073

Following a rise in earnings before income taxes of € 427.8 (407.0) million, taxes on income were € 109.7 (94.9) million.

The item tax effects from the measurement and recognition of tax loss carry forwards and temporary differences includes one-time income in the year under review of € 29.5 million from the revaluation of deferred tax liabilities of Richelieu Group due to the US tax reform adopted on 22 December 2017, which lowered the corporate income tax rate from 35 % to 21 %.

Deferred tax is the result from temporary differences between tax accounting measures and the assets and liabilities recognized as set out in IFRS as well as from tax loss carryforwards. Deferred tax assets of € 47.4 (130.0) million were recognized for tax loss carryforwards that are expected to be used against future taxable income. Deferred tax assets totaling € 118.4 (79.7) million were not recognized as it is unlikely that the tax assets will be recoverable in the foreseeable future. Of these unrecognized deferred tax assets € 112.4 (71.1) million does not expire; of the remaining amount totaling € 6.0 (8.6) million, a large share expires within a period of up to seven years. An impairment loss in the amount of € 41.3 (0.0) million was recognized on loss carryforwards for deferred tax assets recognized in previous years. Deferred tax assets totaling € 10.0 (70.3) million were recognized at the balance sheet date for companies that reported a negative result last year, in fiscal 2017/18 or in the current period as realization of the tax asset is probable due to tax-related results planning.

No deferred tax liabilities were recognized in relation to investments in subsidiaries totaling € 69.2 (67.0) million, since such gains are intended to be reinvested indefinitely and a reversal of these differences is thus not anticipated.

Deferred taxes lowered income and expenses recognized directly in equity by € 16.9 million during the reporting period and increased income and expenses recognized directly in equity by € 2.4 million last year. Key influencing factors here were deferred tax assets from the remeasurement of defined benefit pension commitments and similar obligations recognized directly in equity, which led to a decrease in equity by € 12.8 million, i.e. last year to an increase in equity by € 4.5 million.

In addition, € 5.4 (6.3) million in income tax was recognized directly in equity. Deferred tax assets and liabilities relate to temporary differences in the following items on the balance sheet:

€ million	Deferred tax assets		Deferred tax liabilities	
	2018	2017	2018	2017
28 February				
Fixed assets and intangible assets	12.5	17.4	210.3	166.9
Inventories	10.8	23.9	22.9	37.4
Other assets	4.6	5.3	20.6	19.9
Tax-free reserves	0.2	0.0	40.4	46.6
Provisions	123.9	134.8	13.6	7.1
Liabilities	25.5	25.1	1.5	8.0
Tax loss carry forwards	47.4	130.0	0.0	0.0
	<b>224.9</b>	<b>336.5</b>	<b>309.3</b>	<b>285.9</b>
Offsets	-145.2	-204.6	-145.2	-204.6
<b>Balance sheet</b>	<b>79.7</b>	<b>131.9</b>	<b>164.1</b>	<b>81.3</b>
<b>thereof non-current</b>	<b>50.9</b>	<b>94.5</b>	<b>135.6</b>	<b>69.3</b>

TABLE 074

Current tax assets reported as at 28 February 2018 increased to € 32.7 (20.7) million and comprise mainly tax prepayments.

Non-current tax liabilities in the amount of € 83.0 (102.9) million primarily comprise income tax for prior year periods that have not yet been conclusively audited.

Current tax liabilities of € 25.0 (49.2) million relate to income tax liabilities from the financial year under review and back duties still expected from previous years.

## (17) Research and development costs

Research and development activities are outlined in the group management report. Research and development work was carried out by some 431 (401) staff. Research and development costs amounted to € 43.2 (41.8) million and were fully recognized as an expense.



## (18) Earnings per share

€ million	2017/18	2016/17
<b>Net earnings of the year</b>	<b>318.1</b>	<b>312.1</b>
of which attributable to shareholders of Südzucker AG	205.1	213.6
Time-weighted average number of shares outstanding	204,183,292	204,183,292
<b>Earnings per share in €<sup>1</sup></b>	<b>1.00</b>	<b>1.05</b>

<sup>1</sup> Undiluted / diluted.

TABLE 075

The earnings per share calculation (IAS 33) is based on the time-weighted average of 204.2 million shares outstanding. Earnings per share came in at € 1.00 (1.05) with no dilution.

## (19) Other comprehensive income

Other comprehensive income totaling € –29.4 (22.2) million includes income and expenses recognized directly in the equity of Südzucker shareholders and other non-controlling interests.

The income and expenses of € –64.3 (34.3) million to be recognized in the income statement in the future include the market value measurement of securities (cash flow hedge), securities available for sale, foreign currency translation from net investments in foreign subsidiaries, effects of consolidation-related foreign currency translation and the share from companies consolidated at equity.

Foreign currency differences from consolidation of € –38.0 (25.9) million are in particular attributable to the weaker US dollar, Argentine real and Chilean peso, compared to a stronger Polish zloty and Czech koruna. Last year foreign currency differences were primarily due to the stronger Chilean peso, Polish zloty and Russian ruble, compared to a weaker British and Egyptian pound.

The amounts not to be recognized in the income statement in the future primarily relate to the remeasurement of defined benefit pension plans and similar obligations in the amount of € 33.4 (–10.1) million. The raising of the discount rate from 1.90 % as at 28 February 2017 to 2.20 % for material pension plans effective 28 February 2018 relieved equity in the amount of € 33.4 million. Last year in particular changes to the discount rate put pressure on equity in the amount of € 10.1 million.

# CASH FLOW STATEMENT

## (20) Notes to the cash flow statement

### Increase (–)/Decrease (+) in operating activities

The cash inflow (+)/outflow (–) from operating activities is divided into two key blocks for reasons of transparency. The main purpose of this is to ensure sustainable cash flow from operating activities for the medium term and to isolate the large seasonal fluctuations of working capital throughout the quarters. The latter is a special feature of the Südzucker business model with campaign operations existing in different segments (e.g. sugar).

#### Cash flow

The reported cash flow of € 692.5 (634.0) million is higher than last year and corresponds with the increase in net earnings.

The recognized cash flow comprising net earnings, depreciation of non-current assets, the development of non-current provisions, (deferred) tax liabilities and deferred tax assets as well as other non-cash income and expenses has two other important functions. One is that the debt factor, the ratio of net financial debt to cash flow, is used to explain the capital structure. The other is that the hybrid bond issue conditions stipulate that a mandatory coupon suspension is triggered if consolidated cash flow falls below 5 % of the group's consolidated revenues.

#### Change in working capital

The cash outflow from the increase in working capital by € 182.7 million was primarily due to higher trade receivables in the sugar segment as well as to volume-related increases in the special products segment.

The change in working capital consists of the change in current provisions, inventories, (trade) receivables and other assets and liabilities; the latter also comprise long-term positions of minor importance. Items affected primarily by seasonal fluctuations are recognized separately as a result.

### Increase (–)/Decrease (+) in investment activities

#### Investments in property, plant and equipment

Investments in property, plant and equipment (including intangible assets) totaled € 360.5 (329.0) million. In the sugar segment, investments totaling € 170.4 (153.1) million were mainly allocated toward replacement spending and to improve efficiency and logistics. Investments in the special products segment totaling € 121.2 (126.0) million are primarily due to the creation of new production capacity in the starch division and plant expansion and optimization at BENE0 and Freiburger. The CropEnergies segment invested € 19.5 (16.1) million for replacements and to increase the efficiency of production systems. The fruit segment invested € 49.4 (33.8) million mainly in the fruit preparation division to install additional production capacity.

#### Investments in financial assets

Of the investments in financial assets totaling € 432.0 (163.9), € 384.0 million was attributable to the 100 % acquisition of pizza manufacturer Richelieu Foods Inc., Braintree, Massachusetts, USA and € 45.8 million to the 100 % acquisition of frozen pizza manufacturer HASA GmbH in Burg, Germany.

Investments in financial assets last year were made to increase the shares in the trading company ED&F MAN Holdings Limited, London, Great Britain, to acquire 100 % of Main Process, Buenos Aires, Argentina, to acquire 100 % of the shares in Terra Sömmerda GmbH (formerly Terra e.G.), Sömmerda, as well as for the pro rata capital increase of the shareholding in AGRANA Studen Group.

**Proceeds from divestments**

No divestments were made in the 2017/18 financial year. The Belgian site of PortionPack in Herentals as well as James Fleming & Co. Ltd., West Lothian, Great Britain were sold in the 2016/17 financial year. This resulted in a cash inflow of € 14.2 million, which is recognized in the proceeds from divestments.

**Increase (-)/Decrease (+) in financing activities****Capital increase**

The cash inflow of € 189.0 million in the previous year resulted from a capital increase with the issuance of 1.4 million new AGRANA shares as well as the placement of 0.5 million AGRANA shares from Südzucker direct holdings.

The € 0.8 million cash inflow in fiscal 2017/18 concerns the replacement of the hybrid bond with a nominal volume of € 0.6 million.

**Dividends paid**

Dividends paid throughout the group in the financial year just ended totaled € 163.7 (115.3) million and included € 91.9 (61.3) million paid out to Südzucker AG's shareholders and € 71.8 (54.0) million to minority interests.

**Financing and repayment of financing**

Proceeds in the amount of € 496.8 million were raised in November 2017 from the issuance of the € 500 million Südzucker bond 2017/25. The increase in long-term liabilities to banks and the reduction of short-term bank liabilities resulted in total cash outflows of € 69.4 million.

**Income taxes paid, interest payments and dividends received****Income taxes paid**

The balance of income taxes paid amounted to € 126.1 (72.9) million. Cash outflows from income taxes paid are generally allocated to operating activities.

**Interest payments and dividends received**

Interest paid and interest and dividends received are allocated to the cash flows from operating activities.

# NOTES TO THE BALANCE SHEET

## (21) Intangible assets

€ million	Goodwill	Concessions, industrial and similar rights	Total
<b>2017/18</b>			
<b>Acquisition costs</b>			
1 March 2017	1,779.4	228.4	2,007.8
Change in companies incl. in the consolidation and other changes	206.1	236.2	442.3
Changes due to currency translation	-7.2	-10.4	-17.6
Additions	0.0	8.9	8.9
Transfers	0.0	2.9	2.9
Disposals	0.0	-9.5	-9.5
28 February 2018	1,978.3	456.5	2,434.8
<b>Amortization and impairment losses</b>			
1 March 2017	-588.8	-178.7	-767.5
Change in companies incl. in the consolidation and other changes	0.0	-0.7	-0.7
Changes due to currency translation	0.0	1.4	1.4
Amortization for the year	0.0	-18.4	-18.4
Impairment losses	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	0.0	9.4	9.4
Reversals of impairment losses	0.0	0.0	0.0
28 February 2018	-588.8	-187.0	-775.8
<b>Net carrying amount 28 February 2018</b>	<b>1,389.5</b>	<b>269.5</b>	<b>1,659.0</b>

€ million	Goodwill	Concessions, industrial and similar rights	Total
<b>2016/17</b>			
<b>Acquisition costs</b>			
1 March 2016	1,733.9	213.8	1,947.7
Change in companies incl. in the consolidation and other changes	45.5	6.8	52.3
Changes due to currency translation	0.0	0.7	0.7
Additions	0.0	7.2	7.2
Transfers	0.0	2.2	2.2
Disposals	0.0	-2.3	-2.3
28 February 2017	1,779.4	228.4	2,007.8
<b>Amortization and impairment losses</b>			
1 March 2016	-588.8	-178.7	-767.5
Change in companies incl. in the consolidation and other changes	0.0	-0.7	-0.7
Changes due to currency translation	0.0	1.4	1.4
Amortization for the year	0.0	-18.4	-18.4
Impairment losses	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	0.0	9.4	9.4
Reversals of impairment losses	0.0	0.0	0.0
28 February 2017	-588.8	-187.0	-775.8
<b>Net carrying amount 28 February 2017</b>	<b>1,190.6</b>	<b>49.7</b>	<b>1,240.3</b>

TABLE 076

### Goodwill

When carrying out impairment tests, goodwill in Südzucker Group is allocated to the sugar and fruit segments and the BENEÓ, Freiburger and PortionPack divisions as relevant cash generating units (CGUs). Impairment tests are used on a regular basis to compare the respective carrying amounts of the CGUs to the value in use (leading value concept at Südzucker) in order to identify possible impairment.

The recoverable amount is the present value of future cash flows a CGU is expected to be able to generate. The value in use is determined based on a business valuation model (discounted cash flow). Future cash flows are determined based on budgets approved by the executive board or adopted by the supervisory board and on the five-year plan valid at the time of carrying out the impairment test. These budgets are based on experience and expectations of future market developments as well as on key macroeconomic data.

The cost of capital is calculated as a weighted average of the costs of equity and debt (borrowing costs) for each CGU. The cost of equity is derived from the returns expected by Südzucker shareholders; the borrowing costs recognized are derived from the long-term refinancing conditions of Südzucker's capital market environment.

The cost of equity is calculated based on a risk-free basic interest rate of 0.8 (0.4) % on the measurement date 31 August 2017, a business risk premium and a country risk premium. The 20-year yield on German Government Bonds (BUND) was used as the risk-free interest rate. Business risk is a product of the general market risk premium of 6.5 (unchanged) % and the applicable business risk for Südzucker derived from capital market data. The cost of equity derived in this way is individualized for each CGU by considering the respective country risks and business risks.

The current imputed refinancing costs for bonds and hybrid capital as well as the interest rate for pension obligations are used in the calculation of borrowing costs. The risk premium (credit spread) takes into account Südzucker's current long-term rating of Baa2 (Moody's) and BBB (S&P).

We have assumed a growth rate to perpetuity after the five-year budget period of 1.5 (unchanged) % for the CGUs. The growth rate used to discount the perpetual annuity is below the expected growth rates in the five-year plan and is primarily used to offset a general rate of inflation. Investments in the planning period are based on investment plans that have been ratified and take into account replacement investment requirements.

The following table presents an overview of the tested goodwill carrying amounts and the cost of capital before tax used for the respective impairment tests. The latter reflect the returns from German Government Bonds, which compared to the prior year rose in connection with the ECB's quantitative easing program. In consideration of the ECB inflation expectations, which significantly influences the anticipated growth rate, a further increase is expected in the medium term.

€ million	Goodwill		Weight average cost of capital	
	2018	2017	2017/18	2016/17
28 February				
CGU Sugar	779.9	779.7	7.5 %	7.3 %
CGU Freiburger	357.8	158.9	5.4 %	4.2 %
CGU BENEEO	84.9	84.9	6.3 %	5.5 %
CGU PortionPack	40.3	40.3	5.9 %	4.6 %
CGU Fruit	126.6	126.8	6.1 %	6.7 %
	<b>1,389.5</b>	<b>1,190.6</b>	–	–

TABLE 077

The increase in goodwill to € 1,389.5 (1,190.6) million was primarily due to the acquisitions of Richelieu Foods Inc., Braintree, USA and HASA GmbH, Burg, Germany. Goodwill from these acquisitions is allocated to the CGU Freiburger.

No impairment was necessary in the 2017/18 financial year resulting from the goodwill impairment test as the value in use of the individual CGUs was higher than the carrying amount.

The goodwill impairment test is based on future assumptions that determine the value in use of the CGUs. The amount of the respective value in use depends on the expected future cash flows in the corporate planning and the underlying cost of capital. At the measurement date the values in use of all CGUs were significantly higher than the carrying amounts of goodwill. As a result of these surpluses, the 10 % reduction of the planned sustainable cash flows expected in a sensitivity analysis or a one percentage point increase in the cost of capital after tax resulting on the capital market – for example due to rising interest rates – does not create a need for impairment at any of the CGUs.

The most important planning assumptions for the sugar CGU are the projections based on estimates for EU beet sugar and isoglucose production volumes, the development of sugar imports and exports, and sugar prices. The main cost factors of the CGU are commodity and energy costs. In addition to current market developments, these estimates take into account the respective departments' own assessments.

The end of the sugar beet quotas and minimum price regulations in 2017 also mean the end of the restrictions on sugar exports. EU market prices will be even more closely influenced by world market prices. The currently low world market price is a short-term burden. We expect global sugar consumption to continue to grow from currently just over 180 million tonnes to more than 200 million tonnes by 2025. These forecasts for balanced production and sales volumes bolster a sustainable world sugar market price.

Südzucker has taken the opportunity to better utilize existing capacities through longer campaigns since the quota regulations have ended. Südzucker is in an excellent position in the EU and can use the end of the quota regulations to its advantage with regard to its production and market position; production in the core European markets will give the company logistics advantages and thus close proximity to industrial customers. In addition, Südzucker increases sugar exports outside of the EU.

**(22) Property, plant and equipment**

€ million	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
<b>2017/18</b>					
<b>Acquisition costs</b>					
1 March 2017	2,033.7	5,052.4	427.9	150.0	7,664.0
Change in companies incl. in the consolidation and other changes	22.3	28.5	18.0	1.7	70.5
Changes due to currency translation	-17.5	-26.5	-4.5	-1.1	-49.6
Additions	57.0	172.2	27.7	94.7	351.6
Transfers	25.8	97.2	6.0	-131.9	-2.9
Disposals	-40.4	-40.2	-19.8	-0.8	-101.2
28 February 2018	2,080.9	5,283.6	455.3	112.6	7,932.4
<b>Amortization and impairment losses</b>					
1 March 2017	-967.8	-3,459.5	-313.3	-1.1	-4,741.7
Change in companies incl. in the consolidation and other changes	-1.9	-3.9	-10.5	0.0	-16.3
Changes due to currency translation	3.7	12.0	3.4	0.0	19.1
Amortization for the year	-51.9	-203.4	-30.6	0.0	-285.9
Impairment losses including special items	-6.0	-2.5	0.0	0.0	-8.5
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	36.4	36.7	17.7	0.7	91.5
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0
28 February 2018	-987.5	-3,620.6	-333.3	-0.4	-4,941.8
<b>Net carrying amount 28 February 2018</b>	<b>1,093.5</b>	<b>1,663.0</b>	<b>121.8</b>	<b>112.2</b>	<b>2,990.5</b>



€ million	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
<b>2016/17</b>					
<b>Acquisition costs</b>					
1 March 2016	1,929.8	4,907.1	409.1	165.1	7,411.1
Change in companies incl. in the consolidation and other changes	37.3	6.0	-0.0	0.5	43.8
Changes due to currency translation	11.0	14.9	3.6	0.8	30.3
Additions	38.4	142.9	24.8	115.7	321.8
Transfers	27.3	93.4	9.0	-131.9	-2.2
Disposals	-10.1	-111.9	-18.6	-0.2	-140.8
28 February 2017	2,033.7	5,052.4	427.9	150.0	7,664.0
<b>Amortization and impairment losses</b>					
1 March 2016	-921.3	-3,365.4	-298.7	-1.0	-4,586.4
Change in companies incl. in the consolidation and other changes	-0.6	0.6	0.2	0.0	0.2
Changes due to currency translation	-3.9	-9.3	-2.8	0.0	-16.0
Amortization for the year	-49.7	-192.5	-26.5	0.0	-268.7
Impairment losses including special items	-1.2	-2.8	-0.2	-0.1	-4.3
Transfers	0.6	2.3	-2.9	0.0	0.0
Disposals	8.3	107.6	17.6	0.0	133.5
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0
28 February 2017	-967.8	-3,459.5	-313.3	-1.1	-4,741.7
<b>Net carrying amount 28 February 2017</b>	<b>1,065.9</b>	<b>1,592.9</b>	<b>114.6</b>	<b>148.9</b>	<b>2,922.3</b>

TABLE 078

The investments are reduced by government grants totaling € 1.3 (1.2) million. Interest on debt capital was recognized in the amount of € 0.0 (1.2) million in return. Last year's borrowing costs are calculated based on the applicable interest rate of the loan for the investment in question or the general refinancing costs of 0.8 to 3.6 %.

The exchange-related differences in the amount of € -30.5 million are largely attributable to the weaker US dollar, Argentine real and Chilean peso, compared to a stronger Polish zloty and Czech koruna.

Last year the exchange-related differences resulted mainly from the stronger Chilean peso, Polish zloty and Russian ruble as well as the weaker British and Egyptian pound against the euro; overall, this increased the carrying amount of property, plant and equipment by € 14.3 million.

**(23) Shares in companies consolidated at equity, securities and other investments**

€ million	Shares in companies consolidated at equity	Securities	Other investments
<b>2017/18</b>			
<b>1 March 2017</b>	<b>432.8</b>	<b>18.8</b>	<b>23.6</b>
Change in companies incl. in the consolidation and other changes	12.4	0.0	-0.4
Changes due to currency translation	-41.8	-0.2	0.0
Additions	2.0	0.1	0.0
Share of profits	2.1	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals / dividends	-37.2	0.0	-0.2
Impairment losses including special items	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0
<b>28 February 2018</b>	<b>370.3</b>	<b>18.7</b>	<b>23.0</b>
<b>2016/17</b>			
<b>1 March 2016</b>	<b>333.3</b>	<b>18.6</b>	<b>21.8</b>
Change in companies incl. in the consolidation and other changes	-2.9	0.2	0.4
Changes due to currency translation	7.4	0.0	0.0
Additions	86.8	0.1	1.8
Share of profits	35.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals / dividends	-26.8	-0.1	-0.4
Impairment losses including special items	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0
<b>28 February 2017</b>	<b>432.8</b>	<b>18.8</b>	<b>23.6</b>

TABELLE 079

The companies consolidated at equity primarily comprise the stakes in ED&F Man Holdings Limited, London, United Kingdom, AGRANA Studen Group, Vienna, Austria, and the sales joint venture Maxi S.r.l., Bolzano, Italy in the sugar segment, the stake in Hungrana Group, Szabadegyháza, Hungary in the special products segment, and the stake in CT Biocarbonic GmbH, Zeitz in the CropEnergies segment. The prior year additions to the companies accounted for using the equity method in the amount of € 86.8 million related to the increase in the stake held in ED&F Man to around 35 % and the pro rata capital increases of the shareholding in AGRANA Studen Group.

Other investments also comprise subsidiaries, joint venture and associated companies that are not included in consolidation due to their relative insignificance.

## (24) Inventories

€ million	28 February	2018	2017
Raw materials and supplies		382.4	360.8
Work in progress and finished goods			
Sugar segment		1,222.0	1,214.6
Special products segment		232.0	189.5
CropEnergies segment		45.6	45.6
Fruit segment		151.3	150.5
Total of work in progress and finished goods		1,650.9	1,600.2
Merchandise		85.9	91.5
		<b>2,119.2</b>	<b>2,052.5</b>

TABLE 080

At € 2,119.2 (2,052.5) million, inventories were € 66.7 million higher than the previous year, mainly due to the increase in finished goods and work in progress in the sugar segment as a result of the again higher harvest yields during the 2017 sugar campaign in comparison to 2016.

Write-downs in the amount of € 24.9 (3.0) million were required on inventories in the sugar segment as at 28 February 2018 and were largely attributable to lower net disposal proceeds. In addition, write-downs totaling € 0.1 (1.5) million were necessary in the special products segment, € 0.1 (0.5) million in the CropEnergies segment and € 0.8 (1.2) million in the fruit segment.

Write-downs of net disposal proceeds in the sugar segment totaling € 3.7 (0.7) million were also required on merchandise inventories as at 28 February 2018. In the special products segment, write-downs of 0.1 (0.0) were necessary.

## (25) Trade receivables and other assets

€ million	Remaining term			Remaining term		
	2018	to 1 year	over 1 year	2017	to 1 year	over 1 year
28 February						
<b>Trade receivables</b>	<b>972.1</b>	<b>972.1</b>	<b>0.0</b>	<b>880.8</b>	<b>880.8</b>	<b>0.0</b>
Receivables due from the EU	56.2	56.2	0.0	0.2	0.2	0.0
Positive market value derivatives	39.5	39.5	0.0	32.8	32.8	0.0
Remaining financial assets	65.5	53.7	11.8	92.4	82.0	10.4
Other taxes recoverable	170.0	170.0	0.0	148.0	148.0	0.0
Remaining non-financial assets	27.1	27.1	0.0	32.0	32.0	0.0
<b>Other assets</b>	<b>358.3</b>	<b>346.5</b>	<b>11.8</b>	<b>305.4</b>	<b>295.0</b>	<b>10.4</b>

TABLE 081

The increase in trade receivables by € 91.3 million to € 972.1 (880.8) million is largely sales related and affects the sugar and special products segments.

Receivables due from the EU totaling € 56.2 (0.2) million are largely attributable to reimbursement claims from the production levy that was imposed at too high a level for the sugar marketing years 1999/2000 and 2000/01.

Remaining financial assets totaling € 65.5 (92.4) million primarily concern financial receivables from non-consolidated companies, investments and employees, and other third parties.

Remaining non-financial assets of € 27.1 (32.0) million are mainly related to advances made and accruals/deferrals.

The carrying amount of trade receivables after allowances breaks down as follows:

€ million	28 February	2018	2017
Total trade receivables		1,022.3	930.3
Value adjusted		-50.2	-49.5
<b>Net carrying amount</b>		<b>972.1</b>	<b>880.8</b>

TABLE 082

Bad debt allowances on trade receivables developed as follows:

€ million	2017/18	2016/17
<b>1 March</b>	<b>49.5</b>	<b>49.2</b>
Change in companies incl. in the consolidation / currency translation / other changes	0.2	0.4
Additions	4.5	3.1
Use	-1.4	-1.6
Reversal	-2.6	-1.6
<b>28 February</b>	<b>50.2</b>	<b>49.5</b>

TABLE 083

The following table shows information related to the credit risk associated with the trade receivables. Trade receivables before allowances totaled € 972.1 (880.8) million; € 849.7 (776.5) million of this amount was not yet due. The aging structure of past-due receivables is as follows:

€ million	28 February	2018	2017
Receivables not past due before allowances		849.7	776.5
Past-due receivables without specific-debt allowances		122.4	104.3
of which up to 10 days		38.7	39.1
of which 11 to 30 days		40.9	28.4
of which 31 to 90 days		22.9	19.7
of which over 90 days		19.9	17.1
<b>Net carrying amount</b>		<b>972.1</b>	<b>880.8</b>
Receivables including specific-debt allowances		50.2	49.5
<b>Total trade receivables</b>		<b>1,022.3</b>	<b>930.3</b>

TABLE 084

Südzucker mitigates default risks on accounts receivables by constantly monitoring the creditworthiness and payment history of debtors and granting commensurate lines of credit. In addition, risks are predominantly capped using credit insurance and to a lesser extent bank guarantees. With respect to trade receivables that were neither impaired nor in default, there were no indications as of 28 February 2018 that debtors would not meet their payment obligations. We expect payment to be received for past due trade receivables that have not been impaired; these receivables are also included in Südzucker Group's trade credit insurance program.

## (26) Shareholders' equity

### Subscribed capital

As of 28 February 2018, the issued subscribed capital amounts to € 204,183,292 and consists of 204,183,292 bearer shares; this exclusively concerns no-par value ordinary shares, each of which represents a notional holding of € 1 per share. Südzucker AG held no treasury shares as of the balance sheet date; the issued subscribed capital corresponds to the outstanding subscribed capital.

### Capital reserve

The capital reserve applies to Südzucker AG. It includes the inflows of external funds required to be included as per section 272 HGB, which resulted from the share premium from capital increases or the agreement on option premiums taking into account the mandatory IFRS reduction of associated costs including applicable taxes.

See "Disclosures on takeovers" in the group management report in the "Corporate governance and responsibility" section for more information.

### Other reserves and other comprehensive income

Other reserves include undistributed profit for the period, amounts to meet dividend obligations, and the effects resulting from the remeasurement of defined benefit pension commitments and from transactions with non-controlling shareholders. The share premium is directly deducted from other reserves if treasury shares are purchased, or added directly to other reserves again if there is a later issue.

Other comprehensive income includes the income and expenses recognized directly in equity of Südzucker AG shareholders to be recognized in the income statement in the future.

### Hybrid capital

Hybrid capital of € 653.7 (653.1) million comprises the hybrid bond issued in the summer of 2005 with a nominal value of € 700 million. The increase resulted from the replacement of the hybrid bond with a nominal volume of € 0.6 million.

Additional information regarding the hybrid bond is available under note (30) "Financial liabilities, securities and cash and cash equivalents (net financial debt)" and on the Südzucker corporate website at [www.suedzucker.de/en/Investor-Relations/Anleihen/](http://www.suedzucker.de/en/Investor-Relations/Anleihen/).

### Other non-controlling interests

Other non-controlling interests of € 914.5 (887.9) million are attributable to the minority interest in the subgroup AGRANA in the amount of € 758.9 (737.9) million and mainly to the minority interest in the subgroup CropEnergies in the amount of € 155.6 (150.0) million.

Name of parent company from subgroup	Country	SZ share %	Minority share %	Business area
AGRANA Beteiligungs-AG	Austria	41.9	58.1	Sugar, starch, fruit
CropEnergies AG	Germany	69.2	30.8	Bioethanol

TABLE 085

Südzucker holds a 41.9 % stake in AGRANA Beteiligungs-AG; 39.2 % indirectly via Z&S Zucker and Stärke Holding AG and 2.7 % directly. Z&S Zucker und Stärke Holding AG is a 100 % subsidiary of AGRANA Zucker, Stärke und Frucht Holding AG. In addition to Südzucker, Zucker-Beteiligungsgesellschaft m.b.H. holds a 50 % stake minus one share in AGRANA Zucker, Stärke und Frucht Holding AG. The Austrian AGRANA co-owners (among others, Raiffeisen-Holding Niederösterreich-Wien and representatives of Austrian beet producers) have consolidated interests in Zucker-Beteiligungsgesellschaft m.b.H. The details of the collaboration between Südzucker and Zucker-Beteiligungsgesellschaft m.b.H. are governed by a syndicate agreement, which grants Südzucker a right at any time to a majority of the voting rights in AGRANA Zucker, Stärke und Frucht Holding AG and thus to a controlling influence over subgroup AGRANA. Upon exercising the voting majority by Südzucker, Zucker-Beteiligungsgesellschafts m.b.H. is granted property rights defined by contract; in this case, the company is also entitled – subject to a minimum one-year period – to establish an equality of votes among the syndicate partners.

An overview of the financial position and performance of the two subgroups AGRANA and CropEnergies is provided below:

28 February	2018		2017	
	AGRANA	CropEnergies	AGRANA	CropEnergies
€ million				
Non-current assets	1,161.0	406.8	1,135.3	428.7
Current assets	1,195.4	185.5	1,346.1	169.2
<b>Total assets</b>	<b>2,356.4</b>	<b>592.3</b>	<b>2,481.4</b>	<b>597.9</b>
Non-current liabilities	419.4	47.0	296.6	65.2
Current liabilities	483.0	99.6	772.9	106.9
<b>Total liabilities</b>	<b>902.4</b>	<b>146.6</b>	<b>1,069.5</b>	<b>172.1</b>
<b>Net assets</b>	<b>1,454.0</b>	<b>445.7</b>	<b>1,411.9</b>	<b>425.8</b>
Revenues	2,566.3	882.0	2,561.3	801.7
Result from operations	190.6	70.8	172.4	93.9
Earnings before income taxes	176.2	69.8	154.5	89.8
Taxes on income	-33.6	-19.0	-36.6	-21.0
<b>Net earnings</b>	<b>142.6</b>	<b>50.8</b>	<b>117.9</b>	<b>68.8</b>
Income and expenses recognized in other comprehensive income	-31.2	-4.8	10.2	2.9
<b>Comprehensive income</b>	<b>111.4</b>	<b>46.0</b>	<b>128.1</b>	<b>71.7</b>
Dividend payment in fiscal year	69.8	26.2	57.3	13.1
thereof attributable to other minority interest outside the südzucker group	43.6	8.1	29.4	4.0

TABLE 086

The data correspond to the published consolidated financial statements of the respective subgroups. More detailed information is available in the current 2017/18 annual reports of AGRANA Beteiligungs-AG, Vienna, Austria, and CropEnergies AG, Mannheim, Germany.

## (27) Provisions for pensions and similar obligations

### Defined contribution plans

As part of defined contribution retirement benefit plans, Südzucker Group companies pay contributions, either based on statutory or contractual requirements or on a voluntary basis, to state or private insurers. Current contributions are included as personnel expenses in the income statement and amounted to € 50.0 (43.1) million for the group.

### Defined benefit plans

Pension plans within Südzucker Group mainly consist of defined benefit obligations. Pension benefits are normally granted based on years of service with the company and benefit-related remuneration. There are also similar obligations, particularly relating to foreign group companies. They are calculated actuarially taking into account estimates of future cost trends.

Südzucker Group's recognized net liability is derived from both the pension-funded defined benefit obligation and from the defined benefit obligation funded by a separate fund less the fair value of plan assets:

€ million	28 February	2018	2017
Defined benefit obligation for direct pension benefits		905.9	941.2
Fair value of plans assets		-125.1	-118.7
<b>Provision for pensions and similar obligations (net defined benefit obligation)</b>		<b>780.8</b>	<b>822.5</b>
Interest rate in %		2.20	1.90

TABLE 087

Südzucker Group offers employees the following main types of pension plans as part of retirement and severance plans, which are as distributed as follows:

€ million	28 February 2018	Defined benefit plans						Severance plans	Total
		Südzucker AG	Germany remaining	Belgium	France	Austria	Other foreign countries	Worldwide	
Defined benefit obligation for direct pension benefits		670.6	49.0	54.2	24.8	42.2	6.5	58.6	905.9
Fair value of plans assets		-2.3	-0.7	-65.5	-32.4	-15.4	-4.7	-4.1	-125.1
<b>Provision for pensions and similar obligations (net defined benefit obligation)</b>		<b>668.3</b>	<b>48.3</b>	<b>-11.3</b>	<b>-7.6</b>	<b>26.8</b>	<b>1.8</b>	<b>54.5</b>	<b>780.8</b>

€ million	28 February 2017	Defined benefit plans						Severance plans	Total
		Südzucker AG	Germany remaining	Belgium	France	Austria	Other foreign countries	Worldwide	
Defined benefit obligation for direct pension benefits		705.7	48.6	53.4	26.8	44.9	5.4	56.4	941.2
Fair value of plans assets		-2.5	-0.8	-58.5	-32.5	-14.3	-3.9	-6.2	-118.7
<b>Provision for pensions and similar obligations (net defined benefit obligation)</b>		<b>703.2</b>	<b>47.8</b>	<b>-5.1</b>	<b>-5.6</b>	<b>30.6</b>	<b>1.5</b>	<b>50.1</b>	<b>822.5</b>

TABLE 088



**Germany**

Südzucker AG employees in Germany have access to employer-funded commitments for company pensions based on the employee's basic salary and years of service. Südzucker AG pension obligations are funded by provisions and thus represent the largest pension plan in place at Südzucker Group. The remaining German pension plans at CropEnergies, BENE0, and other companies are in their structure comparable with the rules of Südzucker AG for active employees and are likewise nearly exclusively provision funded.

**Belgium**

Employees at the Belgian companies Raffinerie Tirlemontoise S.A., BENE0-Orafti S.A. and Biowanze S.A. have access to funded pension plans. The company pension commitments are determined based on the basic salary and years of service at the company; the payouts include both periodic pension payments and one-time payments.

**France**

The pension plan for employees of Saint Louis Sucre S.A. France is likewise funded by a separate fund. Benefits from the plan are calculated as a percentage of the average salary paid prior to retirement from which the state pension and other company pensions are deducted.

**Austria**

The primary pension plans in Austria are the closed plans of AGRANA Zucker GmbH and AGRANA Stärke GmbH, which are provision funded. Plan assets are largely associated with the pension commitments of AGRANA Beteiligungs-AG for active and former executive board members; these are outsourced to a pension fund.

**Severance plans**

Provisions for similar obligations are largely related to pension plans for settlements. The largest severance plans are in place in Austria and France, but there are also corresponding commitments in Mexico, Poland, Russia, South Korea, Ukraine and the United States. The commitments in Austria and France relate to statutory benefit obligations with regard to one-time payments for the termination of employment upon entering retirement or in case of death of the employee, but not in the event the employment relationship is terminated by the employee.

## Development of net financial debt

Net financial debt from defined benefit obligations developed as follows:

€ million	Defined benefit obligation	Fair value of plan assets	Provision for pensions and similar obligations
<b>1 March 2016</b>	<b>910,6</b>	<b>-112,7</b>	<b>797,9</b>
<b>Expenses for company pension plans (Income statement)</b>			
Current service cost	26.0		26.0
Past service cost	-1.3		-1.3
Gains and losses on curtailments and settlements	0.0		0.0
Interest expense (+)/income (-)	17.7	-2.5	15.2
	<b>42.4</b>	<b>-2.5</b>	<b>39.9</b>
<b>Remeasurements (other comprehensive income)</b>			
Gains (-) and losses (+) on actual return on plan assets	0.0	-6.7	-6.7
Gains (-) and losses (+) from change of demographical assumptions	0.1		0.1
Gains (-) and losses (+) from changes in financial assumptions	12.2		12.2
Gains (-) and losses (+) on experience adjustments	9.0		9.0
	<b>21.3</b>	<b>-6.7</b>	<b>14.6</b>
<b>Benefit payments, contributions, change in consolidated companies (and other)</b>			
Change in consolidated companies (and other)	0.0	0.0	0.0
Effect of exchange rate differences	0.1	-0.1	0.0
Employer contributions to plan assets	0.0	-2.7	-2.7
Plan participants contributions	0.2	-0.2	0.0
Benefit payments	-33.4	6.2	-27.2
	<b>-33.1</b>	<b>3.2</b>	<b>-29.9</b>
<b>28 February 2017</b>	<b>941.2</b>	<b>-118.7</b>	<b>822.5</b>

€ million	Defined benefit obligation	Fair value of plan assets	Provision for pensions and similar obligations
<b>1 March 2017</b>	<b>941.2</b>	<b>-118.7</b>	<b>822.5</b>
<b>Expenses for company pension plans (Income statement)</b>			
Current service cost	25.7		25.7
Past service cost	-0.2		-0.2
Gains and losses on curtailments and settlements	0.0		0.0
Interest expense (+)/income (-)	17.4	-2.2	15.2
	<b>42.9</b>	<b>-2.2</b>	<b>40.7</b>
<b>Remeasurements (statement of income and expenses recognized directly in equity)</b>			
Gains (-) and losses (+) on actual return on plan assets		-2.3	-2.3
Gains (-) and losses (+) from change of demographical assumptions	-0.5		-0.5
Gains (-) and losses (+) from changes in financial assumptions	-39.0		-39.0
Gains (-) and losses (+) on experience adjustments	-4.3		-4.3
	<b>-43.8</b>	<b>-2.3</b>	<b>-46.1</b>
<b>Benefit payments, contributions, change in consolidated companies (and other)</b>			
Change in consolidated companies (and other)	0.0	0.0	0.0
Effect of exchange rate differences	-0.4	0.2	-0.2
Employer contributions to plan assets	0.0	-9.9	-9.9
Plan participants contributions	0.3	-0.3	0.0
Benefit payments	-34.3	8.1	-26.2
	<b>-34.4</b>	<b>-1.9</b>	<b>-36.3</b>
<b>28 February 2018</b>	<b>905.9</b>	<b>-125.1</b>	<b>780.8</b>

TABLE 089

### Expenses for company pension plans

Expenses from the unwinding of the discount for claims acquired in prior years less the return on plan assets are reported in the financial result. Costs representing additional entitlements acquired in the financial year, past service cost and the effects of curtailments or settlements are included under personnel expense.

### Revaluation recognized directly in equity

The € -46.1 (14.6) million remeasurement of pension obligations recognized directly in equity resulted from the adjustment of the discount rate from 1.90 % to 2.20 % for material pension plans, and experience adjustments. Last year as well the change was mainly due to the reduction of the discount rate and to experience adjustments.

The experience adjustments reflect the effects on the existing pension obligations arising from the discrepancy between the actual portfolio growth and the assumptions made at the beginning of the fiscal year. In the assessment of the pension obligations, this includes in particular wage and salary increases, pension adjustments, staff turnover and biometric data such as invalidity and mortality rates.

### Assumptions

Provisions for pensions and similar obligations are calculated actuarially using the projected unit credit method and estimated future trends in accordance with IAS 19 (Employee Benefits).

The following actuarial assumptions were made in determining the defined benefit obligation and, in certain cases, related plan assets for material pension plans:

in %	28 February	2018	2017
Interest rate		2.20	1.90
Salary growth		2.50	2.50
Pension growth		1.50	1.50

TABLE 090

Interest rates between 1.70 and 2.40 (1.60 and 2.10) % were used when determining pension and severance provisions in the euro zone. These interest rates are based on yields of high-quality corporate bonds with durations that correspond to the weighted average duration of the obligations. The use of different interest rates takes into account the different durations of plans. Plans primarily comprising pensioners (duration 10 years) had an underlying interest rate of 1.70 (1.60) %, plans with a mixed portfolio of active employees and pensioners (duration 17 years) 2.20 (1.90) % and plans predominantly comprising active employees (duration 25 years) 2.40 (2.10) %.

The biometric calculations were based on recognized current country-specific life expectancy tables, such as the Heubeck 2005 G actuarial tables in Germany.

### Sensitivity analysis

The sensitivity analysis presented below considers each change to an assumption with the other assumptions remaining unchanged compared to the original calculation. Possible correlation effects between individual assumptions are not taken into account.

28 February		2018		2017	
€ million	Change in actuarial assumption	Defined benefit obligation	Change	Defined benefit obligation	Change
Present value of the obligation		905.9	–	941.2	–
Discount rate	Increase by 0.50 percentage point	838.3	–7.5 %	868.9	–7.7 %
	Decrease by 0.50 percentage point	983.8	8.6 %	1,024.1	8.8 %
Salary growth	Increase by 0.25 percentage point	918.5	1.4 %	953.6	1.3 %
	Decrease by 0.25 percentage point	894.5	–1.3 %	929.2	–1.3 %
Pension growth	Increase by 0.25 percentage point	929.1	2.6 %	965.9	2.6 %
	Decrease by 0.25 percentage point	883.8	–2.4 %	917.4	–2.5 %
Life expectancy	Increase by one year	941.0	3.9 %	978.1	3.9 %
	Decrease by one year	870.6	–3.9 %	904.1	–3.9 %

TABLE 091

### Plan assets

The primary investment objective for the pension plan assets is to provide full coverage of benefit obligations associated with the respective pension commitments. The plan assets thus consist mainly of debt securities (bonds) with an associated risk structure that guarantees long-term fulfillment of the obligations. Plan assets also include equity securities and insurance contracts, and, to a limited extent, property. The fixed-interest bonds are guided by the returns expected from government bonds. A guaranteed minimum interest rate is assumed for the insurance contracts. Plan assets do not comprise own financial instruments or owner-occupied property.

The plan assets were invested under the following categories as of the period end. Market prices in active markets were used to the specified extent as a basis to determine the fair value of plan assets for the following asset categories:

28 February		2018		2017	
€ million	Fair value	thereof market prices in active markets	Fair value	thereof market prices in active markets	
Debt instruments	52.5	52.5	53.6	53.6	
Equity instruments	17.3	17.3	15.9	15.9	
Real estate funds	0.7	0.0	0.6	0.0	
Assurance contracts	50.7	0.7	44.3	0.7	
Other	3.9	3.4	4.3	3.7	
<b>Total</b>	<b>125.1</b>	<b>73.9</b>	<b>118.7</b>	<b>73.9</b>	

TABLE 092

## Risks

Südzucker Group is exposed to various risks associated with defined benefit pension plans. Besides general actuarial risks such as actuarial interest rate change risk and longevity risk, there are also other risks in the deviation from actuarial assumptions including those related to wage and salary trends, pension trends, retirement age and employee turnover. Further risks associated with plan assets include capital market risk, credit risk and investment risk. There are also other risks due to currency fluctuations and inflation rate changes.

The return on plan assets is assumed to be the same as the discount rate. If the actual return on plan assets is below the discount rate applied, the net obligation from pension plans increases accordingly. The amount of the net obligation is largely influenced by the discount rate; however, the current low interest rate level contributes to the relatively high obligation. A decline in returns on corporate bonds would lead to a further increase in defined benefit obligations; the positive market value development of the corporate bonds included in the plan assets can only compensate for this to a limited extent.

The possible risk of inflation, which could lead to an increase in defined benefit obligations, exists indirectly if salaries rise due to inflation during the active phase or if inflation-related pension adjustments are made.

## Duration and future payments

The weighted average duration of the present value of all defined benefit obligations is approximately 16.1 (16.6) years. Employer contributions to plan assets are expected to total € 3.3 (3.0) million in the 2018/19 financial year. Pension and severance payments are expected to develop as follows over the next ten years:

### Expected maturities of undiscounted pension and severance payments

€ million	
2018/19	37.2
2019/20	35.7
2020/21	35.9
2021/22	39.3
2022/23	41.2
2023/24 to 2027/28	206.2
<b>Total</b>	<b>395.5</b>

TABLE 093

## (28) Other provisions

€ million	28 February	2018	Short-term	Long-term	2017	Short-term	Long-term
Personnel-related provisions		86.3	24.4	61.9	84.7	19.5	65.2
Provisions for litigation risks and risk precautions		179.6	173.7	5.9	169.2	163.1	6.1
Other provisions		74.5	51.8	22.7	71.0	50.6	20.4
<b>Total</b>		<b>340.4</b>	<b>249.9</b>	<b>90.5</b>	<b>324.9</b>	<b>233.2</b>	<b>91.7</b>

TABLE 094

The recognition of other provisions as current or non-current as presented in the table above gives an indication whether use is expected in the 2018/19 financial year or in subsequent years.

Movements in other provisions during the reporting period were as follows:

€ million	Personnel-related provisions	Provisions for litigation risks and risk precautions	Other provisions	Total
<b>1 March 2017</b>	<b>84.7</b>	<b>169.2</b>	<b>71.0</b>	<b>324.9</b>
Change in companies incl. in the consolidation and other changes	0.2	-0.1	-0.2	-0.1
Changes due to currency translation	-0.1	0.0	0.2	0.1
Additions and unwindings	33.8	13.0	34.7	81.5
Use	-25.9	-1.2	-26.5	-53.6
Reversal	-6.4	-1.3	-4.7	-12.4
<b>28 February 2018</b>	<b>86.3</b>	<b>179.6</b>	<b>74.5</b>	<b>340.4</b>

TABLE 095

### Personnel-related provisions

Personnel-related provisions of € 86.3 million are primarily made up of largely non-current provisions for long-service awards, provisions for part-time early retirement and largely short-term provisions for termination benefit plans.

### Provisions for litigation risks and risk precautions

Provisions for litigation risks and risk precautions of € 179.6 million include provisions for market regulation proceedings, proceedings from operational contractual relationships and antitrust risks (fines and claims for damages).

### Other provisions

Other provisions of € 74.5 million primarily concern non-current provisions for restoration obligations, together with current and non-current provisions for recultivation and environmental obligations largely related to sugar production as well as current provisions for fees for the acquisition of emissions certificates. The additions were attributable to the previously mentioned facts. Among other things, the use was for a VAT procedure at AGRANA Zucker in Romania.

### Additions and compoundings

Additions comprise the creation of new and the adjustment of existing provisions, which are recognized in profit or loss in the relevant types of operating expense. Also included in this item is the compounding of non-current provisions that mainly affect personnel-related provisions. Compoundings are recognized in the interest expense as part of the financial result and amounted to € 0.9 (0.8) million.

## (29) Trade payables and other liabilities

€ million	Remaining term			Remaining term		
	2018	to 1 year	over 1 year	2017	to 1 year	over 1 year
28 February						
Liabilities to beet growers	356.8	356.8	0.0	441.9	441.9	0.0
Liabilities to other trade trade payables	588.8	588.8	0.0	475.0	475.0	0.0
<b>Trade payables</b>	<b>945.6</b>	<b>945.6</b>	<b>0.0</b>	<b>916.9</b>	<b>916.9</b>	<b>0.0</b>
Liabilities for production levy	0.0	0.0	0.0	19.4	19.4	0.0
Negative market value derivatives	22.6	22.6	0.0	46.0	46.0	0.0
Remaining financial liabilities	185.2	170.5	14.7	169.8	146.3	23.5
Liabilities for personnel expenses	126.8	125.9	0.9	116.2	115.2	1.0
Liabilities for other taxes and social security contributions	45.5	45.5	0.0	50.3	50.3	0.0
Remaining non financial liabilities	18.9	18.9	0.0	9.8	9.8	0.0
<b>Other liabilities</b>	<b>399.0</b>	<b>383.4</b>	<b>15.6</b>	<b>411.5</b>	<b>387.0</b>	<b>24.5</b>

TABLE 096

Despite increased harvest yields, liabilities to beet growers fell from € 441.9 million to € 356.8 million due to significantly higher advances made in the financial year just ended as a result of the expiration of the minimum beet price and sugar quota rules with the 2017 sugar campaign. Whereas in previous years advance payments only affected quota beets, advances were made toward the entire beet volume in 2017/18. Other trade payables of € 588.8 (475.0) million increased as a result of the longer campaign, which lasted until February 2018.

The expiry of the minimum beet price and sugar quota regulations on 1 October 2017 also meant there will be no EU production levy since the 2017 sugar campaign.

Liabilities for personnel expenses in the amount of € 126.8 (116.2) million mainly represent commitments for bonuses, premiums, vacation and overtime pay.

Remaining non-financial liabilities totaling € 18.9 (9.8) million primarily include accrued and deferred items as well as on-account payments received on orders.



**(30) Financial liabilities, securities and cash and cash equivalents (net financial debt)**

€ million	Remaining term			Remaining term		
	2018	to 1 year	over 1 year	2017	to 1 year	over 1 year
28 February						
Bonds	1,192.9	399.9	793.0	697.1	0.0	697.1
Liabilities to banks	377.1	53.6	323.5	437.9	220.6	217.3
Liabilities from finance leasing	2.6	2.4	0.2	3.3	0.5	2.8
<b>Financial liabilities</b>	<b>1,572.6</b>	<b>455.9</b>	<b>1,116.7</b>	<b>1,138.3</b>	<b>221.1</b>	<b>917.2</b>
Securities (non-current assets)	-18.7			-18.8		
Securities (current assets)	-125.7			-125.7		
Cash and cash equivalents	-585.2			-580.8		
<b>Securities and cash and cash equivalents</b>	<b>-729.6</b>			<b>-725.3</b>		
<b>Net financial debt</b>	<b>843.0</b>			<b>413.0</b>		

TABLE 097

Of the financial debt totaling € 1,572.6 million, € 1,116.7 million, or 71.0 %, is available to Südzucker Group in the long-term. Development of financial liabilities are as follows:

€ million	2017/18	2016/17
<b>1 March</b>	<b>1,138.3</b>	<b>1,158.4</b>
Cash changens	427.4	-25.8
Non-cash changes	6.9	5.7
Initial consolidation	8.7	4.1
Deconsolidation	0.0	0.0
Measurement effects	-1.8	1.6
<b>28 February</b>	<b>1,572.6</b>	<b>1,138.3</b>

TABLE 098

**Financial management**

The financing of Südzucker Group is based on sustainable cash flows, strong relationships with the shareholder groups behind the company, access to international capital markets and reliable banking relationships. The investment grade rating is the foundation for financing and secures access to equity and debt financing instruments.

Südzucker uses an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates. These include hybrid bonds, bonds, commercial paper, promissory notes and syndicated or bilateral bank credit lines. The bonds are generally issued by the Dutch financing company Südzucker International Finance B.V. and used throughout the group. Acquisitions and investments are financed in consideration of the financial ratios that must be maintained to keep the company's investment grade rating.

The unique financing requirements during the fiscal year due to the seasonality of the sugar sector (financing beet purchases and inventories) means that securing short-term cash is an important aspect of our financing structure. Short-term financing requirements are covered by a commercial paper program of € 600 million or a syndicated credit line of € 600 million for Südzucker and syndicated credit lines of € 450 million for subgroup AGRANA. In addition, the group also has bilateral bank facilities at its disposal.

At present, Südzucker is primarily financed through the following financial instruments:

### Hybrid bond

Südzucker International Finance B.V. issued a perpetual, subordinated hybrid bond with a volume of € 700 million in July and August 2005. Since 30 June 2015, Südzucker can call the bond and repay it early at the nominal value (call option). The bond can only be called in full and not in installments. The call option is subject to the condition that Südzucker has issued securities of equal rank and/or subordinated securities with similar features within 12 months of the effective date of the call with proceeds from the issue equaling the amount to be paid for calling the hybrid bond (as per section 6 (5) and (6) of the conditions of issue of the bond). The requirements for termination and repayment of the bond by Südzucker are currently not met.

The hybrid bond has a floating rate coupon based on the offer rate in the interbank market in the euro zone for three-month deposits plus 3.10 % (three-month Euribor plus 3.10 % p.a.). Coupon payments are payable quarterly in the subsequent quarter. The following rates have been set for the periods below:

For the period of	to (excluded)	Days	Rate of remuneration p. a.
31.03.2016	30.06.2016	91	2.858 %
30.06.2016	30.09.2016	92	2.819 %
30.09.2016	30.12.2016	91	2.798 %
30.12.2016	31.03.2017	91	2.781 %
31.03.2017	30.06.2017	91	2.770 %
30.06.2017	29.09.2017	91	2.769 %
29.09.2017	29.12.2017	91	2.771 %
29.12.2017	29.03.2018	90	2.771 %
29.03.2018	29.06.2018	92	2.771 %

TABLE 099

Furthermore, the conditions of issue of the bond provide Südzucker, in the event of a dividend event, with the option to defer the interest coupon payments. An optional (voluntary) coupon suspension may occur if no dividend was approved for shares of Südzucker AG at the last annual general meeting. In the event of a cash flow event, Südzucker is obliged to cancel the interest coupon payment. A mandatory coupon suspension can be triggered when consolidated cash flow falls below 5 % of the group's consolidated revenues. As of 28 February 2018, cash flow was € 692.5 (634.0) million, or 9.9 (9.8) % of the € 6,982.9 (6,476.0) million in consolidated revenues.

The rating agency Moody's has recognized the equity share of the subordinate bond at 75 % and Standard & Poor's at 50 %, which improves the group's rating-related debt ratios. The subordinated bond is recognized to 100 % as equity in accordance with IFRS – see also explanatory notes in note (26) "Shareholders' equity".

### 2011/2018 bond

On 22 March 2011, Südzucker International Finance B.V. issued a bond with a nominal value of € 400 million and a 4.125 % coupon. The bond is guaranteed by Südzucker AG and has a term of seven years. The bond was redeemed on 29 March 2018.

### 2016/2023 bond

On 22 November 2016, Südzucker International Finance B.V. issued a bond with a nominal value of € 300 million and a 1.25 % coupon. The bond is guaranteed by Südzucker AG and has a term of seven years, maturing on 29 November 2023.

### 2017/2025 bond

On 21 November 2017, Südzucker International Finance B.V. issued a bond with a nominal value of € 500 million and a 1.00 % coupon. The bond is guaranteed by Südzucker AG and has a term of eight years, maturing on 28 November 2025.

Additional information regarding these bonds is available on the Südzucker corporate website at [www.suedzucker.de/en/Investor-Relations/Anleihen/](http://www.suedzucker.de/en/Investor-Relations/Anleihen/).

### Commercial paper program

The commercial paper program (CP program) serves short-term financing in the capital markets. Investors in CPs are mainly institutional investors. The CP program has a total line of € 600 million and enables Südzucker to issue short-term debt securities based on requirements and the market situation. There were no CPs outstanding as at 28 February 2018 or 2017.

€ million	28 February 2018	Due date	Coupon	Carrying amount	Fair value	Nominal value
Bond 2011/2018		29/03/2018	4.125 %	399.9	401.2	400.0
Bond 2016/2023		29/11/2023	1.250 %	298.1	306.3	300.0
Bond 2017/2025		28/11/2025	1.000 %	494.9	488.8	500.0
<b>Bonds</b>				<b>1,192.9</b>	<b>1,196.3</b>	<b>1,200.0</b>
€ million	28 February 2017	Due date	Coupon	Carrying amount	Fair value	Nominal value
Bond 2011/2018		29/03/2018	4.125 %	399,3	417,9	400,0
Bond 2016/2023		29/11/2023	1.250 %	297,8	308,9	300,0
<b>Bonds</b>				<b>697.1</b>	<b>726.8</b>	<b>700.0</b>

TABLE 100

All bonds were fixed-interest bearing and had a combined carrying amount of € 1,192.9 (697.1) million.

Moody's confirmed the corporate and bond rating of Baa2 and the stable outlook on 2 June 2017. This rating was confirmed on 5 April 2018 and the outlook changed to negative. Moody's classification of the subordinate hybrid bond as equity was unchanged at 75 %.

S&P raised the long-term corporate rating from BBB- to BBB with a stable outlook on 23 June 2017. The € 500 million bond placed on 21 November 2017 also received a rating of BBB on 23 November 2017. The subordinate hybrid bond is being classified as equity at 50 %.

### Liabilities to banks

Liabilities to banks decreased to € 377.1 (437.9) million. Of the fixed-interest bearing liabilities to banks in the amount of € 354.9 (287.4) million, € 318.0 (210.1) is available in the long-term. The floating rate loans decreased to € 22.2 (150.5) million. As of the balance sheet date, liabilities to banks of € 3.9 (3.2) million were secured by mortgage rights and € 7.8 (unchanged) million by other liens.

€ million	Remaining term			2017	Remaining term		Average effective rate of interest in %	
	2018	to 1 year	over 1 year		to 1 year	over 1 year	2017/18	2016/17
<b>28 February</b>								
<b>Fixed coupon</b>								
EUR	354.7	36.7	318.0	287.3	77.2	210.1	1.20	1.38
ARS	0.2	0.2	0.0	0.0	0.0	0.0	28.8	–
EGP	0.0	0.0	0.0	0.1	0.1	0.0	–	–
<b>Total</b>	<b>354.9</b>	<b>36.9</b>	<b>318.0</b>	<b>287.4</b>	<b>77.3</b>	<b>210.1</b>	<b>1.21</b>	<b>1.38</b>
<b>Variable interest rate</b>								
EUR	15.0	9.5	5.5	127.7	120.6	7.1	1.51	1.16
ARS	0.1	0.0	0.1	1.3	1.2	0.1	32.27	20.13
EGP	0.2	0.2	0.0	0.0	0.0	0.0	8.50	–
HUF	2.4	2.4	0.0	6.2	6.2	0.0	2.00	1.70
INR	0.3	0.3	0.0	0.0	0.0	0.0	9.75	–
KRW	2.3	2.3	0.0	3.0	3.0	0.0	3.17	2.87
USD	2.0	2.0	0.0	12.3	12.3	0.0	2.25	1.67
<b>Total</b>	<b>22.2</b>	<b>16.7</b>	<b>5.5</b>	<b>150.5</b>	<b>143.3</b>	<b>7.2</b>	<b>2.10</b>	<b>1.33</b>
<b>Liabilities to banks</b>	<b>377.1</b>	<b>53.6</b>	<b>323.5</b>	<b>437.9</b>	<b>220.6</b>	<b>217.3</b>	<b>1.27</b>	<b>1.36</b>

TABLE 101

Liabilities to banks include promissory notes in the amount of € 42.5 million with maturities from 2019 to 2022.

Südzucker has a revolving credit line of € 600 million for the purpose of general corporate financing and to use as a backup credit line to the CP program. The syndicated credit line has a term until 2020. The line of credit is with a consortium of 17 banks, which form Südzucker Group's core banking group. In addition to Südzucker AG, CropEnergies AG can draw on this credit line for an amount up to € 100 million as an alternate borrower. As in the previous year, no funds had been drawn against the credit line as at 28 February 2018.

AGRANA can utilize syndicated credit facilities of € 300 million and € 150 million, respectively, for the purpose of general corporate financing. The syndicated credit lines have terms until 2019 and 2020, respectively; the credit facility is made available by five banks. These credit lines had not been accessed as at 28 February 2018 or 28 February 2017.

### Securities and cash and cash equivalents

Investments in securities totaling € 144.4 (144.5) million were mainly in fixed-interest securities.

# OTHER EXPLANATORY NOTES

## (31) Risk management within Südzucker Group

The group is exposed to credit risk (default and credit risks) and liquidity risk. The Südzucker Group is also exposed in many ways to market price risk. In operations, this primarily relates to commodity price risk from sugar and bioethanol sales, energy, grain and corn purchases as well as currency risk associated with sales and procurement. Similar price risk exists in the financial area from interest rate and exchange rate risks. The investment securities that are exposed to a price risk are immaterial in Südzucker Group. The following credit risk management, liquidity management and price risk management strategies have been implemented throughout the group to manage these risks.

### Credit risk management

The receivables of Südzucker Group are primarily due from companies in the food industry, the chemical industry and in retail.

Overdue or uncollectible receivables can have a negative impact on the success of Südzucker Group. Südzucker has early warning systems in place to monitor potential bad debts.

The principles of credit risk management in Südzucker Group are:

- Creditworthiness checks for potential new customers and continuous monitoring of the credit rating of existing customers
- Taking out commercial credit insurance policies for each customer as part of an international credit insurance program that can be supplemented as needed with additional securities such as bank guarantees or letters of credit
- System-based credit limit checks for each order in the operational systems
- Standardized dunning

Each operational unit is responsible for implementing and monitoring the corresponding processes.

The operational units also compile a credit risk report on a monthly basis and the information is consolidated at the group level. This permits the tracking of the development of key indicators such as day sales outstanding (DSO), age structure of the receivables or type of credit enhancements within the scope of credit risk monitoring.

Allowances are recognized to cover residual risk from trade receivables. The required allowances are guided by the actual default risk. In accordance with internal group policies, all amounts recognized for receivables are regularly adjusted via allowances as a separate item. The credit risk from the respective total trade receivables outstanding is largely limited to the retention (excess) amount, which is usually 10 % for the concluded commercial credit insurance. The carrying amounts of past due trade receivables and receivables for which specific debt allowances have been recognized are disclosed in note (25) of the notes to the financial statements.

The maximum credit risk from other assets corresponds to the carrying amounts of these instruments; in the opinion of Südzucker Group, this risk is not material. There are no significant concentrations of risk.

Counterparty risk in the financial area primarily exists when there is excess liquidity. The main criterion for the selection of a bank as a business partner is particularly its short-term deposit rating in conjunction with its long-term rating, which is reviewed regularly.

### Liquidity management

The main objectives of liquidity management are to ensure solvency at all times, guarantee the ability to meet contractual payment obligations on time, and optimize costs within Südzucker Group.

Within the scope of cash and liquidity management, Südzucker International Finance B.V., Oud-Beijerland, Netherlands makes the borrowed funds available to the group companies. In addition, there are cash pools in shared treasury centers.

Liquidity planning is integrated into corporate planning and takes the special seasonal funding requirements associated with the sugar campaigns into account. Liquidity planning for the budget year is prepared on a monthly basis. Throughout the year, the plan is updated through three plan forecasts. The strategic financing plan is prepared on the basis of the five-year plan.

Seasonal liquidity requirements are financed on short notice in the form of overnight or term loans or through the issuance of commercial papers. In order to guarantee financial flexibility of Südzucker Group and to ensure that it is able to meet its payment obligations at any time, a liquidity reserve is maintained in the form of syndicated and bilateral credit lines, securities and, if necessary, in the form of cash funds.

Long-term debt financing is primarily carried out by issuing bonds, promissory notes and bank loans.

See note (30) "Financial liabilities, securities and cash and cash equivalents (net financial debt)" for details on financial instruments used by Südzucker.

The following summary shows the due dates of financial liabilities as at 28 February 2018. All out-going payment flows are undiscounted and comprise interest and principal payments.

€ million	Carrying amount	Total	Contractually agreed cash outflows					
			to 1 year	>1 to 2 years	>2 to 3 years	>3 to 4 years	>4 to 5 years	over 5 years
<b>28 February 2018</b>								
<b>Financial liabilities</b>								
Bonds	1,192.9	1,269.0	425.3	8.8	8.8	8.8	8.8	808.8
Liabilities to banks	377.1	389.9	57.7	81.7	37.0	37.3	140.7	35.4
Liabilities from finance leasing	2.6	2.7	2.5	0.2	0.0	0.0	0.0	0.0
	<b>1,572.6</b>	<b>1,661.6</b>	<b>485.5</b>	<b>90.6</b>	<b>45.8</b>	<b>46.1</b>	<b>149.4</b>	<b>844.2</b>
<b>Other financial liabilities</b>								
Liabilities to beet growers	356.8	356.8	356.8	0.0	0.0	0.0	0.0	0.0
Trade payables	588.8	588.8	588.8	0.0	0.0	0.0	0.0	0.0
Remaining financial liabilities	185.2	185.2	170.5	14.7	0.0	0.0	0.0	0.0
Forex futures – cash out	3.2	546.3	530.8	3.4	0.4	11.7	0.0	0.0
Forex futures – cash in	–	–528.4	–527.4	–0.4	–0.3	–0.3	0.0	0.0
Interest rate swaps – cash out	2.5	3.8	2.0	1.2	0.3	0.3	0.0	0.0
Interest rate swaps – cash in	–	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodity derivatives	16.9	16.9	16.9	0.0	0.0	0.0	0.0	0.0
	<b>1,153.4</b>	<b>1,169.4</b>	<b>1,138.4</b>	<b>18.9</b>	<b>0.4</b>	<b>11.7</b>	<b>0.0</b>	<b>0.0</b>
	<b>2,726.0</b>	<b>2,831.0</b>	<b>1,623.9</b>	<b>109.5</b>	<b>46.2</b>	<b>57.8</b>	<b>149.4</b>	<b>844.2</b>

€ million	Carrying amount	Contractually agreed cash outflows						
		Total	to 1 year	> 1 to 2 years	> 2 to 3 years	> 3 to 4 years	> 4 to 5 years	over 5 years
<b>28 February 2017</b>								
<b>Financial liabilities</b>								
Bonds	697.1	755.5	20.3	420.3	3.8	3.8	3.8	303.8
Liabilities to banks	437.9	449.8	224.5	40.8	77.6	30.5	31.1	45.3
Liabilities from finance leasing	3.3	3.6	0.6	2.6	0.4	0.0	0.0	0.0
	<b>1,138.3</b>	<b>1,208.9</b>	<b>245.3</b>	<b>463.7</b>	<b>81.8</b>	<b>34.3</b>	<b>34.9</b>	<b>349.1</b>
<b>Other financial liabilities</b>								
Liabilities to beet growers	441.9	441.9	441.9	0.0	0.0	0.0	0.0	0.0
Trade payables	475.0	475.0	475.0	0.0	0.0	0.0	0.0	0.0
Liabilities from production levy	19.4	19.4	19.4	0.0	0.0	0.0	0.0	0.0
Remaining financial liabilities	169.8	169.8	146.3	23.5	0.0	0.0	0.0	0.0
Forex futures – cash out	22.0	945.9	903.6	26.3	3.5	0.4	12.1	0.0
Forex futures – cash in	–	–922.9	–881.4	–26.1	–3.4	–0.3	–11.7	0.0
Interest rate swaps – cash out	4.1	4.3	1.7	1.7	0.9	0.0	0.0	0.0
Interest rate swaps – cash in	–	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodity derivatives	19.9	19.9	19.9	0.0	0.0	0.0	0.0	0.0
	<b>1,152.1</b>	<b>1,153.3</b>	<b>1,126.4</b>	<b>25.4</b>	<b>1.0</b>	<b>0.1</b>	<b>0.4</b>	<b>0.0</b>
	<b>2,290.4</b>	<b>2,362.2</b>	<b>1,371.7</b>	<b>489.1</b>	<b>82.8</b>	<b>34.4</b>	<b>35.3</b>	<b>349.1</b>

TABLE 102

The undiscounted payment outflows are subject to the assumption that the settlement of the liability takes place at the earliest possible due date. The interest payments on variable-rate financial instruments are calculated on the basis of the most recent applicable interest rates

### Price risk management

Price risk management encompasses currencies, interest rates and commodity prices. The following information provides details about risks and risk management concerning these three areas.

### Currency risk

Currency risk arises from the global orientation of Südzucker Group, and such risks from exchange rate fluctuations are inherent in the operating activities as well as the financial result and cash flows. The relative exchange rates having a material effect are the exchange rates of the euro to the US dollar, the British pound sterling, the Polish zloty, the Moldavian leu and/or the Argentine peso. There are also risks associated with exchange rates of the US dollar to the Chilean and/or Mexican peso and the Brazilian real.

Currency risk arises in operating activities when revenues are realized or the cost of materials and/or merchandise used is incurred in a currency other than the local currency (functional currency). The currency risk associated with the financial result primarily results from group-internal financing of subsidiaries using a different local currency.



### Currency risk management

The aim of currency risk management is to reduce exchange rate risks. The business segments and divisions make decisions on the type and scope of operational currency hedging in coordination with the Corporate Finance department. Derivatives in the form of forward exchange transactions are used to hedge operational exchange rate risks. Cross-currency swaps are also used in finance activities.

### Sensitivity analysis

The sensitivity analysis presented below shows what effects there would have been on the net result or shareholder's equity before tax had existing foreign currency receivables and liabilities required translation using different exchange rates at the balance sheet date.

The currency exposure is equivalent to the net amount of the financial receivables and liabilities exposed to currency risk. These primarily consist of trade receivables and trade payables as well as receivables and liabilities from financing activities and include intragroup balances. Existing currency hedges are not considered in the analysis if they are not precisely allocated to a receivable or payable. A negative amount means there is a surplus of liabilities.

The sensitivity analysis assumes a 10 % gain or 10 % drop in the exchange rates for the currencies against the respective functional currency as at 28 February 2018.

The following shows the currency exposure and the hypothetical impact on the net result before tax as gain (+) or loss (-).

€ million	Exposure		Sensitivity (+)		Sensitivity (-)	
	2018	2017	2018	2017	2018	2017
28 February						
USD	114.2	5.3	-10.4	-0.5	12.7	0.6
GBP	42.4	14.7	-3.9	-1.3	4.7	1.6
PLN	0.9	35.7	-0.1	-3.2	0.1	4.0
CAD	2.0	2.0	-0.2	-0.2	0.2	0.2
HUF	-2.4	6.8	0.2	-0.6	-0.3	0.8
Other currencies	-72.1	-74.7	6.6	6.8	-8.0	-8.3

TABLE 103

Currency exposure from the remaining currencies concerns euro receivables or payables of group companies in countries with other functional currencies. Long-term intra-group euro loans in the amount of € 334.1 (99.1) million has been granted in the USA and Poland. These loans qualify as a net investment in a foreign operation, which is why the resulting currency fluctuations are recognized directly in equity. If the value of the euro against the US-dollar or Polish zloty had dropped, i.e. climbed by 10 %, shareholders' equity before tax would have increased by € 30.4 (9.0) million, i.e. decreased by € 37.1 (11.0) million, respectively.

### Interest rate risk

Südzucker is exposed to interest rate risk from floating rate financial liabilities, i.e. financial investments. This interest rate risk mainly results from typical fluctuations in liquidity levels during the campaign season, or existing or planned floating rate debt.

### Interest rate risk management

Südzucker utilizes a financing structure that is optimized to meet liquidity requirements, and which also includes fixed-rate financial instruments to minimize interest rate risk. See note (30) "Financial liabilities, securities and cash and cash equivalents (net financial debt)" for details. Derivative instruments such as interest rate swaps are also used to a limited extent as part of interest rate risk management.

### Sensitivity analysis

Most bonds and long-term bank debt are agreed with fixed interest rates. Had market interest rates increased by half a percentage point applied to floating rate financial instruments as at 28 February 2018 without considering concluded interest rate swaps, interest expense would have increased as follows:

Interest rate sensitivity	2017/18			2016/17		
	Total	thereof with floating rate	Effect from interest rate sensitivity	Total	thereof with floating rate	Effect from interest rate sensitivity
€ million						
Liabilities to banks	377.1	22.2	-0.1	437.9	150.5	-0.8

TABLE 104

A decline of half a percentage point in market interest rates would have resulted in a similar decline in interest expense.

### Commodity price risk

Südzucker is exposed to material price risks in its operations on the supply and demand side arising from price volatility in the commodity markets, which relate in particular to changes in world sugar market prices and energy, grain, bioethanol and fruit prices.

### Management of commodity price risk

Appropriate risk management requires continuous, standardized monitoring of risk exposure and risk change based on the respective products. This provides the foundation for risk committees in the different divisions to make decisions on risk hedging at their regular meetings.

### Sensitivity analysis

Sensitivity analyses and the "earnings at risk" model are used to measure risk. When applying the earnings at risk model, the objective is to determine the impact of market price developments of individual risk carriers on future earnings. Südzucker calculates earnings at risk based on a holding period of one month, as within this period all open positions can be closed with hedge transactions. Accordingly, risk reporting takes place on a monthly basis. The material risk carriers that have been identified in Südzucker Group are sugar sales and imports (including the possibly associated currency risk), the sale of bioethanol, and the procurement of energy and grain. The following section provides more information on derivative financial instruments.

### Derivative instruments to hedge price risk

Südzucker Group uses derivative instruments to a limited extent to hedge currency exchange rate, interest rate and commodity price risks arising from its operating and financial activities. Sugar, wheat, corn and bioethanol futures, wheat options and oil swaps, and forex futures are used as commodity derivatives in operations. Only normal market instruments are used for financial hedging purposes, such as interest rate swaps and forex futures. These instruments are used within the framework of Südzucker's risk management system as laid down in group guidelines, which set limits based on underlying business volumes, define authorization procedures, prohibit the use of derivative instruments for speculative purposes, minimize credit risks, and determine the content of internal reporting and segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines as well as the correct processing and valuation of transactions and adherence to segregation of duties.

The nominal volumes and market values of derivative instruments are as follows:

€ million	Nominal volume		Positive market values		Negative market values	
	2018	2017	2018	2017	2018	2017
28 February						
Forex futures	544.7	928.8	7.4	3.3	-3.2	-22.0
Interest rate swaps	118.0	68.0	0.2	0.0	-2.5	-4.1
Commodity derivatives	203.0	451.4	31.9	29.5	-16.9	-19.9
<b>Total</b>	<b>865.7</b>	<b>1,448.2</b>	<b>39.5</b>	<b>32.8</b>	<b>-22.6</b>	<b>-46.0</b>

TABLE 105

In the case of OTC derivatives (interest, currency and energy derivatives), Südzucker is exposed to credit risk when market values are positive. Credit risk is limited by only concluding derivatives with banks and partners with a good credit rating. Derivatives contracted at futures exchanges (sugar, wheat, corn and bioethanol futures) are generally not exposed to credit risk.

In response to a decrease, i.e. an increase by half a percentage point in the market interest rate as well as an increase, i.e. decrease in the respective currencies against the euro by 10 %, a decrease, i.e. an increase in prices for wheat, corn and oil, or a decrease, i.e. an increase in prices for wheat, corn, coal and oil by 10 % (respectively), the market value of the derivatives concluded as at 28 February 2018 would change as follows (sensitivity analysis):

€ million	Net market values		Sensitivity (+)		Sensitivity (-)	
	2018	2017	2018	2017	2018	2017
28 February						
Forex futures	4.2	-18.7	23.1	44.5	-32.5	-39.7
Interest rate swaps	-2.3	-4.1	1.5	1.8	-4.3	-1.6
Commodity derivatives	15.0	9.6	8.9	-17.4	-8.9	17.3
<b>Total</b>	<b>16.9</b>	<b>-13.2</b>	<b>33.5</b>	<b>28.9</b>	<b>-45.7</b>	<b>-24.0</b>

TABLE 106

These corresponding market price changes would have changed equity by € 13.6 (8.2) million and € -19.1 (-14.4) million, respectively, and changed earnings before income taxes by € 19.9 (20.7) million and € -26.6 (-9.6) million, respectively.

For more details on the market values by measurement category and measurement level, see note (32) "Additional disclosures on financial instruments"

**(32) Additional disclosures on financial instruments****Carrying amount and fair value of financial instruments**

The following table shows the carrying amount and fair value of financial assets and liabilities for each of the measurement categories.

28 February		2018		2017	
		Carrying amount	Fair value	Carrying amount	Fair value
€ million	Measurement category				
<b>Financial assets</b>					
Long term securities	Available for Sale	18.7	18.7	18.8	18.8
Other investments	Available for Sale at Cost	23.0	23.0	23.6	23.6
Trade receivables	Loans and Receivables	972.1	972.1	880.8	880.8
Receivables due from the EU	Loans and Receivables	56.2	56.2	0.2	0.2
Remaining financial assets	Loans and Receivables	65.5	65.5	92.4	92.4
Positive market value derivatives	Financial Assets Held for Trading	4.0	4.0	3.6	3.6
Positive market value derivatives	Derivatives, at fair value directly in equity (Hedge-Accounting)	35.5	35.5	29.2	29.2
Securities	Loans and Receivables	125.0	125.0	125.0	125.0
Securities	Available for Sale	0.7	0.7	0.7	0.7
<i>Short term securities</i>		125.7	125.7	125.7	125.7
Cash and cash equivalents	Loans and Receivables	585.2	585.2	580.8	580.8
		<b>1,885.9</b>	<b>1,885.9</b>	<b>1,755.1</b>	<b>1,755.1</b>
<b>Financial liabilities</b>					
Bonds	Financial liabilities measured at amortised cost	1,192.9	1,196.3	697.1	726.8
Liabilities to banks	Financial liabilities measured at amortised cost	377.1	380.8	437.9	447.7
Liabilities from finance leasing	n/a	2.6	2.6	3.3	3.3
Trade liabilities	Financial liabilities measured at amortised cost	945.6	945.6	916.9	916.9
Liabilities from production levy	Financial liabilities measured at amortised cost	0.0	0.0	19.4	19.4
Remaining financial liabilities	Financial liabilities measured at amortised cost	185.2	185.2	169.8	169.8
Negative market value derivatives	Financial Liabilities Held for Trading	8.0	8.0	12.6	12.6
Negative market value derivatives	Derivatives, at fair value directly in equity (Hedge-Accounting)	14.6	14.6	33.4	33.4
		<b>2,726.0</b>	<b>2,733.1</b>	<b>2,290.4</b>	<b>2,329.9</b>

TABLE 107

The totals by measurement category according to IAS 39 and the net result by measurement category are given below.

#### Total and net result of IAS 39 measurement category

€ million	28 February 2018		2017/18	28 February 2017		2016/17
	Carrying amount	Fair value	Net result	Carrying amount	Fair value	Net result
Measurement category						
Financial assets held for trading	4.0	4.0	3.4	3.6	3.6	5.2
Available for Sale	19.4	19.4	0.0	19.5	19.5	0.0
Available for Sale at Cost	23.0	23.0	3.2	23.6	23.6	4.1
Loans and receivables	1,804.0	1,804.0	14.7	1,679.2	1,679.2	14.4
Financial liabilities measured at amortised cost	2,700.8	2,707.9	-28.7	2,241.1	2,280.6	-55.2
Financial liabilities held for trading	8.0	8.0	-7.1	12.6	12.6	-2.2
	-	-	-14.5	-	-	-33.7

TABLE 108

Net result by measurement category includes interest, dividends and gains or losses on the measurement of financial instruments. Also included here are currency results and the addition or reversal of allowances. The net profit or loss from the measurement category "liabilities measured at amortized cost" comprises interest expense in the amount of € 30.0 (28.3) million. The measurement category "loans and receivables" includes interest income totaling € 16.3 (17.1) million.

#### Measurement levels

For financial instruments measured at fair value, a distinction is made between three measurement levels with regard to the determination of the fair values. At Level 1, the measurement is based on unadjusted prices on active markets. Level 2 measurement takes place using prices derived from prices on active markets. Level 3 measurement is based on valuation techniques that include at least one significant non-observable factor. Südzucker Group currently does not apply Level 3 in the measurement of financial instruments.

Measurement takes place at cost for securities (equity instruments) classified as "Available for Sale" and other investments of non-current assets with no active market price available and whose fair value cannot be reliably measured. Other investments represent shares in unlisted companies for which shares were not measured by discounting expected cash flows since future cash flows could not be reliably estimated.

Due to the short maturities of trade receivables, receivables from the EU, remaining financial receivables and cash funds, it is assumed that their fair values are equal to their carrying amounts.

The fair values of liabilities to banks are calculated as the present value of the payments associated with the liabilities, using the relevant current yield curve as the basis. This corresponds to Level 2.

For trade payables and remaining current financial liabilities, the assumption given their short maturity is that their fair values are equal to their reported carrying amounts.

The fair values of the listed 2011/2018, 2016/23 and 2017/2025 bonds in the amount of € 1,202.5 (726.8) million are based on the quoted price on the last trading day of the fiscal year. This corresponds to Level 1.

The following financial instruments were recognized at fair value:

€ million	Fair value hierarchy							
	2018	Evaluation level 1	Evaluation level 2	Evaluation level 3	2017	Evaluation level 1	Evaluation level 2	Evaluation level 3
28 February								
<b>Securities – Available for Sale</b>	<b>19.4</b>	<b>14.9</b>	<b>0.0</b>	<b>4.5</b>	<b>19.5</b>	<b>15.1</b>	<b>0.0</b>	<b>4.4</b>
Positive market values – derivatives without hedge accounting	4.0	0.1	3.9	0.0	3.6	2.3	1.3	0.0
Positive market values – hedge accounting derivatives	35.5	31.8	3.7	0.0	29.2	26.6	2.6	0.0
<b>Positive market values</b>	<b>39.5</b>	<b>31.9</b>	<b>7.6</b>	<b>0.0</b>	<b>32.8</b>	<b>28.9</b>	<b>3.9</b>	<b>0.0</b>
<b>Financial assets</b>	<b>58.9</b>	<b>46.8</b>	<b>7.6</b>	<b>4.5</b>	<b>52.3</b>	<b>44.0</b>	<b>3.9</b>	<b>4.4</b>
Negative market values – derivatives without hedge accounting	8.0	2.8	5.2	0.0	12.6	2.2	10.4	0.0
Negative market values – hedge accounting derivatives	14.6	14.1	0.5	0.0	33.4	17.6	15.8	0.0
<b>Negative market values/financial liabilities</b>	<b>22.6</b>	<b>16.9</b>	<b>5.7</b>	<b>0.0</b>	<b>46.0</b>	<b>19.8</b>	<b>26.2</b>	<b>0.0</b>

TABLE 109

Non-current and current securities include assets designated as available-for-sale. These are measured at market values equal to prices quoted on an exchange as at the balance sheet date (Level 1). If no listings on active markets are available, measurement takes place using prices derived from prices on active markets (Level 2). Fair values are determined in the remaining cases on the basis of valuation techniques whose influencing factors are not exclusively based on observable market data (Level 3).

The positive and negative market values of currency, interest and commodity derivatives are related in part to derivatives that are the effective portion of a hedge. These are used to hedge future cash flows from firm commitments or from highly probable future transactions against fluctuations.

There are also currency, interest and commodity derivatives in the form of fair value hedges or without formally designated hedges against changes in the fair value of an asset or liability that are recognized in the income statement.

The market values of commodity derivatives such as sugar, wheat or ethanol futures are determined on the basis of prices quoted as at the reference date (Level 1).

Measurement of market values for other commodity derivatives such as oil swaps is based on quoted prices for gasoline and coal from relevant trading and quote information platforms (Level 2).

Forex futures are measured on the basis of reference rates, taking forward premiums or discounts into consideration (Level 2).

The concluded interest rate derivatives exclusively concern interest rate swaps. The market values of these interest rate hedging transactions were determined on the basis of discounted expected future cash flows (Level 2).

### (33) Contingent liabilities and other financial commitments

Contingent liabilities and other financial commitments not recognized on the balance sheet are as follows:

€ million	28 February	2018	2017
Guarantees		43.6	41.1
thereof for Joint Ventures		39.6	32.6
Warranty commitments		1.4	1.4

TABLE 110

#### Guarantees, warranty commitments and contingent liabilities

The guarantees relate primarily to bank loans of jointly controlled investments in the sugar segment at AGRANA as well as to liabilities to third parties. We do not expect to have to make any performance payments from guarantees or warranty commitments.

A contingent liability in the amount of € 6.4 (6.5) million exists from a refund claim on EU funding in Hungary. The company's management classifies the refund as very unlikely.

#### Purchase orders for investments in property, plant and equipment

Purchase orders for investments in property, plant and equipment in the amount of € 151.3 (68.9) million are related mainly to investments in starch and to expenditures required at sugar factories in preparation for the next campaign.

#### Liabilities from operating leases

The liabilities from operating leases are related in particular to lease agreements for offices, storage facilities, machines, vehicles, railroad cars, IT systems and office equipment. Undiscounted minimum lease payments in subsequent periods total € 147.9 (89.2) million. The corresponding payment obligations are due as follows:

€ million	28 February	2018	2017
Due date: up to 1 year		39.6	21.5
Due date: 1 to 5 years		72.1	48.3
Due date: over 5 years		36.2	19.4
<b>Total</b>		<b>147.9</b>	<b>89.2</b>

TABLE 111



### (34) Fees for services by the group's external auditors

Expenses in 2017/18 for services provided by the group's external auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, were made up of fees for the following services:

€ thousand	2017/18	2016/17
Auditing services	691	750
Other assurance services	151	146
Tax consulting fees	99	117
Other services	0	24
<b>Total</b>	<b>941</b>	<b>1,037</b>

TABLE 112

The auditing services include expenses for auditing the consolidated financial statements as well as the legally prescribed financial statements of Südzucker AG and the consolidated financial statements and financial statements of German subsidiaries. The fees for other assurance services primarily comprise the issuing of a comfort letter in conjunction with the issue of the € 500 million 2017/2025 bond as well as audit opinion services outside of the financial statements audit. Tax consulting fees mainly include fees for project-related consulting services.

### (35) Declarations of compliance per section 161 AktG

#### Südzucker AG

The executive board and supervisory board of Südzucker AG issued the declaration of compliance relating to the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) on 16 November 2017, and made it permanently available to shareholders of Südzucker AG at [www.suedzucker.de/en/Entsprechenserklaerung/](http://www.suedzucker.de/en/Entsprechenserklaerung/).

#### CropEnergies AG

The executive board and supervisory board of CropEnergies AG issued the declaration of compliance relating to the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) on 13 November 2017, and made it permanently available to shareholders on the CropEnergies corporate website at [http://www.cropenergies.com/en/investorrelations/Corporate\\_Governance/Entsprechenserklaerungen/Entsprechenserklaerung\\_2017/](http://www.cropenergies.com/en/investorrelations/Corporate_Governance/Entsprechenserklaerungen/Entsprechenserklaerung_2017/)

### (36) Related parties

#### Related companies and persons

The following companies are considered related parties:

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), which has a majority interest in Südzucker AG by means of its own holding of Südzucker shares, and those shares held by it on trust for its cooperative members.

Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H. (Raiffeisen-Holding), Vienna, Austria, including its subsidiaries, which holds share capital via Zucker Invest GmbH, Vienna, Austria.

Südzucker Unterstützungswerk (SUW), Frankenthal, Palatinate, Germany, whose assets are used to support Südzucker employees and pensioners in instances of particular difficulty as well as for social activities. Some of the trustees are also members of Südzucker AG's executive board.

The joint venture companies and associates subject to joint control or significant influence by Südzucker Group.

The members of the Südzucker AG executive and supervisory boards and their dependents are related parties.

Items recorded in the 2017/18 financial year on the accounts held for SZVG and SUW at Südzucker AG comprised payments received from dividends and interest from business transactions. At the balance sheet date, Südzucker AG had liabilities to SZVG and to SUW of € 0.2 (0.2) million and € 3.4 (4.1) million, respectively. In addition, there were financial receivables of € 144.9 (201.3) million from, and financial liabilities of € 0.0 (7.4) million to Raiffeisen Group; financial receivables of € 125 million relate to a subordinated bond with an interest rate through 23 February 2021 of 5.53 %. The remaining interest is likewise charged at normal market rates.

Südzucker AG and its subsidiaries have extensive business relationships with joint ventures and one associate in the ordinary course of business. Transactions are carried out with these companies the same as with unrelated parties. The volume of transactions of Südzucker Group with significant related parties is made up as follows:

€ million <sup>1</sup>	2017/18	2016/17
Joint ventures	278.8	282.3
Associated companies	52.4	13.2
<b>Services performed for related parties</b>	<b>331.2</b>	<b>295.5</b>
Joint ventures	82.3	85.0
Associated companies	4.3	23.9
<b>Services received from related parties</b>	<b>86.6</b>	<b>108.9</b>

<sup>1</sup> Only relationships to fully consolidated subsidiaries.

TABLE 113

The exchange of goods and services occurs as part of the company's ordinary course of business. The receivables from and liabilities to joint ventures and associates at the balance sheet date are:

€ million <sup>1</sup>	28 February	2018	2017
Joint ventures		70.1	84.8
Associated companies		11.7	0.9
<b>Receivables from related parties</b>		<b>81.8</b>	<b>85.7</b>
Joint ventures		7.9	7.8
Associated companies		0.1	0.1
<b>Liabilities to related parties</b>		<b>8.0</b>	<b>7.9</b>

<sup>1</sup> Only relationships to fully consolidated subsidiaries.

TABLE 114

### Executive board compensation

The table below shows the total compensation paid to members of Südzucker AG's executive board. The variable component is dependent on the dividend to be approved by the annual general meeting; payment is made after the respective annual general meeting.

€ million	2017/18	2016/17
Fixed compensation	3.2	2.9
Variable compensation	1.9	1.5
<b>Total compensation</b>	<b>5.1</b>	<b>4.4</b>

TABLE 115

Provisions for pensions of € 28.5 (33.1) million relate to former members of Südzucker AG's executive board and their dependents. Pension payments to former members of Südzucker AG's executive board and their dependents amounted to € 2.3 (2.6) million. Provisions for pensions for current executive board members amounted to € 23.4 (24.1) million; service cost additions in 2017/18 amounted to € 0.5 (0.5) million.

### Supervisory board compensation

Total compensation paid to Südzucker AG's supervisory board members for all activities is presented in the following table. A variable component is granted only if there is a dividend that exceeds € 0.50 per share, which was not the case.

€ million	2017/18	2016/17
Fixed compensation	1.8	1.8
Variable compensation	0.0	0.0
<b>Total compensation</b>	<b>1.8</b>	<b>1.8</b>

TABLE 116

In addition, supervisory board representatives who are also Südzucker Group employees also receive their normal contractually agreed wages, which are not related to their supervisory board activities.

The remuneration systems for the executive board and supervisory board are discussed in the corporate governance and responsibility report, which is part of the group management report.

## (37) Supervisory board and executive board

### Supervisory board

#### Dr. Hans-Jörg Gebhard, Eppingen, Germany

##### Chairman

Born 1955, member since 3 January 1995,  
chairman since 24 August 2000  
Chairman of the executive board of  
Verband Süddeutscher Zuckerrübenanbauer e. V.

##### Board memberships<sup>1</sup>

- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany (Chairman)
- GoodMills Deutschland GmbH, Hamburg, Germany
- Vereinigte Hagelversicherung VVaG, Gießen, Germany

#### Franz-Josef Möllenberg<sup>2</sup>, Rellingen, Germany

##### 1st deputy chairman

Born 1953, member since 14 May 1992,  
1st deputy chairman since 26 August 1992  
Former chairman of the Food, Beverages and Catering Union

#### Erwin Hameseder, Mühlendorf, Austria

##### 2nd deputy chairman

Born 1956, member since 31 July 2003,  
2nd deputy chairman since 17 July 2014  
Chairman of Raiffeisen-Holding  
Niederösterreich-Wien reg. Gen. m. b. H.

##### Board memberships<sup>3</sup>

- UNIQA Insurance Group AG, Vienna, Austria (2nd deputy chairman)
- RWA Raiffeisen Ware Austria AG, Vienna, Austria
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Vienna, Austria

#### Thomas Bernhard<sup>2</sup>, Wunstorf, Germany

Born 1961, member since 20 July 2017  
Works council secretary of the Food, Beverages  
and Catering Union

##### Board memberships

- Dussmann Stiftung & Co. KGaA, Berlin, Germany

#### Dr. Jochen Fenner, Gelchsheim, Germany

Born 1952, member from 11 May 2005 to 20 July 2017  
Former Chairman of the executive board of Verband  
Fränkischer Zuckerrübenbauer e. V.

#### Dr. Melanie Frerichs<sup>2</sup>, Hamburg, Germany

Born 1975, member since 20 July 2017  
Divisional officer of the Food, Beverages and Catering Union

#### Helmut Friedl, Egling a. d. Paar, Germany

Born 1965, member since 16 July 2015  
Former Chairman of the executive board of Verband  
bayerischer Zuckerrübenanbauer e. V.

##### Board memberships

- BMG Donau-Lech eG, Mering, Germany

#### Yüksel Gediagac<sup>2</sup>, Berlin, Germany

Born 1968, member from 19 July 2012 to 20 July 2017  
Chairman of the central works council of Freiberger  
Lebensmittel GmbH & Co. Produktions- und Vertriebs KG

#### Veronika Haslinger, Vienna/Austria

Born 1972, member since 17 July 2014  
Managing director of Raiffeisen-Holding  
Niederösterreich-Wien reg. Gen. m. b. H.

##### Board memberships<sup>3</sup>

- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany

#### Ralf Hentzschel, Panschwitz-Kuckau, Germany

Born 1964, member since 21 July 2011  
Chairman of the general committee of Verband  
Sächsisch-Thüringischer Zuckerrübenanbauer e. V.

##### Board memberships

- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany (deputy chairman)

#### Wolfgang Kirsch, Königstein, Germany

Born 1955, member from 24 July 2007 to 20 July 2017  
Chairman of the executive board of DZ BANK AG

#### Georg Koch, Wabern, Germany

Born 1963, member since 21 July 2009  
Chairman of the general committee of Verband der  
Zuckerrübenanbauer Kassel e. V.  
Chairman of the executive board of Süddeutsche Zucker-  
rübenverwertungs-Genossenschaft eG

#### Susanne Kunschert, Stuttgart, Germany

Born 1970, member since 17 July 2014  
Managing partner of Pilz GmbH & Co. KG

##### Board memberships

- Karlsruhe Institute of Technology, Karlsruhe, Germany
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany

**Günther Link<sup>2</sup>, Oberickelsheim, Germany**

Born 1953, member since 15 July 2013  
Chairman of the works council at the Ochsenfurt plant of Südzucker AG

**Bernd Maiweg<sup>2</sup>, Aarbergen, Germany**

Born 1953, member from 13 February 2009 to 20 July 2017  
Former divisional officer of the Food, Beverages and Catering Union

**Julia Merkel<sup>4</sup>, Wiesbaden, Germany**

Born 1965, member since 20 July 2017  
Member of the executive board of R+V Versicherung AG

**Angela Nguyen<sup>2</sup>, Biederitz, Germany**

Born 1969, member since 20 July 2017  
Deputy chairwoman of the works council of Freiberger Osterweddingen GmbH & Co. KG

**Ulrike Rösch<sup>2</sup>, Bellheim, Germany**

Born 1970, member since 20 July 2017  
Deputy chairwoman of the central works council of Mannheim der Südzucker AG

**Joachim Rukwied, Eberstadt, Germany**

Born 1961, member since 24 July 2007  
President of Deutscher Bauernverband e. V.

**Board memberships**

- BAYWA AG, Munich, Germany
- Cost center Landesbauernverband Baden-Württemberg GmbH, Stuttgart, Germany (chairman)
- Kreditanstalt für Wiederaufbau, Frankfurt am Main, Germany
- LAND-DATA GmbH, Visselhövede (chairman)
- Landwirtschaftliche Rentenbank, Frankfurt am Main, Germany (chairman)
- LBV-Unternehmensberatungsdienste GmbH, Stuttgart, Germany (chairman)
- Messe Berlin GmbH, Berlin, Germany
- R+V Versicherung AG, Wiesbaden, Germany

**Ronny Schreiber<sup>2</sup>, Einhausen, Germany**

Born 1969, member from 29 July 2004 to 20 July 2017  
Chairman of the works council at the Mannheim head office of Südzucker AG

**Petra Schwalbe<sup>2</sup>, Berlin, Germany**

Born 1953, member from 19 September 2013 to 20 July 2017  
East district chairwoman of the Food, Beverages and Catering Union

**Nadine Seidemann<sup>2</sup>, Donauwörth, Germany**

Born 1982, member since 1 September 2013  
Member of the works council at the Rain plant of Südzucker AG

**Stefan Streng, Uffenheim, Germany**

Born 1968, member since 20 July 2017  
Chairman of the executive board of Verband Fränkischer Zuckerrübenbauer e. V.

**Franz-Rudolf Vogel<sup>2</sup>, Worms, Germany**

Born 1956, member since 24 July 2007  
Chairman of the central works council of Südzucker AG

**Wolfgang Vogl<sup>2</sup>, Bernried, Germany**

Born 1962, member since 1 March 2011  
Manager of the Plattling and Rain plants of Südzucker AG

**Rolf Wiederhold<sup>2</sup>, Wabern, Germany**

Born 1969, member since 1 March 2013  
Chairman of the works council at the Wabern plant of Südzucker AG

<sup>1</sup> Memberships in addition to Südzucker Group functions.

<sup>2</sup> Employee representative.

<sup>3</sup> Memberships in addition to Südzucker Group and Raiffeisen-Holding Niederösterreich-Wien Group functions.

<sup>4</sup> Memberships in addition to R+V Versicherung AG Group functions.

## Committees of the supervisory board

### Steering Committee

Dr. Hans-Jörg Gebhard  
 Franz-Josef Möllenberg  
 Erwin Hameseder  
 Franz-Rudolf Vogel

### Agriculture Committee

Dr. Hans-Jörg Gebhard (chairman)  
 Dr. Jochen Fenner until 20 July 2017  
 Helmut Friedl since 20 July 2017  
 Georg Koch  
 Günther Link  
 Ronny Schreiber until 20 July 2017  
 Nadine Seidemann since 20 July 2017  
 Wolfgang Vogl

### Audit Committee

Dr. Jochen Fenner (chairman) until 20 July 2017  
 Helmut Friedl (chairman) since 20 July 2017  
 Dr. Hans-Jörg Gebhard  
 Veronika Haslinger  
 Franz-Josef Möllenberg  
 Franz-Rudolf Vogel  
 Rolf Wiederhold

### Social Welfare Committee

Dr. Hans-Jörg Gebhard (chairman)  
 Dr. Jochen Fenner until 20 July 2017  
 Hartmut Friedl since 20 July 2017  
 Erwin Hameseder  
 Bernd Maiweg  
 Franz-Josef Möllenberg  
 Franz-Rudolf Vogel

### Arbitration Committee

Dr. Hans-Jörg Gebhard (chairman)  
 Erwin Hameseder  
 Franz-Josef Möllenberg  
 Franz-Rudolf Vogel

## Executive board

### Dr. Wolfgang Heer

Ludwigshafen am Rhein, Germany  
 CEO

Since 20 November 2012; member of the executive board since 1 March 2008; appointed until 28 February 2021

### Dr. Thomas Kirchberg

Ochsenfurt, Germany

Since 1 September 2007; appointed until 31 August 2022

### Thomas Kölbl

Speyer, Germany

Since 1 June 2004; appointed until 31 May 2019

#### Board memberships<sup>1</sup>

- K+S Aktiengesellschaft, Kassel, Germany

### Johann Marihart

Limberg, Austria

Since 31 January 1994; appointed until 31 January 2019

#### Board memberships<sup>1</sup>

- BBG Bundesbeschaffungsges. m. b. H., Vienna, Austria
- Österreichische Forschungsförderungsgesellschaft mbH, Vienna, Austria (deputy chairman)
- Ottakringer Getränke AG, Vienna, Austria
- Spanische Hofreitschule – Bundesgestüt Piber, Vienna, Austria (chairman)
- tecnet equity NÖ Technologiebeteiligungs-Invest GmbH, St. Pölten, Austria
- TÜV Austria Holding AG, Vienna, Austria (chairman)

<sup>1</sup> Memberships in addition to Südzucker Group functions.

## (38) List of shareholdings in accordance with section 313 (2) HGB

## I. Affiliated companies (fully consolidated)

	Shortcut	Location	Country	Direct shareholder	%
<b>Sugar segment</b>					
<b>Division business unit sugar</b>					
<b>Südzucker and sales companies</b>					
Südzucker AG	SZAG	Mannheim	Germany		
Sudzucker Hellas E.P.E.		Agios Dimitrios	Greece	SZH	99.94
				SZV	0.06
Sudzucker Ibérica S.L.U.		Barcelona	Spain	SZH	100.00
SÜDZUCKER DO BRASIL S/A – IMPORTAÇÃO E EXPORTAÇÃO		São Paulo	Brazil	SZH	100.00
				SZAG	0.00
Südzucker United Kingdom Limited		West Lothian	Great Britain	SZH	100.00
S.Z.I.L. LTD		Kfar Saba	Israel	SZH	100.00
<b>Sugar Belgium</b>					
Raffinerie Tirimontoise S.A.	RT	Bruxelles	Belgium	SZH	99.41
Nougat Chabert & Guillot SA	NC&G	Montélimar	France	SOGELAF	99.75
S.C.I. DU MARINET		Montélimar	France	SOGELAF	99.75
				NC&G	0.25
Rafti B.V.		Wijchen	Netherlands	TSNH	100.00
Raftir Nederland Beheer B.V.		Groningen	Netherlands	RT	100.00
S.O.G.E.L.A.F. SARL	SOGELAF	Paris	France	RT	100.00
Tiense Suikerraffinaderij Nederland Holding B.V.	TSNH	Wijchen	Netherlands	RT	100.00
Tiense Suikerraffinaderij Services g.c.v.		Bruxelles	Belgium	RT	100.00
				AGS	0.00
<b>Sugar France</b>					
Saint Louis Sucre S.A.S.	SLS	Paris	France	RT	99.80
Société Française d'Organisation et de Participations „S.F.O.P.“		Paris	France	SLS	100.00
<b>Sugar Poland</b>					
Südzucker Polska S.A.	SZPL	Wrocław	Poland	SZH	99.59
„POLTERRA“ Sp. z o.o.		Wrocław	Poland	SZPL	100.00
Przedsiębiorstwo Rolne „KLOS“ Sp. z o.o.		Wrocław	Poland	SZPLN	100.00
Südzucker Polska Nieruchomosci Sp. z o.o.	SZPLN	Wrocław	Poland	SZPL	100.00
<b>Division AGRANA sugar</b>					
<b>Sugar Austria</b>					
AGRANA Zucker GmbH	AZ	Wien	Austria	AB	98.91
				AMV	1.09
AGRANA ZHG Zucker Handels GmbH		Wien	Austria	AZ	100.00

	Shortcut	Location	Country	Direct shareholder	%
<b>Sugar Romania</b>					
AGRANA AGRO S.r.l.		Roman	Romania	AGR	99.00
				AZ	1.00
AGRANA BUZAU S.r.l.		Buzău	Romania	AGR	99.00
				AZ	1.00
AGRANA TANDAREI S.r.l.		Tandarei	Romania	AGR	99.00
				AZ	1.00
S.C. AGRANA Romania S.A.	AGR	Bukarest	Romania	AZ	98.64
				AIV&A	0.04
<b>Sugar Slovakia</b>					
Slovenské Cukrovary s.r.o.		Sereď	Slovakia	AZ	100.00
<b>Sugar Czech Republic</b>					
Moravskoslezské Cukrovary A.S.	MC	Hrušovany	Czech Republic	AZ	100.00
<b>Sugar Hungary</b>					
AGRANA Magyarország Értékesítési Kft.	AME	Budapest	Hungary	MCeF	99.70
				AZ	0.30
Biogáz Fejlesztő Kft.		Kaposvár	Hungary	AME	100.00
Koronás Irodaház Szolgáltató Korlátolt Felelősségű Társaság		Budapest	Hungary	MCeF	100.00
Magyar Cukorgyártó és Forgalmazó Zrt.	MCeF	Budapest	Hungary	AZ	87.60
<b>Sugar Bulgaria</b>					
AGRANA Trading EOOD		Sofia	Bulgary	AZ	100.00
<b>Sugar Bosnia</b>					
AGRANA BIH Holding GmbH	ABIH	Wien	Austria	AZ	75.00
				SZH	25.00
AGRANA d.o.o.		Brčko	Bosnia-Herzegovina	ABIH	100.00
<b>AGRANA Holding/other</b>					
AGRANA Beteiligungs-Aktiengesellschaft	AB	Wien	Austria	Z&S	78.34
				SZAG	2.74
AGRANA Group-Services GmbH	AGS	Wien	Austria	AB	100.00
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	AVM	Wien	Austria	AB	100.00
Agrana Research & Innovation Center GmbH		Wien	Austria	AB	100.00
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.		Wien	Austria	AB	66.67
<b>Division sugar Moldova</b>					
Südzucker Moldova S.A.	SZM	Chişinău	Moldova	SZH	99.97
Agro Credit S.R.L.		Drochia	Moldova	SZH	100.00
Agro-SZM S.R.L.		Drochia	Moldova	SZM	100.00
<b>Division agriculture</b>					
Agrar und Umwelt AG Loberaue	A&U	Rackwitz	Germany	SZAG	100.00
Rackwitzer Biogas GmbH		Rackwitz	Germany	A&U	100.00
Terra Sömmerda GmbH		Sömmerda	Germany	SZVW	100.00
Wolteritzer Agrar GmbH		Rackwitz	Germany	A&U	100.00
Zschortauer Agrar GmbH		Rackwitz	Germany	A&U	100.00
Zschortauer Futtermittel GmbH		Rackwitz	Germany	A&U	74.00



	Shortcut	Location	Country	Direct shareholder	%
<b>Sugar other</b>					
AHG Agrar-Holding GmbH <sup>1</sup>		Mannheim	Germany	SZAG	100.00
AGRANA Zucker, Stärke und Frucht Holding AG <sup>2</sup>	AZS	Wien	Austria	SZAG	50.00
Z & S Zucker und Stärke Holding AG	Z&S	Wien	Austria	AZS	100.00
AIH Agrar-Industrie-Holding GmbH	AIH	Mannheim	Germany	SZAG	100.00
BGD Bodengesundheitsdienst GmbH <sup>1</sup>		Mannheim	Germany	SZAG	100.00
Sächsisch-Thüringische Zuckerfabriken Verwaltungsgesellschaft mbH		Mannheim	Germany	SZAG	100.00
Südzucker Holding GmbH <sup>1</sup>	SZH	Mannheim	Germany	SZAG	100.00
Südzucker International Finance B.V.		Oud-Beijerland	Netherlands	SZAG	100.00
Südzucker Tiefkühl-Holding GmbH <sup>1</sup>	SZTK	Ochsenfurt	Germany	SZAG	100.00
Südzucker Versicherungs-Vermittlungs-GmbH		Mannheim	Germany	SZAG	51.00
Südzucker Verwaltungs GmbH <sup>1</sup>	SZVW	Mannheim	Germany	SZAG	100.00

**Special products segment**

<b>Division BENE0</b>					
BENE0 GmbH <sup>1</sup>	B	Mannheim	Germany	SZAG	100.00
BENE0 Asia Pacific Pte. Ltd.		Singapore	Singapore	BP	100.00
BENE0 Iberica S.L. Unipersonal		Barcelona	Spain	BO	100.00
BENE0 Inc.		Parsippany	USA	BP	100.00
BENE0 India Private Limited		New Delhi	India	BP	99.99
				B	0.01
BENE0 Latinoamerica Coordenação Regional Ltda.		São Paulo	Brazil	BO	100.00
				BP	0.00
BENE0-Orafti S.A.	BO	Oreye	Belgium	BR	100.00
				B	0.00
BENE0-Palatinit GmbH <sup>1</sup>	BP	Mannheim	Germany	B	85.00
				SZAG	15.00
BENE0-Remy N.V.	BR	Wijgmaal (Leuven)	Belgium	B	100.00
				BP	0.00
Veniremy N.V.		Wijgmaal (Leuven)	Belgium	BR	100.00
Orafti Chile S.A.		Pemuco	Chile	BO	99.99
				BP	0.01
REMY ITALIA S.P.A.		Confienza (PV)	Italy	BR	66.70
<b>Division Freiberger</b>					
Freiberger Holding GmbH <sup>1</sup>	FH	Berlin	Germany	SZTK	90.00
				SZAG	10.00
Alberto Lebensmittel GmbH		Berlin	Germany	FLG KG	100.00
Crestar Crusts Inc.		Braintree	USA	RF	100.00
Favorit Lebensmittel-Vertriebs GmbH		Berlin	Germany	FLM	100.00
Feinschmecker Eiscreme und Tiefkühlkost GmbH		Berlin	Germany	FH	100.00
Feinschmecker Feinkost GmbH	FF	Berlin	Germany	FLM	100.00

<sup>1</sup> By utilisation of the exemption provision of Art. 264, section 3 of the German Commercial Code.<sup>2</sup> Majority of voting rights.

	Shortcut	Location	Country	Direct shareholder	%
Freiberger France S.A.R.L.		St. Didier au Mont d'Or	France	FLM	100.00
Freiberger GmbH		Berlin	Germany	FLG KG	100.00
Freiberger Lebensmittel GmbH <sup>1</sup>	FLM	Berlin	Germany	FLG KG	100.00
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG <sup>2</sup>	FLG KG	Berlin	Germany	FH	100.00
Freiberger Osterweddingen GmbH & Co. KG <sup>2</sup>		Sülzetal	Germany	FLG KG	100.00
Freiberger Polska Sp.z o.o.		Warszawa	Poland	FLM	99.00
				FF	1.00
Freiberger UK Ltd.		Spalding	Great Britain	FLM	100.00
Freiberger USA Inc.	FLU	Parsippany	Germany	FLM	100.00
HASA GmbH		Burg	Germany	FLG KG	100.00
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.		Oberhofen	Austria	FLM	100.00
Richelieu Foods Inc.	RF	Braintree	USA	RH	100.00
Richelieu Group LLC		Braintree	USA	RF	100.00
Richelieu Holdco Inc.	RH	Braintree	USA	FLU	100.00
Sandhof Limited		Westhoughton	Great Britain	FLM	100.00
Stateside Foods Ltd.	SL	Westhoughton	Great Britain	SL	100.00
Willow Foods LLC		Braintree	USA	RF	100.00
<b>Division PortionPack Europe</b>					
PortionPack Europe Holding B.V.	PPEH	Oud-Beijerland	Netherlands	SZAG	100.00
Elite Portion Pack Belgium NV		Herentals	Belgium	PPEH	100.00
				PPH	0.00
Hellma Gastronomicky Servis Praha spol. s.r.o.		Praha	Czech Republic	PPEH	100.00
Hellma Gastronomie-Service GmbH <sup>1</sup>		Nürnberg	Germany	PPEH	100.00
Hellma Lebensmittel-Verpackungs-Gesellschaft m.b.H		Wien	Austria	PPEH	100.00
PortionPack Holland B.V.	PPH	Oud-Beijerland	Netherlands	PPEH	100.00
SAES The Portion Company, S.L.		La Llagosta (Barcelona)	Spain	PPEH	100.00
Single Source Limited	SSL	Telford / Shropshire	Great Britain	PPEH	100.00
Central Legal Funding Limited	CLF	Telford / Shropshire	Great Britain	SSL	75.00
Santeau Limited		Telford / Shropshire	Great Britain	CLF	100.00
Van Oordt Drukkerij B.V.		Oud-Beijerland	Netherlands	VOP	100.00
Van Oordt Landgraaf B.V.		Landgraaf	Netherlands	PPH	100.00
Van Oordt the portion company B.V.	VOP	Oud-Beijerland	Netherlands	PPH	100.00
<b>Division starch</b>					
AGRANA Stärke GmbH	AS	Wien	Austria	AB	98.91
				AMV	1.09
S.C. A.G.F.D. Tandarei S.r.l.		Tandarei	Romania	AS	100.00

<sup>1</sup> By utilisation of the exemption provision of Art. 264, section 3 of the German Commercial Code.

<sup>2</sup> By utilisation of the exemption provision of Art. 264b of the German Commercial Code.

	Shortcut	Location	Country	Direct shareholder	%
<b>CropEnergies segment</b>					
CropEnergies AG	CEAG	Mannheim	Germany	SZAG	69.19
Biowanze S.A.		Bruxelles	Belgium	CEAG	100.00
				CEB	0.00
Compagnie Financière de l'Artois SA	CF	Loon-Plage	France	CEAG	100.00
CropEnergies Beteiligungs GmbH	CEBet	Mannheim	Germany	CEAG	100.00
CropEnergies Bioethanol GmbH	CEB	Zeitz	Germany	CEBet	85.00
				CEAG	15.00
CropEnergies Inc.		Houston	USA	CEBet	100.00
Ensus UK Limited		Yarm	Great Britain	CEBet	100.00
RYSSSEN ALCOOLS SAS	RYS	Loon-Plage	France	CF	100.00
Ryssen Chile SpA		Lampa, Santiago de Chile	Chile	RYS	100.00

**Fruit segment****Division fruit preparations (AGRANA Fruit)**

AGRANA Fruit S.A.S.	AF	Paris	France	FA	100.00
AGRANA Fruit Argentina S.A.		Buenos Aires	Argentina	AF	84.82
				AFSS	15.17
AGRANA Fruit Australia Pty Ltd.	AF Aus	Central Mangrove	Australia	AF	100.00
AGRANA Fruit Management Australia Pty Limited		Sydney	Australia	AF Aus	100.00
AGRANA Fruit Austria GmbH	AFA	Gleisdorf	Austria	AF	99.98
				AIV&A	0.02
AGRANA Fruit Brasil Indústria, Comércio, Importação e Exportação Ltda.		São Paulo	Brazil	AFB	99.90
				AF	0.10
AGRANA Fruit Brasil Participações Ltda.	AFB	São Paulo	Brazil	AF	99.99
				AFA	0.01
AGRANA Fruit Dachang Co., Ltd.		Dachang	China	AF	75.00
				AFK	25.00
AGRANA Fruit Fiji Pty Ltd.		Sigatoka	Fiji	AF	100.00
AGRANA Fruit France S.A.S.		Mitry-Mory	France	AF	100.00
AGRANA Fruit Germany GmbH		Konstanz	Germany	AF	100.00
AGRANA FRUIT INDIA PRIVATE LIMITED		New Delhi	India	AF	99.99
				AFSG	0.01
AGRANA Fruit Istanbul Gıda Sanayi ve Ticaret A.Ş.		Istanbul	Turkey	AF	100.00
AGRANA Fruit (Jiangsu) Company Limited		Changzhou, Jiangsu Province	China	AF	100.00
AGRANA Fruit Korea Co. Ltd.	AFK	Seoul	South Korea	AF	100.00
AGRANA Fruit Latinoamérica S. de R.L. de C.V.		Michoacan	Mexico	AF	99.99
				AFSG	0.01
AGRANA Fruit Luka TOV		Vinnitsa	Ukraine	AF	99.97
AGRANA Fruit México, S.A. de C.V.		Michoacan	Mexico	AFUS	100.00
AGRANA Fruit Polska SP z o.o.		Ostroleka	Poland	AF	100.00

	Shortcut	Location	Country	Direct shareholder	%
AGRANA Fruit Services GmbH	AFSG	Wien	Austria	AF	100.00
AGRANA Fruit Services S.A.S.	AFSS	Mitry-Mory	France	AF	100.00
AGRANA Fruit South Africa (Proprietary) Ltd.		Johannesburg	South Africa	AF	100.00
AGRANA Fruit Ukraine TOV		Vinnitsa	Ukraine	AF	99.80
AGRANA Fruit US, Inc.	AFUS	Brecksville	USA	AF	100.00
AGRANA Nile Fruits Processing SAE		Qalyoubia	Egypt	AF	51.00
Dirafrost FFI N. V.	DFFI	Herk-de-Stad	Belgium	AF	100.00
Dirafrost Maroc SARL		Laouamra	Marocco	DFFI	100.00
Financière Atys S.A.S.	FA	Paris	Frankreich	AIV&A	100.00
Main Process S.A.		Buenos Aires	Argentina	Sud	95.00
				AF	4.75
				AFSS	0.25
o.o.o. AGRANA Fruit Moscow Region		Serpuchov	Russia	AF	100.00
Sudinver S.A.	Sud	Buenos Aires	Argentina	AF	95.00
				AFSS	5.00
Yube d.o.o.		Požega	Serbia	DFFI	100.00
<b>Division fruit juice concentrates (AUSTRIA JUICE)</b>					
AUSTRIA JUICE GmbH	AJU	Allhartsberg	Austria	AIV&A	50.01
AGRANA JUICE (XIANYANG) CO., LTD		Xianyang City	China	AJU	100.00
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Germany	AJU	100.00
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100.00
AUSTRIA JUICE Hungary Kft.		Vásárosnamény	Hungary	AJU	100.00
AUSTRIA JUICE Poland Sp. z.o.o		Chelm	Poland	AJU	100.00
AUSTRIA JUICE Romania S.r.l.		Vaslui	Romania	AJU	100.00
AUSTRIA JUICE Ukraine TOV		Vinnitsa	Ukraine	AJU	100.00
<b>Fruit other</b>					
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	AIV&A	Wien	Austria	AB	98.91
				AMV	1.09

TABLE 117

## II. Joint ventures / associated companies (consolidated at equity)

	Shortcut	Location	Country	Direct shareholder	%
<b>Sugar segment</b>					
<b>Business unit sugar</b>					
<b>Division Südzucker and sales companies</b>					
Maxi S.r.l.		Bolzano	Italy	SZH	50.00
<b>Division AGRANA sugar</b>					
<b>Sugar Bosnia</b>					
„AGRAGOLD“ d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00
AGRAGOLD d.o.o.		Zagreb	Croatia	ASB	100.00
AGRAGOLD doool Skopje		Skopje	Macedonia	ASB	100.00
AGRAGOLD trgovina d.o.o.		Ljubljana	Slovenia	ASB	100.00
AGRANA Studen Sugar Trading GmbH		Wien	Austria	ABIH	50.00
AGRANA-STUDEN Albania sh.p.k.		Tirane	Albania	ASB	100.00
AGRANA-STUDEN Beteiligungs GmbH	ASB	Wien	Austria	ABIH	50.00
AGRANA-STUDEN Kosovo L.L.C.		Prishtina	Kosovo	ASB	100.00
Company for trade and services AGRANA-STUDEN Serbia d.o.o. Beograd		Beograd	Serbia	ASB	100.00
STUDEN-AGRANA Rafinerija Secera d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00
<b>Sugar other</b>					
ED&F MAN Holdings Limited		London	Great Britain	SZH	34.74
<b>Special products segment</b>					
<b>Division PortionPack Europe</b>					
Collaborative Packing Solutions [Pty] Ltd		Johannesburg	South Africa	PPEH	40.00
<b>Division starch</b>					
GreenPower E85 Kft		Szabadegyháza	Hungary	HK	100.00
HUNGRANA Keményítő- és Isocukorgyártó és Forgalmazó Kft.	HK	Szabadegyháza	Hungary	AS	50.00
HungranaTrans Kft.		Szabadegyháza	Hungary	HK	100.00
<b>CropEnergies segment</b>					
CT Biocarbonic GmbH		Zeitz	Germany	CEBet	50.00

TABLE 118

### III. Companies of minor importance and other investments > 20 % (not consolidated)

	Shortcut	Location	Country	Direct shareholder	%
<b>Affiliated companies (not included)</b>					
<b>Sugar segment</b>					
<b>Division AGRANA sugar</b>					
<b>Sugar Bosnia</b>					
AGRANA Croatia d.o.o.		Zagreb	Croatia	AZ	100.00
AGRANA Makedonija DOOEL Skopje		Skopje	Macedonia	AZ	100.00
<b>AGRANA Holding/other</b>					
Österreichische Rübensamenzucht Gesellschaft m.b.H.		Wien	Austria	AZ	86.00
<b>Sugar other</b>					
Acucar e Alcool do Sul Participacoes Ltda.		São Paulo	Brazil	SZH	100.00
				AIH	0.00
Arbeitsgemeinschaft für Versuchswesen und Beratung im Zuckerrübenanbau Zeitz GmbH		Kretzschau	Germany	SZAG	80.00
Sächsisch-Thüringische Zuckerfabriken GmbH & Co. KG		Mannheim	Germany	SZAG	100.00
Südprojekt Immobilienverwaltungsgesellschaft mbH		Mannheim	Germany	SZAG	100.00
Südtrans GmbH		Mannheim	Germany	SZAG	100.00
Südzucker Beteiligungs GmbH		Mannheim	Germany	SZAG	100.00
Südzucker International GmbH		Ochsenfurt	Germany	SZH	100.00
Südzucker Reise-Service GmbH		Mannheim	Germany	SZAG	100.00
Südzucker Verkauf GmbH	SZV	Mannheim	Germany	SZH	100.00
<b>Special products segment</b>					
<b>Division starch</b>					
AGRANA Skrob s.r.o. v likvidaci		Hrušovany	Czech Republic	AS	100.00
AGRANA Amidi srl		Sterzing (BZ)	Italy	AS	100.00

	Shortcut	Location	Country	Direct shareholder	%
<b>Joint ventures / associated companies (not included)</b>					
<b>Sugar segment</b>					
<b>Division business unit sugar</b>					
<b>Sugar Belgium</b>					
Food Port N.V.		Tienen	Belgium	RT	35.71
<b>Sugar France</b>					
Sucrierie et Distillerie de Souppes-Ouvré Fils S.A.		Paris	France	SLS	44.50
<b>Division AGRANA sugar</b>					
<b>Sugar Bosnia</b>					
SCO STUDEN & CO. BRASIL EXPORTACAO E IMPORTACAO LTDA.		São Paulo	Brazil	ASB	100.00
<b>Sugar other</b>					
Felix Koch Offenbach Couleur und Karamel GmbH		Offenbach	Germany	SZH	25.10
Liquid Feed Europe Holding B.V.		Oud-Beijerland	Netherlands	SZH	50.00
Maritime Investment Holdings Pte. Ltd		Singapore	Singapore	SZH	25.00
<b>Special products segment</b>					
<b>Division BENELO</b>					
INVITA Australia PTE Ltd		Balgowlah	Australia	BP	35.00
<b>Other participations &gt; 20% (not included)</b>					
<b>Sugar segment</b>					
<b>Division business unit sugar</b>					
<b>Sugar France</b>					
GARDEL S.A.		Le Moule	France	SLS	24.28
<b>Division AGRANA sugar</b>					
<b>Sugar Hungary</b>					
Cukoripari Egyesülés		Budapest	Hungary	MCeF	44.27

TABLE 119

### (39) Proposed appropriation of earnings

Retained earnings of Südzucker AG amount to € 91.9 million. The executive board proposes that a dividend of € 0.45 per share be distributed and be appropriated as follows:

		2017/18
Issued shares	Number	204,183,292
Dividends	€	0.45
Dividend amount	€	91,882,481.40
Earnings carried forward	€	32,001.62
<b>Retained earnings</b>	<b>€</b>	<b>91,914,483.02</b>

TABLE 120

To the extent that treasury shares are available on the day of the general meeting, the proposed resolution will be amended so that the distribution of € 0.45 per dividend-bearing share is maintained and the corresponding higher remainder carried forward. The annual general meeting will take place on 19 July 2018; the dividend will be paid on 24 July 2018.

### (40) Events after the balance sheet date

No events of particular significance have occurred since 28 February 2018 that are expected to have a material impact on the company's financial position and performance.



# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the financial position and performance of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Mannheim, 23 April 2018  
THE EXECUTIVE BOARD



DR. WOLFGANG HEER  
(CEO)



DR. THOMAS KIRCHBERG



THOMAS KÖLBL



JOHANN MARIHART

The financial statements and the management report of Südzucker AG, prepared in accordance with German accounting principles and upon which PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has issued an unqualified auditors' report, will be submitted to the operator of the Federal Gazette (Bundesanzeiger Verlagsgesellschaft mbH, Cologne) and published in the Federal Gazette. The financial statements and the management report can be obtained from the company on request.

# INDEPENDENT AUDITOR'S REPORT

To Südzucker AG, Mannheim

## Report on the audit of the consolidated financial statements and of the group management report

### Audit Opinions

We have audited the consolidated financial statements of Südzucker AG, Mannheim, and its subsidiaries (the Group), which comprise the balance sheet as at 28 February 2018 and the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the financial year from 1 March 2017 to 28 February 2018, and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Südzucker AG for the financial year from 1 March 2017 to 28 February 2018. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 28 February 2018, and of its financial performance for the financial year from 1 March 2017 to 28 February 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

## Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 March 2017 to 28 February 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Recoverability of goodwill
- ② Hedging of sugar sales
- ③ Provisions for litigation and risk precautions
- ④ Acquisition of the Richelieu group of companies (USA)

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

### ① Recoverability of goodwill

① In the consolidated financial statements of Südzucker AG goodwill amounting in total to EUR 1,389.5 million is reported under the "Intangible assets" balance sheet item. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. On this basis, the Company carries out impairment tests once a year or if there are indications that goodwill may be impaired. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. The measurements for each group of cash-generating units are derived from the current five-year plan adopted by the executive directors and approved by the supervisory board. The discount rate used is the weighted cost of capital for the respective group of cash-generating units. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation models, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purpose of performing the impairment tests and examined the calculation of the weighted cost of capital, among other things. We assessed the appropriateness of the future cash inflows used in the valuation, including by matching these against the current budget projections in the five-year plan adopted by the executive directors and approved by the supervisory board, as well as by reconciliation with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have material effects on the goodwill calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, including the average cost of capital, and assessed the calculation model. Due to the material significance of goodwill and the fact that its measurement also depends on economic conditions that are outside of the Company's sphere of influence, we evaluated the Company's additional sensitivity analyses and found that the respective goodwill was adequately covered by discounted future cash flows. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on goodwill are contained in section 21 of the notes to the consolidated financial statements.

#### ④ Hedging of sugar sales

① With the abolition of the EU quota regulations and the lifting of export restrictions as at October 1, 2017, sugar prices are increasingly being determined by trends in global market prices. Accordingly, the use of derivatives to hedge sugar prices also continued to gain in importance in the financial year. At an organizational level, the Südzucker Group has met these requirements on a centralized basis by combining the respective Group activities in Südzucker AG's Global Markets department. The use of derivative financial instruments is governed by a Group policy on managing operating price risk. In the consolidated financial statements of Südzucker AG market values of sugar derivatives amounting to EUR 31.5 million respectively EUR –9.9 million are reported under the balance sheet items "Other assets" respectively "Other liabilities", which are used to hedge against price risk arising from sugar sales based on global market prices, and are included in valuation units. As at the balance sheet date, currency forwards were also used to hedge the currency risk associated with these sugar sales. They are also included in valuation units and had a positive market value of EUR 3.0 million and a negative market value of EUR –0.5 million. For the accounting treatment of these valuation units the cash flow hedge accounting pursuant to the requirements of IAS 39 is applied. In doing so changes in fair value that relate to the effective portion of the hedging relationship are recognized in other comprehensive income over the duration of the hedging relationship until the occurrence of the hedged item. Any ineffective portions are recognized in the statement of profit or loss. Due to the lifting of export restrictions in the current financial year and the associated increase in transactions, and the extensive accounting and reporting requirements under IAS 39 within the Group, this matter was of particular significance in the context of our audit.

② As part of our audit and with the assistance of our internal specialists from Corporate Treasury Solutions, we examined the processes relating to the hedging of sugar sales, including the changes made to processes and organization in the financial year and the strategic developments in risk management, and assessed the appropriateness of these. We evaluated both the strategic, operational and procedural development of sugar price management, as well as the accounting recognition of sugar hedges, based on the documentation prepared by Südzucker AG and the contracts available. In addition, we assessed the accounting documents provided to us for their consistency with the requirements of the International Accounting Standards. Specifically, this included the conditions to apply hedge accounting, including the preparation of a corresponding effectiveness test. Moreover, we examined the accounting entries to recognize the relevant items and their reporting in the balance sheet and statement of profit or loss, and assessed compliance with the applicable accounting requirements. We were able to satisfy ourselves that the conditions for applying hedge accounting are sufficiently substantiated and documented.

③ The Company's disclosures on (derivative) financial instruments, on the application of hedge accounting and on price risk management are contained in particular in sections 31 and 32 of the notes to the consolidated financial statements.

#### ⑤ Provisions for litigation and risk provisioning

① In the financial statements of Südzucker AG provisions for litigations and risk provisioning amounting to EUR 179.6 million are reported under the "Other provisions" balance sheet item. These concern litigation under market regulation proceedings, proceedings relating to operational contractual relationships, and antitrust law risks, including fines and damages. The risk assessment to be carried out on developments in litigation and the appraisal of whether or not an existing legal dispute requires a provision to be recognized to cover the risk, and if so, in what amount the current obligation must be measured, is influenced to a high extent by estimates and assumptions on the part of the executive directors. Against this background, this matter is of particular significance from our point of view.

② As part of our audit we assessed the process established by the Company for ensuring that a legal dispute is reported, its outcome is assessed, and the dispute is accounted for. This assessment also included a substantive evaluation of the material legal risks. With the knowledge that estimated values result in an increased risk of accounting misstatements and that the executive directors' recognition and measurement decisions have a direct effect on consolidated net profit, we evaluated the appropriateness of the carrying amounts, including by comparing these with historical data, examining the consistent application of the calculation model and inspecting the underlying documents. Furthermore, we also hold regular meetings with the Company's legal department in order to receive updates on current developments and the reasons for the corresponding estimates. The development of material legal disputes, including the executive directors' estimates on their potential outcomes, is provided to us by the Company in writing. As at the balance sheet date, we also obtained external legal confirmations that support the executive directors' assessments. We were able to examine the estimates made by the executive directors in respect of recognizing and measuring the provisions for litigation and the associated risk provisioning in the consolidated financial statements. We consider the estimates made by the executive directors to be appropriate.

③ The Company's disclosures relating to provisions for litigation and risk provisioning are contained in section 28 of the notes to the consolidated financial statements.

#### ④ Acquisition of the Richelieu group of companies (USA)

① In the financial year, the Group acquired all shares of the Richelieu Foods Inc. group of companies, Braintree, Massachusetts, USA. The purchase price for the acquisition totaled USD 455.4 million (EUR 385.8 million). In general, the acquired assets and liabilities are recognized at fair value as at the acquisition date. Taking into consideration the acquired net assets of USD 247.2 million (EUR 208.1 million) the acquired goodwill amounts to USD 208.2 million (EUR 177.7 million). Due to the material impact in terms of amount that the acquisition had overall on the assets, liabilities, financial position, and financial performance of the Südzucker Group and given the complexity of measuring acquisitions, this matter was of particular significance in the context of our audit.

② As part of our audit of the accounting treatment of the acquisition, we initially inspected and examined the corresponding contractual agreements and reconciled the purchase price paid as consideration for the shares received with the supporting payment documentation provided to us. We assessed the underlying opening balance sheet figures for the acquisition. An external valuation report was provided for the material fair values, in particular of customer relationships and brands, which we evaluated. Furthermore, we used checklists to establish whether the requirements set out in IFRS 3 for disclosures in the notes to the consolidated financial statements had been complied with in full. Overall, based on these and other audit procedures performed and taking in consideration the information available, we were able to satisfy ourselves that the acquisition of the shares was appropriately presented.

③ The Company's disclosures relating to the acquisitions are contained in section 2 of the notes to the consolidated financial statements.

## Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance and Responsibility" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (except for the remuneration report)
- the non-financial group statement pursuant to § 315b Abs. 1 HGB included in section "Corporate Governance and Responsibility" of the group management report including the related disclosures integrated in the group management report

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



## OTHER LEGAL AND REGULATORY REQUIREMENTS

### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 20 July 2017. We were engaged by the supervisory board on 20 July 2017. We have been the group auditor of Südzucker AG, Mannheim, without interruption since the financial year 2003/2004.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

### German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Michael Conrad.

Frankfurt am Main, 23 April 2018  
PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft



**MICHAEL CONRAD**  
WIRTSCHAFTSPRÜFER  
(GERMAN PUBLIC AUDITOR)



**PPA. CHRISTINA PÖPPERL**  
WIRTSCHAFTSPRÜFERIN  
(GERMAN PUBLIC AUDITOR)

# ADDITIONAL INFORMATION

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# GLOBAL REPORTING INITIATIVE

In this annual report, Südzucker discusses group sustainability programs. Südzucker complies with the Global Reporting Initiative standards, CORE, when collecting and presenting the material data that relate to its business activities.

## Organizational and content related reporting scope

To the extent available, the tables and graphs include data from four previous years. If this is not the case, the information relates to the fiscal year just ended or the calendar year.

### Organizational reporting boundaries

The sustainability information presented in this annual report applies principally to all fully consolidated Südzucker Group companies.

The information on energy, emissions, water and waste applies exclusively to production sites. In the sugar segment, these are still the sugar factories in the EU and INSTANTINA Nahrungsmittel- und Produktionsgesellschaft m.b.H., Vienna, Austria. For the special products segment, the report covers the production locations of the BENE0, Freiburger and starch divisions.

The locations of HASA GmbH and Richelieu Foods Inc., Braintree, Massachusetts, both acquired during the fiscal year just ended, are not yet included in the Freiburger division report. The production plant in Zeitz was included in the starch division's statements for the first time. All CropEnergies production locations are included in its report. The operating site of Main Process S.A., Buenos Aires, Argentina, purchased in 2016/17, was added to the fruit segment's list of consolidated production locations. The fruit preparations company in India only started production toward the end of fiscal 2017/18 and is not yet included.

### Content related boundaries

#### (1) Assessment of suppliers regarding human rights aspects, work practices and environmental factors

Because of the importance of agricultural raw materials for production, Südzucker restricts the report to agricultural raw material suppliers (sugar beets, grain, potatoes, fruits) and to subsuppliers from the food industry (for example, dairy products, vegetables and meat processing companies for pizza production, frozen fruit pieces).

#### (2) Energy consumption and emissions

As agricultural raw materials such as sugar beets, grain, potatoes and fruits that Südzucker processes are influenced by various annual fluctuations during the growing and harvesting periods, the specific energy consumption related to production can vary. As a result, information related to total energy

consumption and/or emissions between individual reporting periods can fluctuate considerably.

The reports on energy consumption and emissions according to GRI relate to production and are restricted to direct and indirect energy related emissions classified as Scope 1 and Scope 2 as defined by the Greenhouse Gas Protocol. Direct energy related emissions (Scope 1) comprise the direct use of fossil fuels (gas, oil and coal) and renewable energy fuels (biomass) to generate electricity and process heat in the company's own power stations. Indirect energy related emissions (Scope 2) relate to the consumption of purchased energy such as electricity or steam, that contribute to indirect energy related emissions.

Energy flows at the multipurpose sites are attributable to various segments. Segment-based reporting made it necessary to make appropriate adjustments when compiling data in order to avoid double counting emissions as Scope 1 and Scope 2.

#### (3) Water withdrawal and water discharge

No data is provided on water use related to producing the agricultural raw materials in the upstream segments of the value chain.

#### (4) Waste

Südzucker applies a consistent definition of products and waste throughout the group, which may deviate from heterogeneous local waste regulations. Accordingly, products such as press pellets, Carbokalk and grape pulp are categorized as a product, not waste, if they are subsequently refined to produce high quality feed or fertilizer.

#### (5) Products

The information provided regarding energy use, emissions, water withdrawal and supply relate to the total production volume. No further distinction is made between primary products and byproducts.

## Report profile and validation

The sustainability reporting was again integrated into the financial report in fiscal 2017/18. The report is restricted to material sustainability topics and activities and aims to provide balanced, clear, accurate, current, comparable and reliable information. The content and data contained in this report were prepared using internal processes. They are sourced from existing management and reporting systems and were provided in response to questionnaires sent to the operating arms of the segments or divisions. The content of the reports was checked by employees with expertise regarding the subject at hand.

The auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, audited the content of the sustainability information as part of the non-financial statement with limited assurance engagement.

## Index of the standard GRI information presented in the report

GRI	Description	Page
<b>GRI 102: General disclosures</b>		
<b>Organizational profile</b>		
102-1	Name of the organization	28
102-2	Activities, brands, products, and services	Cover flap text
102-3	Location of headquarters	28
102-4	Location of operations	Cover flap text
102-5	Ownership and legal form	17
102-6	Markets served	59, 66, 71, 76
102-7	Scale of the organization	Cover flap text
102-8	Information on employees and other workers	40 ff
102-9	Supply chain	37 ff
102-10	Significant changes to the organization and its supply chain	–
102-11	Precautionary Principle or approach	33 ff
102-12	Voluntary membership in external initiatives	35
102-13	Membership of associations	45
<b>Strategy</b>		
102-14	Statement from senior decision-maker	3 ff
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behavior	31–46, 98 f
<b>Governance</b>		
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<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	33
102-41	Collective bargaining agreements	43
102-42	Identifying and selecting stakeholders	33
102-43	Approach to stakeholder engagement	33
102-44	Key topics and concerns raised	33 ff
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	205
102-46	Defining report content and topic Boundaries	205
102-47	List of material topics	33 ff
102-48	Restatements of information	–
102-49	Changes in reporting	205
102-50	Reporting period	01.03. – 28./29.02.
102-51	Date of most recent report	23 April 2018
102-52	Reporting cycle	annually
102-53	Contact point for questions regarding the report	Cover flap
102-54	Claims of reporting in accordance with the GRI Standards	205
102-55	GRI content index	206 ff
102-56	External assurance	206

GRI	Description	Page
<b>GRI 103: Management approach</b>		
103-1	Explanation of the material topic and its Boundary	31–46, 98 f
103-2	The management approach and its components	31–46, 98 f
103-3	Evaluation of the management approach	31–46, 98 f
<b>GRI 200: Topic-specific standards: economic</b>		
<b>Economic performance</b>		
201-2	Financial implications and other risks and opportunities due to climate change	86 ff
<b>Procurement practices</b>		
204-1	Proportion of spending on local suppliers	44 ff
<b>Anti-corruption</b>		
205-1	Operations assessed for risks related to corruption	98 f
205-3	Confirmed incidents of corruption and actions taken	— <sup>1</sup>
<b>Anti-competitive behavior</b>		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	90
<b>GRI 300: Topic-specific standards: environmental</b>		
<b>Materials</b>		
301-1	Materials used by weight or volume	37 ff
<b>Energy</b>		
302-3	Energy intensity	36, 64, 69, 74 f, 78
<b>Water</b>		
303-1	Water withdrawal by source <i>Omissions: Water withdrawal is not subdivided into categories because this data is currently not completely available within the group.</i>	37, 65, 69, 75, 78 f
<b>Emissions</b>		
305-4	GHG emissions intensity	36, 64, 69, 74, 78
<b>Effluents and waste</b>		
306-1	Water discharge by quality and destination	37, 65, 69, 75, 78 f
306-2	Waste by type and disposal method	37, 65, 70, 75, 79
<b>Supplier environmental assessment</b>		
308-1	New suppliers that were screened using environmental criteria	37 f
308-2	Negative environmental impacts in the supply chain and actions taken	37 ff

<sup>1</sup> No major corruption cases have been reported in the year under review.

GRI	Description	Page
<b>GRI 400: Material topics – social</b>		
<b>Employment</b>		
401-1	New employee hires and employee turnover <i>Omissions: Data on employee turnover is not categorized by region as this information is considered confidential.</i>	42
<b>Occupational health and safety</b>		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities <i>Omissions: For information collected concerning on-the-job accidents, gender-specific data are withheld because of the Data Protection Act. Since Südzucker has very little influence on the reported statistics; for example because of regional laws, neither is the information subdivided by region. For reasons of confidentiality, sick leave statistics are only provided at the group level. Neither are data regarding work-related illnesses collected. This is usually the responsibility of the trade associations. Accident statistics for associated partner companies are currently not collected.</i>	42f
<b>Diversity and Equal Opportunity</b>		
405-1	Diversity of governance bodies and employees <i>Omissions: No employee data according to department is collected. Management statistics are not categorized by region as such information is considered confidential.</i>	8 f, 40 f, 182 f
<b>Human rights assessment</b>		
412-1	Operations that have been subject to human rights reviews or impact assessments	46
<b>Supplier social assessment</b>		
414-1	New suppliers that were screened using social criteria	37 ff
<b>Customer health and safety</b>		
416-1	Assessment of the health and safety impacts of product and service categories	44
<b>Marketing and labeling</b>		
417-2	Incidents of non-compliance concerning product and service information and labeling	2017/18: Zero

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## Forward looking statement / forecasts

This report contains forward looking statements. The statements are based on current estimates and financial projections made by the executive board and information currently available to its members. The forward looking statements are not to be viewed as guarantees of the future developments and results presented therein. Future developments and results are in fact dependent on a variety of factors and are subject to various risks and imponderables. They are based on assumptions that could in fact prove to be invalid. The Risks and Opportunities section of this annual report provides a summary of potential risks. We assume no obligation to update the forward-looking statements made in this report.

## CONTACTS

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### Investor Relations

Nikolai Baltruschat  
investor.relations@suedzucker.de  
Phone: +49 621 421-240  
Fax: +49 621 421-449

### Financial press

Dr. Dominik Risser  
public.relations@suedzucker.de  
Phone: +49 621 421-428  
Fax: +49 621 421-425

### Sustainability

Dr. Volker Proffen  
sustainability@suedzucker.de  
Phone: +49 621 421-547  
Fax: +49 621 421-399

### Südzucker on the Internet

For more information about Südzucker Group please visit our website: [www.suedzucker.de](http://www.suedzucker.de)

### Published by

Südzucker AG  
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Phone: +49 621 421-0

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## FINANCIAL CALENDAR

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### Q1

1st quarter report 2018/19  
12 July 2018

Annual general meeting  
for fiscal 2017/18

19 July 2018

### Q2

1st half year report 2018/19  
11 October 2018

### Q3

1st to 3rd quarter report 2018/19  
10 January 2019

Press and analysts' conference  
fiscal 2018/19

16 May 2019

### Q1

1st quarter report 2019/20  
11 July 2019

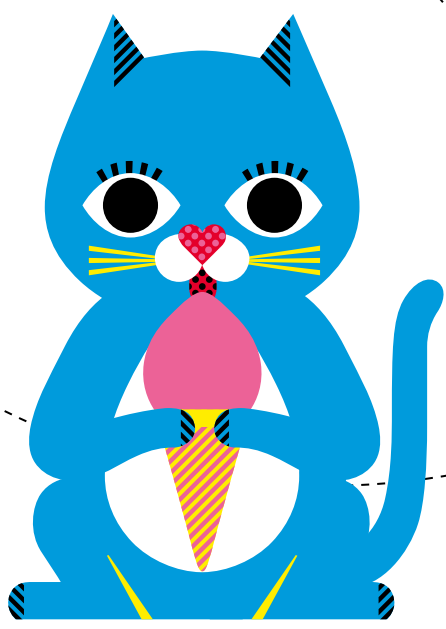
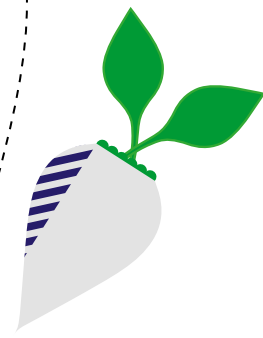
Annual general meeting  
for fiscal 2018/19

18 July 2019

### On this report

The annual report is also available in German. This translation is provided for convenience only and should not be relied upon exclusively. The German version of the annual report is definitive and takes precedence over this translation. The annual report (in German and English) and the Südzucker AG financial statements can be downloaded in PDF format from Südzucker's website at [www.suedzucker.de](http://www.suedzucker.de).

Südzucker AG's fiscal year is not aligned with the calendar year. It covers the period from 1 March to 28/29 February. The numbers in parenthesis in the report represent the corresponding prior year's figures or item. Numbers and percentages stated are subject to differences due to rounding.



**Südzucker AG**

Maximilianstraße 10  
68165 Mannheim  
Phone: +49 621 421-0

