STRONG FOR THE FUTURE

ANNUAL REPORT 2016/17
SÜDZUCKER AG

SÜDZUCKER

CONTENTS

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.

CONTENTS

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 2016/17

€ **6,476** [6,387] million
CONSOLIDATED GROUP REVENUES

€ **426** [241] million
GROUP CONSOLIDATED OPERATING RESULT

€ **634** [480] million
CASHFLOW

€ **493** [371] million
INVESTMENTS, thereof

€ **329** [371] million
INVESTMENTS IN FIXED ASSETS

7.1 [4.2] %
ROCE rises

€ **6.0** [5.8] billion
CAPITAL EMPLOYED

€ **413** [555] Mio.
NET FINANCIAL DEBT falls significantly

16,908
NUMBER OF SÜDZUCKER GROUP EMPLOYEES

The increase of the operating profit was mainly driven by the sugar segment, but all other segments also contributed. Cash flow tracks operating result and rises sharply.

OUTLOOK 2017/18

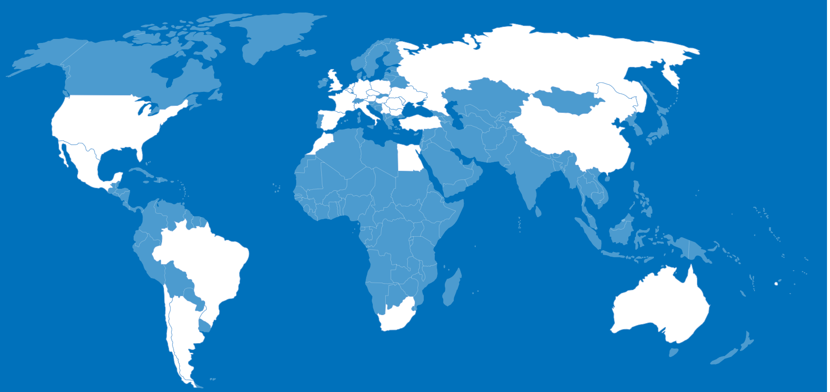
€ **6.7** to **7.0** billion
CONSOLIDATED GROUP REVENUES expected

€ **425** to **500** million
OPERATING RESULT expected to rise

About € **350** million
INVESTMENTS IN FIXED ASSETS

CAPITAL EMPLOYED to rise slightly;
ROCE to increase.

About **100**
PRODUCTION LOCATIONS in 31 countries



Südzucker Group worldwide

SUGAR

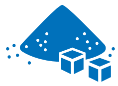
€ **2,776** [2,855] million
REVENUES

€ **72** [–79] million
OPERATING RESULT

€ **3,169** [3,041] million
CAPITAL EMPLOYED

2.3 [–2.6] %
ROCE

Sugar segment operating result clearly positive despite lower revenues, due especially to higher income from sugar.



EUROPEAN MARKET LEADER

28.6 million tonnes
BEETS PROCESSED

4.7 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

€ **1,819** [1,791] million
REVENUES

€ **184** [171] million
OPERATING RESULT

€ **1,499** [1,436] million
CAPITAL EMPLOYED

12.2 [11.9] %
ROCE

Special products segment again reports higher revenues and operating result thanks to continued volume growth.

BENEO: Functional ingredients for food, animal feed, non-food and pharmaceutics

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

PORTIONPACK EUROPE: Portion Packs

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

22
PRODUCTION-LOCATIONS

5 Germany (BENEO/Freiberger/Starch)
2 Belgium (BENEO)
2 Great Britain (Freiberger/PPE)
1 Italy (BENEO)
2 Netherlands (PPE)
4 Austria (Freiberger/Starch)
1 Romania (Starch)
1 Spain (PPE)
1 Czech Republic (PPE)
1 Hungary (Starch)
1 Chile (BENEO)
1 South Africa (PPE)

CROPENERGIES

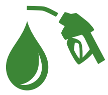
€ **726** [658] million
REVENUES

€ **98** [87] million
OPERATING RESULT

€ **479** [490] million
CAPITAL EMPLOYED

20.4 [17.7] %
ROCE

CropEnergies segment able to increase revenues. Operating result higher still, especially due to higher production and sales volumes.



One of the leading European manufacturers of sustainably produced bioethanol, predominantly for the fuel sector

ANNUAL PRODUCTION CAPACITY:
1.2 million m³
BIOETHANOL

JOINT VENTURE IN GERMANY:
Factory for production of food carbon dioxide

4
PRODUCTION-LOCATIONS

1 Germany
1 Belgium
1 France
1 Great Britain

FRUIT

€ **1,155** [1,083] million
REVENUES

€ **72** [62] million
OPERATING RESULT

€ **866** [823] million
CAPITAL EMPLOYED

8.3 [7.5] %
ROCE

Fruit segment improves revenues and operating result, driven especially by higher income from fruit juice concentrates.

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

39
PRODUCTION-LOCATIONS

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

KEY FIGURES

		2016/17	2015/16	2014/15	2013/14	2012/13
Revenues and earnings						
Revenues	€ million	6,476	6,387	6,778	7,533	7,879
EBITDA	€ million	709	518	453	889	1,246
EBITDA margin	%	10.9	8.1	6.7	11.8	15.8
Operating result	€ million	426	241	181	622	972
Operating margin	%	6.6	3.8	2.7	8.3	12.3
Net earnings	€ million	312	181	74	387	734
Cash flow and investments						
Cash flow	€ million	634	480	389	697	996
Investments in fixed assets [1]	€ million	329	371	386	377	338
Investments in financial assets / acquisitions	€ million	164	0	1	22	183
Total investments	€ million	493	371	387	399	521
Performance						
Fixed assets [1]	€ million	2,972	2,869	2,832	2,699	2,676
Goodwill	€ million	1,191	1,145	1,145	1,145	1,147
Working capital	€ million	1,737	1,665	1,787	1,916	2,015
Capital employed	€ million	6,012	5,791	5,877	5,873	5,950
Return on capital employed	%	7.1	4.2	3.1	10.6	16.3
Capital structure						
Total assets	€ million	8,736	8,133	8,474	8,663	8,806
Shareholders' equity	€ million	4,888	4,473	4,461	4,625	4,731
Net financial debt	€ million	413	555	593	536	464
Net financial debt to cash flow ratio		0.7	1.2	1.5	0.8	0.5
Equity ratio	%	56.0	55.0	52.6	53.4	53.7
Net financial debt as % of equity (gearing)	%	8.4	12.4	13.3	11.6	9.8
Shares						
Market capitalization	€ million	4,921	2,834	2,782	4,114	6,850
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	€	24.10	13.88	13.63	20.15	33.55
Earnings per share	€	1.05	0.53	0.10	1.37	3.08
Dividend per share [2]	€	0.45	0.30	0.25	0.50	0.90
Yield as of 28/29 February	%	1.9	2.2	1.8	2.5	2.7
Employees		**16,908**	**16,486**	**17,231**	**18,186**	**17,940**

[1] Including intangible assets.
[2] 2016/17: Proposal.

TABLE 001

Revenues by segment

€ million	2016/17	2015/16	+/– in %
Sugar	2,776	2,855	–2.7
Special products	1,819	1,791	1.5
CropEnergies	726	658	10.3
Fruit	1,155	1,083	6.6
Group total	**6,476**	**6,387**	**1.4**

TABLE 002

Operating result by segment

€ million	2016/17	2015/16	+/– in %
Sugar	72	–79	–
Special products	184	171	7.4
CropEnergies	98	87	12.6
Fruit	72	62	16.0
Group total	**426**	**241**	**76.7**

TABLE 003

STRONG FOR THE FUTURE

What makes a company strong and ensures long term success? Three Südzucker qualities play a very important role: diversity, competence and sustainability.

COMPETENCE

A company's competence is made up of many building blocks and is a key competitive factor. > P. 4

SUSTAINABILITY

Corporate responsibility is reflected in the business model and is brought to fruition in resource-conserving production, among other things. > P. 6

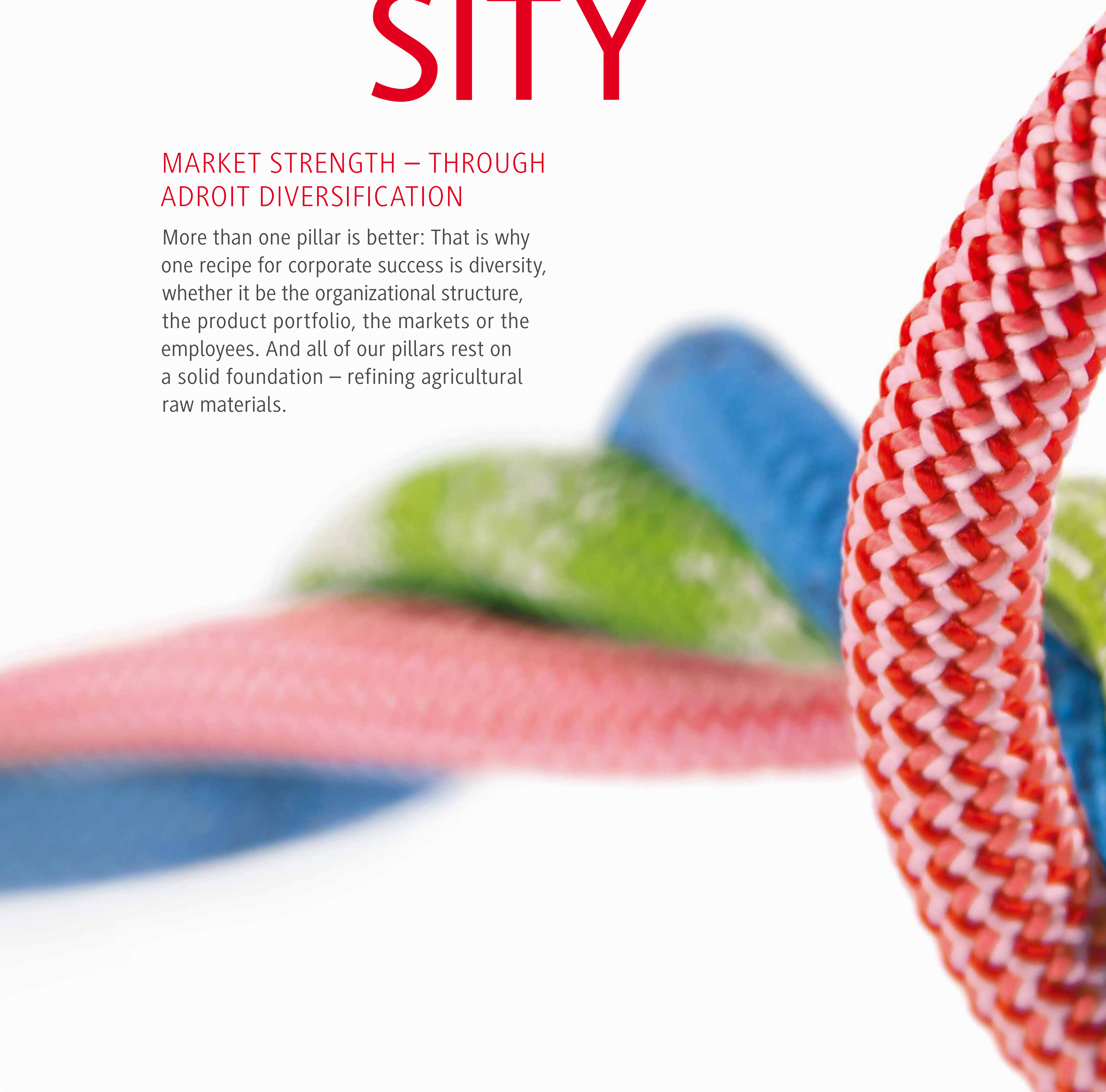
DIVERSITY

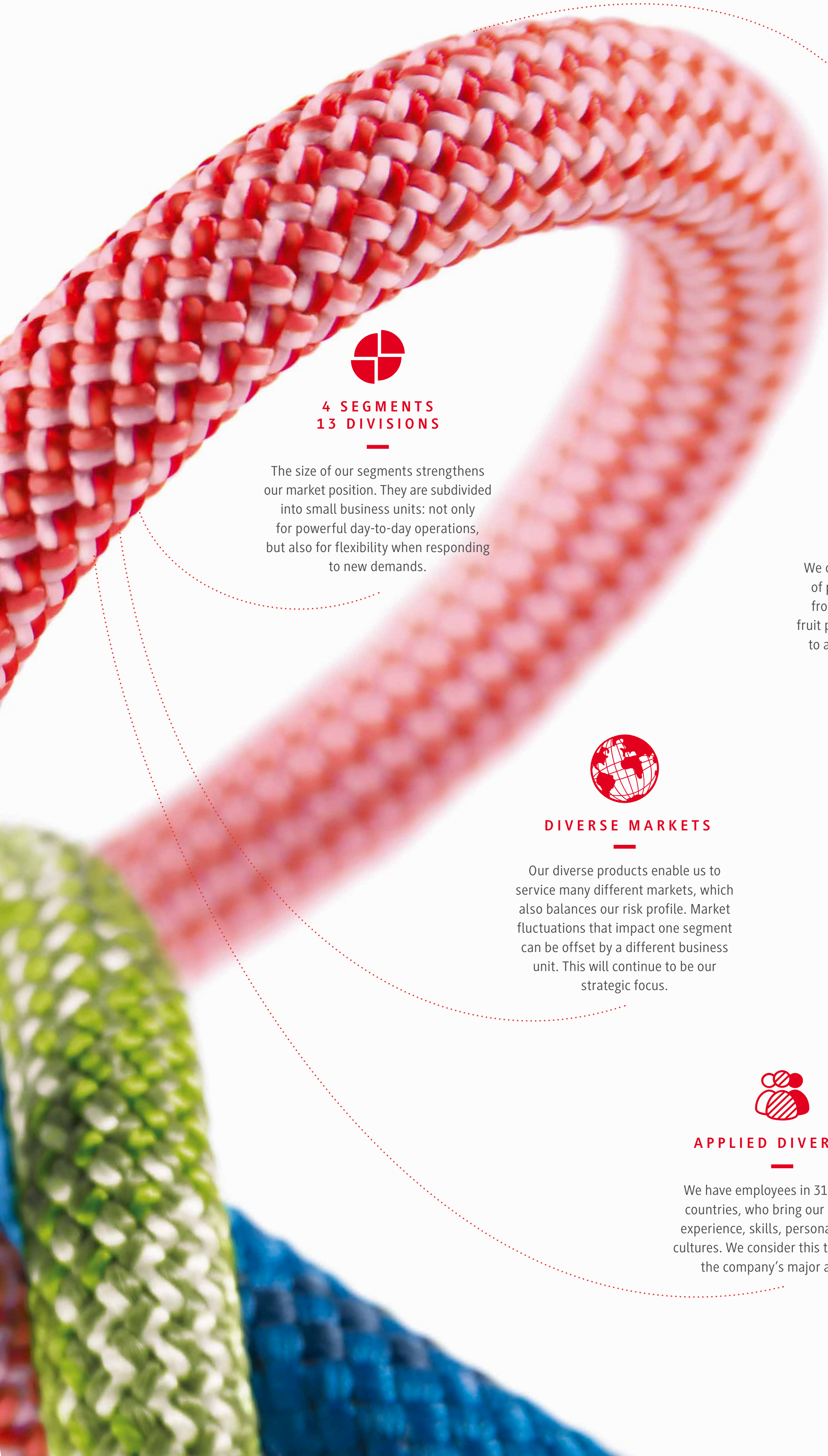
A broad business spectrum gives the company the strong footing required to succeed in its target markets. > P. 2

DIVER SITY

MARKET STRENGTH – THROUGH ADROIT DIVERSIFICATION

More than one pillar is better: That is why one recipe for corporate success is diversity, whether it be the organizational structure, the product portfolio, the markets or the employees. And all of our pillars rest on a solid foundation – refining agricultural raw materials.





4 SEGMENTS 13 DIVISIONS

The size of our segments strengthens our market position. They are subdivided into small business units: not only for powerful day-to-day operations, but also for flexibility when responding to new demands.

WIDE PRODUCT VARIETY

We offer markets a broad spectrum of products. Our portfolio ranges from sugar to starch, bioethanol, fruit preparations and animal feed, up to and including frozen pizzas and portion packs.

DIVERSE MARKETS

Our diverse products enable us to service many different markets, which also balances our risk profile. Market fluctuations that impact one segment can be offset by a different business unit. This will continue to be our strategic focus.

APPLIED DIVERSITY

We have employees in 31 different countries, who bring our company experience, skills, personalities and cultures. We consider this to be one of the company's major assets.

EXPERTISE

We benefit from the expertise of our 17,000 employees worldwide. They bring us the production, product and market knowledge that makes us successful.

EXPERIENCE

We have been gathering experience on all aspects of sugar production since 1837. It is the basis of our knowledge and applications expertise – now throughout the group and across our segments.

CUSTOM PRODUCTS

We offer the secondary processing industry a wide range of custom products. Our in-house research and development enables us to continually expand our product range.

PROCESSING

We skillfully operate large-scale processing plants to convert agricultural raw materials into high quality products such as foods, animal feed and organic fuels – and work continually on enhancing all of these.

COMPETENCE

LOGISTICS

We manage the entire logistics chain: from raw material to refining to shipment to the end user, and offer buyers reliable delivery. For some business units, this already applies worldwide; for others it is a work in progress.

MARKET STRENGTH – THROUGH MOTIVATED EMPLOYEES

Corporate competence is like a wall of interlocking blocks. Expertise is essential to processing, and processing is the basis for custom products, to name just three of these elements. It enables a company to develop attributes that differentiate it from its competitors. And then benefit from exactly those competitive advantages that are essential to a secure future.

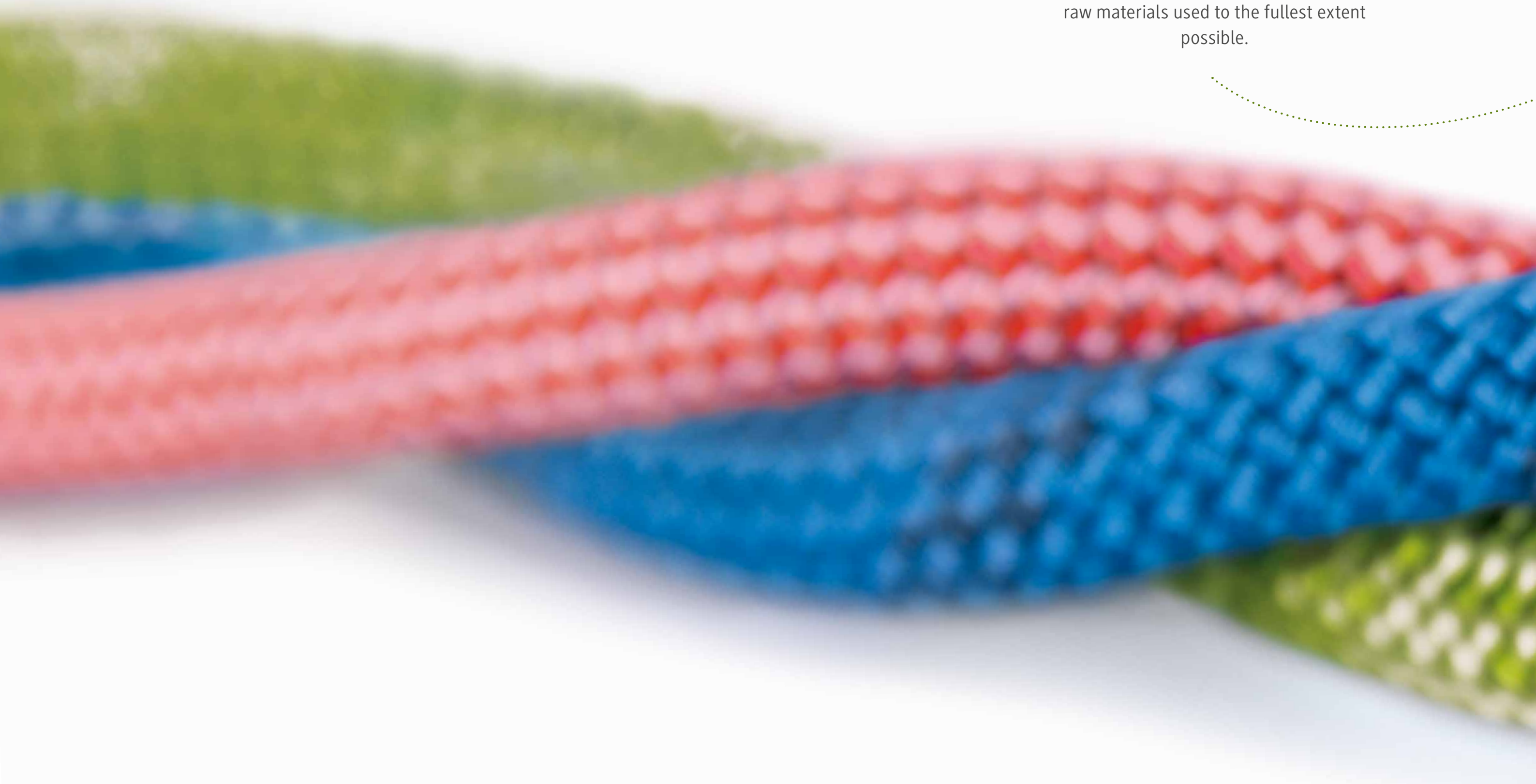
SUS TAIN ABILITY

MARKET STRENGTH – THROUGH RESPONSIBLE CONDUCT

Corporations are not islands, but are linked with society and the environment in many ways. Responsible conduct reinforces this network and is the prerequisite to long-term business success. No business is worth harming our partner, nature.

NATURAL FOUNDATION

Our business is based on agricultural raw materials – which is also why sustainable conduct is a tradition embedded in our corporate strategy. We conserve resources when producing our products and utilize raw materials used to the fullest extent possible.



SEAMLESS

Sustainability is a top priority for all five of our corporate fields of endeavor: from procurement to the environmental and energy aspects of production, product responsibility and quality, and our social responsibility regarding working conditions and human rights – we cover the entire value chain.

DEFINED FRAMEWORK

Our reporting is based on the generally accepted rules of the Global Reporting Initiative (GRI), and takes into consideration our key stakeholders' interests.

MARKET POSITION

Diversity, competence and sustainability combine to give Südzucker its strong market position. We are number 1 or a strong number 2 in many of our target markets. This and the size of our company give us a considerable competitive advantage. The aim now is to maintain and/or expand these market shares. We are continuously working on our internationalization strategy to further this objective – especially in the sugar segment.

THIS WILL SECURE OUR STRONG POSITION FOR THE FUTURE.

#1
worldwide in the sugar and fruit preparations markets

About
17,000
employees

€ 6.5 BILLION
consolidated group revenues

About
100
production locations worldwide

4.7 MILLION T
of sugar from beets and refining

34 MILLION T
of agricultural raw materials processed

Up to
2.5 MILLION
packages of frozen products daily

3.0 G
weight of one sugar heart

TO OUR SHAREHOLDERS

MANNHEIM, 24 APRIL 2017

Dear Shareholders,

Südzucker Group is now "Strong for the future", and we are pleased to be able to present you with a positive set of 2016/17 financial statements. Revenues at € 6.5 (6.4) billion are, in line with planning, slightly higher than last year, operating result increased significantly to € 426 (241) million.

We want you, our shareholders, to partake in this result and at the annual general meeting, we and the supervisory board will recommend paying a dividend of € 0.45 (0.30) per share. This recommendation is consistent with our sustainable dividend policy, which also takes into consideration the long-term development of the company.

In our strategy discussion, we evaluated what Südzucker makes special. On the previous pages, we used the terms "diverse", "competent" and "sustainable" to characterize the company and give you a first impression of what we are all about. In the rest of the report, we provide you with a wide range of information about the fiscal year just ended, about our activities in the area of sustainability, as well as future developments.

We have especially ambitious plans for the sugar segment. In the past few years, we have had to make and overcome a number of cuts that were required due to changing general conditions. Last fiscal year, we were more successful again, with revenues of € 2,776 million and an operating result of € 72 million. The sugar segment is in a transition phase, so the result is still below our long-term expectations.

At the end of September 2017, after being in place for almost 50 years, European regulations governing minimum beet prices and production quotas will expire. The elimination of production quotas offers an opportunity to produce considerably more sugar, which will result in significantly improved production capacity utilization in future. We will exploit this to strengthen our European market position and specifically target new export opportunities that arise.

Of course expanding our sugar production is largely contingent upon having an adequate supply of beets for our factories. That is why we started very early to work with beet growers on a new, flexible beet contracting and compensation system, that shares between both parties the risks and opportunities arising from future sugar market developments. However, a pivotal factor will be that both beet growers and Südzucker Group will have to be able to ride successfully through periods of low sugar prices.

This is a reason our cost reduction and efficiency improvement programs along the entire value chain – from the field to the customer – play an important role: We are aiming for cost leadership. The commitment of our employees combined with beet growers' readiness to jointly tackle these challenges sends a clear message.

We have already signed contracts for the beets required for the upcoming campaign. This is extremely important, given that sugar inventories to the end of the current 2016/17 sugar marketing year will sink to a minimum, both at Südzucker and throughout the entire EU. An earlier campaign start and significantly expanded production capacity should ensure a smooth transition.

An important part of expanding into the global sugar market is the setup of our "Global Markets" sales organization, which will be able to supply customers that conduct business internationally from a single source. We have established a branch office in Antwerp as part of our "Global Markets" organization, to ensure we are prepared to handle the many times over higher export volumes we expect starting in October 2017. As part of our plan to penetrate new markets, we founded a sales company in Israel last year.

Overall, exports to regions outside the EU will once again play a greater role. Interesting markets include the Near and Middle East, Africa and Southeast Asia. We have made significant progress on preparing the sugar logistics we will require after the 2017/18 campaign. We have signed long-term contracts with warehouse operators located near harbors and other external logistics partners. We can use special railcars and seagoing container transshipment via our logistics partners to service practically any market across the globe.

We have introduced a common brand and standard communications messages for all sales channels for the granulated sugar/sugar syrup and special products groups to generate synergies in the B2B area.

We will take advantage of additional world market sugar sales opportunities through our interest in British trading company ED&F Man Holdings Limited. We have had an interest in this company since 2012, and last fiscal year our holdings increased by 10 % to about 35 %.

Global population growth and rising incomes will support our sugar segment. The continuing steady trends will increase global sugar consumption by about 2 % annually, which after all corresponds to about 3 – 4 million tonnes of additional sugar demand annually.

In addition to these positive aspects, we must unfortunately also contend with negative headlines about our product, sugar. The message is being broadcast that sugar is responsible for all of our modern society's ills – especially obesity. For example, in some countries, a sugar tax that is supposed to counter obesity in the general population has already been introduced. Yet it has been proven that a sugar tax has no slimming effect. Weight gain for healthy people is easy to explain: More calories are consumed than are expended. It does not matter whether the source of the calories is fat, proteins, sugar or other carbohydrates. That is why the latest considerations to reduce the amount of sugar in products in favor of other ingredients will not produce a breakthrough in the struggle with obesity. In fact most of the time such reformulated products, contrary to what consumers assume, have almost no fewer calories. We work very hard to combat this type of consumer deception.

One of the strengths of isomalt, part of the special products segment's very diverse portfolio, is to sweeten products while at the same time reducing the number of calories they contain. We can supply a wide variety of customers with our diverse range of products – from functional ingredients for food and animal feed, to frozen and chilled products, portion packs and starches for food and non-food applications. The various trends toward foods with health benefits, clean label, vegetarian or vegan, as well as convenience products, remain unbroken, which is why almost all of our divisions were able to report higher volumes.

The special products segment was able to increase its operating result to € 184 million as revenues climbed slightly to € 1,819 million, despite exchange rate fluctuations and charges from the startup of the new starch factory in Zeitz. We are pleased that we were able to successfully complete the testing of the Zeitz plant and that we are now in a position to supply customers with glucose syrups that meet their quality specifications.

The development of ethanol prices continues to be the determining factor for the CropEnergies segment. As recently as the beginning of last fiscal year, low ethanol prices weighed massive on our businesses. We took advantage of the subsequent trending moderate recovery to significantly increase production of bioethanol, as well as food and animal feed, by restarting the factory in Wilton, Great Britain. This enabled us to end the fiscal year with revenues of € 726 million and a result of € 98 million, more than 10 % higher than the already excellent results of the previous year.

During the temporary shutdown in Wilton, we took various steps to optimize the production plant and reduce its specific energy consumption. We have thus established the prerequisites for operating *the plant flexibly according to market conditions and orders received in future, which is important because again we expect strong volatility in bioethanol market prices.*

The policy direction on the issue of fuels produced from renewable raw materials in Europe makes no sense to us. We are critical of the recommendation to reduce the use of fuels from agricultural crops from a maximum of 7 % in 2021 to maximum 3.8 % in 2030, despite the fact that our bioethanol now cuts emissions by over 70 % in comparison to fossil fuels. We assume the elimination of the target of a renewable energies share of 10 % in the transportation sector even more critically.

We can be satisfied with the fruit segment's growth. We were able to boost revenues by 7 % to € 1,155 million and the result by even more. It was up 16 % to € 72 million. It is especially gratifying that we were able to improve the fruit preparations division's market position by capturing additional market share. We will steadfastly continue along this path. Last fiscal year, we acquired the company Main Process S.A., a producer of fruit preparations headquartered in Argentina, with the aim of strengthening our market presence in the Latin American growth market. The company's wide range of products is an ideal fit for our existing diversified product portfolio. In addition, AGRANA Fruit founded a company in India, which is scheduled to start operations in fiscal 2017/18. We expanded our capacity at the fruit preparations factory in Lysander in the United States to supply the American market.

This concludes our review of the key developments in our segments. Let us now look at the capital market measures that will financially flank Südzucker Group's growth: In November 2016, we successfully placed a corporate bond valued at € 300 million with a term of seven years and a 1.25 % per annum coupon. Its purpose was to finance the 2016/17 campaign and to refinance the 2011 bond prior to it maturing in March 2018. The latter had a 4.125 % coupon.

In February 2017, we have increased the freefloat of AGRANA from only 7 % to just under 19 % by way of a capital increase, the issue of 1.4 million new AGRANA shares and the concurrent placement of 0.5 million AGRANA shares from Südzucker's directly held shares. The € 189 million generated by the capital increase and the placement will support the financing of further growth.

Our new 2017/18 fiscal year started well, which makes us confident that we will achieve the planned revenue growth to between € 6.7 and 7.0 billion and operating result to between € 425 and 500 million.

As we have stated several times previously, the volatility of the sugar and ethanol markets will continue to be a factor with which we must contend.

We can only tackle the future with strength together with our employees. They are diverse, competent and act sustainably – and thereby are the key to our success. We thank our employees for their commitment and dedication during the fiscal year just ended.

Ladies and gentlemen, as shareholders you also expect your company to sustainably increase shareholder value. We want to fulfill these aspirations and accordingly, have firmly embedded commensurate fundamentals in our corporate strategy and our guidelines. In the following report, you can read up on how we meet our ecological, business and social responsibilities. We continue to prepare these reports on the basis of the Global Reporting Initiative (GRI) guidelines.

We thank you for your commitment and solidarity. Südzucker will tackle the future on the basis of strength. Stay with us.

Yours truly,

Südzucker AG
Executive board




DR. WOLFGANG HEER
CEO

DR. THOMAS KIRCHBERG

THOMAS KÖLBL

JOHANN MARIHART

EXECUTIVE BOARD*

DR. WOLFGANG HEER
LUDWIGSHAFEN AM RHEIN
CHAIRMAN

Initial appointment: 1 March 2008
Chairman since 20 November 2012
Term ends: 28 February 2018

Born in 1956. Enrolled at the University of Karlsruhe 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 Freiberger Lebensmittel GmbH in Berlin since 1997. Speaker of Südzucker AG's executive board from 2009 to 2012 and CEO since 2012.

PORTFOLIOS
- Sales / Sugar trading / Marketing
- Strategic corporate planning / Corporate development / Investments
- Compliance
- Audit
- Public relations
- Human resources
- Organisation / IT
- Food law / consumer policy / Quality control
- Functional Food

DR. THOMAS KIRCHBERG
OCHSENFURT

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
- Animal feed / Co-products
- Farms
- Production / -technics
- Engineering / technical services
- Research / development / services
- Agricultural policies

THOMAS KÖLBL
SPEYER

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. 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
- Financial management / controlling
- Operational corporate planning
- Investor relations
- Legal issues
- Taxation
- Supply management
- Property / insurance
- Bioethanol

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.

PORTFOLIOS
- Chairman of the executive board of AGRANA Beteiligungs-AG
- Renewable raw materials
- Starch
- Fruit

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

SUPERVISORY BOARD*

DR. HANS-JÖRG GEBHARD
Chairman
Eppingen
Chairman of the Association of
Süddeutsche Zuckerrübenanbauer e. V.

FRANZ-JOSEF MÖLLENBERG**
First Deputy Chairman
Rellingen
Former Trade Union Chairman of the Food and Catering Union

ERWIN HAMESEDER
Second Deputy Chairman
Mühldorf, Austria
Chairman of Raiffeisen-Holding
Lower Austria – Vienna

DR. JOCHEN FENNER
Gelchsheim
Chairman of the Association of
Fränkische Zuckerrübenbauer e. V.

HELMUT FRIEDL
Egling a. d. Paar
Chairman of the Association of
Bayerische Zuckerrübenanbauer e. V.

YÜKSEL GEDIAGAC**
Berlin
Chairman of the central works council of
Freiberger Lebensmittel GmbH & Co.
Produktions- und Vertriebs KG

VERONIKA HASLINGER
Vienna
Managing Director of Raiffeisen-Holding
Lower Austria – Vienna

RALF HENTZSCHEL
Panschwitz-Kuckau
Chairman of the Association of
Sächsisch-Thüringische
Zuckerrübenanbauer e. V.

WOLFGANG KIRSCH
Königstein
Chairman of the executive board
DZ BANK AG

GEORG KOCH
Wabern
Chairman of the Association of
Zuckerrübenanbauer Kassel e. V.

SUSANNE KUNSCHERT
Stuttgart
Managing director of
Pilz GmbH & Co. KG

GÜNTHER LINK**
Oberickelsheim
Chairman of the works council at the
Ochsenfurt factory of
Südzucker AG

BERND MAIWEG**
Aarbergen
Divisional officer of the Food and Catering Union

JOACHIM RUKWIED
Eberstadt
Chairman of the
German Farmers' Association

RONNY SCHREIBER**
Einhausen
Chairman of the works council at the
Mannheim head office of
Südzucker AG

PETRA SCHWALBE**
Berlin
State area chairman of the
Food and Catering Union

NADINE SEIDEMANN**
Donauwörth
Member of the works council
at the Rain factory of
Südzucker AG

FRANZ-RUDOLF VOGEL**
Worms
Chairman of the central works council of
Südzucker AG

WOLFGANG VOGL**
Bernried
Manager of the
Plattling and Rain factories of
Südzucker AG

ROLF WIEDERHOLD**
Wabern
Chairman of the works council at the
Wabern factory of
Südzucker AG

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

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Before providing a detailed report on the supervisory board's work in fiscal 2016/17 as usual in this space, let us first briefly look at an important topic: the future direction of the company.

Since the EU decision in June 2013 to let all of the key European sugar market regulations expire without substitute, Südzucker has introduced and implemented countless measures to improve the efficiency of the value chain from the field to the customer.

What the European sugar market will look like after October 2017 without the regulating mechanisms that have been in place to date cannot be answered with certainty at this point. It will frankly be a once-in-a-lifetime event. No other important sugar production market in the world has been deregulated to the extent that it will be in Europe. What is certain however is that this radical change in the European sugar market will have a strong impact on our company.

Developments in the world sugar market will in future much more directly impact the European market. That is why our company's ability to respond flexibly to market fluctuations will be pivotal to its success. We have initiated and executed the change programs we consider appropriate to the situation. For example, it is worth mentioning the new beet contracting system at this juncture. The company and beet growers reached agreement early on conditions that will allow both flexible and market-based beet compensation, as well as better and longer loading of the sugar factories.

The supervisory and executive boards are also keeping an eye on the future of the other segments. An example here is the construction and startup of the wheat starch plant in Zeitz, which not only expands the company's product range, but also makes it possible to optimize the use of the material streams at the multipurpose Zeitz site.

With these topics, among others, we were able to work on the basis of mutual trust and in the spirit of a goal-oriented team with the executive board and examine in depth the general framework, direction and strategic development of the company in fiscal 2016/17. 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 profitability 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 four ordinary meetings and one extraordinary meeting in fiscal 2016/17. The supervisory board approved all of the executive board's decisions after a thorough review and discussions.

The meeting regarding the balance sheet on **18 May 2016** dealt with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated 29 February 2016. The auditor reported on the material findings and results of the audit, which included the accounting-system-related internal control systems. The board approved the recommendation for appropriation of retained earnings and the supervisory board report. The board also made preparations for the 2016 annual general meeting: The supervisory board adopted the agenda and proposed resolutions. The executive board presented the current compliance organization. The supervisory board approved budget amendments, as well as acquisition projects and property purchases.

At its meeting on **13 July 2016 –** the day prior to the annual general meeting – the supervisory board approved the investment plan for 2017/18, the long-term investment program and investment amendments. The CFO presented the mid-term plan. The supervisory board also approved acquisition and financing projects.

The earnings projections for 2016/17 were presented at the board's **17 November 2016** meeting. As always during the November meeting, the supervisory board focused on corporate governance. The board also conducted its annual test of effectiveness and completed the 2016 declaration of compliance. The supervisory board also approved an editorial change to the wording of the articles of incorporation. It further approved acquisition and financing projects, a corporate action and investment amendments. Dr. Kirchberg's appointment to the executive board was extended by a further five years.

At the meeting on **31 January 2017,** a shareholders representative candidate running for supervisory board membership at the 2017 elections introduced herself. The responsibility of the company's bodies in connection with the 2014 antitrust fine was also discussed. The CFO presented the current earnings projection for 2016/17. The supervisory board approved acquisition and investment projects, as well as investment budget updates. The supervisory board approved the regular adjustment of the executive board's remuneration.

One member was excused at the meeting on 18 May 2016 and two supervisory board members were excused at the 17 November 2016 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 (general 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 2016/17. Subject of discussion has always been strategic issues. Succession planning for the executive board was also discussed at the meeting on 18 May 2016 and on 13 July 2016. At the 17 November 2016 and 18 January 2017 meetings, the board discussed the status of the antitrust damage claims and the responsibility of corporate bodies in connection with the 2014 antitrust fine. At its meeting on 31 January 2017, the supervisory board had a preliminary discussion regarding the regular adjustment of the executive board's remuneration.

The **audit committee** convened five times during the year, in three meetings and two telephone conferences. At its 4 May 2016 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 and checked their independence. At the meeting on 14 July 2016 the audit committee discussed the auditor's quotation for the audit assignment and commissioned the audit assignment. In the 11 October 2016 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.

In telephone conferences on 5 July 2016 and 10 January 2017, the audit committee discussed the Q1 and Q3 2016/17 quarterly financial reports with the executive board. On 10 January 2017, it also dealt with the new statutory requirements for non-audit services and approved the catalog of non-audit services auditors are permitted to deliver, together with application guidelines.

All members were either present or participated via telephone at the audit committee meetings and telephone conferences.

The **agricultural committee** convened on 17 November 2016. Reports on current agricultural division issues, the acquisition of a farming operation in Thuringia and agricultural activities in Moldova 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 last fiscal year. 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 17 November 2016, 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 10 January 2017, 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 2016 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 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 board was not advised of any conflict of interest on the part of any of its 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

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, was selected by the shareholders at the annual general meeting at the recommendation of the supervisory board. The auditor has reviewed the financial statements and management report of Südzucker AG for fiscal 2016/17, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2016/17, 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 since 2016/17.

In view of the declaration by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, which states that SZVG holds over 50 % of the voting rights of Südzucker AG, 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 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 9 May 2017 meeting and in the supervisory board's financial review meeting of 17 May 2017 and provided a detailed report on the proceedings and result of its audit. 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 17 May 2017, 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 24 April 2017 regarding the distribution of a dividend in the amount of € 0.45 per share.

Personnel

There were no personnel changes on the **executive** or **supervisory board** in fiscal 2016/17.

Together with the executive board, the members of the supervisory board would like to pay their respect to those active and former employees 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, 17 May 2017

On behalf of the supervisory board

DR. HANS-JÖRG GEBHARD
CHAIRMAN

SÜDZUCKER SHARES AND CAPITAL MARKET

Capital markets driven by major political events

At the start of 2016, stock market performance was the weakest in 25 years, triggered by worries about China's economy and the slump in the price of crude oil. Germany's DAX plunged 20 % between the beginning of 2016 and mid-February 2016.

However, the Chinese economy proved to be robust, and crude oil prices and global stock markets recovered. Good economic performance in the eurozone also had a stabilizing effect. The European Central Bank's (ECB) expansionary monetary policy continued to provide massive liquidity. On 2 June 2016, the ECB announced that it would expand its investment-grade corporate bonds purchase program.

On 23 June 2016, Great Britain's citizens voted to exit the EU, which caused significant turbulence in the stock markets and devaluated the British pound. Demand for safe harbor investments drove the price of gold to an annual high and caused capital market returns to decline. In early July 2016, German ten-year government bonds were yielding –0.20 %, an all-time low. Once again stock markets quickly recovered, especially since BREXIT risks were judged to be limited.

The second half of the year was dominated by US president Trump's campaign promises to launch a massive investment program in the order of around 1 trillion US dollar, which cranked up inflation expectations and triggered a year-end stock rally. On the bond markets, long-term interest rates for German ten-year government bonds and US treasury bonds rose. Both the DAX® and MDAX® tracked these developments, with the MDAX posting a record high of 26,636 on 21 February 2017.

Südzucker share data

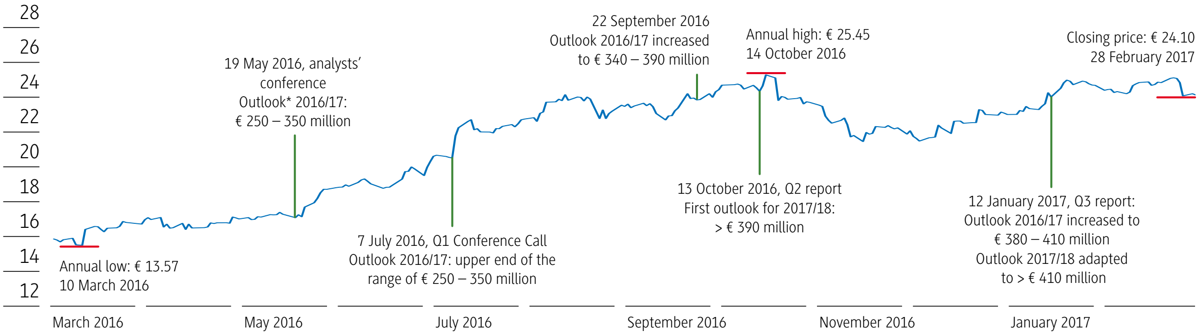
		2016/17	2015/16
Market capitalization[1]	€ million	4,921	2,834
Freefloat – market capitalization[1]	€ million	1,673	964
Number of shares issued at €[1]	million shares	204.2	204.2
Xetra® closing price[1]	€	24.10	13.88
High for the year (Xetra®)	€	25.45	18.82
Low for the year (Xetra®)	€	13.57	11.12
Average trading volume / day[2]	thousand of shares	777	1,436
Cumulative trading turnover	€ million	4,119	5,267
MDAX® closing rate[1]	points	23,366	19,422
Performance Südzucker share (1 March to 28/29 February)[3]	%	76.1	3.5
Performance MDAX® (1 March to 28/29 February)	%	20.3	–3.3
Dividend[4]	€/share	0.45	0.30
Dividend yield	%	1.9	2.2
Earnings per share	€	1.05	0.53

[1] Balance sheet date.
[2] Total daily trading volume on all German stock exchanges where the share is admitted for trading.
[3] Südzucker total return index, considers share development and dividend distribution.
[4] 2016/17: Proposal.

TABLE 004

Südzucker's share price performance

1 March 2016 to 28 February 2017
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[1]	variable	€ 700 million	XS0222524372	Luxembourg (official market)
Bond 2011/2018	4.125 %	€ 400 million	XS0606202454	Luxembourg (official market)
Bond 2016/2023	1.250 %	€ 300 million	XS1524573752	Luxembourg (official market)

[1] 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

Südzucker shares benefitted from the two guidance upgrades for 2016/17. At the end of the current fiscal year on 28 February 2017, the company's shares closed at € 24.10, up 76 % year-over-year (share price performance plus dividends). During the same period, the MDAX® rose 20 %.

Stable shareholder structure

Südzucker AG continued to have two major long-term oriented shareholders. As of 28 February 2017, Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) held about 56 % of Südzucker AG's shares (own shares and fiduciary shares) . The second major shareholder, Zucker Invest GmbH, representing Austrian shareholders of Raiffeisengruppe, continued to hold about 10 % of the shares. The free float of Südzucker shares, 34 %, is held by private investors, investment funds, pension funds and insurance companies in Europe and North America.

Strategic goal is to confirm investment-grade rating

Südzucker adheres to a conservative financial policy with the objective of obtaining effective refinancing in the capital markets.

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

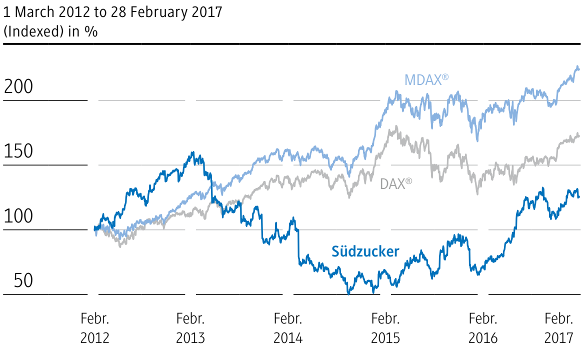


DIAGRAM 002

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

To improve transparency, Südzucker has enlisted Moody's to evaluate the company's credit rating since 1991. Standard & Poor's (S&P) has also published analyses of the company's financial indicators since 2003. Südzucker has always enjoyed an investment-grade rating, which is a testament to the company's strong creditworthiness, cash flow and earnings strength.

Improved financial ratios in fiscal 2016/17 impacted the rating positively. On 20 May 2016, Moody's confirmed the company's investment-grade rating (rating of the company and senior debt) of Baa2, and increased the outlook from negative to stable. Moody's recognized 75 % of the subordinated hybrid bond as equity.

S&P confirmed the investment-grade rating of BBB- on 21 June 2016 and increased the outlook from stable to positive. On 23 November 2016, the rating was confirmed after placement of a € 300 million bond on 22 November 2016. The hybrid bond guarantees 50 % imputation as equity in the balance sheet.

Südzucker's clear strategic aim is to confirm its investment grade rating.

CONSOLIDATED MANAGEMENT REPORT

ABOUT THE GROUP

Group structure

Südzucker AG, a German stock corporation based in Mannheim, is the parent company of Südzucker Group and also its largest operating entity. The consolidated financial statements include the parent company – Südzucker AG – and 152 (153) other entities, of which Südzucker AG is directly or indirectly the majority shareholder. A total of 16 (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 13 divisions that manage the day-to-day operational businesses. The CropEnergies segment is managed as an independent corporate entity.

The group's departments are as follows: business administration/controlling, byproducts, procurement of operating supplies, purchase of capital goods, maintenance supplies and services, finance and accounting, research/development/services, engineering, investor relations, agricultural research, food law/consumer policies/quality assurance, properties/insurance, public relations, organization/IT, personnel, legal, audit, taxes, strategic corporate planning/group development/shareholdings, sugar sales/sugar trading, sugar/production and sugar/beets. Administrative tasks are handled at shared finance centers and research activities at several research centers.

Sugar segment

The sugar segment comprises the sugar business unit with its four divisions 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., Chișinău) and an agricultural division (Südzucker AG, agricultural division and Agrar und Umwelt AG Loberaue, Rackwitz; Terra eG, Sömmerda). The following entities have been ac-

SUGAR SEGMENT

6 Divisions

SÜDZUCKER
- Belgium: 2 sugar factories
- Germany: 9 sugar factories
- France: 4 sugar factories
- Poland: 5 sugar factories
- Moldova: 2 sugar factories
- Agriculture

1 Division

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
- ED&F Man Great Britain (35 % share)
- Agrana-Studen Sugar Trading GmbH (refinery Bosnia, 50 % Joint venture)

SPECIAL PRODUCTS SEGMENT

4 Divisions

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

Freiberger
- Frozen and chilled pizza as well as frozen pasta dishes and snacks
- 5 production locations

PortionPack Europe Group
- Portion packs
- 6 production locations

AGRANA STARCH
- 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)

SÜDZUCKER
- Wheat starch production plant at Zeitz

CROPENERGIES SEGMENT

Listed company

crop. energies
- One of the leading European manufactors 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
- 25 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

counted for in the consolidated financial statements using the equity method: British trading company ED&F Man Holdings Ltd., 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: BENEO, Freiberger, PortionPack Europe and Starch. BENEO produces and sells functional food ingredients for food and animal feed products and are made from various raw materials. The products have dietary and technology benefits. Freiberger Group produces chilled and frozen pizzas as well as frozen pasta dishes and snacks and focuses strongly on the private label business. 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 wheat starch plant at the Zeitz location is also assigned to the starch division. 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 sites 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 operates a food-grade CO_2 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 soft drinks industries.

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. Notwithstanding the overall responsibility of all executive board members, individual board members bear sole responsibility for carrying out the decisions made by the executive board that concern the portfolios they handle. 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 also 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 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 loan financing instruments. Südzucker operates an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates, including hybrid equity 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)".

STRATEGY CHART

GROUP

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

SUGAR

EUROPE:
Consolidate market position
Expand production

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

PORTIONPACK EUROPE:
Expand product portfolio / penetrate new markets

CROPENERGIES

Consolidate leading market share
Focused site enhancement
Drive diversification

FRUIT

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

DIAGRAM 004

Strategic direction and objectives

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

Sustainability is integral part of our corporate strategy

Responsible conduct is a prerequisite to long-term business success. 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 focus on global megatrends

Global megatrends, such as the 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.

Südzucker Group's four segments conduct business in sectors that will benefit from these megatrends, both in the medium and long term. These trends will continue to drive growth and offer new opportunities. Demand for our products will continue to rise, especially in the emerging nations. For example, global sugar consumption is expected to continue to rise about 2 % per annum on average – from currently 180 million tonnes to about 200 million tonnes in 2025.

Our objective is to sustainably increase shareholder value

The key indicator we use to measure our success is return on capital employed (ROCE).

OUR STRENGTHS AND VALUES

Our core competence is large-scale processing of agricultural materials in various business segments. Our expertise covers the entire value added chain – from our suppliers to our customers.

Our business relies on our highly skilled, motivated employees. They embody our expertise, our experience and our innovation capability in production, sales and marketing and logistics.

We stand for quality and reliability and manufacture excellent, safe products.

We always treat our stakeholders fairly.

Our business segments' growth is founded on a strong market position.

Our values are solidly based on our corporate traditions.

We respect the needs and demands of future generations.

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.

The lifting of export restrictions for European beet sugar will increasingly bring back sales and marketing opportunities on the world market. As Europe's largest supplier of beet sugar, with high-performance factories in the most competitive European beet growing areas, Südzucker considers itself well positioned in this new market environment. Because Südzucker produces in its European core markets, close to industrial customers and the key sugar consumption markets, it is able to supply sugar products to European buyers at the lowest possible cost. The next step is to expand sugar production and establish a global distribution infrastructure, so that the company will be able to directly supply customers around the world from a single source. We take advantage of additional world market sugar sales opportunities through our alliance with British trading company ED&F Man, London.

To further boost competitiveness, Südzucker continually cuts its sugar segment's costs and improves the division's logistics processes. This will include the upcoming higher loading of our beet sugar factories.

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 in the areas by engaging in intensive research – especially in fields such as raw material security, processing technology, product innovation, as well as utilizing and refining of byproducts (▶ research and development).

Our portfolio is diversified and we take advantage of synergies

We maintain a balanced 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 targets 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 the shareholder groups that support the company and ensure that we have access to global 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 energy efficiency improvements in all segments and divisions, we will continue to focus on establishing and expanding multipurpose sites, where investments benefit all segments.

In addition, we will continue to go forward with our internationalization strategy by continually evaluating acquisition opportunities.

We support and foster our employees

The success of our company is supported by the specialist expertise, experience, social skills and commitment of our employees throughout the world. 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

We adhere to statutory provisions and corporate guidelines.

We work efficiently and have a long tradition of sustainable conduct. Our business is founded on long sighted, careful and responsible utilization of nature and all resources.

We are our suppliers' and customers' reliable partner.

We are a responsible employer that helps its employees fulfill their potential and takes into consideration and values their distinct personalities.

We openly and transparently communicate with our shareholders and all other capital market players.

The food we produce is intended to be part of a balanced diet.

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 for the food industry, end consumers and industrial applications is core to our business model – and we do it on a large scale: In fiscal 2016/17, the company processed about 34 million tonnes of agricultural raw materials, such as sugar beets, grain, corn, chicory and fruits, at around 100 production sites around the world. 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. Sustainable business practices should be embedded 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 and / or recycling 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
- Long-term partnerships; e.g., with raw material suppliers and customers

Our stakeholders

During the past fiscal year, Südzucker analyzed its stakeholders by conducting workshops and surveys together with those responsible for the areas of activity. For the most part, the stakeholder groups identified and communications methods used the previous year 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) Online (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, 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, neighbors, journalists, media, research and scientific bodies, universities, schools, authorities, parties, politicians, industry / business associations)	Press releases and talks, Factory tours Cooperative research and projects, Political dialogue, meetings, talks, debate events, Südzucker website

TABLE 007

Our key areas of activity

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.

Südzucker conducted a materiality analysis to evaluate various sustainability factors applicable to the company itself and relevant stakeholders and subdivided them into the following areas of activity:

- Procurement
- Environmental and energy aspects of production
- Product responsibility and quality
- Social responsibility
- Working conditions and human rights

The different sustainability factors in the key areas of activity are presented in this chapter or elsewhere in the report.

Agricultural raw materials procurement

Procurement principles

A key part of Südzucker's sustainability program focuses on the value chain upstream of its production activities.

Südzucker Group's purchasing departments consider ecological, business and social aspects when procuring the goods and services required to ensure appropriate supplies of agricultural raw materials, operating supplies, capital and maintenance items, as well as services. The Supplier Code of Conduct is part of the competitive bidding process and contract negotiations. Together with Südzucker's environmental, labor and social standards guidelines, this code of conduct ensures that procurement remains sustainable. It applies to suppliers along the entire value chain. Südzucker audits its suppliers' sites to ensure they adhere to these principles. The purchasing department is subject to various annual audits and is certified in compliance with standards such as ISO 9001 or the International Food Standard.

Particular attention is paid to 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.

Agricultural focus

Experimental cultivation, managing our farming operations and transferring knowledge contribute to both securing raw material supplies and improving the efficiencies of our raw material suppliers. Groupwide agricultural research focuses on science-based assistance, development of technology and consultation for all agricultural raw materials used by Südzucker Group. Sugar beets are front and center (▶ Research and Development).

Advisory services for modern and sustainable farming

Our sugar beet business clearly demonstrates that planting and harvesting methods can be optimized by working with farmers' academic and research associations, our in-house farming and own research department, the Bodengesundheitsdienst and research institutes such as the Sugar Beet Research Institute in Göttingen, Germany, and the International Institute for Beet Research in Brussels, Belgium. These enable us to provide farmers with comprehensive advisory services on subjects such as soil treatment, seed selection, fertilization, plant protection, soil fertility and harvest, and continuously work towards making sugar beet cultivation more sustainable, efficient and competitive. The aim of the Mont Blanc consultation initiative is to intensify and network the very diverse regionally coordinated consultation concepts and to share experiences among the experts of the group's companies.

A major contributor is the Bodengesundheitsdienst, which conducts a wide variety of different analyses and makes recommendations to the agricultural sector based on its findings. Examining soils for nutrients using electro-ultrafiltration (EUF) is a high priority. The aim is to optimize fertilization at specific sites in order to improve the quality of the harvested crops, protect the environment and cut fertilization costs. The division conducts subplot-specific soil analyses so that fertilizer volumes for subsections of larger fields can be adjusted. Every year farmers have access to a database for Südzucker Group's well over 300,000 ha of sugar beet cultivation fields in Germany and neighboring European countries, which they use to optimize their fertilization program to meet the exact needs of the crops while protecting the environment. This makes sugar beets a recovery crop in the list of popular arable crops when planning crop rotation.

Another key focus is conducting analyses and making recommendations in regard to optimizing the nutrient cycle in farming operations. This includes testing soils for humus content. The company analyzes organic fertilizers for nutrients and based on the results, makes recommendations for their environmentally compatible use in agriculture. Tests for sugar beet nematodes offer beet farmers the option of using advantageous sites as well as suitable cultivation methods and varieties. For livestock operations, the company tests basic feeds such as corn and grass silage. Südzucker plans to further develop its ability to predict and diagnose plant diseases.

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.

In 2016, Südzucker AG and its beet growers in Germany, Belgium, France and Poland demonstrated that they comply with a comprehensive set of sustainability criteria related to sugar beet cultivation. After having received the RedCert2 certificate in Germany, France and Poland, Südzucker was able to demonstrate right away that it fulfills the silver level requirements of the SAI-Platform criteria. In Belgium the company referred back to the existing Vegaplan System. AGRANA uses the Farm Sustainability Assessment 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. Based on the information provided by the operations surveyed, more than half of the participants were awarded gold status and the rest silver. In fiscal 2017/18, these results will be subjected to an external audit in accordance with SAI specifications.

Biodiversity

Südzucker group launches 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.

Environmental and energy aspects of production

Production principles

When processing agricultural raw materials, our aim is to minimize resource consumption – including energy consumption – and potential environmental effects taking into consideration the highest quality standards. For us this means not only compliance with all statutory and internal regulations, but also continuously monitoring and optimizing our plant designs and production processes but also the design and operation of multipurpose production sites; for example, in Zeitz, where we produce sugar, ethanol, wheat starch, high protein food and animal feed from sugar beets and grain, as well as biogenic carbon dioxide.

Energy and emissions

Südzucker's efficient production processes and modern energy management systems are first class. For example, co-generation systems and systems that are suitable for multiple energy sources underlie the company's above-average energy efficiency. A key building block in our operational environmental protection strategy is to increase the energy efficiency of our production processes. This enables us to reduce the need for fuel and at the same time cut emissions of air pollutants and climate-relevant greenhouse gases.

Many individual measures at our approximately 100 production sites around the world contribute to the overall improved environmental balance sheet of our production processes: For example, in 2014, we started up sugar beet pellet pre-drying systems that rely on previously unused waste heat at our Ochsenfurt and Rain sites. 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 bioethanol facility in Wanze / Belgium, most of the thermal and electric process energy required is generated by using the chaff from the wheat delivered to the plant. To date, it is the world's first biomass power station of this particular type.

The Rackwitz biogas plant uses renewable raw materials to produce biomethane that is fed into the public distribution network year-round. We operate biogas plants at the sugar factories in Strzelin, Poland, Kaposvár, Hungary and Drochia, Moldova, which generate renewable energy for the sugar factories from biomass – primarily fresh or fermented beet pellets or beet pellet silage – and also feed it to the public grids.

The energy management system at Südzucker's German and Austrian AGRANA, BENEO, Freiberger and CropEnergies production locations is certified in accordance with ISO 50001. The same applies to the sugar production plants in Romania, Slovakia, Czech Republic, Hungary and the remaining fruit juice concentrates division sites in the EU.

The sustainability requirements for the production of biofuels ensure that significant greenhouse gas emissions savings compared to fossil fuels will be achieved. The requirements cover the entire cycle, from the cultivation of the biomass through to the bioenergy generation and use. At the locations in Zeitz, Wilton / Great Britain and Pischelsdorf / Austria, 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 and wastewater

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.

Energy consumption within the group

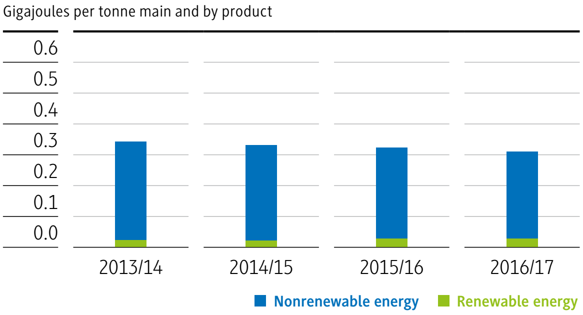


DIAGRAM 005

Emissions from direct and indirect energy consumption within the group

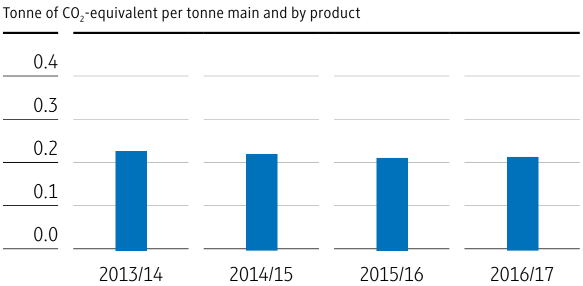


DIAGRAM 006

Of the total volume of water withdrawal, more than 50 % 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.

Group – total water withdrawal / waste water

Mio. m^3	2013/14	2014/15	2015/16	2016/17
Water withdrawal	41.6	39.7	34.1	36.0
Wastewater	33.7	36.6	32.9	38.1

TABLE 008

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
Recycling	566.8	455.8	376.0	241.5
Landfill	78.0	95.1	86.5	67.0
Composting	64.9	69.6	60.2	56.4
Incineration	15.7	14.9	22.6	19.6
Other	23.6	21.9	17.2	20.3
thereof dangerous waste [1]	*1.3*	*1.1*	*1.5*	*0.8*
Total	**749.0**	**657.3**	**562.4**	**404.7**

[1] Mainly used lubricants from production.

TABLE 009

The renewed significant reduction in waste volume is due to an across-the-board application of a goup-wide differentiation between products and waste. Accordingly, products such as press pellets, Carbokalk and grape pulp are no longer categorized as waste if they are subsequently refined to produce high quality feed or fertilizer.

Product responsibility and quality

Quality management and product safety

Südzucker is cognizant of its responsibility as a manufacturer and supplier of food and animal feed. Producing safe, high-quality products is thus of key importance.

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.

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.

Certification

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. Today, 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 or halal.

Social responsibility

Business success and the acceptance of social responsibility belong together in our view and are a key prerequisite to sustainably conducting business. As a company, our goal is to make a positive contribution to social development in the three sustainability dimensions – ecology, economy and social conduct.

Ecological sustainability

The ecological dimension of sustainability includes environmental and energy aspects of production, such as energy use, emissions, water consumption, wastewater and solid waste, as well as the logistics associated with procurement and distribution.

Efficient logistics are a prerequisite to smooth factory operation. Südzucker is involved in the upstream value chain through numerous programs that aim to keep the impact of transporting raw materials and other necessary supplies to a minimum.

By far the largest volumes of about 34 million tonnes of raw materials processed by Südzucker Group are required for sugar and bioethanol production – about 31 million tonnes of beets and grain in the past fiscal year.

As far back as the 1990s, Südzucker developed a system that allows sugar beets to be efficiently delivered from the field to the factory, for which we increasingly employ GPS / GIS-driven control of the logistics units. The distances are continually optimized, unnecessary trips and wait times eliminated or avoided, drivers are trained to reduce environmental impact and to drive carefully, using modern trucks with high load ratings and low emissions. At the same time, the volume of material to be transported is reduced by efficiently cleaning the beets at the edges of fields.

We also strive to reduce emissions in the raw material supply chain for our bioethanol plants. The plants in Zeitz, 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 and a direct pipeline from the adjacent sugar factory. The delivery of rice for BENEO in Wijgmaal / Belgium is increasingly made by inland waterway vessels.

Efficient and well synchronized distribution of our products to end customers plays an ever greater role in our competitiveness. Given the extensive supply chains, it is also important from an ecological perspective to continuously optimize distribution logistics.

For example, the sugar segment operates a shuttle on a regular basis that delivers sugar to Italy by train. Furthermore, as of fiscal 2017/18, special railcars will be used to transport bulk sugar destined for export to the port in Antwerp. 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. In view of the expanded export opportunities for sugar starting in October 2017, our transportation and storage concepts were adjusted to future needs.

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

Economic sustainability

The economic dimension of sustainability is dominated by higher than average growth and job-related impact of Südzucker Group's production plants in rural areas.

A distinguishing feature of most of our locations is that they are located close to the point of raw material production, and thereby in rural areas. Here the processing plants not only make a significant contribution to the national economy by offering long-term, high-quality jobs, but also help secure the livelihood of the regional farming operations.

A study conducted by the research institute WIFOR in Darmstadt, which was commissioned by Südzucker in 2013, quantifies the importance of the business activities of Südzucker AG's sugar division on the European economy. The report was updated at the start of 2017. It states that Südzucker factories in Europe generated a direct gross value added of € 0.8 billion. When indirect and induced value added effects are included, the number rose to € 3.0 billion. About 81 % of the total value was generated in rural areas. The direct and indirect employment effects totaled about 60,500 jobs, 77 % of which were in rural areas. The employment multiplication factor was 8.0 – for every job at Südzucker, almost seven jobs were created at other companies.

Memberships in industry associations and interest groups

Industry association or advocacy organization	Registered Office	Member[1]	Scope
AEBIOM – The European Biomass Association	Bruxelles / Belgium	Biowanze S.A.	EU
BDBe – Bundesverband der deutschen Bioethanolwirtschaft e. V.	Berlin	CropEnergies Bioethanol GmbH	Germany
BLL – Bund für Lebensmittelrecht und Lebensmittelkunde e. V.	Berlin	Südzucker AG	Germany
BVE – Bundesvereinigung der Deutschen Ernährungsindustrie e. V.	Berlin	Südzucker AG	Germany
CEFS – Comité Européen des Fabricants de Sucre	Bruxelles / Belgium	Südzucker AG	EU
DBV – Deutscher Bauernverband e.V.	Berlin	Südzucker AG	Germany
DLG – Deutsche Landwirtschaftsgesellschaft e.V.	Frankfurt	Südzucker AG	Germany
dti – Deutsches Tiefkühlinstitut e. V.	Berlin	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	Südzucker AG	Germany
WVZ – Wirtschaftliche Vereinigung Zucker e. V.	Bonn	Südzucker AG	Germany

[1] More than one legal entities of Südzucker Group are member.

TABLE 010

Social sustainability

When it comes to the social dimension, we practice what we preach by engaging in a responsible dialogue with politicians and institutions, engaging in diverse social events and participating in the EcoVadis sustainability evaluation system.

Dialogue with politicians and institutions

Südzucker is in close contact as a corporation to various social stakeholders. In addition to strictly complying with existing laws and regulations, we also see it as our obligation 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. We earnestly strive to discuss issues objectively based on our own expertise. Südzucker is listed in the EU transparency register, which tracks and monitors the activities of European stakeholders. Amongst other things, Südzucker is committed to industry associations and interest groups as shown in table 010.

Social commitment

In Südzucker's view, corporate success and social commitment go hand in hand. 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.

EcoVadis

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.

Working conditions and human rights

Appropriate working conditions and respect for human rights are of key importance to the entire Südzucker group. Südzucker thus assigns a high priority to measuring to what extent these values are implemented throughout the 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.

Code of conduct

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/Unternehmensprofil/Strategische-Leitlinien/.

SEDEX

Südzucker is a member of the online platform SEDEX (Supplier Ethical Data Exchange), which is known worldwide. 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 BENEO 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 57 locations in fiscal 2016/17. In total, around 59 % of the company's production locations have been audited.

The following summary shows the sustainability related initiatives and organizations endorsed and supported by Südzucker.

Memberships in sustainability-related initiatives

Initiative	Registered Office	Member	Since	Objective of the initiative
Bonsucro ® – Better Sugarcane Initiative Ltd.	London / United Kingdom	AGRANA Zucker GmbH	2014	Promotion of sustainable sugar cane growing
Earth Island Institute	Munic	Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG [1]	2011	Promotion of sustainable fishery and protection of dolphins
EcoVadis SAS	Paris / France	Südzucker AG [1]	2013	Supplier assessment considering various aspects of corporate social responsibility
Fairtrade Deutschland / Transfair e.V.	Cologne	Südzucker AG	2006	Promotion of fair trade
SAI – Sustainable Agriculture Initiative Platform	Geneva / Switzerland	Südzucker AG [1]	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

[1] More than one legal entities of Südzucker Group endorse this initiative.

TABLE 011

RESEARCH AND DEVELOPMENT

Südzucker's business model is primarily based on large-scale conversion of agricultural materials into high-quality products. One of the research department's key tasks is thus to continuously optimize and enhance every step in the value chain; from raw material cultivation through the process technology, up to and including production of the final product. The department also focuses on evaluating innovative raw materials and product concepts by using new technologies or based on new interesting raw materials, in order to expand the product portfolio and penetrate new markets.

R&D handles projects for the entire group throughout the world; also in co-operation with research institutes, other companies, government institutions and / or universities, and participates in publicly funded projects. Groupwide communication, team-based project execution and sharing of information with all Südzucker Group stakeholders ensure that the results of all research and development activities are ultimately implemented in practice.

In fiscal 2016/17, the company filed new patent applications to protect its expertise and strengthen its market position, especially in the field of functional food ingredients and starch derivatives.

Groupwide, the division employs 401 (391) persons and the total 2016/17 budget for research and development was € 41.8 (42.2) million.

Agricultural raw materials

A key priority in the agricultural research area is defining various approaches to securing the yield and quality of the agricultural raw materials processed by the group – especially the raw materials sugar beets and chicory, which are supplied under contract. Research institutes, such as the Sugar Beet Research Institute or the "Kuratorium für Versuchswesen und Beratung" [board of experimentation and consultation], which we support together with beet growers in southern Germany, play a key role here. We jointly conduct practical field experiments in various countries, taking into consideration the individual and national situations and requirements.

The aim of all of our activities is to be in a position to provide comprehensive advice to all of our raw material suppliers and provide them with options for improving their efficiencies in a sustainable and environmentally sound way, in alignment with their regional requirements and respective situations.

Plant protection

In Germany for instance, experiments are geared toward future challenges; for example, the German federal government's national action plan for plant protection, which among other things aims to minimize risk when using plant protection agents.

In order to achieve a measured, integrated approach toward the use of plant protection agents for the targeted control of disease and pests, combatting resistant strains, sequelae, emerging pathogens and pests, it is important to develop alternative processes to supplement chemical plant protection and optimize them using improved forecasting models. A current innovative approach is to further optimize weed control using sugar beet varieties that resist herbicides from the sulphonylureas group.

Varietals

A key focus of the experimentation is examining the performance of different varieties with respect to yield, quality and storability in combination with resistance to important pathogens such as nematodes, leaf diseases and root rot. A further objective is to improve resistance toward abiotic factors such as heat and drought. Varietals are subjected to experiments under differing environmental conditions at a large number of sites, both nationally and internationally.

Boosting sugar and inulin content

The aim of the "Betamorphosis" project is to boost the efficiency of sugar flow within the plant itself. The next project, "Betahiemis", will seek to improve the tolerance of sugar beets toward frost. For chicory, attempts are being made to slow inulin quality deterioration over the course of a campaign. Among the techniques being used here are new molecular biological genome editing methods such as CRISPR / Cas9.

Smart farming

The objective of our smart farming initiative is to improve our agricultural advisory services and the quality of the information we provide. Farmers will increasingly have at their disposal large amounts of data that have been captured, analyzed and linked to help them make decisions. The goal is to optimize the use of operating supplies, boost efficiency and productivity, cut cultivation costs, and last but not least, reduce environmental pollution.

Optimizing harvest quality and improving long-term storage

During lengthy campaigns, issues such as efficient and gentle harvesting, as well as low-loss raw materials storage, such as sugar beets on the edges of fields, become increasingly important. In this area we work on solutions together with harvesting equipment manufacturers and take advantage of options for integrating innovative sensor technologies and / or the soil biome.

Sugar

Process technology

The sugar technology focus is on improving individual process stages and optimizing product quality. Again in anticipation of future longer campaigns, the department is working with experts from the sugar production business units to develop models that assess the efficiency of specific process sections and then modify the processes to reduce sugar losses, reduce energy consumption and cut operating supplies requirements. By harmonizing the beet processing systems throughout the group, the department is able evaluate the optimization potential of individual factories, taking into consideration local constraints and the available technical equipment, and through targeted measures, further improve efficiencies.

R&D also evaluates investment projects and provides assistance with the processes. This work ranges from conducting tests on pilot plants right through to commissioning newly installed factory systems.

Product development

In the sugar and specialty sugar products area, the department works on recipes that focus on market trends such as clean label and the use of natural ingredients, on new production concepts and technologies, as well as retail products.

Functional food ingredients

Process technology

Palatinose™ production was switched to a newly developed biocatalyzer in order to utilize the raw material sucrose as optimally as possible. New variants of the **Fructan** product range having specific properties – among other things a bio-variant based on agave inulin – were successfully introduced to market. A physical treatment method led to the development of new varieties of **functional rice starches** with improved properties. The advantage of the starches produced this way is that they can be used to produce clean label products. The findings from the pilot plant were easily transferred to the production system.

Dietary and physiological aspects

Claims regarding the physiological properties of Palatinose™, inulin and oligofructose were further reinforced by nutritional scientific research and experimental studies. The focus of the work was on the beneficial effect of Palatinose™ on blood glucose regulation and energy metabolism as well as inulin and oligofructose on bowel health.

Product development

The functional food ingredients product development department works mostly on preparing application concepts, as well as numerous customer developments and answers to a wide range of customer questions.

The focus for **galenIQ** is developing application options for tablets, coated products and powders, as well as new variants with a special particle size range.

The technological advantages of **isomalt** are especially apparent in various chewing gum and hard caramel applications. A translucent coating was developed for the chewing gum sector.

A finishing glaze with reduced stickiness containing **Palatinose™** was produced on a large scale for the first time. Recipes with a high Palatinose™ component for producing milky beverages were also developed.

For **inulin** and **oligofructose**, the focus is on developing formulas to reduce sugar and fat in baked goods and dairy products. The fat content of cream cheese was successfully reduced on one project.

Work on developing applications for the use of **rice starch and rice flour** in baby food products and baked goods is being accelerated.

Plant-based proteins, such as textured gluten and rice flour, are sought after ingredients by the fast growing vegetarian and vegan food market. Here we are working very hard on developing new combinations of gluten and rice or wheat flour with various characteristic profiles. The purchase of an extruder for our own technical center has enabled us to develop products faster and more flexibly.

Starch

Raw materials

The ripeness of grain, and especially corn, has a major influence on the processability of the raw material, as well as the properties of the starch produced from them. Raw materials of varying stages of ripeness were processed on a pilot plant that has been modified to also process wheat. The purpose of the tests was to define the processing properties and analyze the starch produced. Application-related experiments are also being conducted on food and non-food applications to evaluate quality.

Food

Catering to the “vegan” and “clean label” market trends, research in this area focuses on developing commensurate starches for the food industry. For example, a new recipe that eliminates the need for eggs in various baked goods recipes was developed for the vegan market.

Non-food

Sustainability factors are also becoming increasingly important in the technical sectors and determine the demands of the market.

R&D was able to develop innovative solutions for the **starch adhesive market**. A special foam-based application process led to the development of new starch products that permit faster adhesion in the field while at the same time reducing the volume of adhesive used.

The trend toward highly specialized starch products continues in the **dry mortar market**. Improved handling characteristics for tile adhesives and grouts look promising. Together with reputable manufacturers, the department developed and introduced to market highly modified starch ethers.

New starch ether based thickeners for **drilling fluids** were developed for the geothermal and crude oil drilling sectors. Highly derivatized starches have been manufactured that offer the market new products with interesting properties.

Research and development work in the area of **biodegradable plastics** was further intensified, with the result that a significant percentage of thermoplastic starches can now be used to manufacture biodegradable plastic film. Custom solutions can be developed by optimizing various products and processes. This not only improves the sustainability of the biopolymer end product, but also cuts the cost of bioplastics production.

New starch products to be applied in **dry shampoos** were developed for the cosmetics industry and brought to the stage of production readiness. Oil-based components were replaced by newly developed starch based thickeners in recipes for **liquid shampoos** and **conditioners**. These products are especially gentle on users’ hair and scalp.

Bioethanol

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 prioritize the evaluation of new digestion technologies as well as new enzymes and yeasts on efficiency and profitability.

We also focus on identifying and acting on potential energy savings options, in close alignment with using optimized process automation technologies. Any enhancements are applied to the various CropEnergies Group plants. Examples include increased drying capacities for bioethanol and optimized gluten drying at the site in Wanze, Belgium, improved product quality and expanded capacity of the DDGS pelletizing system in Zeitz, as well as the smooth restart of the plant in Wilton, Great Britain, where process and other technical upgrades have had a positive impact on process stability.

R&D continues to respond to quality related questions and support the ethanol and ethanol-based fuels standardization processes in Germany and Europe. Studies by European experts continued to explore the technical feasibility of using gasoline with ethanol blend percentages of up to 25 % by volume. This preparatory work is in anticipation of standards for future fuels with higher ethanol content. The focus is on additional scientific studies geared toward improving the energy efficiency of such fuels in comparison to conventional gasoline.

Fruit

By using new technologies in the area of raw material procurement, microorganism activity on the surface of harvested fruits was greatly reduced, thereby improving their shelf life. An innovative treatment of fruits prior to freezing resulted in a significant improvement in texture when they were thawed. In addition to sensory improvement, the new process generated significant savings in downstream processing.

A cooperation with TU Wien (Vienna) produced new research findings related to optimizing coolers. When implemented on the production system, it reduces damage to fruits during processing.

After optimizing pasteurization parameters and process flow, the sensory characteristics of fruit preparations were significantly improved, without compromising the high microbial quality standard.

An innovative fruit preparation was developed for use in ice cream, which due to its texture, is not mixed with either the ice cream or the chocolate coating, neither during production nor in the finished product.

Chia seeds are currently an interesting new raw material with significant potential for food applications. Research activities are focused on isolating the outer seed layer, which consists mainly of mucopolysaccharides and exhibits strong thickening properties. This stabilizer is similar to the hydrocolloid xanthan, but exhibits a significantly higher thickening potential. The extracted material was successfully used to stabilize a variety of foods, such as mayonnaise, ketchup, fruit preparations, baked goods and whipping cream.

New products and processes

Proteins

Südzucker’s aim is to operate its production plants as integrated biorefineries (▶ keyword biorefinery) and improve the efficiency and sustainability of its factories by extracting additional components that have value. Of interest are concepts for coupled processing streams related to byproduct process energy and material consumption. These concepts are being studied in-house, and especially in publicly funded projects.

For example, the EU project “PROMINENT” is examining the efficient use of bioethanol production byproduct streams that contain protein, such as gluten, distillers’ dried grains with solubles (DDGS) and concentrated distillers’ solubles (CDS). Südzucker is a member of the Joint Technology Initiative – JTI Bio-based Industries (BBI), together with European industrial and scientific community partners. The objective of the project is to develop process concepts for generating new protein products for food applications from bioethanol production byproduct streams. During the first phase, the group was able to identify wheat-based byproduct process streams containing proteins and isolate an initial set of highly functional protein products. This very promising alternative to animal-based proteins can contribute significantly to sustainable, healthy nutrition and at the same time improve the efficiency of existing plants.

Keyword: Biorefinery

Biorefining refers to sustainably converting biomass into usable high-quality products, such as food and animal feed, as well as chemicals and energy in the form of fuels, power or heat.

Bioethanol as a chemical raw material

Südzucker continues to work on concepts to produce C4 building blocks as a raw material for the chemical industry in the downstream part of the bioethanol production process. The focus is on chemical–catalytic conversion of ethanol to butyl alcohol. Suitable catalytic converters were identified during the first phase. At present, a continuous process pilot plant is being installed in order to further optimize reaction control and yield.

Biobased chemicals

Carbohydrate-based products are especially interesting to the plastics sector in regard to sustainability. This is why the company is deeply involved in the subject of biobased chemicals as it relates to raw materials and processes. Expertise related to fermentative and chemical-catalytic processes is being developed in various publicly funded projects. This expertise is being applied in in-house research with the aim of producing carbohydrate-based products. Initial applications for biobased products have been submitted based on promising results. The next step is to design a continuous process pilot plant.

One example is the "ZeroCarb FP" project sponsored by the German Federal Ministry of Education and Research. It was implemented as part of the innovation alliance "industrielle Biotechnologie". Studies are being conducted on the material use of highly purified carbon dioxide generated by the bioethanol fermentation process. The focus is on developing a cultivation process for a microorganism that blocks CO_2 and delivers intermediate chemical products. The bio-based chemicals generated this way can be used as an alternate to petrochemical products and contribute positively to sustainability and the overall economics of bioethanol plants. During the first phase, a two-stage biotechnical process for organic acid was developed, which has the potential to replace a very wide range of petrochemicals. The results look promising and are now to be reviewed on a large scale plant.

EMPLOYEES

Employees by segment and region[1]

The number of Südzucker Group employees as of the 28 February 2017 balance sheet date rose 2.6 % to 16,908 (16,486). The special products segment's higher headcount was mostly attributable to the Freiberger and starch divisions. For example, over 200 new jobs were created at the British pizza factory in Westhoughton, as capacity utilization expanded. Campaign operations at the sugar factories and in parts of the special products segment as well as the seasonality of the fruit business lead to fluctuations in the number of employees over the course of the financial year.

Employees by segment at balance sheet date

28/29 February	2017	2016	+/– in %
Sugar	6,929	7,028	–1.4
Special products	4,643	4,422	5.0
CropEnergies	412	416	–1.1
Fruit	4,924	4,620	6.6
Group	**16,908**	**16,486**	**2.6**

TABLE 012

There were no material changes in the number of employees by region. Almost one-quarter of all employees continue to work in Germany; slightly over half in other EU countries. 25 % work in other countries around the world.

Employees by region at balance sheet date

28/29 February	2017	2016	+/– in %
Germany	3,864	3,803	1.6
Other EU	8,829	8,848	–0.2
Other countries	4,215	3,835	9.9
	16,908	**16,486**	**2.6**

TABLE 013

[1] 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.

Employees according to employment relationship and gender

More than 70 % of all employees work under a collective agreement.

Roughly 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 in the processing campaigns.

Südzucker supports its employees with extensive benefits; for example, options to improve the compatibility of career and family. Among other things, this includes very flexible working conditions – especially agreements on flex time, part time employment or working from a remote location – as well as various employee holiday childcare programs. The number of part-time employees for the group as a whole was about 3 %, most of whom were women.

As of 28 February 2017, the number of employees according to employment relationship and gender for the group overall were as follows:

Employees by relationship and gender

28 February 2017		Total	Permanent	Non-permanent
Full-time	Male	12,248	11,112	1,136
	Female	4,862	3,815	1,047
Part-time	Male	85	52	33
	Female	457	440	17
Total		**17,652**	**15,419**	**2,233**

TABLE 014

Südzucker obviously complies with all legislative requirements. This applies also to compliance with the general law on equal treatment. Employees are strictly hired and promoted according to their suitability, qualifications and performance, and/or willingness to learn. Gender is not a consideration. Men and women have the same opportunities. Nevertheless, due to the company's strong orientation toward production and technology, men outnumber women at all levels, at times significantly. The recruiting programs have recently seen a higher share of women.

For Südzucker Group overall, the percentage of women on the payroll at the end of 2016/17 was about thirty. Women represent about 19 % at the management level. The first and second management level structure below the executive board is as follows:

Management

28 February 2017	Total	Male	Female
1st management level	162	145	17
2nd management level	340	263	77
Total	**502**	**408**	**94**

TABLE 015

Age structure and length of service

The age structure of our employees continues to be balanced.

Employees according to age group in %

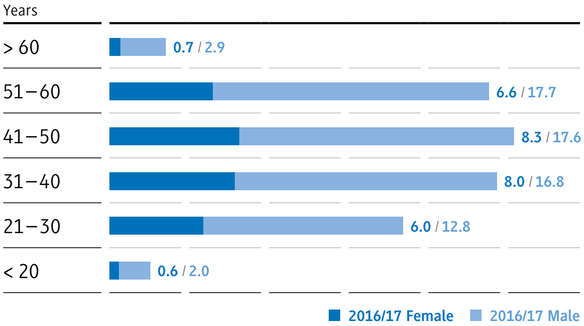


DIAGRAM 007

However, the share of older employees will increase in coming years due to the raising of the statutory retirement age. Appropriate measures must be prepared and introduced to create the necessary general conditions.

An average length of service for the group as a whole of about 13 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.

Length of service in years in %

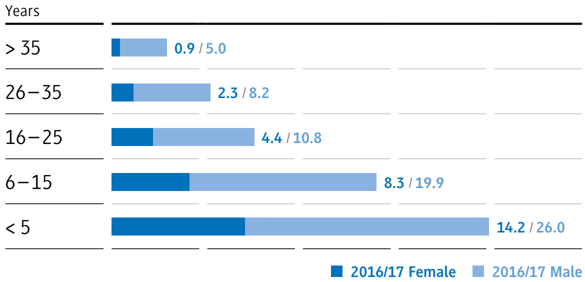


DIAGRAM 008

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. Among other things, this is due to the new jobs created in the special products segments' starch and Freiberger divisions, as well as in the fruit segment. The employee turnover numbers cover employer terminations and employee resignations, as well as those reaching retirement age.

New hires and fluctuation

2016/17	Total	Male	Female
New hires	1,295	916	379
Fluctuation	862	622	240

TABLE 016

Employee development / training and continuing education

Development and continuing education are key priorities throughout the entire Südzucker group. In view of the extended early-retirement program (partial retirement) and the challenges due to changes in the market, we continue to pay special attention to our recruiting programs. These include various international trainee programs, junior executive programs, international 'Onboarding' programs, as well as countless training seminars conducted directly by the various operations. Other initiatives include so-called behavioral training – from management seminars to presentation training –, foreign language seminars and IT security training sessions. We not only focus on continuing technical training, but also teamwork, getting to know and communicate with colleagues from other parts of the company, personal development and motivation.

Career training at Südzucker AG and Südzucker Group

Primary vocational training continues to be a high priority. This is on the one hand a testament to the company's social responsibility, and on the other a way to prepare for the projected skills shortage. Südzucker AG's apprenticeship ratio is about 10 %, with 200 apprentices enrolled in nine vocational courses. Last fiscal year, the overall average number of apprentices at the German and Austrian Südzucker Group companies was 307 (309), enrolled in 17 different career programs.

In September 2016, 22 apprentices enrolled in a dual electromechanical engineering program that was launched as a pilot project at the Tirlemontoise refinery in Tienen. This project is to be further expanded after a very promising start. The Wanze location is currently exploring various possibilities.

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 specialist
- Equipment and plant operator

Work safety and health protection

Work safety

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.

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 [1]

	2013/14	2014/15	2015/16	2016/17
Injury rate	16.1	13.1	11.5	12.6
Lost working day rate	236.6	194.2	209.5	236.4

[1] Injury rate and lost working day rate are both based on one million work hours. Accidents are recorded if they lead to one or more days' absence.

TABLE 017

A fatal work accident occurred in fiscal 2016/17. Unfortunately there were also other serious work-related accidents, which resulted in a higher accident-related daily absence rate than last year. The on-the-job accidents are being examined in detail and analyzed, and suitable countermeasures are being defined in order to avoid similar incidents in future. These procedures were also expanded to include factories that were not involved.

The programs to reduce work-related accidents vary in the different segments and 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. Especially noteworthy here are employee suggestions to improve work safety, such as a suggestion to use a portable device to improve safety when entering ditches and canals.

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". " Our group-wide target is zero accidents. This was done at the following sugar segment locations in 2016: Buzău, Cagny, Cerekiew, Etrépagny, Kaposvár, Regensburg, Roman, Strzelin, Strzyżów and Tandarei. In addition, BENEO-Palatinit in Offstein, BENEO-Remy in Wijgmaal, Biowanze in Wanze and Ensus in Wilton as well as seven production locations in the fruit segment were all accident free. Compared to other companies in the industry, our German sugar factories have played a pioneering role in the sector for over 25 years. CropEnergies locations are also exemplary.

Health protection

Protecting the health of its employees is a very a high priority for Südzucker. Various programs at the company, such as occupational health care by on site doctors and vaccinations, are supplemented by initiatives such as ongoing analysis of psychological stress in the workplace. Launched two years ago, the program aims to identify potential for improvement and take appropriate steps to ameliorate adverse conditions. The company established an integration management program to help employees returning to work after a lengthy absence.

The fact that employees can be reached via the Internet, intranet, e-mail and social media can also trigger psychological stress. Südzucker has established clear rules in its code of conduct about contacting employees outside of working hours and under which conditions they may be asked to work during such times.

In its guidelines, Südzucker has firmly committed to making its products part of a healthy and balanced nutritional regimen. A series of articles entitled "health tips" was started in the employee magazine to raise employee awareness in this regard and to impart appropriate knowledge. Workshops are also offered at some sites. There are also countless fitness initiatives such as running events and soccer tournaments, as well as cooperation with fitness clubs.

Last fiscal year, the sickness ratio remained unchanged at about 4 (4) %.

Südzucker aware of its responsibility as an employer

Südzucker deals with its employees according to the Südzucker code of conduct which, among other things, prohibits discrimination, harassment, child and forced labor, and declares the company's commitment to freedom of assembly, health and safety in the workplace. The code of conduct is an integral part of purchasing terms and conditions, also for our suppliers and service providers. Südzucker Group companies demonstrate their commitment to their employees, over and above legal requirements, by offering a broad range of diverse activities at their sites. This includes family days and various types of celebrations, joint sporting occasions, as well as cultural and social charity events in the regions where the plants are located.

Company suggestion program

Employee suggestion programs are in place in almost all Südzucker Group departments and divisions. Together with the quality of the suggestions, this shows that employees are motivated to successfully contribute their specialized knowledge, make processes more efficient and reduce costs.

Dialogue with employee representatives – European Works Council

The European Works Council met last year in Berlin. Representatives from Germany, Austria, Belgium, France, Poland and Hungary met with the executive board to talk about cross-border issues.

Thank you from the executive board

The executive board greatly appreciates the commitment and reliability of the employees throughout the group and thanks everyone most sincerely. This vote of thanks extends also to the employee representatives for their ongoing cooperation and constructive teamwork.

CORPORATE GOVERNANCE

In the section described below, Südzucker reports on corporate management in accordance with article 289a, paragraph 1 of the German Commercial Code (HGB) and corporate governance as per item 3.10 of the German Corporate Governance Code. The corporate management declaration and the corporate governance report are published on Südzucker's website at www.suedzucker.de/en/Erklaerung_zur_Unternehmensfuehrung/.

Supervisory board and executive board operating procedures

The following summary outlines the operating procedures of the executive and supervisory boards in accordance with article 289a, paragraph 2, item 3 of the German Commercial Code (HGB).

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, 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 26 November 2009. 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 adjournment of the annual general meeting in 2017, at which shareholders will vote on ratifying the board's actions for fiscal 2016/17. There are no former Südzucker AG executive board members on the supervisory board. All members of the supervisory board are familiar with the company's operating sectors. A financial expert on the supervisory board and on the audit committee – that is a member who has expert knowledge of accounting and auditing – is Mrs. Veronika Haslinger from Vienna, Austria.

Diversity goals

As per a resolution passed on 25 November 2010, which was confirmed by the newly constituted supervisory board on 20 November 2012, the supervisory board is aiming for the following diversity targets in its future composition, in consideration of the sector, the size of the company and the share of international business activity:

- Maintain the number of independent members at the appropriate level, considered to be at least two.
- Maintain the number of persons that especially meet the internationality criterion at the appropriate level, considered to be at least two.

The target for an appropriate level of women representatives on the supervisory board was updated following the enactment of the law on 1 May 2015 regarding equal participation by women and men in leadership positions in the private and public sectors (so-called Gender Quota Law). These targets will be explained in the following corporate governance report.

The supervisory board's rules of procedure state that supervisory board members must step down from the board at the end of the financial year in which they turn seventy.

The supervisory board will continue to recommend candidates at the annual general meeting who are most suited to sit on a supervisory board, whereby the aforementioned diversity goals will be duly considered.

The degree to which these goals have been achieved as of the time of this report is as follows:

The regular elections of employees' representatives by the workforce and of shareholder representatives by shareholders at the annual general meeting were held in 2012. At the annual general meetings in 2014 and 2015, special elections were held for shareholder representatives who had resigned. The supervisory board since then has at least two independent members, which satisfies code requirements ("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). At least two members in particular meet the criterion of "internationality". The supervisory board has four women members – two representing the employees and two representing shareholders.

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 26 November 2009. 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 meeting 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/) or by assigning power of attorney to Südzucker AG's proxies or to a third party.

2017 Annual general meeting

The invitation to the annual general meeting scheduled for 20 July 2017, as well as the reports and information required for the resolutions will be published in accordance with the rules of the German Stock Corporation Act and made available on Südzucker AG's website (www.suedzucker.de/en/Investor-Relations/Hauptversammlung/).

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 article 289a, paragraph 2, item 1 of the German Commercial Code (HGB). 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[1] 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.

[1] The 7 February 2017 version came into force after being published in the German Federal Gazette on 24 April 2017.

2016 Declaration of Compliance

In the mutual declaration of compliance by the executive board and supervisory board for 2016, the following exceptions to recommendations declared last year were deleted, since Südzucker now complies with these recommendations:

- Item 4.3.3 Paragraph 4 (executive board / conflicts of interest)

Südzucker AG adjusted its standard rules of procedure for the executive board on 26 January 2016 to comply with the new recommendation brought out in the 2015 version of the code, which states that business transactions by a person or company related to an executive board member may only be conducted with the approval of the supervisory board. There is thus no further requirement to declare an exception to the recommendation.

- Item 5.4.1 (Diversity goals for composition of the supervisory board)

The code was amended to comply with legislation regarding membership on supervisory boards, Germany's so-called Gender Quota Law dated 1 May 2015. The current version of the code contains only the same wording as contained in the legislation and no longer includes any recommendations that would require taking exception to article 161 of the German Stock Corporation Act (AktG). The declaration of an exception (previously only precautionary) was therefore deleted.

- Item 5.4.6 (Supervisory board remuneration)

In last year's annual report, supervisory board members' remuneration was not presented for each individual. However, the fixed and performance related components were disclosed. Südzucker has and will continue to comply with this code recommendation in future, to the extent that the wording of the declaration regarding item 5.4.6 could be amended.

The complete version of the mutual 2016 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/).

Gender quota

The so-called Gender Quota Law that came into force on 1 May 2015 stipulates that listed and co-determined companies have a fixed gender quota of 30 % on the supervisory board and that listed companies set targets for the number of women on the supervisory board, executive board and the two management levels below the executive board.

In its meeting of 15 July 2015, the supervisory board resolved that the percentage of women on the executive board remain at 0 % until 30 June 2017.

In its meeting of 21 September 2015, 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 10 and 15 %, respectively, from the current 8 % and 12 %, respectively, by 30 June 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 2016/17, an information seminar regarding corporate governance topics was presented by an external legal expert. Almost all supervisory board members attended.

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. Since the Act on the Appropriateness of Management Board Compensation (VorstAG) came into force, 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, revised by VorstAG, 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 statutory requirement regarding a term longer than one year 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 an 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 2016/17, the members of the executive and supervisory boards have not informed Südzucker AG about any notifiable dealings in securities.

Compliance

The following summary relates to disclosures about corporate policy regarding compliance in accordance with article 289a, paragraph 2, clause 2 of the German Commercial Code (HGB).

Compliance management system

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. The purpose of the compliance management program is to ensure that the company, its management bodies and employees conduct themselves in accordance with applicable laws. The goal is to prevent employees from breaking any laws and to help them apply laws and corporate guidelines properly and professionally. Accordingly, the program is continuously enhanced and regularly checked against current requirements.

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 system is based on the principles of "knowledge" (informing and training), "compliance" (verifying and documenting) and "improvement" (reporting and acting). Violations of external and internal rules are not tolerated. Any indication of wrongdoing is investigated.

Compliance activities and the compliance organization were again enhanced last fiscal year. The management culture focus on transparency and corporate principles was continuously enhanced in 2016/17 to further strengthen the compliance culture.

Südzucker's group-wide compliance principles are adapted as required to various national and company-specific peculiarities and focus on compliance with antitrust laws and prevention of corruption. These principles are reinforced by guidelines. Examples include the guideline on compliance with antitrust laws at Südzucker Group and the guideline for handling gifts and invitations as it applies to Südzucker Group business partners. The objective of these guidelines is to prevent employees from violating antitrust laws and to provide practical support in the application of relevant company rules and statutory regulations.

Again in fiscal 2016/17, Südzucker continued to strengthen its compliance measures – among other things in consideration of the lessons learned from the antitrust proceedings. Apart from recommended conduct illustrated with practical examples, employees of all major group companies who could potentially be involved in the key issues were further trained. The executive board stipulated that all contacts 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.

Compliance – corporate principles

Südzucker aims to compete successfully through innovation, quality, reliability and fairness. This entails complying with internal rules, as well as statutory regulations. The corporate compliance principles serve as a guideline. They highlight key issues that are very important in day-to-day practice. The corporate compliance principles are published at Südzucker's website at www.suedzucker.de/en/Unternehmensgrundsaetze/.

Südzucker applies the laws currently in force and expects no less from its employees and business partners.

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 company's internal rules 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. They are charged with tasks such as training and investigating alleged compliance issues. Group wide training courses were held in fiscal 2016/17. All employees are obliged to report any violation of corporate compliance principles to the compliance officer, the compliance representatives or the executive board immediately.

Disclosures on takeovers

The following disclosures provide further details in accordance with articles 289, paragraph 4, 315, paragraph 4 of the German Commercial Code (HGB) 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 2017, 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, and Zucker Invest GmbH (Zucker Invest), Vienna / Austria, 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 a preemptive right to buy 18,797,796 of Zucker Invest's Südzucker shares and Zucker Invest has a preemptive right 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 about 56 % of total share capital and Zucker Invest about 10 %. 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 66 % 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 article 315, paragraph 4, clause 1, item 8 of the German Commercial Code (HGB) 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.

BUSINESS REPORT

Overall summary of business development

In fiscal 2016/17, our key markets continued to be volatile in a challenging environment. Amid wide fluctuations, world market prices for sugar began to trend higher. The same development has been apparent in the EU market since late 2016. Prices in the European ethanol market were even more turbulent. During the reporting period there was a very gratifying rising trend, but also an all-time low.

Group revenues were slightly higher than last year as expected. Given the market situation, we are satisfied with the operating result achieved by Südzucker Group. The CropEnergies segment made an outstanding contribution despite the ethanol earnings, which were on average below the last years' level. We were very pleased that we were able to expand our position as the leading bioethanol producer in Europe after the restart of Ensus. We will continue to flexibly utilize the bioethanol capacities of our sites in accordance with market conditions in future. All divisions of the special products and fruit segments generated excellent volume share and results growth. The sugar segment runs a transition phase, which is why the results are still below our long-term expectations.

All key control indicators – operating result, return on capital employed (ROCE), cash flow and net financial debt – improved, compared to the previous years' figures.

Furthermore, we have strengthened our capital structure with the capital increase of AGRANA Beteiligungs-AG and the placement of AGRANA shares from Südzucker's direct holdings, which puts us in a strong position to face future challenges.

General and industry-specific business conditions

Business environment and currencies

World economic growth in 2016 came in at +3.1 %. The economic slowdown in the United States and China and the continuing recession in Brazil had a significant impact. In addition, political events such as the Brexit vote and the US American presidential election caused significant uncertainty.

With gross domestic product rising by +1.7 %, the euro zone continued to move on a growth path. In Germany, private sector consumption was stimulated by near full employment and rising real wages.

The euro was caught in a tug-of-war between rising interest rates in the United States and expansionary monetary policy in the euro zone. On 2 June 2016, the ECB announced the expansion of its purchase program to investment-grade corporate bonds and the purchase of bonds of about € 80 billion per month. The Brexit vote on 23 June 2016 drove the British pound down about 10 %.

After the American presidential elections on 8 November 2016, inflation expectations rose, which led to a significant devaluation of emerging nation currencies. The Brazilian real very quickly plummeted 8 %. The weakening of the euro was reinforced by the following monetary measurements:

- On 8 December 2016, the ECB announced that it would extend its bond purchase program to the end of 2017 but reduce the monthly purchasing volume from € 80 to € 60 billion.
- On 14 December 2016, the US Federal Reserve raised the prime lending rate to 0.75 %.

On 20 December 2016, the euro posted a fourteen-year low of 1.04 versus the US dollar. By the end of the fiscal year, it had recovered to USD 1.06 per euro. During the course of Südzucker's fiscal year, the euro fell 3 %, while the Brazilian real recovered and was up 21 % to the US dollar.

Volume and raw material markets

The increase in the world market price of sugar that started in fall 2015 continued amid high volatility over the course of the 2016/17 fiscal year. Driven by deficits on the world market that have continued for over two years and increasingly by high prices paid by financial investors, the world market price for white sugar had climbed to over 550 €/t as of October 2016, the highest it has been since 2012. After that, the price corrected, before subsequently recovering to over 500 €/t.

European ethanol prices fluctuated widely in fiscal 2016/17. While prices in March and April 2016 were quoted at around 460 €/m^3, they remained above the 500 €/m^3 mark from May to July 2016. The price of ethanol peaked at around 575 €/m^3, only to drop to a new all-time low of 427 €/m^3 at the beginning of September 2016. Starting in December 2016, speculation about a tight supply situation led to a significant rise in the price of European ethanol. At the end of February 2017, ethanol was trading at about 640 €/m^3 FOB Rotterdam.

The global grain harvest is expected to reach a new record in the 2016/17 marketing year, which is also expected to drive worldwide inventories to a new record high. Expectations of this excellent supply situation caused wheat prices to drop starting at the beginning of the fiscal year. They fell to about 145 €/t per tonne, a level not seen since mid-2010. By the end of February 2017, wheat prices in the EU had climbed back to 170 €/t, driven in part by a weak grain harvest in the EU and strong export demand.

In the non-European markets, Asia, North Africa and the Middle East, strong growth was seen in the fruit preparations market, while in the saturated EU and US markets, the consumption of fruitless yogurt trended higher. There are promising signs of growth potential in the ice cream, food services and baked goods consumer markets. In the last few months of the fiscal year, prices in the European apple juice concentrates markets stabilized at a high level amid rising demand and limited supplies.

Raw materials markets for fruit preparations were well supplied on account of excellent harvests. Prices were stable to declining, even for the main fruit, strawberries. Frost in May 2016 in Austria, Western Hungary and Slovenia reduced the availability of apples in the key raw materials market for fruit juice concentrates.

Energy and emissions trading

The energy markets were influenced early on by speculations about a restriction of crude oil production planned by the OPEC.

After reaching a fourteen-year low of 26 US dollars per barrel[1] in mid-January 2016 due to concerns about the global economy and continuing overproduction, crude oil markets began to trend higher.

[1] One US gallon is equal to 158.987 liters.

Prices continued to rise with a few interruptions right to the end of the fiscal year. The expansion was driven by speculation about production cuts, which were confirmed by OPEC on 30 November 2016. Member nations agreed to cut crude oil production by 1.2 million barrels to 32.5 million barrels per day. There were indications of an end to the many years of overproduction. In addition, the so-called "Trump effect" had an impact, as the government sponsored programs announced by the administration gave rise to speculation of rising demand. At the end of the fiscal year, the price of North Sea Brent finished trading at 57 US dollars per barrel.

Relatively high inventories of natural gas in Europe and global geopolitical crises caused natural gas prices to trend sideways amid wide price swings. During the summer months, the seasonal downward trend in natural gas prices was stronger than usual. During the fall and winter months, gas spot prices and futures began to rise sharply.This was driven among other things by the announcement of crude oil production cutbacks, together with increased demand for gas on account of low temperatures and as a fuel for electricity generation.

On the European emissions trading market (ETS), 2016/17 EUA prices were at a steady low level. The European Parliament's recommendations in mid-February 2017 to reform the emission trading system for the fourth trading period from 2021 to 2030 had little impact on the price. On 28 February 2017, the EUA spot market price was € 5.20 (4.98).

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

Südzucker Group business development – results from operations

Revenues and operating result

In fiscal 2016/17, the group's consolidated revenues rose 1.4 % to € 6,476 (6,387) million. Higher revenues generated by the special products, CropEnergies and fruit segments more than offset the decline in sugar segment revenues.

Revenues and operating result

		2016/17	2015/16	+/– in %
Revenues	€ million	**6,476**	**6,387**	**1.4**
EBITDA	€ million	709	518	36.9
Depreciation on fixed assets and intangible assets	€ million	–283	–277	2.2
Operating result	€ million	**426**	**241**	**76.7**
Result from restructuring/special items	€ million	–20	–19	5.7
Result from companies consolidated at equity	€ million	35	55	–36
Result from operations	€ million	**441**	**277**	**59.2**
EBITDA margin	%	10.9	8.1	
Operating margin	%	6.6	3.8	
Investments in fixed assets [1]	€ million	329	371	–11.3
Investments in financial assets/acquisitions	€ million	164	0	> 100
Total investments	€ million	**493**	**371**	**32.9**
Shares in companies consolidated at equity	€ million	433	333	29.9
Capital employed	€ million	6,012	5,791	3.8
Return on capital employed	%	7.1	4.2	
Employees		**16,908**	**16,486**	**2.6**

[1] Including intangible assets.

TABLE 018

Group consolidated results from operations growth were significantly better. The increase to € 426 (241) million was driven especially by the sugar segment, but all other segments also contributed.

Capital employed and return on capital employed (ROCE)

Capital employed rose to € 6,012 (5,791) million. The sugar, special products and fruit segments posted an increase while the CropEnergies segment reported a slight decline. Due to the significantly improved operating result of € 426 (241) million, ROCE rose to 7.1 (4.2) %.

Income statement

€ million	2016/17	2015/16	+/– in %
Revenues	**6,476**	**6,387**	**1.4**
Operating result	426	241	76.7
Result from restructuring/ special items	–20	–19	5.7
Result from companies consolidated at equity	35	55	–36.4
Result from operations	**441**	**277**	**59.2**
Financial result	–34	–50	–32.0
Earnings before income taxes	**407**	**227**	**79.5**
Taxes on income	–95	–46	> 100
Net earnings	**312**	**181**	**72.5**
of which attributable to Südzucker AG shareholders	214	109	96.1
of which attributable to hybrid capital	13	18	–27.2
of which attributable to other non-controlling interests	85	54	58.8
Earnings per share (€)	**1.05**	**0.53**	**98.1**

TABLE 019

Result from operations

The result from operations of € 441 (277) million for fiscal 2016/17 breaks down into the operating result of € 426 (241) million, the result from restructuring and special items of € –20 (–19) million and the result from companies consolidated at equity of € 35 (55) million.

Result of restructuring and special items

The result of restructuring and special items of € –20 (–19) million was driven by expenses for a new part-time retirement program, value added and excise tax risks and costs related to the testing phase of the new wheat starch plant in Zeitz. CropEnergies reversed accruals related to the shutdown of the bioethanol factory in Wilton, Great Britain in February 2015 after it was restarted.

Result from companies consolidated at equity

The result from companies consolidated at equity totaled € 35 (55) million. The sugar segment (ED&F Man Holdings Limited, AGRANA-Studen Group, Maxi S.r.l.) accounted for € 7 (32) million and the special products segment (Hungrana Group) for € 28 (23) million.

Financial result

The financial result improved to € –34 (–50) million. The interest expense was comparable to last year at € –27 (–27) million. The change in the other financial results item to € –7 (–23) million is due mainly to the foreign exchange result and the revaluation of a funds balance at AGRANA Fruit in Ukraine.

Taxes on income

Earnings before taxes of € 407 (227) million resulted in taxes on income of € –95 (–46) million. The tax rate was 23 (20) %.

Consolidated net earnings

Of the consolidated net earnings of € 312 (181) million, € 214 (109) million were allocated to Südzucker AG shareholders, € 13 (18) million to hybrid bondholders and € 85 (54) 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 € 1.05 (0.53). The calculation is based on the time-weighted average of 204.2 (204.2) million shares outstanding.

Investments and financing – financial position

Cash flow statement

€ million	2016/17	2015/16	+/– in %
Cash flow	**634**	**480**	**32.0**
Increase (–)/decrease (+) in working capital	**–89**	**114**	**–**
Investments in fixed assets			
Sugar segment	153	181	–15.5
Special products segment	126	131	–4.0
CropEnergies segment	16	17	–4.2
Fruit segment	34	42	–18.9
Total investments in fixed assets[1]	**329**	**371**	**–11.3**
Investments in financial assets/acquisitions	**164**	**0**	**> 100**
Total investments	**493**	**371**	**32.9**
Increases in stakes held in subsidiaries	**0**	**3**	**–88.5**
Capital buyback (–)/increase (+)	**189**	**–29**	**–**
Dividends paid	**–115**	**–129**	**–10.8**

[1] Including intangible assets.

TABLE 020

Cash flow

Cash flow tracked the improved consolidated net earnings and came in at € 634 million versus € 480 million last year. Cash flow was thus 9.8 (7.5) % of revenues.

Working capital

Cash outflow resulting from the increase of € 89 million in working capital was primarily driven by lower sugar inventory volumes, as well as revenue-driven higher trade receivables, which could only be partly offset by higher trade payables.

Investments in fixed assets

Investments in fixed assets (including intangible assets) totaled € 329 (371) million. The sugar segment invested € 153 (181) million, mainly for replacements, but also on efficiency and logistics improvements in preparation for expanded production after expiry of the minimum beet price and quota regulations. The special products segment invested € 126 (131) million, most of which was for the expansion of new production capacities by the starch division and plant optimization by BENEO and Freiberger. The CropEnergies segment invested € 16 (17) million for replacements and to improve the efficiencies of its production systems. The fruit segment's investments of € 34 (42) million were for the installation of additional production capacity, mainly for the fruit preparations division.

Investments in financial assets

Of the investments in financial assets totaling € 164 (0) million, the sugar segment accounted for € 82 million. The segment increased its stake in the trading company ED&F Man Holdings Ltd., London, Great Britain, by 10 % to about 35 % in September 2016. Another € 29 million were for the acquisition of 100 % of the shares of Terra e.G., Sömmerda, in June 2016, and € 5 million went toward a proportional capital increase of the company's interest in AGRANA-Studen Group. The fruit segment's investments of € 46 million were for the acquisition of Main Process S.A., Buenos Aires, Argentina.

Divestment of stakes in subsidiaries/bond redemption

The company boosted the free-floating shares of AGRANA from 7 % to 19 % by way of a capital increase, which entailed placing 1.4 million new AGRANA shares and concurrently placing 0.5 million AGRANA shares from Südzucker's direct holdings. The two measures resulted in a cash inflow of € 189 million. Last year, Südzucker bought back hybrid equity capital in the amount of € 29 million.

Profit distribution

Profit distributions throughout the group in the fiscal year just ended totaled € 115 (129) million and included € 62 (51) million paid out to Südzucker AG's shareholders and € 53 (78) million to other shareholders.

Development of net financial debt

The cash flow of € 634 million plus the € 189 million generated by the capital increase and placement of AGRANA shares were greater than the cash outflow from increased working capital of € 89 million, investments of € 493 million in fixed and financial assets and the profit distribution of € 115 million. Net financial debt was thus reduced by € 142 million and went from € 555 million to € 413 million as of 28 February 2017.

On 22 November 2016, Südzucker AG placed a corporate bond valued at € 300 million via its 100 %-owned Dutch subsidiary Südzucker International Finance B.V. The bond, which has a term of seven years and a 1.25 % per annum coupon, was issued to refinance the € 400 million March 2018 bond, to finance the 2016/17 campaign and to boost financing for subsidiaries.

Balance sheet – assets

Non-current assets

Non-current assets rose € 246 million to € 4,780 (4,534) million. The Main Process S.A. and Terra e.G. acquisitions increased goodwill, which caused intangible assets to rise to € 1,240 (1,189) million. The carrying amount of fixed assets was up € 97 million to € 2,922 (2,825) million, driven by investments and changes to the scope of consolidation.

Balance Sheet

€ million	28 February 2017	29 February 2016	+/– in %
Assets			
Intangible assets	1,240	1,189	4.3
Fixed assets	2,922	2,825	3.5
Remaining assets	618	520	18.8
Non-current assets	**4,780**	**4,534**	**5.4**
Inventories	2,053	1,897	8.2
Trade receivables	881	783	12.5
Remaining assets	1,022	919	11.2
Current assets	**3,956**	**3,599**	**9.9**
Total assets	**8,736**	**8,133**	**7.4**
Liabilities and equity			
Equity attributable to shareholders of Südzucker AG	3,347	3,158	6.0
Hybrid capital	653	653	0.0
Other non-controlling interests	888	662	34.2
Total equity	**4,888**	**4,473**	**9.3**
Provisions for pensions and similar obligations	823	798	3.1
Financial liabilities	917	734	25.0
Remaining liabilities	300	279	7.5
Non-current liabilities	**2,040**	**1,811**	**12.7**
Financial liabilities	221	425	–47.9
Trade payables	917	801	14.5
Remaining liabilities	670	623	7.5
Current liabilities	**1,808**	**1,849**	**–2.3**
Total liabilities and equity	**8,736**	**8,133**	**7.4**
Net financial debt	413	555	–25.5
Equity ratio in %	56.0	55.0	
Net financial debt as % of equity (gearing)	8.4	12.4	

TABLE 021

The increase of € 98 million in other assets brought the total to € 618 (520) million, and was primarily driven by the increased share of at equity consolidated companies to € 433 (333) million due to the larger stake in ED&F Man Holdings Ltd., London, Great Britain, and the prorated associated income.

Current assets

Non-current assets rose € 357 million to € 3,956 (3,599) million. The main drivers were an increase of € 156 million in inventories, especially in the sugar segment, bringing the total to € 2,053 (1,897) million, an increase of € 98 million in trade receivables, which rose to € 881 (783) million, and a € 103 million increase in other assets, which climbed to € 1,022 (919) million, primarily because of higher cash and cash equivalents.

Shareholders' equity

Shareholders' equity rose to € 4,888 (4,473) million. The equity ratio was slightly higher than last year at 56 (55) %, as total assets climbed to € 8,736 (8,133) million. Südzucker AG shareholders' equity rose € 189 million to € 3,347 (3,158) million. In parallel, other minority interests were up € 226 million to € 888 (662) million, mainly due to the capital measures at AGRANA.

Non-current liabilities

Non-current liabilities rose € 229 million to € 2,040 (1,811) million. Provisions for pensions and similar obligations were up € 25 million to € 823 (798) million due to valuation using a lower discount rate, which fell to 1.90 % on 28 February 2017 from 1.95 % on 29 February 2016. Financial liabilities rose € 183 million to € 917 (734) million, driven mainly by the 2016/2023 bond placed in the third quarter, which has a carrying amount of about € 300 million. Other liabilities rose € 21 million to € 300 (279) million.

Current liabilities

Current liabilities declined € 41 million to € 1,808 (1,849) million. Current financial liabilities fell € 204 million to € 221 (425) million, while trade payables were up € 116 million to € 917 (801) million. The latter include liabilities to beet growers totaling € 442 (354) million. Other debt, consisting of other provisions, taxes owed and other liabilities, rose € 47 million to € 670 (623) million.

Net financial debt

Net financial debt was cut by € 142 million to € 413 (555) million as of 28 February 2017. The ratio of net financial debt to equity was 8.4 (12.4) %.

The group's long-term financing requirements as of 28 February 2017 were covered by € 697 (399) million in bonds, € 43 (126) million in promissory notes and € 174 (207) million in bank loans.

The group's short term financing needs as of the balance sheet date were covered by promissory notes totaling € 83 (0) million, bank loans of € 138 (261) million and bonds valued at € 0 (164) million. As of the record date, Südzucker Group had access to adequate liquidity reserves of € 1.6 (1.4) 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 € 0.7 (0.6) billion.

Value added, capital structure and dividend

Value added

€ million	2016/17	2015/16	2014/15	2013/14	2012/13
Operating result	**426**	**241**	**181**	**622**	**972**
Capital employed	6,012	5,791	5,877	5,873	5,950
Return on capital employed (ROCE)	7.1 %	4.2 %	3.1 %	10.6 %	16.3 %

TABLE 022

Capital structure

		2016/17	2015/16	2014/15	2013/14	2012/13
Debt factor						
Net financial debt	€ million	413	555	593	536	464
Cash flow	€ million	634	480	389	697	996
Net financial debt to cash flow ratio		0.7	1.2	1.5	0.8	0.5
Debt equity ratio						
Net financial debt	€ million	413	555	593	536	464
Shareholders' equity	€ million	4,888	4,473	4,461	4,625	4,731
Net financial debt as % of equity (gearing)	%	8.4	12.4	13.3	11.6	9.8
Equity ratio						
Shareholders' equity	€ million	4,888	4,473	4,461	4,625	4,731
Total assets	€ million	8,736	8,133	8,474	8,663	8,806
Equity ratio	%	56.0	55.0	52.6	53.4	53.7

TABLE 023

Capital employed totaled € 6,012 (5,791) million, € 221 million higher than last year. Carrying values for fixed assets and goodwill were higher due to investments and acquisitions. Working capital was also higher, mainly in the sugar segment, as a result of higher inventories and higher trade receivables. The increases could only be partly offset by higher trade payables. At the same time, return on capital employed (ROCE) for 2016/17 rose from 4.2 % to 7.1 %, driven by the considerably improved operating result of € 426 (241) million.

The debt ratio (ratio of net financial debt to cash flow) as of the balance sheet date was 0.7 (1.2). Net financial debt as of 28 February 2017 was 8.4 (12.4) % of shareholder's equity of € 4,888 (4,473) million. The equity ratio on the balance sheet date rose to 56.0 (55.0) % as total assets climbed to € 8,736 (8,133) million.

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 operating result indicators are shown in table 24.

The executive and supervisory boards' recommended dividend of 0.45 (0.30) €/share reflects the positive results momentum for fiscal 2016/17. Based on the 204.2 million shares outstanding, the total dividend distribution will be € 91.9 million. Last year the total distribution was € 61.3 million.

Dividend

		2016/17	2015/16	2014/15	2013/14	2012/13
Operating result	€ million	426	241	181	622	972
Cash flow	€ million	634	480	389	697	996
Earnings per share	€	1.05	0.53	0.10	1.37	3.08
Dividend per share [1]	€	0.45	0.30	0.25	0.50	0.90
Payout ratio	%	42.9	56.6	–	36.5	29.2

[1] 2016/17: Proposal.

TABLE 024

SUGAR SEGMENT

FACTORIES:	29 sugar factories, 2 refineries
RAW MATERIALS:	Sugar beets, raw sugar from sugar cane
PRODUCTS:	Sugar, sugary specialty products, animal feed
MARKETS:	Europe and global markets
CUSTOMERS:	Food industry, retailers, agriculture

Market developments and economic environment

World sugar market

In its third estimate of the world sugar balance for the 2016/17 marketing year (1 October to 30 September) released in February 2017, German market analyst F. O. Licht expects another sugar production deficit. The previous marketing year 2015/16 saw the first production deficit in six years.

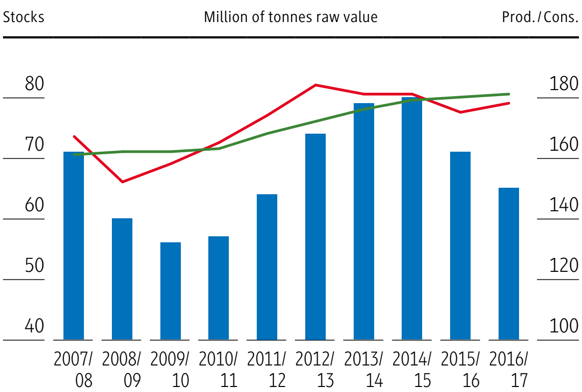
Despite production recovering to 178.0 (174.7) million tonnes, inventories are expected to decline again, to 65.4 (70.9) million tonnes, about 36 (39) % of one year's consumption and the lowest level since 2010/11. The drop is driven by continuously expanding consumption, which grew to 181.0 (180.0) million tonnes.

Weather conditions, especially in India and Thailand, together with cultivation cutbacks in Europe, had resulted in lower production than in previous years during the 2015/16 marketing year. Expanded cultivation and higher yields in Europe during the 2016/17 marketing year drove sugar production slightly higher, but still not as high as in prior years.

The expansion of global sugar consumption continued during 2016/17, driven by population growth, especially in Africa and Asia.

The steady climb that began in fall 2015 continued amid unchanged high volatility over the course of the 2016/17 fiscal year. Driven by the continuing deficits on the world market that have been experienced for over two years and reinforced by high positions taken by financial investors, the world market price for white sugar rose from 375 €/t to over 550 €/t as of October 2016, the highest level since 2012. Thereafter the price initially corrected, falling to close to 450 €/t by mid-December. Prices subsequently recovered and rose to over 500 €/t, helped by the rising value of the US dollar versus the euro. At the end of the reporting period, the world market price for white sugar was 503 €/t.

Global sugar balance



Source: F. O. Licht

DIAGRAM 009

Global sugar balance

Million of tonnes raw value equivalent	2016/17e	2015/16	2014/15	2013/14	2012/13
Opening balance	**70.9**	**79.9**	**79.0**	**74.1**	**64.0**
Production	178.0	174.7	180.7	181.5	184.2
Consumption	−181.0	−180.0	−178.7	−175.8	−171.6
Volume adjustments	−2.5	−3.7	−1.1	−0.8	−2.5
Closing balance	**65.4**	**70.9**	**79.9**	**79.0**	**74.1**
In % of consumption	36.1	39.4	44.7	44.9	43.2

Source: F. O. Licht, 3rd World sugar balance estimate, February 2017.

TABLE 025

A summary of the most important sugar producing and consuming countries is presented in the adjacent table, along with the largest importing and exporting nations. With a share of around 23 %, Brazil continues to be the largest sugar producer and with shipments of 27.7 million tonnes, the largest sugar exporter by a wide margin.

EU sugar market

The last sugar marketing year (1 October – 30 September) governed by current market regulations regarding quotas and minimum beet prices began on 1 October 2016. Due to expanded cultivation and better yields, the EU Commission expects sugar production in the EU (including isoglucose) to rise to about 17.4 (15.7) million tonnes. During the 2015/16 sugar marketing year, production declined due to cultivation cutbacks and a record harvest the previous year.

As in previous years, the EU commission expects quota sugar inventories to decline further during the 2016/17 sugar marketing year. The EU is a net importer of quota sugar. For preferential imports to rise, the EU price level would have to be at least high enough to cover the costs of the imported sugar. In fact, the EU price level since June 2016 was occasionally below the world market price.

Export licenses for 1.35 million tonnes of non-quota sugar were granted for the 2016/17 sugar marketing year, the same as last year.

According to EU price reporting, the average price for quota sugar rose from about 430 €/t at the beginning of the fiscal year to 450 €/t for bulk sugar (ex factory) in September 2016. At the beginning of the new sugar marketing year, the EU price level initially rose to 470 €/t in October 2016 and at the end of January 2017 was quoted at 495 €/t.

Legal and political environment

WTO negotiations

WTO-II negotiations during the Doha round, primarily aiming to improve the trade perspective of developing countries, have been ongoing since 2001 and have still not been concluded.

Million of tonnes raw value	2016/17e	2015/16	2014/15	2013/14	2012/13
Top 5 producers					
Brazil	40.1	40.5	34.7	39.5	41.2
India	22.5	27.4	30.6	26.6	27.3
EU	17.1	15.1	19.1	17.1	17.4
China	10.9	9.5	11.5	14.5	14.2
Thailand	10.0	10.0	11.6	11.7	10.3
Top 5 consumers					
India	26.3	27.0	27.8	26.3	24.8
EU	19.0	19.0	19.2	19.3	19.2
China	17.3	17.1	16.6	16.2	15.8
Brazil	12.0	12.0	12.1	12.4	12.5
USA	11.0	11.0	10.9	11.1	10.7
Top 5 net exporters					
Brazil	27.7	29.8	23.7	24.7	29.7
Thailand	7.0	7.8	8.1	6.5	6.1
Australia	3.9	4.2	3.6	3.1	3.0
Guatemala	2.0	2.1	2.5	1.9	2.0
Mexico	1.4	1.2	1.4	2.5	2.0
Top 5 net importers [1]					
Indonesia	4.1	4.3	3.2	3.8	4.3
China	3.6	6.0	5.3	4.0	3.6
USA	2.6	3.0	3.2	3.0	2.7
Bangladesh	2.2	2.2	2.4	1.8	1.7
Malaysia	1.7	1.7	1.8	1.7	1.6

Source: F. O. Licht, 3rd World sugar balance estimate, February 2017.
[1] Sugar consumed in the country without refining for third countries.

TABLE 026

Global market sugar prices

1 March 2014 to 31 March 2017, London, nearest forward trading month

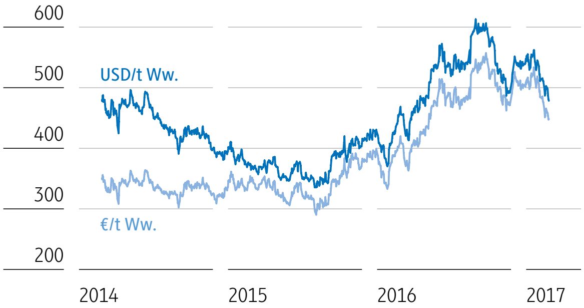


DIAGRAM 010

EU sugar balance

Million of tonnes white sugar	2016/17e	2015/16	2014/15	2013/14	2012/13
Beginning stocks incl. carry forward	**1.9**	**4.0**	**2.6**	**3.2**	**2.4**
Production	17.4	15.7	20.3	17.6	18.1
Import	3.0	2.9	2.8	3.2	3.7
Consumption	−18.8	−18.4	−19.4	−19.3	−18.9
Export	−0.8	−1.4	−1.5	−1.4	−1.4
Net export processed products	−0.9	−0.9	−0.8	−0.7	−0.7
Ending stocks incl. carry forward	**1.8**	**1.9**	**4.0**	**2.6**	**3.2**
thereof carry forward	0.0	0.9	2.7	0.6	0.7

Source: EU commission, AGRI C4, estimate of EU sugar balance sheet 2016/17, March 2017.

TABLE 027

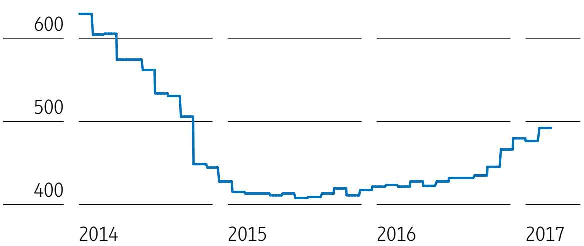
On 19 December 2015, the WTO ministers' conference adopted a resolution to eliminate export subsidies for agricultural goods earlier than originally planned. The decision will have no immediate negative impact on EU sugar exports due to the expiry of the quota and minimum price regulations in October 2017. After October 2017, EU sugar producers will be permitted to export sugar to the world market without volume restrictions.

Free trade agreements

In parallel with the ongoing WTO discussions, negotiations regarding potential free trade agreements are underway with various nations and communities, such as MERCOSUR[1] and Australia. In the event sugar and sugary products are not defined as sensitive products – contrary to current trade practice – substantial additional sugar volumes could in future be imported into the European Union at preferential tariff rates.

EU price reporting

1 January 2014 to 31 January 2017
€/t Ww.



Source: EU Commission, Directorate-General for Agriculture and Rural Development.

DIAGRAM 011

In November 2016, the EU released the procedures and specifications for granting and administering quotas for EU sugar imports from South Africa. A duty-free import quota of 25,000 tonnes of raw and white sugar was granted for the year 2016. Starting in 2017, the annual quota of imports from South Africa to the EU is set at 150,000 tonnes of raw and white sugar.

In addition, at the end of December 2016, the EU and Ecuador concluded negotiations concerning the procedures required for preliminary application of the free trade agreement. The trading part of the agreement thus came into force on 1 January 2017. The EU has committed to allowing two duty-free import quotas: 15,000 tonnes for raw sugar and 10,000 tonnes for white sugar, isoglucose, glucose and sugary products. These quotas are slated to rise slightly every year going forward.

EU initiative to reduce sugar in food

Spurred by recommendations from the World Health Organization (WHO) concerning the amount of sugar in people's daily diet, the pressure on the EU commission and EU member states to take action on legislating changes to product recipes is steadily rising. The EU member states have agreed that by 2020, the volume of so-called added sugar in the overall marketed volume of food be 10 % less than in 2015. This includes all types of sugar, not only the household variety, but also fruit preparations added to food for the purpose of sweetening.

[1] Brazil, Argentina, Paraguay, Uruguay.

Business performance

Revenues and operating result

The sugar segment's revenues declined to € 2,776 (2,855) million, due especially to lower quota sugar volumes, but also falling non-quota sugar volumes because of the weaker harvest in 2015. Rising sugar sales revenues over the course of the fiscal year more than offset the lower volumes during the second half of the year.

The operating result improved substantially, to € 72 (–79) million, driven mainly by higher quota sugar sales revenues. At the beginning of the fiscal year, the moderate price increase since the beginning of the 2015/16 sugar marketing year in October 2015 had an initial impact. In addition, over the course of the year, spot market income continued to rise in an overall positive market environment. This has now boosted all markets since October 2016.

Result of restructuring and special items

The result from restructuring and special items of € –12 (4) million covers mainly expenses related to the new partial retirement program Südzucker AG began offering at the end of fiscal 2016/17 and value added tax risks at AGRANA Romania S.A. Last year this item contained proceeds from the reimbursement claim against the EU for excess production levies imposed for sugar marketing years 2001/02 to 2005/06.

Result from companies consolidated at equity

The sugar segment's result for companies consolidated at equity was € 7 (32) million and relates to ED&F Man Holdings Limited, London, Great Britain, AGRANA-Studen Group and Maxi S.r.l. Last year's statements included an acquisition profit from ED&F Man's first-time full consolidation of Empresas Iansa S.A., Santiago, Chile, after ED&F Man was able to boost its share of the company to a majority interest of about 92 %.

Capital employed and return on capital employed

Capital employed rose to € 3,169 (3,041) million, driven especially by higher sugar inventories and trade receivables. ROCE was back in positive territory at 2.3 (–2.6) % thanks to the operating profit of € 72 (–79) million.

Sugar segment business performance

		2016/17	2015/16	+/– in %
Revenues	€ million	**2,776**	**2,855**	**–2.7**
EBITDA	€ million	201	48	> 100
Depreciation on fixed assets and intangible assets	€ million	–129	–127	1.3
Operating result	€ million	**72**	**–79**	**–**
Result from restructuring / special items	€ million	–12	4	–
Result from companies consolidated at equity	€ million	7	32	–79.4
Result from operations	€ million	**67**	**–43**	**–**
EBITDA margin	%	7.3	1.7	
Operating margin	%	2.6	–2.7	
Investments in fixed assets [1]	€ million	153	181	–15.5
Investments in financial assets / acquisitions	€ million	118	0	> 100
Total investments	€ million	**271**	**181**	**49.8**
Shares in companies consolidated at equity	€ million	370	275	34.4
Capital employed	€ million	3,169	3,041	4.2
Return on capital employed	%	2.3	–2.6	
Employees		**6,929**	**7,028**	**–1.4**

[1] Including intangible assets.

TABLE 028

Investments in fixed assets

Investments in fixed assets of € 153 (181) million were primarily for replacements, investments to improve efficiencies such for the beet yard and beet cleaning projects in Roye and Etrépagny, both in France, and product developments such as nibs sugar in Tienen, Belgium and jam sugar concentrate in Rain. Other important investments were for energy savings; for example, the steam turbine in Zeitz, which uses the required process steam to generate electric power, as well as environment-related investments for wastewater treatment and exhaust gas scrubbing systems at locations such as Cagny, France, and Tienen, Belgium. Also worth mentioning are logistics and infrastructure projects such as the ones at the Plattling, Rain, Offenau and Offstein factories, as well as in Tienen, Belgium. Many of these projects are key to conducting longer campaigns, which are planned after expiry of the minimum beet price regulations and quotas on 30 September 2017.

Investments in financial assets

Investments in financial assets related mainly to the 10 % increase interest in the trading company ED&F Man Holdings Ltd., London, to about 35 % in September 2016, the purchase of 100 % of the shares of Terra e.G., Sömmerda, in June 2016, and the prorated capital increase in the interest in AGRANA-Studen Group.

Raw materials and production

Cultivation area

Südzucker Group's sugar beet cultivation area was expanded by about 10 % in 2016, to 385,000 (350,000) ha. Last year, many beet growers had to scale back their cultivation area because of high previous year's sugar inventories.

Planting and beet development

In 2016, planting began for the most part as early as in previous years, amidst average to excellent planting conditions. By mid-April, beets had been planted in almost all Südzucker Group regions with the exception of Belgium, where heavy rain caused delays. Cool spells with frost at night resulted in modest beet growth after sowing. By mid-May, most fields were benefiting from plentiful rain and beets flourished as temperatures rose. But damp, warm weather during the primary growing months promoted disease, especially the fungal variety. High temperatures of over 30° C during August and September parched the soil in some regions, which made it harder to harvest the beets.

Raw materials and production

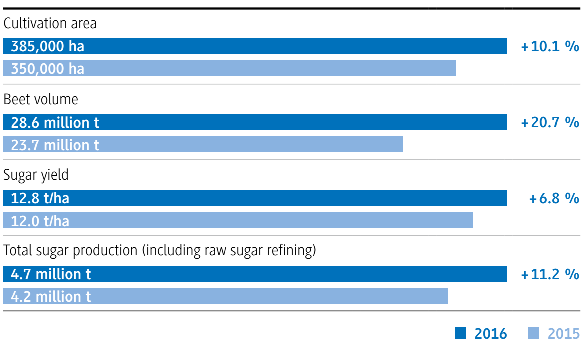


DIAGRAM 012

Sugar production by region

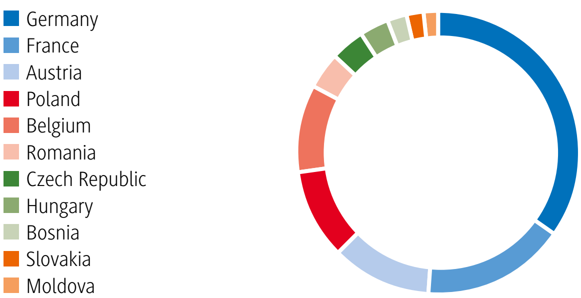


DIAGRAM 013

Yields

Thanks to almost optimum weather conditions for beets during the development period, yields at AGRANA in Austria, Czech Republic, Slovakia and Hungary were excellent, significantly above average. In contrast, adverse weather conditions in Belgium and France led to widely varying, mainly below average beet yields. In all other Südzucker Group regions, the beet harvest was mostly above average. Overall, the yield for Südzucker Group was 74 (69) t/ha, about 2 % higher than the five-year average. Südzucker Group's sugar yield of around 17.2 (17.5) % is close to the average of the past five years.

2016 campaign

The significantly expanded cultivation area and the above average beet yield led to a higher total beet volume of 28.6 (23.7) million tonnes. Production performance was almost the same as the year prior and the average campaign duration for all factories was 107 (89) days. Processing time at the individual factories was between 44 days at Fălești / Moldova and 151 days at Sered, Slovakia.

Thanks to mild and dry weather, the campaign progressed mostly problem free at all factories right into the winter months. Dry weather did make sugar beet pulling more difficult at some locations, which adversely affected factory deliveries, but only at the very start of the campaign. Seven of the group's factories set new beet processing records. Beet quality problems at two factories resulted in below average processing performance. In Fălești and Roman, Romania, processing had to be temporarily suspended due to heavy rains in October. In January, temperatures as low as −15° C made beet processing more difficult at AGRANA in Austria, Czech Republic and Slovakia.

During the beet campaign, syrup is stored in tanks as an intermediate product at a number of sites. It is then converted to sugar in separate syrup campaigns, sold directly to customers or used internally by Südzucker Group to produce ethanol.

Organic beets are converted to organic sugar in separate campaigns at the Warburg and Hrušovany, Czech Republic, factories. An organic beet campaign was also held for the first time in Roman. The larger organic beet cultivation area resulted in significantly more overall organic sugar production than last year.

Sugar production

Total sugar production at the group rose to 4.7 (4.2) million tonnes, of which 4.4 (3.8) million tonnes was sugar produced from beets and 0.23 (0.43) million tonnes sugar refined from raw sugar cane.

Energy consumption 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 biogas produced in the anaerobic wastewater plants is already used today as fuel in the sugar factories. Running the factories with energy 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_2 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.

Energy consumption by the sugar segment

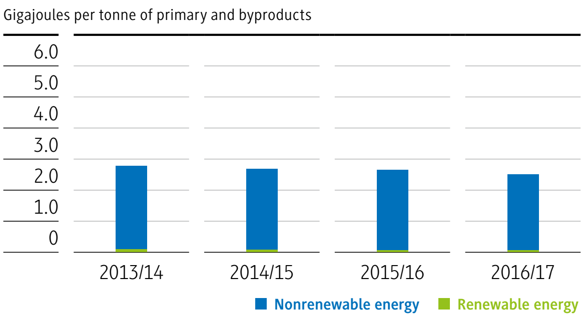


DIAGRAM 014

Emissions from direct and indirect energy consumption in the sugar segment

Tonnes of CO_2 equivalent per tonne of primary and byproduct

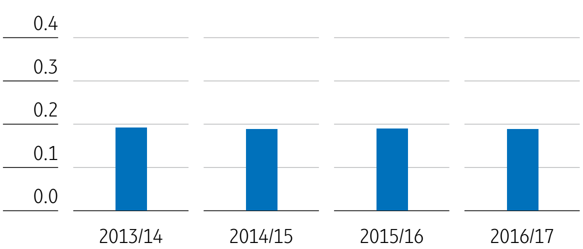


DIAGRAM 015

Water withdrawal and wastewater

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 70 %) 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 biogas resulting in the latter case is used for energy.

Sugar segment – water withdrawal / waste water

m^3 per tonne[1]	2013/14	2014/15	2015/16	2016/17
Water withdrawal	2.4	1.9	1.7	1.8
Wastewater	2.0	1.9	1.8	2.0

[1] Main and by-products.

TABLE 029

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 2016 campaign, soil adhesion was 5.2 (4.7) percent. 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

Most waste products – especially slag and ash from the coal-fired CHP plants in the factories – are recycled.

Sugar segment – waste

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17
Recycling	454.3	343.2	271.2	153.5
Landfill	70.3	84.4	68.6	49.4
Composting	9.3	9.9	14.3	8.6
Incineration	2.2	2.2	9.7	1.8
Other	16.3	17.0	12.2	16.4
thereof dangerous waste[1]	*0.7*	*0.8*	*1.1*	*0.5*
Total	**552.4**	**456.8**	**376.0**	**229.7**

[1] Mainly used lubricants from production.

TABLE 030

The renewed significant reduction in waste volume is due to the complete implementation of a standard program to categorize wastes. As a result of the program, byproducts such as press pellets are no longer treated as waste, even though they are categorized as such by some countries' waste disposal laws.

Volume

Sugar

Consolidated total volume for all group companies, including non-quota sugar exports and shipments to the non-food industry, fell 12.1 % to 4.8 (5.5) million tonnes in fiscal 2016/17. Volume for companies outside the EU rose 4.9 %, but was offset by a 13.2 % decline in the EU companies. Volume here declined to 4.5 (5.1) million tonnes, driven by both quota and non-quota sugar development.

The total quota sugar volume of 3.8 (4.3) million tonnes was 10.8 % less than last year. The drop came from both countries in which Südzucker has its own production – except Austria and Czech Republic – and countries with no production facilities, but their own sales organizations.

Volumes of non-quota sugar sank 24.8 % to 0.7 (0.9) million tonnes due to lack of availability, driven especially by the lower volumes in the EU, where 0.5 (0.6) million tonnes were sold. Exports fell to 0.2 (0.3) million tonnes.

Animal feed and molasses

Molasses pulp pellet and molasses production expanded throughout the world in 2016/17. This was partly driven by higher production in the EU. Südzucker Group also produced higher volumes during the 2016 campaign, because it processed more beets than last year. A significant contributor here was the molasses pulp production level at the German sites, which was higher than last year.

Selling prices for molasses pulp pellets were only slightly below last year's despite these larger volumes, falling grain prices until September 2016 and higher imports from Russia.

Prices for molasses produced from beets were only slightly lower than last year despite the higher volumes produced throughout the group; mainly because raw molasses prices remained steady.

SPECIAL PRODUCTS SEGMENT

Business performance

Revenues and operating result

The special products segment's revenues rose slightly from € 1,791 to 1,819 million. The increase was driven by the startup of the wheat starch plant at the Zeitz site and especially steady volume growth. The higher revenues more than offset declining sales income, caused in part by currency exchange factors. The depreciation of the British pound following the BREXIT vote had a direct negative impact on a number of the segment's companies.

The operating result came in at € 184 (171) million, higher still than last year's already excellent numbers. The continued volume growth in almost all business units was enough to offset the burden resulting from the startup of the starch plant in Zeitz and declining sales revenues.

Result of restructuring and special items

The result of restructuring and special items of € −4 (−2) million included expenses from the testing phase of the new wheat starch plant at the Zeitz location until July 2016. Last year, expenses related to the wheat starch plant testing that began in 2015/16 were offset in part by property tax reimbursements for previous years at BENEO.

Result from companies consolidated at equity

The result of € 28 (23) 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 rose significantly to € 1,499 (1,436) million due to higher investments. The higher operating result of

Special products segment business performance

		2016/17	2015/16	+/− in %
Revenues	€ million	**1,819**	**1,791**	**1.5**
EBITDA	€ million	263	246	6.5
Depreciation on fixed assets and intangible assets	€ million	−79	−75	4.7
Operating result	€ million	**184**	**171**	**7.4**
Result from restructuring/special items	€ million	−4	−2	54.5
Result from companies consolidated at equity	€ million	28	23	23.1
Result from operations	€ million	**208**	**192**	**8.7**
EBITDA margin	%	14.4	13.7	
Operating margin	%	10.1	9.5	
Investments in fixed assets [1]	€ million	126	131	−4.0
Investments in financial assets/acquisitions	€ million	0	0	–
Total investments	€ million	**126**	**131**	**−4.0**
Shares in companies consolidated at equity	€ million	61	56	8.0
Capital employed	€ million	1,499	1,436	4.4
Return on capital employed	%	12.2	11.9	
Employees		**4,643**	**4,422**	**5.0**

[1] Including intangible assets.

TABLE 031

€ 184 (171) million caused ROCE to rise to 12.2 (11.9) %. The capital employed number also includes the investments for the wheat starch plant at the Zeitz location.

Investments

The special products segment invested € 126 (131) million. The BENEO division's investments were mainly for efficiency improvements in the production process at Orafti in Oreye, Belgium, and the agglomerations system at Palatinit in Offstein. The starch division's main investments were for the construction and startup of the wheat starch plant in Zeitz and a capacity expansion in Aschach, Austria. The Freiberger division focused its investments on improving efficiencies by installing new production systems at the Berlin and Westhoughton, Great Britain, sites.

BENEO division

LOCATIONS:	5 production locations in 4 countries, 7 branch sales offices in 7 countries
RAW MATERIALS:	Chicory root, beet sugar, rice, wheat
PRODUCTS:	Functional food ingredients, animal feed, non-food and pharmaceutical sectors
MARKETS:	Worldwide
CUSTOMERS:	Food industry, animal feed industry, pharmaceutical industry

Economic environment, general conditions

Scientific findings regarding the influence of diet on health and the interest of consumers to investigate such issues have both increased significantly. The food industry responds to the associated diet trends, such as sugar and fat reduction, organic products, gluten-free, vegetarian or vegan, which leads to rising demand for natural ingredients that align with these market demands, are nutritionally sensible and taste good.

Business performance

BENEO was able to successfully increase its market share in fiscal 2016/17, growing significantly in all its key markets. The division is focusing on the European market and the potential of the American and Asian markets. For example, it established a sales office in India in order to expand into this important economic region.

For further growth in Europe, it is essential that the European Food Safety Authority (EFSA) food laws recognize any product health claims. For example, the food industry began integrating the dietary fiber inulin into product developments after an exclusive claim regarding improved bowel regulation was recognized in January 2016. As a result, research into these subjects remains a priority.

The division supports national and international customers by providing expertise in the area of food technology. In addition to activities in traditional applications such as baked goods, cereals, dairy products, baby food and confectionery items, BENEO is increasingly developing typical international food recipes with promising market potential, such as Chinese moon cakes. It is also conducting research on new applications such as substituting plant-based ingredients for animal proteins. To support these activities, the division has invested heavily in upgrading application-related development labs at the Belgian location in Tienen.

Despite strong competition and further consolidation of the confectionery items industry, already high isomalt sales volumes continued to expand. Demand for Palatinose™ for specialty, baby and sports industry foods, as well as food technology applications, is also increasing. An organic variety of inulin was added to the functional dietary fibers product group inulin and oligofructose at the start of 2017. Rice derivatives with "clean label", "gluten-free", "lactose free" or "allergen-free" claims continue to be on a growth track. The introduction of rice starches with new physical properties has strengthened this position. Market growth continues for the technologically functional wheat protein BENEO Pro VWG. Previously applied mainly for animal feed, it is now being used more and more by the food industry.

Freiberger division

LOCATIONS:	5 production locations in 3 countries
RAW MATERIALS:	Wheat, milk (cheese), tomato paste, pork (salami)
PRODUCTS:	Frozen pizzas, baguettes, snacks and pasta dishes, chilled pizzas
MARKETS:	Europe, USA
CUSTOMERS:	Food retailers in Europe, retailers in North America

Economic environment and general conditions

The European Union continued to intervene in the milk market in 2017, which has caused the price of cheese, one of the key raw materials for pizza production, to increase substantially since the middle of last year.

Market developments

German demand for frozen pizza fell about 1.3 % overall, while revenue was down 1.9 %. Retail trade revenues for brand-name product manufacturers were down 0.9 % while volume remained virtually steady. For house brands, volume was down 3.9 %, and revenue fell 4.1 %. Demand for frozen pizza and chilled pizza rose in France and Great Britain.

Business performance

Freiberger Group was able to meet expectations for the fiscal year just ended, despite rising milk prices and the weakening of the British pound. By focusing consistently on product quality in Germany, Freiberger was able to counter the market trend and generate the same volume as last year. Volume rose in France and Great Britain. Freiberger will therefore stick to its quality and investment strategy and align its production capacities on the special requirements of the retail trade as well as taking into consideration consumer behavioral trends in determining its product types and production concepts.

PortionPack Europe division

LOCATIONS:	6 production locations in 5 countries, 3 sales offices / distributors in 3 countries
PRODUCTS:	High-quality portion packs (food and non-food)
MARKETS:	Primarily Europe
CUSTOMERS:	Hotels, restaurants and caterers

Market and business development

PortionPack Europe operated in a continued difficult market environment in fiscal 2016/17.

A restructuring initiative in Belgium at the beginning of the fiscal year led to the sale of the production site of the business, and retention of the business with food service customers as a pure trading business.

Because of sharply lower sales revenues – expressed in euro – in England, and reduced business volume in Belgium, PortionPack Europe Group’s revenues were below last year’s.

Starch division

LOCATIONS:	6 production locations in 4 countries
RAW MATERIALS:	Corn, wheat, potatoes
PRODUCTS:	Potato, corn and wheat starch, bioethanol, protein feed, glucose syrups, bran and gluten
MARKETS:	Central and Eastern Europe, primarily Austria and Germany, also special markets such as the United States and United Arab Emirates
CUSTOMERS:	Food industry, paper industry, textile industry, construction chemicals industry, pharmaceuticals and cosmetics industries, petroleum industry, animal feed industry

Economic environment, general conditions and raw material markets

For details about developments in the international grain markets, as well as the developments and political framework for bioethanol, please refer to the chapters "General and industry-specific business conditions" and "CropEnergies".

Target market developments

Overall, starch market demand was very strong. The potato starch processing campaign just ended resulted in a very satisfactory supply situation. As a result, the sales and marketing strategy focused on exports to the growing Latin American and Asian markets, in addition to targeting growth in the home market and adjacent regions. Aside from the food sector, the pulp and paper industry in particular, which produces high-quality products, keeps demand for native corn and wheat starch high.

Sugar market and price developments were instrumental in shaping the environment for starch based sweeteners. They had a positive impact on demand and the price trend, especially for the isoglucose business.

Business performance

The starch division's revenues rose 1.7 % in fiscal 2016/17. The sales volume of products manufactured in-house rose because of the significantly improved productivity at all factories. Market prices for the significantly higher volumes remained stable, especially for native starches. Ethanol prices were very volatile during the fiscal year and average prices for bioethanol were below last year's. However, because of higher sales volumes, revenues remained almost constant. Volume and prices for the modified starches product group remained stable. The specialty product strategy focus resulted in significantly higher revenues for high-margin organic products, both because of higher volumes and higher selling prices. Sugar price trends in Europe had a positive impact on selling prices for sweeteners and as a result, revenues, driven in part by higher volumes, were above last year's.

Production

The potato starch factory in Gmünd, Austria, converted about 238,900 (164,400) tonnes of industrial starch potatoes with an average starch content of 19.6 (17.3) % in 149 (104) days during the 2016/17 campaign. About 4,400 (4,200) tonnes of potato staple products were produced from about 24,800 (24,600) tonnes of food industry potatoes.

The volume of corn processed (excluding bioethanol processing) increased to about 416,400 (406,000) tonnes, due to the higher share of specialty corn (waxy corn, organic corn, certified GMO-free corn). The total volume of corn processed at Hungrana group in Hungary increased moderately, to just over 1.1 million tonnes.

About 198,000 (182,200) tonnes of wheat were converted to wheat starch at the wheat starch plant in Pischelsdorf, Austria. The extreme purity of this wheat starch has made it a staple for industrial applications. About 636,700 (591,800) tonnes of grain were processed at the attached bioethanol plant. Preliminary contracts were signed with farmers for 69,700 tonnes of ethanol wheat and triticale from the 2016 harvest. Cultivation contracts for ethanol-grade grain were signed again for the 2017 harvest.

After one-and-a-half years of construction, testing at the Zeitz starch plant began in March 2016. The plant started operations in July 2016. It will convert wheat from the surrounding area to glucose syrups for the food and chemical industries and has generated jobs for about 100 new employees. Bran for the animal feed industry and the plant protein gluten will be refined in addition to the primary product, glucose syrup. Gluten is a key raw material also used for the baked goods industry and fish farming.

A large volume of bran from the newly started up wheat starch plant in Zeitz was sold for the first time in Germany and abroad. Contract terms and conditions were excellent.

Special products segment production

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. The BENEO site in Pemuco, Chile, uses primarily renewable raw materials as fuel.

Energy consumption by the special products segment

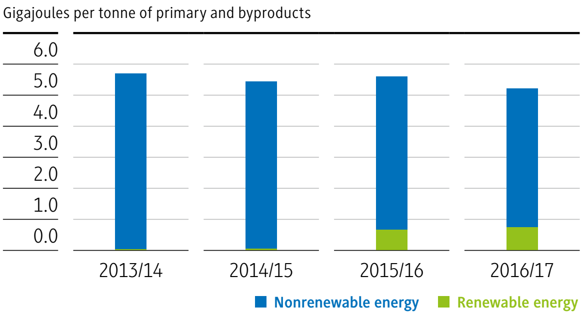


DIAGRAM 016

The volume of CO_2 emitted is a function of both total energy demand and input fuels mix. Further prospects to reduce CO_2 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.

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

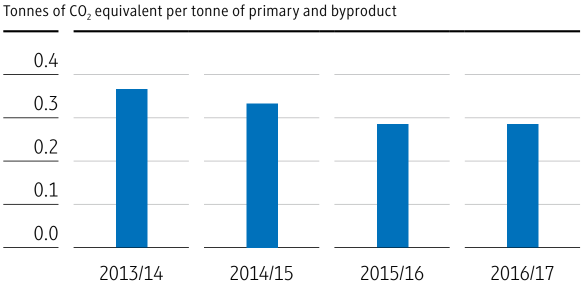


DIAGRAM 017

Water withdrawal and wastewater

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 / waste water

m^3 per tonne[1]	2013/14	2014/15	2015/16	2016/17
Water withdrawal	4.8	4.5	4.2	4.2
Wastewater	4.4	4.6	4.1	4.3

[1] Main and by-products.

TABLE 032

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 BENEO and starch divisions, Südzucker uses all components of the input raw materials and converts them to high-quality products. The Freiberger division uses primarily intermediate products such as flour, tomato sauce and cheese, which are purchased as required.

Soil

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 BENEO division when processing rice and chicory. A further large share of the waste is recycled to generate power, mainly in the Freiberger division.

Special products segment – waste

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17
Composting	5.8	5.0	5.6	8.0
Incineration	2.2	2.9	7.2	5.1
Landfill	42.0	47.8	32.6	40.0
Recycling	12.1	11.9	12.0	16.5
Other	3.7	4.3	4.0	3.4
thereof dangerous waste[1]	*0.2*	*0.1*	*0.3*	*0.2*
Total	**65.8**	**71.8**	**61.4**	**73.0**

[1] Mainly used lubricants from production.

TABLE 033

CROPENERGIES SEGMENT[1]

LOCATIONS:	4 factories in 4 countries, 3 branch sales offices in 3 countries
RAW MATERIALS:	grain, sugar syrup, raw alcohol, starch slurry, gluten
PRODUCTS:	bioethanol, protein-based food and animal feed, liquid CO_2
MARKETS:	Europe
CUSTOMERS:	mineral oil companies and traders, food and animal feed producers, beverage and cosmetics producers, pharmaceutical companies

Market developments and economic environment

Bioethanol market

Global ethanol production in 2016 was virtually the same as last year at 117.7 (117.5) million m³. The production volume split was also unchanged: 84 % for the fuel sector and 16 % for beverages, cosmetics, medical or industrial applications. Global fuel grade ethanol production of about 99.3 (98.5) million m³ for the fuel sector represents about 5 % of the global gasoline market. In 2017, global ethanol production is again expected to remain steady at last year's level of 117.6 million m³. Fuel grade ethanol production is expected to remain at 99.3 million m³.

In 2016, ethanol production in the United States rose 3.5 % compared to the previous year to 59.5 (57.5) million m³. Domestic consumption rose 2.7 % to 55.9 (54.5) million m³. As a result of the high production surplus, net exports jumped to 3.9 (2.7) million m³. In 2017, production is expected to remain steady at 60.3 (59.5) million m³ and consumption to rise slightly to 56.2 (55.9) million m³.

In Brazil, bioethanol production in sugar marketing year 2016/17 is expected to drop significantly, down 10 % to 27.5 (30.5) million m³, driven by attractive world market sugar prices, which will steer a larger portion of the cane sugar harvest toward sugar production. Domestic demand is also expected to decline dearly, down 11 % to 26.8 (30.1) million m³. Supply

[1] Further details can be found in CropEnergies AG's 2016/17 annual report.

and demand was largely balanced and is expected to remain so in 2017/18. Net exports declined to 0.3 (1.8) million m³.

Total EU ethanol consumption (including alcohol for traditional and technical applications) in 2016 is expected to remain virtually unchanged at 7.6 (7.7) million m³. A number of production plants in Europe suspended operations, which drove down ethanol production to 7.0 (7.3) million m³. The reduced production was mostly attributable to fuel grade ethanol, which reached 4.8 (5.0) million m³. Fuel grade ethanol consumption was down 1.7 % in 2016, ending at 5.1 (5.3) million m³.

Market analysts expect fuel grade ethanol consumption to climb to 5.4 (5.1) million m³ in 2017 in view of higher mandatory blend ratios in several EU member states. This demand should be largely covered by European production, which is expected to rise to about 5.4 (4.8) million m³.

The introduction of E10 (gasoline mixed with 10 % ethanol by volume) in Belgium effective 1 January 2017 increases the employment of bioethanol's potential to quickly and cost-effectively cut greenhouse gas emissions in the EU; however, it is still not being fully exploited.

EU bioethanol volume balance

million m³	2017e	2016	2015
Opening balance	**2.0**	**2.1**	**2.1**
Production	7.6	7.0	7.3
thereof fuel ethanol	5.4	4.8	5.0
Import	0.5	0.6	0.6
Consumption	−7.8	−7.6	−7.7
thereof fuel ethanol	−5.4	−5.1	−5.3
Export	−0.2	−0.1	−0.2
Closing balance	**2.1**	**2.0**	**2.1**

Source: F. O. Licht. Data estimated of EU biothanol volume balance, April 2017.

TABLE 034

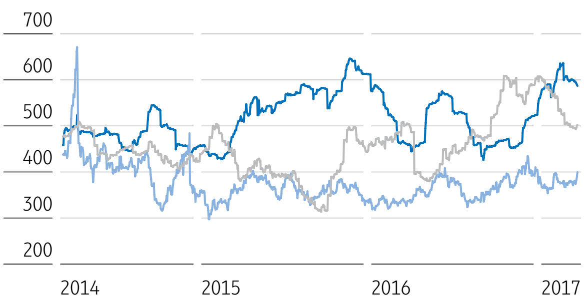
In the United States, the one-month ethanol futures contract on the Chicago Board of Trade rose from 1.37 USD/gallon[1] at the beginning of March 2016 to 1.53 USD/gallon at the end of February 2017. This corresponded to an increase to about 380 (330) €/m³. The higher price of oil is judged to be the main reason for this increase. During this period, US West Texas Intermediate (WTI) rose to about 55 (35) US dollars per barrel.

Brazilian ethanol prices expressed in euro at the end of February 2017 closed higher than last year at 525 (490) €/m³. Prices fluctuated widely over the course of the year. Expressed in euro, they swung between 380 and 610 €/m³. In addition to the developments in the sugar and crude oil markets, the volatility of Brazil's currency was also a factor.

In Europe, ethanol prices rose sharply, from about 490 €/m³ FOB Rotterdam at the beginning of March 2016 to 640 €/m³ at the end of February 2017. However, in the interim they were very volatile, touching a new all-time low of 427 €/m³ at the beginning of September 2016.

International bioethanol prices

1 March 2014 to 31 March 2017
€/m³



Source: NYMEX, CBOT, CEPEA/ESALQ

DIAGRAM 018

[1] One US gallon is equal to 3.7854 liters.

Protein market

When producing ethanol, only the starch contained in grain is converted to alcohol. CropEnergies refines the remaining components to make high-protein food and animal feed, which in addition contain valuable vitamins, minerals and dietary fibers. The prices of these products are influenced to a large degree by the price of imported soya and rapeseed meal.

Despite another record soybean harvest and a further increase in inventories for the 2016/17 marketing year, soybean prices rose. Starting from a price level of 8.50 USD dollars per bushel last seen in March 2009, soybean prices rose to above 10 USD per bushel. Prices for rapeseed meal tracked this trend, supported by a weaker EU rapeseed harvest, and rose from about 180 €/t at the beginning of March 2016 to about 220 €/t at the end of February 2017.

Raw material markets

In its estimate for grain marketing year 2016/17 dated 11 April 2017, the US Department of Agriculture reckons that global grain production (excluding rice) will reach a record 2,097 (1,985) million tonnes. Global grain consumption is expected to rise to 2,076 (1,963) million tonnes. In view of this renewed production surplus, global inventories are expected to expand further and reach a new record high of 510 (489) million tonnes. On the other hand, the EU Commission expects a decline of 5.5 % in the EU's grain harvest for the 2016/17 grain marketing year. The total is expected to be only 295 (312) million tonnes, in large part due to weather-related crop failures in Western Europe. Still, the EU's grain harvest again exceeded domestic consumption of 285 (284) million tonnes.

One-month futures for milling wheat on the Euronext in Paris were quoted at 145 €/t at the beginning of March 2016. Such a low level was last seen in mid-2010. The attractive price level spurred export demand and caused wheat prices to recover to 170 €/t by the end of February 2017.

Legal and political environment

Renewable Energy Directive

The Renewable Energy Directive defines the legal framework for biofuels in the EU. It stipulates a binding percentage of renewable energies in the transportation sector of 10 % by 2020. Up to 7 % of this can consist of renewable fuels made from field crops. The remaining 3 % is to be achieved by double counting fuels produced from waste and recycled material, and / or multiple allocation of renewable electricity used in the rail and transportation sector. The EU's aim here is to comply with strict sustainability criteria.The minimum requirements stipulate that biofuels must generate 35 % by weight lower greenhouse gas emissions than fossil fuels, rising to at least 50 % by weight as of 2018. In addition, the origin of the processed biomass must be seamlessly documented.

Fuel Quality Directive

The Fuel Quality Directive stipulates that by 2020, greenhouse gas emissions must be reduced by 6 % by weight measured in terms of total fuel consumption. The average greenhouse gas concentration of biofuels of 94.1 g CO_2eq/MJ serves as a base value. In comparison, renewable ethanol produced from European raw materials cuts greenhouse gas emissions by about 70 %. The Fuel Quality Directive also enables market access for the greenhouse gas reducing fuel E10; that is, gasoline with an ethanol content of 10 % by volume.

Paris Climate Treaty

In December 2015, 195 countries signed a legally binding global climate agreement for the first time at the UN climate conference in Paris. The agreement went into force on 4 November 2016. As part of the agreement, the EU committed to taking measures to limit the earth's warming to less than 2 °C. The key cornerstone of the initiative is to reduce the exploitation and combustion of carbon reserves in order to prevent the concentration of greenhouse gas in the atmosphere from rising even further. Renewable biofuels, which rely on the photosynthesis of carbon concentrations already in the atmosphere, will make an indispensable contribution to reaching this goal. The Paris climate agreement is an important guiding principle that must be considered when shaping future energy and climate control policies.

2030 climate and energy package

On 30 November 2016, the EU Commission tabled a recommendation for an extensive package of climate and energy policy measures to take effect after 2020. The chief aim is to cut overall greenhouse gas emissions in the EU by at least 40 % by 2030. This objective is to be achieved in part by increased use of renewable energies, whose share is projected to rise to at least 27 % by 2030. No specific targets are included for the transportation sector. The only provision is a plan to raise the share of certain alternative fuels, mainly those from waste and recycled materials, step-by-step from 1.5 % in 2021 to 6.8 % in 2030. In contrast, the use of biofuels produced from field crops is to be cut from 7 % in 2021 to a maximum of 3.8 % in 2030.

The EU Commission justifies its position by allegedly doubting the sustainability of producing biofuels from normal field crops. This argument however ignores the countless facts presented by scientific analyses, which reinforce the major advantages of ethanol, produced for example from feed grain and sugar beets, not only for the environment and climate, but also for the economy. European ethanol has been proven to reduce greenhouse gas emissions by about 70 % in comparison to gasoline. At the same time, the high-protein food and animal feed produced as a byproduct replace a lot of soybean imported from North and South America. By using feed grade grain from European regions that produce a surplus, the ethanol industry also provides a market, especially for lower quality grain, which would otherwise not be exportable. In addition, local biofuels made from sustainably grown agricultural raw materials reduce excessive dependence on fossil fuel imports. The EU Commission's blanket condemnation of all fuels made from field crops is thereby void of any facts and does not fairly recognize their ecological and economic importance. In principle, the promotion of alternative fuels from waste and recycled material could make sense, as long as it builds on what has already been achieved. This will enable the establishment of additional alternatives to fossil fuels, which will reduce consumption thereof. In contrast, substituting established biofuels by other alternative fuels would be irresponsible both from a climate as well as energy policy perspective, because it would not reduce consumption of fossil fuels and thereby not slow down exploitation of oil sources.

Overall, Südzucker therefore considers the package of measures recommended by the EU to be inappropriate for reducing the combustion of fossil fuels in the transportation sector. There is cause for concern that the 2020s will become a lost decade for climate and environmental protection on Europe's roads.

Greenhouse gas reduction quotas in Germany

A target to reduce greenhouse gas emissions from what they would be if fossil fuels were used has been in effect in Germany since 1 January 2015. On 1 January 2017, the target was raised from 3.5 to 4.0 % by weight. A further increase to 6.0 % by weight is scheduled for 2020.

Mandatory blend ratio increase in Belgium

In Belgium, the prescribed ratio of bioethanol in gasoline was raised from an average of at least 4 % by volume to 8.5 % by volume. The new directive came into effect on 1 January 2017 and led to the market introduction of E10.

Business performance

CropEnergies was again able to improve its results from operations in fiscal 2016/17. Production and sales volumes were significantly higher than the year prior. The restart of the production plant in Wilton, Great Britain, in July 2016 was a major contributing factor. Lower raw material prices also had a positive impact on the results from operations. In contrast, despite a favorable ethanol price trend in the final quarter, selling prices realized were mostly lower than last year.

Revenues and operating result

The CropEnergies segment's revenues rose year-over-year to € 726 (658) million, driven mainly by higher bioethanol production volumes, as well as food and animal feed, as a result of the restart of the plant in Wilton. This more than offset the reduced trading volumes due to higher in-house production and lower ethanol sales revenues.

The division's operating result again improved considerably despite declining ethanol sales revenues, beating last year's unusually strong result and hitting a record of € 98 (87) million. Key drivers were sharply higher production and sales volumes and declining net raw material and energy costs.

Result of restructuring and special items

The result of restructuring and special items of € –4 (–18) million was in part for expenses from spirits tax risks in Germany in connection with ethanol sales. It also contains the fixed costs related to the outage at the bioethanol factory at the Wilton site prior to the restart in July 2016, and income from the reversal of the balance of shutdown-related accruals required to fulfill contractual obligations. Last year, the fixed costs for the outage were included for the entire fiscal year.

Capital employed and return on capital employed (ROCE)

Capital employed at € 479 (490) million was slightly less than last year. Write-downs were significantly higher than investments, which offset increased working capital. The improved operating result of € 98 (87) million drove ROCE to 20.4 (17.7) %.

Investments

Investments totaled € 16 (17) million. In addition to replacement investments, especially noteworthy investments were those aimed at improving the efficiencies of the production plants, among other things to keep the plants running longer between maintenance intervals, and expanding the capacity at the gluten production site in Wanze, Belgium.

CropEnergies segment business performance

		2016/17	2015/16	+/– in %
Revenues	€ million	**726**	**658**	**10.3**
EBITDA	€ million	135	122	10,9
Depreciation on fixed assets and intangible assets	€ million	–37	–35	6.9
Operating result	€ million	**98**	**87**	**12.6**
Result from restructuring / special items	€ million	–4	–18	–78.3
Result from companies consolidated at equity	€ million	0	0	–
Result from operations	€ million	**94**	**69**	**36.7**
EBITDA margin	%	18.6	18.5	
Operating margin	%	13.4	13.2	
Investments in fixed assets [1]	€ million	16	17	–4.2
Investments in financial assets / acquisitions	€ million	0	0	–
Total investments	€ million	**16**	**17**	**–4.2**
Shares in companies consolidated at equity	€ million	2	2	11.1
Capital employed	€ million	479	490	–2.4
Return on capital employed	%	20.4	17.7	
Employees		**412**	**416**	**–1.1**

[1] Including intangible assets.

TABLE 035

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. The focus in Loon-Plage, France, was on sourcing raw alcohol cost-effectively.

CropEnergies Group significantly boosted bioethanol production to 1.0 (0.8) million m³ in fiscal 2016/17. The higher bioethanol volume came mostly from the restarted production plant in Wilton in July 2016. Food and animal feed production was also boosted alongside the bioethanol produced. Dried food and animal feed production rose to 0.6 (0.4) million tonnes. CT Biocarbonic GmbH was also able to further increase the production volume of biogenic carbon dioxide.

In Zeitz, input raw material was continually matched to prevailing market conditions as capacity utilization remained high. The readjusted raw materials mix also resulted in higher ProtiGrain® production. CropEnergies has the flexibility to refine up to 60,000 m³ of alcohol annually from its high-quality rectified spirit plant started up at the beginning of 2015 for applications outside the fuel sector. Capacity utilization at the bioethanol plant in Wanze was also high, and a readjusted raw material mix boosted production of high-protein food and animal feed. Operators in Wilton took advantage of the shutdown that started in February 2015 to make countless modifications aimed at improving the reliability and energy efficiency of the plant. The plant was restarted in July 2016 and continuously operated at high capacity utilization during the second half of fiscal 2016/17. In Loon-Plage, denaturing options were added and the loading systems optimized. The uptime of the production plant in Loon-Plage was also improved.

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 propagation conditions.

Energy sources include conventional fuels as well as bran and biogas. The percentage of renewable energies consumed is about 25 %. In Wanze, process energy requirements are mainly covered by a biomass power station that uses bran as fuel; that is, the husks of the wheat delivered to the plant.

Energy consumption by the CropEnergies segment

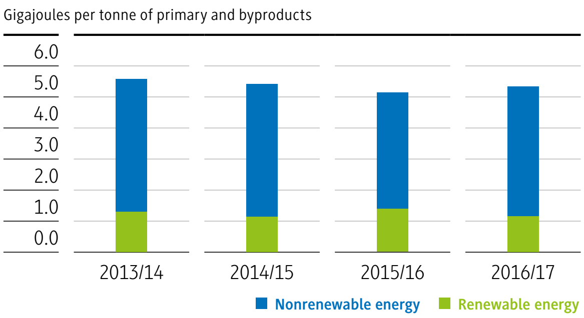


DIAGRAM 019

The volume of CO_2 emitted is a function of both total energy demand and input fuels mix. Because electric power and steam is exported both to third parties and to other plants within Südzucker Group, some emissions are attributable to other companies.

Emissions from direct and indirect energy consumption in the CropEnergies segment

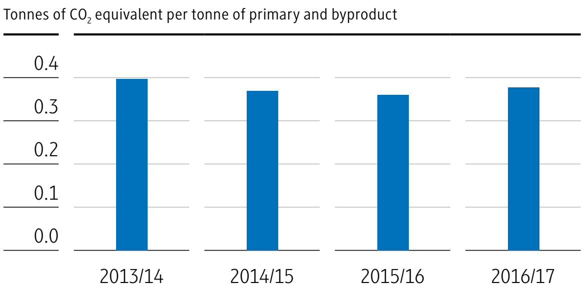


DIAGRAM 020

Water withdrawal and wastewater

Water is utilized and disposed of sustainably at all sites. CropEnergies' 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.

To the extent that there is any wastewater, plants have their own waste treatment systems to ensure that wastewater treatment is environmentally sound and applicable limits are adhered to. The cleaned water complies with governing environmental standards and is routed to neighboring streams.

CropEnergies segment – water withdrawal / waste water

m^3 per tonne[1]	2013/14	2014/15	2015/16	2016/17
Water withdrawal	4.2	3.7	4.0	3.1
Wastewater	2.6	2.3	2.6	3.1

[1] Main and by-products.

TABLE 036

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
Recycling	85.1	73.5	67.4	68.8
Composting	7.4	8.5	9.2	7.8
Landfill	0.0	0.0	1.0	1.5
Incineration	0.7	0.5	0.4	0.4
Other	0.4	0.5	1.0	0.5
thereof dangerous waste[1]	*0.2*	*0.2*	*0.1*	*0.1*
Total	**93.6**	**83.0**	**79.0**	**79.0**

[1] Mainly used lubricants from production and cleaning chemicals.

TABLE 037

Volume

Bioethanol sales volumes

The total volume of bioethanol rose significantly in concert with higher production levels, reaching 1.2 (1.0) million m^3. About 0.1 (0.2) million m^3 of this total consisted of trading goods. The most important market continued to be Germany. In addition to securing the German market position, the focus in fiscal 2016/17 was on greater regional diversification. CropEnergies has tank storage facilities at its production sites as well as in Rotterdam, Duisburg, and as of recently, also in Amsterdam, in order to ensure that is able to serve its customers reliably and flexibly, while keeping freight costs low.

In the past few years, CropEnergies has expanded its activities in market segments outside the fuel market. CropEnergies supplies well-known companies in the beverage, cosmetics, pharmaceutical and chemical industries with high food-grade rectified spirits from it plants in Zeitz and Loon-Plage. Sales of rectified spirits were also driven higher at Ryssen Chile SpA, and the company's market position in Chile strengthened.

Because of international price trends and the introduction of an antidumping duty on bioethanol from the United States, very little bioethanol is currently being imported to the EU from Brazil and the United States. CropEnergies is therefore currently only observing market developments in these two countries.

Food and animal feed volumes

CropEnergies Group's product portfolio includes dried, protein-based animal feed (ProtiGrain®, DDGS), the liquid protein-based animal feed ProtiWanze®, as well as gluten for food and animal feed applications. Volumes of dried food and animal feed rose to 0.6 (0.4) million tonnes in fiscal 2016/17 in line with higher production volumes and a higher percentage of grain in the raw materials mix. Thanks to the relatively stable development of international protein prices, CropEnergies was able to again realize more attractive sales revenues for protein-based food and animal feed than for grain. However, most of the time sales revenues did not quite match last year's, due mainly to the lower price level in the first half of the fiscal year.

FRUIT SEGMENT[1]

LOCATIONS:	25 production locations in 19 countries for fruit preparations and 14 factories in 7 countries for producing apples and berry juice concentrates
RAW MATERIALS:	Fruits (main raw material for fruit preparations: strawberries; raw materials for fruit juice concentrates: apples and berries)
PRODUCTS:	Fruit preparations, fruit juice concentrates, pure juice, fruit wines, natural aromas and beverage bases
MARKETS:	Worldwide
CUSTOMERS:	Beverage and food industries

Market developments, economic environment and general conditions

Growth in non-European fruit preparations markets was very strong, especially in Asia, but also in North Africa and the Near East. In mature markets such as the EU and the United States, however, the tendency of buyers to consume yogurt without fruit preparations is increasing. Growth weakened slightly in Latin America due to economic problems in Brazil. In general, consumer goods markets for ice cream, food services and baked goods are expected to grow further.

The trend toward lower fruit content in beverages on the one hand and directly pressed 100 % juices on the other remains unbroken. Globally, volumes of 100 % fruit juices and nectars continues to decline slightly, even though the relevant European markets such as Germany show signs of stabilizing or recovering somewhat. Demand here is strongly influenced by media reports on "obesity", "reducing sugar in beverages", etc. The North American market in particular is experiencing strong pressure, which is reflected in demand for concentrates.

The Near East and Africa markets remain stable to rising slightly, whereby in the latter there are signs of a strong demand spike for natural products. Sales volumes continue to slump due to the political situation in Ukraine and Russia.

In Europe, the price level for fruit juice concentrates has continued to decline in comparison to last year due to the expected harvest volumes in the main cultivation regions.

Business performance

Revenues and operating result

The fruit segment's revenues rose to € 1,155 (1,083) million. This increase was driven by slightly higher volumes, and especially higher sales revenues for apple juice concentrates.

The year-over-year operating result improved considerably, coming in at € 72 (62) million. This increase is due to higher sales revenues and margins, combined with volume growth in the fruit juice concentrates division. However, the positive impact of volume and sales revenue growth in the fruit preparations division was not enough to completely offset higher costs.

The fruit preparations activities of Main Process S.A., Buenos Aires, Argentina were consolidated for the first time in the fourth quarter of 2016/17.

Capital employed and return on capital employed (ROCE)

Capital employed rose to € 866 (823) million. The increase, driven by investments and acquisitions – especially the purchase of Main Process S.A. – was offset by a decline in working capital due to lower inventories. The higher operating result of € 72 (62) million caused ROCE to improve to 8.3 (7.5) %.

[1] Further details can be found in AGRANA's 2016/17 annual report.

Fruit segment business performance

		2016/17	2015/16	+/– in %
Revenues	€ million	**1,155**	**1,083**	**6.6**
EBITDA	€ million	110	102	8.2
Depreciation on fixed assets and intangible assets	€ million	–38	–40	–4.0
Operating result	€ million	**72**	**62**	**16.0**
Result from restructuring / special items	€ million	0	–3	– 100,0
Result from companies consolidated at equity	€ million	0	0	–
Result from operations	€ million	**72**	**59**	**22.1**
EBITDA margin	%	9.5	9.4	
Operating margin	%	6.2	5.7	
Investments in fixed assets [1]	€ million	34	42	–18.9
Investments in financial assets / acquisitions	€ million	46	0	–
Total investments	€ million	**80**	**42**	**90.2**
Shares in companies consolidated at equity	€ million	0	0	–
Capital employed	€ million	866	823	5.2
Return on capital employed	%	8.3	7.5	
Employees		**4,924**	**4,620**	**6.6**

[1] Including intangible assets.

TABLE 038

Investments in fixed assets

Investments in fixed assets totaled € 34 (42) million. The fruit preparations division invested in replacements, such as the production line in Mitry, France, but also in capacity expansions, among others the additional production line at the fruit preparations plant in Lysander, USA. The fruit juice concentrates division invested mainly in replacements and investments driven by market requirements.

Investments in financial assets

Investments in financial assets of € 46 million were for the acquisition of Main Process S.A., Buenos Aires, Argentina.

AGRANA Fruit (fruit preparations)

The fruit preparations division was able to boost revenues by nearly 5 %, mainly due to higher volumes. Foreign-exchange factors had a slightly negative impact in some countries, especially Egypt, Argentina, China, Mexico, Russia, Turkey and Ukraine.

While the division was able to improve its result in Europe, the Near East and Africa, it declined, in North America especially, but also in Australia and Asia. Overall, the result was about the same as last year.

Volume grew in all regions except North America. Volume grew in Eastern Europe despite the politically challenging environment. Also in the EU, the most important region revenue-wise, the division again generated higher volumes despite an overall declining market.

Customers in all sectors – from dairy farms to food-service, baked goods and ice cream companies – contributed to the revenue and volume growth for fruit preparations. In concert with our global large customers, we were able to further improve our position and grow our market share in all markets. Long-term contracts with customers safeguard this growth.

Enhancement of the customer portfolio in the non-dairy product areas (for example, preparations for global convenience food chains, ice cream components for global markets), the recent acquisition in Argentina and the founding of AGRANA Fruit India in September 2016 will all produce sustainable growth opportunities for the future. After a capital increase in February 2017, this company purchased, among other things, production systems, land and buildings, and plans to start production and sales over the course of fiscal 2017/18.

Last fiscal year, the fruit preparations division benefited from excellent purchasing conditions. Some harvest yields were above average. Raw material prices fell over the course of the year and were below last year's. In countries such as Russia, Turkey, Ukraine, Mexico and Egypt, we were able to benefit from weaker local currencies.

AUSTRIA JUICE (fruit juice concentrates)

AUSTRIA JUICE sells its products around the world, but its core market is the European Union. Other important markets are North America and Russia, as well as the Middle East and Far East. The apple juice concentrate produced at the Chinese factory is mainly sold in Japan, the United States, Russia and Australia, but also in Europe.

Fiscal 2016/17 revenues were significantly higher than last year, mainly due to higher prices for apple juice concentrates from the 2015 harvest. Toward the end of the fiscal year just ended, fruit juice concentrates prices were stable. All in all, there was a noticeable rising trend from the 2015 harvest, especially for apples. Both raw material prices and market prices were again lower during AUSTRIA JUICE's 2016 campaign. The same trend was observed for berry juice concentrates.

The significantly improved result was driven by better margins for apple juice concentrates from the 2015 harvest, improved results from operations at the Chinese subsidiary and stabilization of the fruit wine business in Germany.

Available apple volumes from the main processing regions in Europe – Poland and Hungary – were higher than last year. Local frost; for example, in southern Austria, western Hungary and the Balkan countries, had hardly any impact. This excellent supply situation led to some significantly lower raw material prices.

The European fruit juice concentrates factories' loading during the 2016 campaign was excellent. In China, the production season was better than last year.

Abundant volumes of the main fruits were available for the berry processing season. Prices for the most important raw materials – strawberries, sour cherries and black currents were lower than last year. The only exception was raspberries.

Production

Energy consumption and emissions

Fruit preparations and fruit juice concentrates divisions' energy requirements at their production sites around the world are covered by natural gas. A few sites also produce their own biogas. The production sites also purchase electricity from external sources.

Energy consumption by the fruit segment

Gigajoules per tonne of primary and byproducts

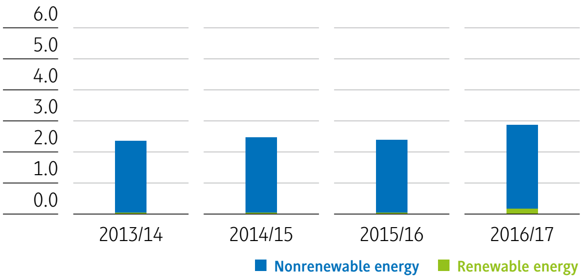


DIAGRAM 021

The volume of CO_2 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 higher than last year. This is in part because the Chinese site Xianyang was newly consolidated into the reporting for the first time during the course of the fiscal year. The primary energy source here is coal. Ignoring the impact of the Chinese fruit juice concentrates location, the fruit segment's specific emissions from direct and indirect energy consumption remained constant.

Emissions from direct and indirect energy consumption in the fruit segment

Tonnes of CO_2 equivalent per tonne of primary and byproduct

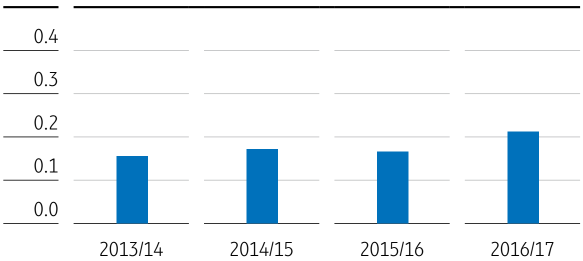


DIAGRAM 022

Water withdrawal and wastewater

Approximately two-thirds of the water used for production comes from springs 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 sites have aerobic and anaerobic waste treatment plants. Any that do not use municipal plants to treat wastewater.

Fruit segment – water withdrawal / waste water

m^3 per tonne[1]	2013/14	2014/15	2015/16	2016/17
Water withdrawal	3.9	4.2	4.3	4.3
Wastewater	3.9	4.0	4.0	4.1

[1] Main and by-products.

TABLE 039

Raw material 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 to make high-quality byproducts. They are used by ballast suppliers; for example, in müsli and snack products. Other byproducts include aromas and apple flour. Stems and leaves are returned to farmers, who use them as organic fertilizer.

Waste

The majority of the accumulated waste consists of packaging and production scrap and is reused or recycled.

The significantly reduced waste volume is due to the complete implementation of a standard program to categorize wastes. Accordingly byproducts such as grape pulp are no longer categorized as waste.

Fruit segment – waste

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17
Recycling	21.6	34.1	31.8	11.2
Landfill	5.5	7.8	9.7	11.0
Composting	6.2	3.4	4.1	0.0
Incineration	0.7	0.3	0.4	0.9
Other	3.2	0.1	0.0	0.0
thereof dangerous waste[1]	*0.2*	*0.0*	*0.0*	*0.0*
Total	**37.2**	**45.7**	**46.0**	**23.0**

[1] Mainly used lubricants from production.

TABLE 040

Actual and forecast business performance

		Outlook 2016/17 [1]	Actual 2016/17	Actual 2015/16
Group				
Revenues	€ billion	6.4 to 6.6	6.5	6.4
Operating result	€ million	Between 250 and 350	426	241
Return on capital employed	%	Improvement	7.1	4.2
Investments in fixed assets [2]	€ million	300 to 350	329	371
Sugar segment				
Revenues	€ billion	Stabilization	2.8	2.9
Operating result	€ million	Positive	72	−79
Return on capital employed	%	Positive	2.3	−2.6
Special products segment				
Revenues	€ billion	Rise slighty	1.8	1.8
Operating result	€ million	Significant decline	184	171
Return on capital employed	%	Going down	12.2	11.9
CropEnergies segment				
Revenues	€ billion	0,5 to 0,6	0.7	0.7
Operating result	€ million	Range from 30 to 70	98	87
Return on capital employed	%	Drop	20.4	17.7
Fruit segment				
Revenues	€ billion	Rise sharply	1.2	1.1
Operating result	€ million	Higher than last year	72	62
Return on capital employed	%	Higher than last year	8.3	7.5

[1] Published on the press and analysts' conference (consolidated management report 2015/16) on 19 May 2016.
[2] Including intangible assets.

TABLE 041

The above table shows actual business performance in 2016/17, juxtaposed with the forecast for 2016/17 contained in the 2015/16 financial statements.

When the 2015/16 annual report was released at the balance sheet and analysts' press conference on 19 May 2016, Südzucker announced that it expected group consolidated revenues of € 6.4 to 6.6 billion for fiscal 2016/17. Südzucker forecast the operating result would improve further, to a range between € 250 and 350 million (fiscal 2015/16: 241). The company stated the improved result would be driven mainly by the sugar segment, following the prior year's negative result of € −79 million. After the record year 2015/16, the company forecast a significant decline in the special products and CropEnergies segments. Südzucker expected a year-over-year increase in the fruit segment. This forecast was reconfirmed when the first quarter report for 2016/17 was released.

With the release of the 2016/17 interim half-year report on 13 October 2016, Südzucker raised its operating result guidance range to € 340 to 390 million. This was mainly driven by the expected improvement of the sugar segment's result to a range of € 80 to 110 million. A result of about € 150 million was forecast for the special products segment. A range of € 50 to 80 million was given for the CropEnergies segment. The forecast for a year-over-year increase in the fruit segment remained unchanged.

On 12 January 2017, the forecast in conjunction with the release of the third quarter 2016/17 report was as follows: consolidated group operating result for fiscal 2016/17 ranging from € 380 to 410 million (sugar segment € 90 to 120 million, special products segment about € 160 million, CropEnergies segment between € 70 and 85 million and an improvement over last year's € 62 million for the fruit segment). On 13 February 2017, CropEnergies again raised the projected range for its operating result, to € 95 to 100 million.

Actual investments in fixed assets in fiscal 2016/17 came in at € 329 million, within the forecast range of € 300 to 350 million.

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.

The risk management system of the business segments, divisions and the corporate departments is the responsibility of their respective managers, who take steps to reduce and defuse 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 and business units 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 in a risk management directive, which also governs hedging strategies, responsibilities, processes and control mechanisms. The hedging instruments are exclusively used to protect the underlying transactions; never for trading or speculation purposes. Financial derivative instruments are only 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 business units and / or divisions responsible also 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 MANAGEMENT SYSTEM

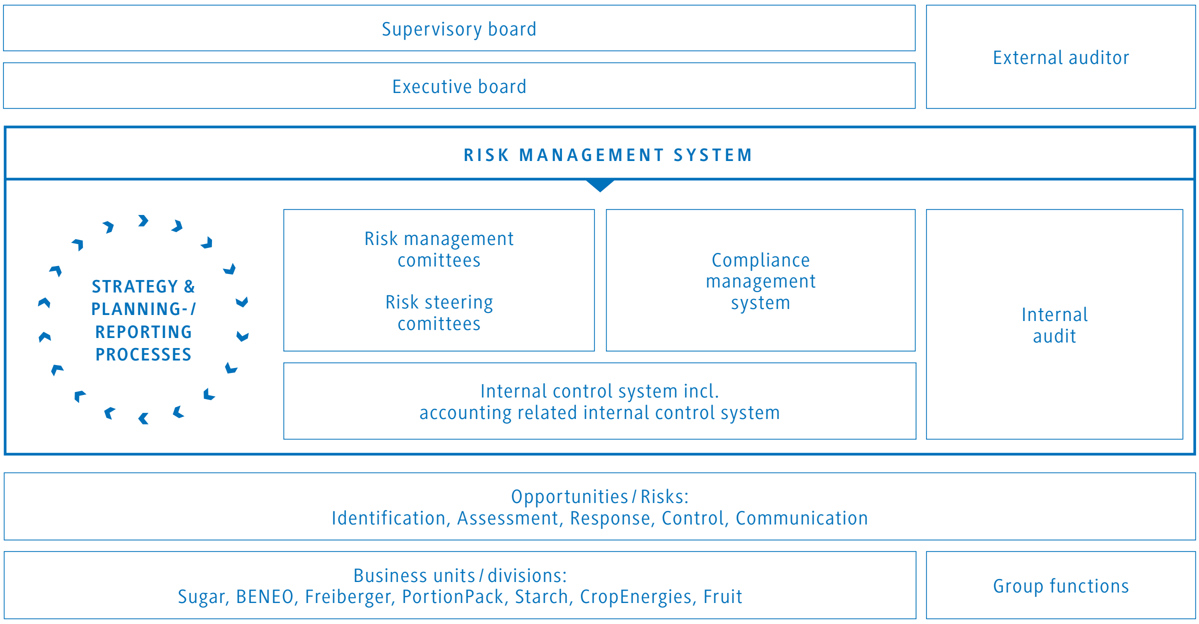


DIAGRAM 023

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.

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

TABLE 042

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 combined probability of occurrence and potential financial impact.

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

	Probability of occurrence	Possible financial effects
Strategic risks		
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
Risk from operational business		
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	low	medium
Personnel risks	low	medium
Creditworthiness and default risks	low	medium
Other operating risks	low	low
Compliance risks		
General legal risks	medium	medium
Antitrust risks	low	high
Corruption risks	low	medium
Financial risks		
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 043

Strategic risks

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 will cause beet sugar and isoglucose production in the EU to expand. The EU will thus once again be a net sugar exporter.The highly volatile world market price for sugar increasingly drives EU sugar market prices. This will lead to increased competition in the markets. 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, which relate especially to renewable energies and energy efficiency. At the current stage of the legislative process, it is next to impossible to predict how the future legal framework will impact the bioethanol business. A reduction of mandatory blend ratios can lead to reduced 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 vote by the majority of Great Britain's citizens to exit the European Union (Brexit) could pose new risks for Südzucker's business activities due to the changed legal and political framework; however, these risks can presently not yet be assessed. Great Britain submitted its application to exit the EU on 29 March 2017.

Südzucker Group's products are also subject to the risk of demand fluctuations due to overall economic developments or changes in consumer behavior.

Operational risks

Risks arising from the availability of raw materials

Every year, Südzucker Group processes roughly 30 to 35 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 and potatoes, as well as the raw materials processed in the fruit segment.

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 greater evaporation and even 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. Our beet growers' plans are based on completely fulfilling the beet delivery rights they were issued.

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.

For sugar beets, the company normally signs annual beet delivery contracts each season in the various cultivation areas. For the 2016/17 sugar marketing year, these contracts for quota beets reflect the still valid market regulation requirements regarding minimum prices and participation of farmers in higher sales revenues. The prices for non-quota beets are in part derived from sugar sales revenues. Starting in sugar marketing year 2017/18, Südzucker group will set the price it pays for its total beet requirements based on sugar revenues, without guaranteeing a minimum beet price. Nevertheless, the price set for beets must also take into consideration the competitiveness of beets compared to other normal crops.

The refineries in Brčko / Bosnia and Buzău / Romania convert raw sugar delivered from third parties into white sugar. The risk of a fluctuating purchase price for raw sugar is hedged by means of commodity futures contracts.

For producing bioethanol agricultural products 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 be 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.

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

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 higher raw material costs can be only partially passed on to customers in the short term.

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, AGRANA'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_2 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 sugar, starch, inulin and bioethanol production processes for the period from 2013 to 2019 meet current EU directives for carbon leakage, and accordingly, a limited number of CO_2 certificates will be allocated free of charge. We are currently not expecting our carbon leakage status to be canceled. The general conditions for the upcoming fourth trading period for the years 2021 to 2030 are difficult to predict given the current state of the EU's legislative process. In view of the EU's climate targets – a reduction of greenhouse gases by twenty percent by 2020 and forty percent by 2030, both referred to the value measured in 1990 – the general assumption is that there will be a further reduction of the certificates allocated free of charge starting in 2021.

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. The EU granted a limited number of export licenses during the 2016/17 sugar marketing year. Starting in October 2017, exports are expected to increase as production volumes rise when the quota regulations expire and export restrictions are lifted. This will increase the risk related to world market price fluctuations. There is evidence that the EU domestic market will also be increasingly directly tied to world 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. In December 2015, European Union trilateral negotiators reached agreement on implementing a benchmark directive. It prescribes a transparent pricing mechanism for determining reference prices in unregulated markets. EU member states have been given two years to implement the directive. It is expected that implementing the directive will lead to greater transparency when setting the price of bioethanol and thereby to less volatility and greater liquidity for market prices.

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 BENEO division from US dollar sales revenues for which the underlying production costs are mostly incurred in euros and Chilean pesos. Sales revenues of the Freiberger Group in Great Britain are subject to currency risk related to the British pound sterling, and this risk is increased by the British vote to exit the European Union. Great Britain submitted its application to exit the EU on 29 March 2017.

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
Serious safety standards violation incidents for food and other products could 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.

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.

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. Südzucker also mitigates other operating risks by constantly monitoring them and continuously 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.

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.

Südzucker further strengthened its antitrust law compliance program again in fiscal 2016/17. Training courses to prevent antitrust law violations are conducted at regular intervals. The program will continue to be rigorously executed, also taking into account the lessons learned from the antitrust case concluded in 2014 involving several companies in the German sugar industry. A groupwide standard on compliance with antitrust laws at Südzucker Group (Competitive Guideline) has been in force since 1 December 2014. 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 especially the obligation of all employees to comply with antitrust legislation.

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 before several German courts against the affected sugar manufacturers – mostly jointly and severally. All of these cases remain at an early stage and no rulings have been made to date.

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 Vienna cartel court has not yet issued a verdict.

Corruption risks

Risks due to corruption 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 2016/17. 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 Eastern Europe, Südzucker Group finances its subsidiaries through intragroup loans denominated in euro. US dollar financing also occurs in Chile and Mexico. To a lesser extent, parent companies also provide financing to subsidiaries in their differing national currency in the eurozone.

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. Nevertheless, 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.

Additional opportunities will arise from exporting sugar outside the EU after 2017, when such exports will no longer be capped by export restrictions. After the expiry of quota regulations, there will be an opportunity to increase capacity utilization by extending the duration of the campaigns. Global sugar consumption is expected to increase by 2 % to 3 % per annum from the current more than 180 million tonnes to more than 200 million tonnes until 2025. This outlook supports the world market price for sugar. 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.

Special products segment

Südzucker enjoys an excellent position in several growth markets due to the expansion of its special products segment.

BENEO

The BENEO division is a key business unit of the special products segment, which will benefit from the long-term trend toward healthier dietary habits. BENEO is a leading international 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

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.

PortionPack Europe

As the European market leader, the company 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 is expanding its European market share by growing internally and externally, responding flexibly to customer demands and continuously working on product innovations.

Starch

The starch division 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. Additional market opportunities for isoglucose and/or starch saccharification products can arise in the European sweetener market starting in 2017.

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.

OUTLOOK

General and industry-specific business conditions

According to International Monetary Fund (IMF) forecasts, global economic growth (expressed in terms of gross domestic product (GDP)) will climb from 3.1 % in 2016 to 3.4 % in 2017.

The expansion is expected to be driven primarily by the United States 2.3 (1.6) %, Canada, Russia and some Asian emerging nations. After a deep recession (–3.5 % in 2016), Brazil is likely to return to light growth.

The EU Commission is forecasting slight weakening of GDP growth in 2017 for the euro zone. It is expected to come in at 1.6 (1.7) percent. After the steady strong economic situation in Germany, the forecast is calling for slightly weaker growth of 1.6 (1.9) %.

Growth forecast risks include Great Britain's BREXIT decision and potential trade restrictive measures imposed by the US government.

Volume and raw material markets

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

Sugar

A world sugar market deficit is expected for the second year in a row for sugar marketing year 2016/17. World sugar production for the following sugar marketing year is expected to increase and generate a slight surplus. However, world sugar inventories should remain low. After the high world market prices quoted at the end of 2016 and at the beginning of 2017, driven by high speculating long positions, the market corrected at the beginning of the 2017/18 fiscal year. Based on this, world market prices are expected to remain stable or decline slightly amid continued strong volatility. Even at these world market price levels, the EU sugar market remains unattractive for imports. Against the backdrop of eliminated quota and minimum beet price regulations, EU sugar production in the EU sugar market is expected to rise sharply. In view of the estimated 2 % annual increase in demand, the world market should be able to absorb higher EU exports.

Bioethanol

EU bioethanol consumption for 2017 is estimated at 7.8 (7.6) million m^3. The increase is largely driven by greater use of fuel grade ethanol. This positive market outlook is based especially on higher mandatory blend ratios in some EU member nations. Despite this encouraging development, EU member states are still not exploiting the potential for bioethanol to quickly and cost-effectively decarbonize the transportation sector. Generating an appreciable expansion of renewable energies in the fuel sector hinges upon introducing E10 in other EU countries.

CropEnergies expects ethanol prices to be below the high levels quoted at the beginning of 2017 amid continued volatility in fiscal 2017/18, because the 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.

Fruit

Demand for fruit preparations is rising considerably in Asia, North Africa and the Near East. Consumer goods markets for ice cream, food services and baked goods are expected to grow further.

For the fruit concentrates business, the trend toward lower fruit content in beverages and directly pressed 100 % juices remains unbroken. Globally, volumes of 100 % fruit juices and nectars are declining slightly, even though important markets such as Germany show signs of stabilizing or recovering somewhat. The Middle East and Africa markets are stable to slightly expanding.

Grain

The US Department of Agriculture is expecting world grain production (excluding rice) to hit a record 2.1 billion tonnes in grain marketing year 2016/17. Inventories are expected to climb to over 500 million tonnes. The International Grains Council expects another grain harvest of over 2 billion tonnes for grain marketing year 2017/18, which should keep potential price increases in check.

Group

We expect group consolidated revenues of € 6.7 to 7.0 (2016/17: 6.5) billion in fiscal 2017/18. We assume that the sugar and fruit segment's revenues will increase moderately and the special products segment's will rise slightly. We anticipate a range of € 725 to 800 (2016/17: 726) million for the CropEnergies segment's revenues.

We expect the operating result to rise further. It should range between € 425 and 500 (2016/17: 426) million, driven mainly by the significantly higher results in the sugar segment. After the records set in 2016/17, the company expects a significant retreat in the special products and CropEnergies segments. We expect a year-over-year increase in the fruit segment.

We expect capital employed to rise slightly. Based on the increased operating result, we expect ROCE to improve further (2016/17: 7.1 %).

The total budget for investments in fixed assets for fiscal 2017/18 is forecast at about € 350 (2016/17: 329) million.

The operating result for the first quarter of the current 2017/18 fiscal year is expected to be higher than last year at the same time.

Sugar segment

Given the eliminated quota and minimum beet price regulations for the EU sugar market as of 30 September 2017, the forecast for the sugar segment is particularly uncertain.

We are expecting the sugar segment's revenues to increase moderately (2016/17: € 2.8 billion). This will be driven mainly by the expected increase in average sugar sales revenues over the full year as well as higher volumes.

Due to the expected higher average sales revenues for the year and the higher volumes, especially exports, we expect the operating result for the current fiscal year to be considerably higher (2016/17: € 72 million). The higher production and sales volumes will result in considerably improved capacity utilization and will generate corresponding economies of scale.

Capital employed is to increase slightly, while the significantly higher operating result should produce a higher ROCE (2016/17: 2.3 %).

Special products segment

We expect the special products segment's revenues to rise slightly (2016/17: € 1.8 billion). Our forecast predicts a significant decline in the operating result compared to last year's very high level (2016/17: € 184 million). This takes into consideration especially higher raw material costs, lower ethanol sales revenues and additional charges from the new starch plant in Zeitz, which began operations in 2016/17.

ROCE will go down in line with steady capital employed and a low operating result contribution (2016/17: 12.2 %).

CropEnergies segment

Business development for fiscal 2017/18 will again be largely driven by the significant price volatility in the bioethanol markets. Futures prices for bioethanol in Europe, which are actually of limited use for forecasting purposes due to the low trading volumes, indicate that prices will decline from the current level in fiscal 2017/18.

Assuming continued high capacity utilization, CropEnergies therefore expects revenues to range between € 725 and 800 (2016/17: 726) million.

Against this backdrop and based on current grain prices, CropEnergies is forecasting an operating result ranging between € 40 and 80 (2016/17: 98) million for fiscal 2017/18.

Based on steady capital employed and a declining operating result, ROCE (2016/17: 20.4 %) is expected to decline as well.

Fruit segment

We expect the fruit segment's revenues (2016/17: € 1,155 million) and the operating result (2016/17: € 72 million) to rise moderately, due to increasing volumes. This development is driven by the fruit preparations and the fruit juice concentrates divisions. The forecasts for both divisions assume steady raw material prices.

Capital employed will likely rise moderately, and the operating result is also expected to increase, so ROCE (2016/17: 8.3 %) is expected to be higher than last year.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

1 March 2016 to 28 February 2017

€ million	Notes	2016/17	2015/16	+/– in %
Income statement				
Revenues	(6)	**6,476.0**	**6,387.0**	**1.4**
Change in work in progress and finished goods inventories and internal costs capitalized	(7)	141.1	–175.3	–
Other operating income	(8)	98.7	122.5	–19.4
Cost of materials	(9)	–4,323.2	–4,091.8	5.7
Personnel expenses	(10)	–841.7	–831.5	1.2
Depreciation	(11)	–285.9	–283.9	0.7
Other operating expenses	(12)	–859.1	–905.1	–5.1
Result from companies consolidated at equity	(13)	35.0	55.0	–36,4
Result from operations	(14)	**440.9**	**276.9**	**59.2**
Financial income	(15)	50.7	59.6	–14.9
Financial expense	(15)	–84.6	–109.8	–23.0
Earnings before income taxes		**407.0**	**226.7**	**79.5**
Taxes on income	(16)	–94.9	–45.8	> 100
Net earnings	(18)	**312.1**	**180.9**	**72,5**
of which attributable to Südzucker AG shareholders		213.6	108.9	96,1
of which attributable to hybrid capital		13.4	18.4	–27.2
of which attributable to other non-controlling interests		85.1	53.6	58.8
Earnings per share (€)	(18)	**1.05**	**0.53**	**98,1**

€ million	Notes	2016/17	2015/16	+/– in %
Statement of other comprehensive income				
Net earnings		**312.1**	**180.9**	**72.5**
Market value of hedging instruments (cash flow hedge) after deferred taxes		4.6	−6.8	–
Revaluation not affecting income		−5.0	−11.4	−56.1
Realization resulting in a profit or loss		11.4	1.5	> 100
Deferred taxes		−1.8	3.1	–
Market value of securities (available for sale) after deferred taxes		0.3	−1.1	–
Revaluation not affecting income		0.4	−1.5	–
Deferred taxes		−0.1	0.4	–
Exchange differences on net investments in foreign operations after deferred taxes		0.6	−3.8	–
Revaluation not affecting income		0.8	−4.7	–
Deferred taxes		−0.2	0.9	–
Foreign currency translation differences		25.9	−56.6	–
Share from companies consolidated at equity		2.9	−4.4	–
Income and expenses to be recognized in the income statement in the future	(19)	**34.3**	**−72.7**	**–**
Remeasurement of defined benefit pension plans and similar obligations after deferred taxes	(27)	−10.1	27.0	–
Revaluation not affecting income		−14.6	37.7	–
Deferred taxes		4.5	−10.7	–
Share from companies consolidated at equity [1]		−2.0	−0.5	> 100
Income and expenses not to be recognized in the income statement in the future	(19)	**−12.1**	**26.5**	**–**
Other comprehensive result	(19)	**22.2**	**−46.2**	**–**
Comprehensive income		**334.3**	**134.7**	**> 100**
of which attributable to Südzucker AG shareholders		237.9	74.5	> 100
of which attributable to hybrid capital		13.4	18.4	−27.2
of which attributable to other non-controlling interests		83.0	41.8	98.6

[1] In prior year the share from companies consolidated at equity was completely disclosed as Income and expenses to be recognized in the income statement in the future.

TABLE 044

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 2016 to 28 February 2017

€ million	2016/17	2015/16	+/– in %
Net earnings	312.1	180.9	72.5
Depreciation and amortization of intangible assets, fixed assets and other investments	285.9	284.0	0.7
Decrease (–)/Increase (+) in non-current provisions and deferred tax liabilities and increase (–)/decrease (+) in deferred tax assets	21.5	6.9	> 100
Other income (–)/expenses (+) not affecting cash	14.5	8.6	68.6
Cash flow	**634.0**	**480.4**	**32.0**
Gain (–)/Loss (+) on disposal of items included in non-current assets and of securities	3.6	−2.6	–
Decrease (–)/Increase (+) in current provisions	24.8	−20.9	–
Increase (–)/Decrease (+) in inventories, receivables and other current assets	−237.0	252.9	–
Decrease (–)/Increase (+) in liabilities (excluding financial liabilities)	123.2	−117.8	–
Increase (–)/Decrease (+) in working capital	**−89.0**	**114.2**	**–**
I. Net cash flow from operating activities	**548.6**	**592.0**	**−7.3**
Investments in fixed assets and intangible assets	−329.0	−370.8	−11.3
Investments in financial assets	−163.9	−0.1	> 100
Investments	**−492.9**	**−370.9**	**32.9**
Cash received on disinvestments	14.2	0.0	–
Cash received on disposal of non-current assets	7.4	12.2	−39.3
Cash received (+) for the sale of bonds	0.0	125.0	−100.0
Cash paid (–) for the purchase of bonds	0.0	−125.0	−100.0
Cash paid (–)/received (+) for the purchase/sale of other securities	0.0	−0.2	−100.0

€ million		2016/17	2015/16	+/− in %
II. Cash flow from investing activities		**−471.3**	**−358.9**	**31.3**
Increases in stakes held in subsidiaries		−0.3	−2.6	−88.5
Decrease in stakes held in subsidiaries / capital buyback (–) and increase (+)		189.0	−29.1	–
Dividends paid		−115.3	−129.2	−10.8
Issuance (+) of the bond 2016/2023		299.1	0.0	–
Repayment (–) / Issuance (+) of commercial papers		−125.0	−75.0	66.7
Other repayment (–) / refund (+) of financial liabilities		−200.1	−59.5	> 100
Repayment (–) / Refund (+) of financial liabilities		**−26.0**	**−134.5**	**−80.7**
III. Cash flow from financing activities		**47.4**	**−295.4**	**–**
Change in cash and cash equivalent (total of I., II. and III.)		**124.7**	**−62.3**	**–**
Change in cash and cash equivalents				
due to exchange rate changes		2.9	−14.0	–
due to changes in entities included in consolidation / other		−6.2	0.0	–
Decrease (–) / Increase (+) in cash and cash equivalents		**121.4**	**−76.3**	**–**
Cash and cash equivalents at the beginning of the period		459.4	535.7	−14.2
Cash and cash equivalents at the end of the period		**580.8**	**459.4**	**26.4**
Dividends received from companies consolidated at equity / other participations investments		29.7	48.7	−39.0
Interest receipts	(20)	18.7	23.2	−19.4
Interest payments	(20)	−29.9	−30.6	−2.3
Income taxes paid	(20)	−72.9	−79.0	−7.7

TABLE 045

Further disclosures on the cash flow statement are included in note (20) of the notes to the consolidated financial statements.

BALANCE SHEET

28 February 2017

€ million	Notes	28 February 2017	29 February 2016	+/– in %
Assets				
Intangible assets	(21)	1,240.3	1,188.9	4.3
Fixed assets	(22)	2,922.3	2,824.7	3.5
Shares in companies consolidated at equity	(23)	432.8	333.3	29.9
Other investments	(23)	23.6	21.8	8.3
Securities	(23), (30)	18.8	18.6	1.1
Other assets	(25)	10.4	13.6	–23.5
Deferred tax assets	(16)	131.9	133.2	–1.0
Non-current assets		**4,780.1**	**4,534.1**	**5.4**
Inventories	(24)	2,052.5	1,897.2	8.2
Trade receivables	(25)	880.8	782.8	12.5
Other assets	(25)	295.0	298.2	–1.1
Current tax receivables	(16)	20.7	36.0	–42.5
Securities	(30)	125.7	125.7	0.0
Cash and cash equivalents	(30)	580.8	459.4	26.4
Current assets		**3,955.5**	**3,599.3**	**9.9**
Total assets		**8,735.6**	**8,133.4**	**7.4**

€ million	Notes	28 February 2017	29 February 2016	+/– in %
Liabilities and shareholders' equity				
Equity attributable to shareholders of Südzucker AG		3,347.1	3,158.4	6.0
Hybrid capital		653.1	653.1	0.0
Other non-controlling interests		887.9	661.4	34.2
Total equity	(26)	**4,888.1**	**4,472.9**	**9.3**
Provisions for pensions and similar obligations	(27)	822.5	797.9	3.1
Other provisions	(28)	91.7	103.0	–11.0
Financial liabilities	(30)	917.2	733.8	25.0
Other liabilities	(29)	24.5	15.5	58.1
Tax liabilities	(16)	102.9	98.6	4.4
Deferred tax liabilities	(16)	81.3	62.0	31.1
Non-current liabilities		**2,040.1**	**1,810.8**	**12.7**
Other provisions	(28)	233.2	208.7	11.7
Financial liabilities	(30)	221.1	424.6	–47.9
Trade payables	(29)	916.9	801.1	14.5
Other liabilities	(29)	387.0	354.7	9.1
Current tax liabilities	(16)	49.2	60.6	–18.8
Current liabilities		**1,807.4**	**1,849.7**	**–2.3**
Total liabilities and equity		**8,735.6**	**8,133.4**	**7.4**
Net financial debt		413.0	554.7	–25.5
Equity ratio		56.0	55.0	
Net financial debt as % of equity (gearing)		8.4	12.4	

TABLE 046

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 2016 to 28 February 2017

€ million	Outstanding subscribed capital	Capital reserve	Other reserves
1 March 2015	**204.2**	**1,614.9**	**1,330.7**
Net earnings			108.9
Other comprehensive income / loss before taxes			35.7
Taxes on other comprehensive income			−10.3
Comprehensive income			**134.3**
Distributions			−51.0
Decrease in stakes held in subsidiaries / capital increase	0.0	0.0	0.0
Buyback of hybrid capital			1.7
Other changes			8.5
29 February 2016	**204.2**	**1,614.9**	**1,424.2**
1 March 2016	**204.2**	**1,614.9**	**1,424.2**
Net earnings			213.6
Other comprehensive income / loss before taxes			−9.4
Taxes on other comprehensive income			3.5
Comprehensive income			**207.7**
Distributions			−61.3
Decrease in stakes held in subsidiaries / capital increase	0.0	0.0	5.7
Buyback of hybrid capital			
Other changes			6.4
28 February 2017	**204.2**	**1,614.9**	**1,582.7**

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 differcences	Share from companies consolidated at equity	Equity of Südzucker share-holders	Hybrid capital	Other non-controlling interests	Total equity
−1.5	**2.2**	**−10.4**	**−19.5**	**4.1**	**3,124.7**	**683.9**	**652.2**	**4,460.8**
					108.9	18.4	53.6	180.9
−5.4	−0.8	−4.7	−47.9	−3.9	−27.0		−12.9	−39.9
1.8	0.2	0.9			−7.4		1.1	−6.3
−3.6	**−0.6**	**−3.8**	**−47.9**	**−3.9**	**74.5**	**18.4**	**41.8**	**134.7**
					−51.0	−18.4	−31.0	−100.4
					0.0		0.0	0.0
					1.7	−30.8		−29.1
					8.5		−1.6	6.9
−5.1	**1.6**	**−14.2**	**−67.4**	**0.2**	**3,158.4**	**653.1**	**661.4**	**4,472.9**
−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
					0.0	0.0		0.0
					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**

TABLE 047

SEGMENT REPORT

€ million	2016/17	2015/16	+/– in %
Südzucker Group			
Gross revenues	**6,865.6**	**6,748.6**	**1.7**
Consolidation	–389.6	–361.6	7.7
Revenues	**6,476.0**	**6,387.0**	**1.4**
EBITDA	**708.9**	**517.8**	**36.9**
EBITDA margin	10.9 %	8.1 %	
Depreciation	–282.5	–276.5	2.2
Operating result	**426.4**	**241.3**	**76.7**
Operating margin	6.6 %	3.8 %	
Result from restructuring / special items	–20.5	–19.4	5.7
Result from companies consolidated at equity	35.0	55.0	–36.4
Result from operations	**440.9**	**276.9**	**59.2**
Investments in fixed assets [1]	329.0	370.8	–11.3
Investments in financial assets / acquisitions	163.9	0.1	> 100
Total investments	**492.9**	**370.9**	**32.9**
Shares in companies consolidated at equity	432.8	333.3	29.9
Capital employed	6,012.1	5,790.8	3.8
Return on capital employed	7.1 %	4.2 %	
Employees	**16,908**	**16,486**	**2.6**
Sugar segment			
Gross revenues	**2,992.7**	**3,095.5**	**–3.3**
Consolidation	–216.3	–241.1	–10.3
Revenues	**2,776.4**	**2,854.4**	**–2.7**
EBITDA	**202.1**	**48.7**	**> 100**
EBITDA margin	7.3 %	1.7 %	
Depreciation	–128.6	–126.9	1.3
Operating result	**73.5**	**–78.2**	**–**
Operating margin	2.6 %	–2.7 %	
Result from restructuring / special items	–13.2	3.9	–
Result from companies consolidated at equity	6.6	32.1	–79.4
Result from operations	**66.9**	**–42.2**	**–**
Investments in fixed assets [1]	153.1	181.1	–15.5
Investments in financial assets / acquisitions	118.4	0.1	> 100
Total investments	**271.5**	**181.2**	**49.8**
Shares in companies consolidated at equity	370.0	275.2	34.4
Capital employed	3,169.2	3,041.3	4.2
Return on capital employed	2.3 %	–2.6 %	
Employees	**6,929**	**7,028**	**–1.4**

[1] Including intangible assets.

€ million	2016/17	2015/16	+/– in %
Special products segment			
Gross revenues	**1,915.2**	**1,846.4**	**3.7**
Consolidation	–96.6	–55.3	74.7
Revenues	**1,818.6**	**1,791.1**	**1.5**
EBITDA	**262.0**	**245.9**	**6.5**
EBITDA margin	14.4%	13.7%	
Depreciation	–78.5	–75.0	4.7
Operating result	**183.5**	**170.9**	**7.4**
Operating margin	10.1%	9.5%	
Result from restructuring / special items	–3.4	–2.2	54.5
Result from companies consolidated at equity	28.2	22.9	23.1
Result from operations	**208.3**	**191.6**	**8.7**
Investments in fixed assets [1]	126.0	131.2	–4.0
Investments in financial assets / acquisitions	0.0	0.0	–
Total investments	**126.0**	**131.2**	**–4.0**
Shares in companies consolidated at equity	60.8	56.3	8.0
Capital employed	1,498.7	1,436.1	4.4
Return on capital employed	12.2%	11.9%	
Employees	**4,643**	**4,422**	**5.0**
CropEnergies segment			
Gross revenues	**801.7**	**722.6**	**10.9**
Consolidation	–76.0	–64.4	18.0
Revenues	**725.7**	**658.2**	**10.3**
EBITDA	**134.8**	**121.5**	**10.9**
EBITDA margin	18.6%	18.5%	
Depreciation	–37.2	–34.8	6.9
Operating result	**97.6**	**86.7**	**12.6**
Operating margin	13.4%	13.2%	
Result from restructuring / special items	–3.9	–18.0	–78.3
Result from companies consolidated at equity	0.2	0.0	–
Result from operations	**93.9**	**68.7**	**36.7**
Investments in fixed assets [1]	16.1	16.8	–4.2
Investments in financial assets / acquisitions	0.0	0.0	–
Total investments	**16.1**	**16.8**	**–4.2**
Shares in companies consolidated at equity	2.0	1.8	11.1
Capital employed	478.7	490.3	–2.4
Return on capital employed	20.4%	17.7%	
Employees	**412**	**416**	**–1.1**

[1] Including intangible assets.

€ million	2016/17	2015/16	+/– in %
Fruit segment			
Gross revenues	**1,156.0**	**1,084.1**	**6.6**
Consolidation	–0.7	–0.8	–12.5
Revenues	**1,155.3**	**1,083.3**	**6.6**
EBITDA	**110.0**	**101.7**	**8.2**
EBITDA margin	9.5%	9.4%	
Depreciation	–38.2	–39.8	–4.0
Operating result	**71.8**	**61.9**	**16.0**
Operating margin	6.2%	5.7%	
Result from restructuring / special items	0.0	–3.1	–100.0
Result from companies consolidated at equity	0.0	0.0	–
Result from operations	**71.8**	**58.8**	**22.1**
Investments in fixed assets [1]	33.8	41.7	–18.9
Investments in financial assets / acquisitions	45.5	0.0	–
Total investments	**79.3**	**41.7**	**90.2**
Shares in companies consolidated at equity	0.0	0.0	–
Capital employed	865.5	823.1	5.2
Return on capital employed	8.3%	7.5%	
Employees	**4,924**	**4,620**	**6.6**

[1] Including intangible assets.

TABLE 048

As outlined in IFRS 8 (Operating Segments), the reporting segments of Südzucker Group are aligned with the internal reporting structure towards 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 includes the four divisions 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 sales companies 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., Chișinău) 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 BENEO, Freiberger, PortionPack Europe and starch. BENEO produces and sells ingredients made from various raw materials for food products and animal feed with nutritional and technological benefits. Freiberger Group is a producer of chilled and frozen pizzas, frozen pasta dishes and snacks with a clear focus on private label business. 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 listed 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_2; 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 ratio 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	2016/17	2015/16
Operating result	**426.4**	**241.3**
Goodwill	1,303.1	1,257.6
Concessions, industrial and similar rights	49.7	43.8
Fixed assets	2,922.3	2,824.7
Non-interest bearing receivables	*1,128.6*	*1,046.7*
Inventories	*2,052.5*	*1,897.2*
./. Current provisions	*−233.2*	*−208.7*
./. Non-interest bearing liabilities	*−1,210.9*	*−1,070.5*
Working capital	1,737.0	1,664.7
Capital employed	**6,012.1**	**5,790.8**
Return on capital employed	**7.1 %**	**4.2 %**

TABLE 049

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 € 389.6 (361.6) million – were conducted at market conditions.

Information about geographic segments is provided below:

€ million	2016/17	2015/16
Third-party revenues		
Germany	1,521.0	1,530.8
Other EU	3,799.9	3,677.4
Other countries	1,155.1	1,178.7
	6,476.0	**6,387.0**
Expenditures on fixed and intangible assets (excluding goodwill)		
Germany	116.1	147.6
Other EU	189.5	198.3
Other countries	23.4	24.9
	329.0	**370.8**
Carrying amount fixed and intangible assets (excluding goodwill)		
Germany	1,027.8	979.9
Other EU	1,605.1	1,593.7
Other countries	339.2	295.0
	2,972.0	**2,868.6**
Employees by geographic areas		
Germany	3,864	3,803
Other EU	8,829	8,848
Other countries	4,215	3,835
	16,908	**16,486**

TABLE 050

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 full-time 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 (IFRS) 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 315a (1) of the German Commercial Code (HGB) have also been considered. All IFRS 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 2017 were prepared on 24 April 2017 by the executive board and received an unqualified audit opinion by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main; the executive board published the dividend proposal on the same date. The audit committee will audit the consolidated financial statements on 9 May 2017, which are subsequently audited and approved by the supervisory board at its meeting on 17 May 2017. The publication date of the consolidated financial statements including the management report (annual report) is 18 May 2017.

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 and the other comprehensive income, 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 IFRS and IFRIC

The following standards were mandatory for the first time in the 2016/17 financial year; the changes had no material effect on the presentation of the financial position and performance of Südzucker:

Standard / Interpretation		Passed by IASB	Adopted by the EU
IAS 1	Presentation of Financial Statements (amendment)	18.12.2014	18.12.2015
IAS 16	Property, Plant and Equipment (amendment)	12.05.2014; 30.06.2014	23.11.2015; 02.12.2015
IAS 27 (amended 2011)	Separate Financial Statements (amendment)	12.08.2014	18.12.2015
IAS 28 (amended 2011)	Investments in Associates (amendment)	18.12.2014	22.09.2016
IAS 38	Intangible Assets (amendment)	12.05.2014	02.12.2015
IAS 41	Agriculture (amendment)	30.06.2014	23.11.2015
IFRS 10	Consolidated Financial Statements (amendment)	18.12.2014	22.09.2016
IFRS 11	Joint Arrangements (amendment)	06.05.2014	24.11.2015
IFRS 12	Disclosure of Interests in Other Entities (amendment)	18.12.2014	22.09.2016
Miscellaneous	Annual Improvements Project 2012 – 2014	25.09.2014	15.12.2015

TABLE 051

Future application of IFRS 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 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 Adopted by the EU	Mandatory application for Südzucker as of financial year	Content and, if relevant, expected impact on Südzucker
IAS 7 Statement of Cash Flows (amendment)	29.01.2016 no	2017/18	The amendment is intended to expand the disclosure of components of changes in liabilities arising from financing activities for the purpose of reconciliation.
IAS 12 Income Taxes (amendment)	19.01.2016 no	2017/18	This amendment has no relevance for Südzucker.
IAS 28 (amended 2011) Investments in Associates (amendment)	11.09.2014 no	Postponed indefinitely	No effect is expected on the presentation of the financial position and performance.
IAS 40 Investment Property (amendment)	08.12.2016 no	2018/19	This amendment has no relevance for Südzucker.
IFRS 2 Share-based Payment	20.06.2016 no	2018/19	This standard has no relevance for Südzucker.
IFRS 4 Insurance Contracts	12.09.2016 no	2018/19	This standard has no relevance for 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
IFRS 9 (2014) Financial Instruments	24.07.2014 22.11.2016	2018/19	After an analysis of IFRS 9, Südzucker does not expect the first-time adoption to have any material effect on the financial statements. 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. 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.
IFRS 10 Consolidated Financial Statements (amendment)	11.09.2014 no	Postponed indefinitely	No effect is expected on the presentation of the financial position and performance.
IFRS 14 Regulatory Deferral Accounts	30.01.2014 no	Postponed indefinitely	This standard has no relevance for Südzucker. The European Commission has decided not to include the endorsement process for this interim standard but to wait for the final standard instead.
IFRS 15 Revenue from Contracts with Customers	28.05.2014 22.09.2016	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 does not expect the application to have any impact on the time of revenue recognition, but expects it to involve extended disclosure requirements.
IFRS 16 Leasing	13.01.2016 no	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 is currently reviewing the effects of and the extent to which IFRS 16 applies to existing lease agreements. We currently expect that the payment obligations from operating leases presented under note (33) "Contingent liabilities and other financial commitments" provide a good indication of the value in use or the amount of corresponding debt to be recognized according to IFRS 16.
Miscellaneous Annual Improvements Project 2014 – 2016	08.12.2016 no	2017/18 or 2018/19	No effect is expected on the presentation of the financial position and performance.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	08.12.2016 no	2018/19	No effect is expected on the presentation of the financial position and performance.

TABLE 052

(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. 152 (153) companies in addition to Südzucker AG were included in the consolidated financial statements for the year ended 28 February 2017. Seven companies were liquidated. In addition, four established companies were consolidated for the first time. The Belgian site Herentals of PortionPack was sold in the first quarter and James Fleming & Co. Ltd., including its subsidiary W. T. Mather Ltd., both West Lothian, United Kingdom, was sold in the fourth quarter. These disvestures resulted in a loss of € 0.4 million, which is recognized under other operating expenses. More information on this item is provided under note (20) "Notes to the cash flow statement". The effects of the disposals on the consolidated financial statements are as follows:

€ million	Effects of the disposal of consolidated companies	
28/29 February	2017	2016
Non-current assets	−6.1	0.0
Inventories	*−3.9*	*0.0*
Receivables and other assets	*−9.2*	*0.0*
Cash and cash equivalents and securities	*−1.7*	*0.0*
Current assets	−14.8	0.0
Total assets	**−21.0**	**0.0**
Shareholders' Equity	−7.1	0.0
Non-current liabilities	−0.2	0.0
Current liabilities	−13.7	0.0
Total liabilities and equity	**−21.0**	**0.0**

TABLE 053

Südzucker Verwaltungs GmbH, a 100% subsidiary of Südzucker AG, acquired 100% of the shares in Terra e. G. in June 2016 with full consolidation in the consolidated financial statements from the second quarter of 2016/17.

Terra e. G. is headquartered in Sömmerda, Thuringia, Germany and manages approximately 2,700 ha of agricultural land in the districts of Brotterode, Sömmerda, Straußfurt and Weißensee (Erfurter Becken).

The aim of the acquisition is to exploit synergies and compensate for the continuous loss of land, especially in Western Germany, in order to further benefit from economies of scale and thus secure and improve the agriculture division's structure and results for the long term.

The purchase price in the amount of around € 30.2 million – of which € 29.2 million impacted cash in the financial year just ended – is primarily attributable to the acquired agricultural land, the farmstead with extensive storage facilities and the machinery. After derivation of the market values of the individual assets and liabilities of Terra e. G. at the date of acquisition, the resulting goodwill is € 10.3 million.

Purchase price allocation Terra e.G.

€ million	Fair values at acquisition date
Non-current assets	27.9
Inventories	*1.3*
Receivables and other assets	*0.3*
Cash and cash equivalents and securities	*0.0*
Current assets	1.6
Total assets	**29.5**
./. Non-current liabilities	−8.8
./. Current liabilities	−0.8
Net assets (shareholders' equity)	**19.9**
Goodwill	**10.3**
Purchase price	**30.2**

TABLE 054

The purchase price allocation was completed at the date the consolidated financial statements were approved. Terra e.G. contributed € 2.7 million to group revenues and € 0.5 million to net earnings for the eight-month consolidation period. A further increase in revenues and earnings is expected with the integration into the agriculture division on the basis of a twelve-month fiscal year.

The closing of the acquisition of the two Argentine companies Main Process S.A. and Sudinver S.A. headquartered in Buenos Aires, Argentina took place on 1 December 2016. 100 % of the shares of both companies were acquired by AGRANA Fruit S.A.S., Paris, France and AGRANA Fruit Services S.A.S., Paris, France. Both companies will be fully consolidated.

Main Process S.A. is a producer of fruit preparations located in Northeastern Argentina. The company has about 175 employees and generated revenues of approximately € 19 million in the 2015 financial year. In addition to fruit preparations for yogurt and ice cream, the company specializes in the production of syrup for beverages and fillings for baked goods. Outside of its core business for industrial customers, there are additional sales opportunities in the quick-service restaurants (e.g. fast food chains) and food service (e.g. hotels and catering) sectors.

The objective of this acquisition is to expand the market presence in South America while unlocking global synergies in the fruit segment.

The net assets at the time of the initial full consolidation and the goodwill arising from the acquisition are shown in the following:

Purchase price allocation Main Process S.A.

€ million	Fair values at acquisition date
Non-current assets	29.0
Inventories	*4.8*
Receivables and other assets	*5.0*
Cash and cash equivalents and securities	*0.1*
Current assets	9.9
Total assets	**38.9**
./. Non-current liabilities	−9.7
./. Current liabilities	−7.5
Net assets (shareholders' equity)	**21.7**
Goodwill	**34.8**
Purchase price	**56.5**

TABLE 055

The purchase price consists of a basic component of € 43.3 million and an earn out component of € 13.2 million based on the achievement of earnings targets in the period 2018/19 and 2019/20. A purchase price component of € 45.6 million impacted cash in the financial year just ended.

The following factors led to the recognition of goodwill at the fruit segment level: This acquisition leads to further diversification of new product categories with growth potential. Fruit preparations for the food service, non-fruit-based products and "small-pack" applications sectors along with the related production technologies enable a worldwide rollout, especially in the growth markets of Asia. Moreover, the acquisition will make it possible to regain global customers and expand existing customer relationships. This also creates a better supplier position overall in other countries.

The purchase price allocation was completed at the date the consolidated financial statements were approved.

For the period from 1 December 2016 to 28 February 2017, the fully consolidated companies contributed € 6.2 million to group revenues and € 0.8 million to net earnings for the financial year just ended. Assuming the acquisition had already taken place at the beginning of the financial year, the contribution to revenues would have been € 20.1 million and the share of consolidated net earnings € 2.6 million.

The majority shareholding acquired last year in the agricultural enterprise Agrarbetrieb AGRO-BARABOIENI S. R. L., Baraboi, Moldova, in which Südzucker Moldova S.A. now holds 100% of the shares, was also fully consolidated for the first time in the consolidated financial statements. This transaction had a total purchase price of around € 0.8 million and is thus of minor importance for the financial position and performance.

In addition, an agreement on the possible future acquisition of shares in Südzucker Moldova S.A. at a fixed purchase price was signed with a minority shareholder; this item is reflected under other changes in the statement of changes in shareholders' equity.

Companies consolidated at equity

The equity method was used for the 15 (unchanged) 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:

28/29 February			2017			2016
€ million	Total	Hungrana group	Other	Total	Hungrana group	Other
Non-current assets	150.3	105.7	44.6	154.7	107.4	47.3
Inventories	117.6	44.3	73.3	87.9	35.1	52.8
Receivables and other assets	118.1	38.9	79.2	120.5	40.5	80.0
Cash, cash equivalents and securities	10.5	0.6	9.9	10.5	2.2	8.3
Current assets	246.2	83.8	162.4	218.9	77.8	141.1
Total assets	**396.5**	**189.5**	**207.0**	**373.6**	**185.2**	**188.4**
Equity	155.5	119.0	36.5	132.1	110.2	21.9
External financial liabilities	1.7	0.0	1.7	9.8	7.5	2.3
Other liabilities	3.7	2.3	1.4	6.8	5.9	0.9
Non-current liabilities	5.4	2.3	3.1	16.6	13.4	3.2
External financial liabilities	78.1	35.0	43.1	80.2	34.4	45.8
Other liabilities	157.6	33.2	124.4	144.7	27.2	117.5
Current liabilities	235.6	68.2	167.4	224.9	61.6	163.3
Total liabilities and equity	**396.5**	**189.5**	**207.0**	**373.6**	**185.2**	**188.4**
Revenues	772.0	329.7	442.3	775.9	318.4	457.5
Depreciation	−17.1	−13.5	−3.6	−16.4	−12.6	−3.8
Other expenses	−674.8	−247.9	−426.9	−692.1	−248.2	−443.9
Result from operations	**80.1**	**68.3**	**11.8**	**67.4**	**57.6**	**9.8**
Interest income	1.4	0.0	1.4	0.8	0.0	0.8
Interest expense	−2.5	−0.7	−1.8	−2.5	−0.7	−1.8
Other financial expense	−0.3	0.0	−0.3	1.4	0.7	0.7
Earnings before income taxes	**78.7**	**67.6**	**11.1**	**67.1**	**57.6**	**9.5**
Taxes on income	−13.4	−11.3	−2.1	−13.5	−11.6	−1.9
Net earnings	**65.4**	**56.3**	**9.1**	**53.6**	**46.0**	**7.6**
Income and expenses recognized in other comprehensive income	1.6	1.5	0.1	−4.2	−4.2	0.0
Comprehensive income	**67.0**	**57.8**	**9.2**	**49.4**	**41.8**	**7.6**

TABLE 056

As the only associated company, ED&F Man Holdings Limited, London, United Kingdom, 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 IFRS. 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. Any significant events up to the Südzucker AG balance sheet date are also considered:

Mio. € 31 December	2016	2015
Non-current assets	696.6	813.9
Current assets	16,500.1	15,394.7
Total assets	**17,196.7**	**16,208.6**
Equity	933.8	854.5
Non-current liabilities	923.2	1,012.8
Current liabilities	15,339.7	14,341.3
Total liabilities and equity	**17,196.7**	**16,208.6**
Revenues	8,048.8	7,343.5
– other expenses	−7,982.8	−7,248.6
= Net earnings	66.0	94.9
Income and expenses recognized in other comprehensive income	−1.0	−13.9
Comprehensive income	**65.0**	**81.0**

TABLE 057

Südzucker increased its investment in the trading company ED&F Man Holdings Limited by 10 % to around 35 % on 8 September 2016. The purchase price for this transaction was € 82 million. The increase was not subject to any authorization by antitrust authorities. Südzucker had acquired the previous share in ED&F Man Holdings Limited of approximately 25 % in May 2012. By increasing its investment, Südzucker underscores its internationalization strategy for continued growth in the global market.

The carrying amount of all shares in companies consolidated at equity is € 432.8 (333.3) million. The carrying amount for these two significant investments, i.e. ED&F Man Holdings Limited and Hungrana Group, is derived as follows:

28/29 February	2017		2016	
€ million	ED&F Man	Hungrana group	ED&F Man	Hungrana group
Equity	933.8	119.0	854.5	110.2
+/– Adjustments (in substance other minority interests)	−102.8	0.0	−39.8	0.0
= Equity attributable to shareholders	**831.0**	**119.0**	**814.7**	**110.2**
thereof Südzucker-share in equity	*290.9*	*59.5*	*203.7*	*55.1*
+ Goodwill	57.0	0.5	56.4	0.5
= Shares in companies consolidated at equity (carrying amount)	**347.9**	**60.0**	**260.1**	**55.6**
Dividends paid to Südzucker	0.0	24.5	10.3	45.9

TABLE 058

(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 BENEO Asia Pacific Pte. Ltd. in Singapore, which uses euros, 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 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):

						1 € = Local Currency
		Year-end rate	Average rate	Year-end rate	Average rate	Year-end rate
Country	Currency code	28.02.2017	2016/17	29.02.2016	2015/16	28.02.2015
Egypt	EGP	16.64	12.73	8.54	8.54	8.61
Australia	AUD	1.38	1.46	1.53	1.49	1.44
Brazil	BRL	3.28	3.69	4.34	3.90	3.26
Chile	CLP	689.12	734.05	754.45	737.20	692.59
China	CNY	7.28	7.37	7.14	6.98	7.05
Great Britain	GBP	0.85	0.83	0.79	0.73	0.73
Mexico	MXN	21.08	21.00	19.80	18.11	16.87
Moldova	MDL	21.17	21.91	22.11	21.28	21.32
Poland	PLN	4.32	3.99	4.36	4.21	4.15
Romania	RON	4.52	4.49	4.48	4.45	4.44
Russia	RUB	61.76	70.57	82.64	69.79	69.20
Czech Republic	CZK	27.02	27.03	27.06	27.17	27.44
Ukraine	UAH	28.64	28.41	29.78	24.98	31.42
Hungary	HUF	308.25	310.83	311.26	310.04	303.03
USA	USD	1.06	1.10	1.09	1.10	1.12

TABLE 059

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.

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 9
Buildings	10 to 50
Technical equipment and machinery	5 to 25
Other equipment, factory and office equipment	3 to 15

TABLE 060

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. 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 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_2 emission rights

CO_2 emission rights are recognized in accordance with IAS 38 (Intangible Assets), IAS 20 (Government Grants) and IAS 37 (Provisions). CO_2 emission 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 emission rights issued at no charge, is zero.

If actual emissions exceed the certificates allocated, a provision for CO_2 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. Correspondingly, the tax-deductible interest is not reported as interest expense but rather is treated the same as dividend payments to Südzucker AG shareholders. Capital procurement costs were directly deducted from hybrid capital taking taxes into account.

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.

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. The discounting and unwinding of the discount of tax liabilities and tax benefits is recognized in the income statement in the item "Taxes on income".

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 trade date.

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.

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	2016/17	2015/16
Change in work in progress and finished goods inventories		
Sugar	134.7	−205.0
Special products	17.1	−14.1
CropEnergies	5.3	−1.6
Fruit	−22.4	39.5
	134.7	**−181.2**
Internal costs capitalized	6.4	5.9
	141.1	**−175.3**

TABLE 061

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 result

€ million	2016/17	2015/16
Foreign exchange and currency translation gains	27.9	27.4
Gain on sales of current and non-current assets	1.9	6.2
Income from derivatives	2.0	2.4
Reversal of bad debt allowances	1.6	2.5
Income from special items	6.5	12.2
Other income	58.8	71.8
	98.7	**122.5**

TABLE 062

Other income in the amount of € 58.8 (71.8) 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.

(9) Cost of materials

€ million	2016/17	2015/16
Cost of raw materials, consumables and supplies and of purchased merchandise	4,032.8	3,828.5
Cost of purchased services	290.4	263.3
	4,323.2	**4,091.8**

TABLE 063

(10) Personnel expenses

€ million	2016/17	2015/16
Wages and salaries	642.6	637.5
Contributions to statutory old-age insurance	43.1	42.0
Social security, pension and welfare expenses	156.0	152.0
	841.7	**831.5**

TABLE 064

Of the total personnel expenses in the amount of € 841,7 (831.5) million, € 10.5 (11.7) million is reported in the result from restructuring and special items and is largely related to 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. Last year this item primarily included personnel expenses from the temporarily closed UK bioethanol plant along with new hires at the starch factory being established in Zeitz.

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 full-time equivalents as of the respective quarterly closing date) is presented in the following and provides an overview of the average employee requirement per financial year.

The number of employees in the group as of the end of the financial year 2016/17 increased year-over-year by 422 to 16,908 (16,486). The increase in the number of employees in the special products segment resulted in particular from the Freiberger and starch divisions. For example, over 200 new jobs were created due to higher capacity utilization at the British pizza production site in Westhoughton.

Full-time equivalents at quarterly balance sheet date

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
Total	**17,922**	**17,649**	**18,391**	**16,908**

Employees	31.05.2015	31.08.2015	30.11.2015	29.02.2016
Sugar	7,215	7,189	8,500	7,028
Special products	4,401	4,236	4,382	4,422
CropEnergies	429	411	416	416
Fruit	6,253	5,166	4,702	4,620
Total	**18,298**	**17,002**	**17,999**	**16,486**

TABLE 065

(11) Depreciation

€ million	2016/17	2015/16
Intangible assets	12.9	13.7
Fixed assets	268.7	263.1
Depreciation and amortization	**281.6**	**276.8**
Intangible assets	0.0	0.0
Fixed assets	4.3	7.8
Impairment losses including special items	**4.3**	**7.8**
Income from reversal of impairment losses	**0.0**	**−0.7**
Net depreciation	**285.9**	**283.9**
thereof operating result	282.6	276.5
thereof result from restructuring / special items	3.3	7.4
Impairment according to segments		
Sugar	0.8	0.5
Special products	1.2	1.6
CropEnergies	2.3	4.8
Fruit	0.0	0.9
Total	**4.3**	**7.8**

TABLE 066

The CropEnergies segment accounted for the largest share of impairment losses (including special items) totaling € 4.3 (7.8) million. In addition to write-downs of the value in use, this was largely due to regular depreciation during the temporary shut-down of the production site in the United Kingdom, which is recognized under special items.

(12) Other operating expenses

€ million	2016/17	2015/16
Selling and advertising expenses	353.5	379.6
Operating and administrative expenses	257.3	262.9
Advertising expenses	51.7	53.5
Expenses due to restructuring / special items	7.2	9.9
Operating lease expenses	11.3	10.0
Service agreement expenses	32.3	29.8
Production levy	19.1	19.0
Losses on disposals of current and non-current assets	8.5	4.8
Bad debt allowances	3.1	4.9
Foreign exchange and currency translation losses	28.4	26.8
Expense from derivatives	4.9	2.6
Other taxes	25.4	25.5
Other expenses	56.4	75.8
	859.1	**905.1**

TABLE 067

Operating and administrative expenses in the amount of € 257.3 (262.9) 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 € 7.2 (9.9) million related mainly to expenses from 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. Prior year expenses were largely attributable to the CropEnergies bioethanol plant in Wilton, Great Britain closed since February 2015 as well as to test phase of the wheat starch plant in Zeitz.

Other taxes in the amount of € 25.4 (25.5) million comprise taxes on income and property, excise tax and transport taxes. Other operating expenses totaling € 56.4 (75.8) 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 € 35.0 (55.0) 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.

(14) Result from operations

€ million	2016/17	2015/16
Result from operations	**440.9**	**276.9**
thereof operating result	426.4	241.3
thereof result from restructuring / special items	–20.5	–19.4
thereof result from companies consolidated at equity	35.0	55.0

TABLE 068

The breakdown of the result from operations and its components is found in segment reporting.

(15) Financial income and expense

€ million	2016/17	2015/16
Interest income	19.1	19.3
Interest expense	–46.0	–46.2
Interest income and expense, net	**–26.9**	**–26.9**
Other financial income	31.6	40.4
Other financial expense	–38.6	–63.7
Other financial income and expense, net	**–7.0**	**–23.3**
Financial expense, net	**–33.9**	**–50.2**
thereof financial income	50.7	59.6
thereof financial expense	–84.6	–109.8

TABLE 069

The interest result remained at last year's level of € –26.9 (unchanged) million. The interest result also contains the net expense from compounding the provisions for pensions and similar obligations totaling € 15.2 (13.8) million and the expense from compounding the other non-current provisions and liabilities of € 0.8 (1.1) million.

The other financial result was an expense of € –7.0 (–23.3) million. This included currency translation losses of € –0.5 million, which was an improvement from € –21.5 million last year. The other financial result was also 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 € 94.9 (45.8) million is comprised of current taxes paid or payable and deferred tax expense/income as follows:

€ million	2016/17	2015/16
Current taxes	86.6	70.2
Deferred taxes	8.3	−24.4
Taxes in income	**94.9**	**45.8**

TABLE 070

The unchanged projected theoretical tax expense of 29.1 % for fiscal 2016/17 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	2016/17	2015/16
Earnings before taxes on income	407.0	226.7
Theoretical tax rate	29.1 %	29.1 %
Theoretical tax expense (+)	**118.5**	**66.0**
Change in theoretical tax expense as a result of:		
Different tax rates	−14.0	−5.7
Tax reduction for tax-free income	−18.6	−27.5
Tax increase for non-deductible expenses	10.8	10.1
Tax effects from prior periods	−6.1	0.7
Tax effects from capitalized losses carried forward and temporary differences	−4.1	−1.6
Other	8.4	3.8
Taxes on income	**94.9**	**45.8**
Effective tax rate	**23.3 %**	**20.2 %**

TABLE 071

Following a rise in earnings before income taxes to € 407.0 (226.7) million, taxes on income were € 94.9 (45.8) million.

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 € 130.0 (148.4) million were recognized for tax loss carryforwards that are expected to be used against future taxable income. Deferred tax assets totaling € 79.7 (112.1) million were not recognized as it is unlikely that the tax assets will be recoverable in the foreseeable future. Of the unrecognized deferred tax assets € 71.1 (98.2) million does not expire, the remaining part of € 8.6 (13.9) million expires within a period of up to seven years. Deferred tax assets totaling € 70.3 (54.7) million were recognized at the balance sheet date for companies that reported a negative result last year 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 € 67.0 (48.8) million, since such gains are intended to be reinvested indefinitely and a reversal of these differences is thus not anticipated.

Deferred taxes raised other comprehensive income by € 2.4 million during the reporting period and lowered other comprehensive income by € 6.3 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 an increase in equity by € 4.5 million, i.e. last year to a decrease in equity by € 10.7 million.

In addition, € 0.6 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	
28/29 February	2017	2016	2017	2016
Fixed assets and intangible assets	17.4	26.3	166.9	153.0
Inventories	23.9	11.5	37.4	26.1
Other assets	5.3	16.7	19.9	7.2
Tax-free reserves	0.0	0.0	46.6	61.7
Provisions	134.8	134.0	7.1	18.0
Liablilities	25.1	15.1	8.0	14.8
Tax loss carry forwards	130.0	148.4	0.0	0.0
	336.5	**352.0**	**285.9**	**280.8**
Offsets	−204.6	−218.8	−204.6	−218.8
Balance sheet	**131.9**	**133.2**	**81.3**	**62.0**
thereof non-current	**94.5**	**98.3**	**69.3**	**56.3**

TABLE 072

Current tax assets reported as at 28 February 2017 decreased to € 20.7 (36.0) million and, in addition to tax prepayments, still comprise the remaining reimbursement rights related to closed court proceedings concerning the Foreign Transaction Tax Act (Außensteuergesetz).

Non-current tax liabilities in the amount of € 102.9 (98.6) million primarily comprise income tax for prior year periods that have not yet been conclusively audited.

Current tax liabilities of € 49.2 (60.6) 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 401 (391) staff. Research and development costs amounted to € 41.8 (42.2) million and were fully recognized as an expense.

(18) Earnings per share

€ million	2016/17	2015/16
Net earnings of the year	**312.1**	**180.9**
of which attributable to shareholders of Südzucker AG	213.6	108.9
Time-weighted average number of shares outstanding	204,183,292	204,183,292
Earnings in € per share[1]	**1.05**	**0.53**

[1] Undiluted / diluted.

TABLE 073

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 € 1.05 (0.53) with no dilution.

(19) Other comprehensive income

Other comprehensive income totaling € 22.2 (–46.2) million includes income and expenses recognized directly in the equity of Südzucker shareholders and other non-controlling interests.

The income and expenses of € 34.3 (–72.7) 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 € 25.9 (–56.6) million are in particular the result from the stronger Chilean peso, Polish zloty and Russian ruble, compared to a weaker British and Egyptian pound. Last year this item mainly included expenses from the weaker Polish zloty, Chilean peso, British pound sterling and Mexican peso.

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 € –10.1 (27.0) million. The lowering of the discount rate from 1.95 % as at 28 February 2016 to 1.90 % for material pension plans effective 28 February 2017 put pressure on equity in the amount of € 8.6 million. Last year changes to the discount rate as well as experience adjustments relieved pressure on equity in the amount of € 27.0 million.

CASH FLOW STATEMENT

(20) Notes to the cash flow statement

Cash flow

The reported cash flow of € 634.0 (480.4) million is higher than last year and corresponds with the increase in net earnings.

Change in working capital

The funds committed due to the increase in working capital by € –89.0 million were largely due to higher inventories and trade receivables, which was only partially offset by concurrently higher trade payables.

Investments in property, plant and equipment

Investments in property, plant and equipment (including intangible assets) totaled € 329.0 (370.8) million. In the sugar segment, investments totaling € 153.1 (181.1) million were mainly allocated toward replacement spending and to improve efficiency and logistics in preparation for the production situation after expiry of the minimum beet price and quota rules. Investments in the special products segment totaling € 126.0 (131.2) million are primarily due to the expansion of new production capacity in the starch division and plant optimizations at BENEO and Freiberger. The CropEnergies segment invested € 16.1 (16.8) million for replacements and to increase the efficiency of production systems. The fruit segment invested € 33.8 (41.7) million to install additional production capacity, mainly in the fruit preparation division.

Investments in financial assets

Of the investments in financial assets totaling € 163.9 (0.1) million, € 81.8 million were allocated to raise the equity share in trading company ED&F Man Holdings Limited, London, United Kingdom, by 10 % to around 35 % in September 2016 and € 45.5 million was spent on the acquisition of Main Process, Buenos Aires, Argentina. Another € 29.2 million was for the acquisition of 100 % of the shares in Terra e.G., Sömmerda, in June 2016 and € 5.0 million for the pro rata capital increase of the investment in AGRANA Studen Group.

Proceeds from divestments

The Belgian site of PortionPack, which was available for sale at the end of the 2015/16 financial year, was sold in the first quarter of 2016/17. In addition, James Fleming & Co. Ltd., West Lothian, United Kingdom, was sold in the fourth quarter. This resulted in a cash inflow of € 14.2 million, which is recognized in the proceeds from divestments.

Decreases in stakes held in subsidiaries / capital redemption

A capital increase with the issuance of 1.4 million new AGRANA shares along with the simultaneous placement of 0.5 million AGRANA shares from Südzucker's direct holdings increased the free float of AGRANA from 7 % to 19 %. Both measures led to a total cash inflow of € 189 million, which already includes the related costs and taxes of around € 3.5 million. Last year Südzucker redeemed hybrid capital in the amount of € 29 million.

Dividends paid

Dividends paid throughout the group in the financial year just ended totaled € 115.3 (129.2) million and included € 61.6 (51.0) million paid out to Südzucker AG's shareholders and € 53.7 (78.2) million to minority interests.

Income taxes paid

The balance of income taxes paid amounted to € 72.9 (79.0) million. Cash outflows from income taxes paid are generally allocated to operating activities.

Interest payments and dividends

Interest paid and interest and dividends received are allocated to the cash flows from operating activities.

Financing and repayment of financing

Funds raised from the issuance of the Südzucker bond in November 2016 in the amount of € 299 million, from the AGRANA capital increase of € 139.7 million and from the placement of the direct stake of Südzucker AG in AGRANA in the amount of € 48.8 million in February 2017 were used to reduce the financing from short-term commercial papers in the amount of € 125.0 million. Another € 200.1 million was used to reduce short-term bank liabilities and to repay the bonds issued by Raffinerie Tirlemontoise S.A.

NOTES TO THE BALANCE SHEET

(21) Intangible assets

€ million	Goodwill	Concessions, industrial and similar rights	Total
2016/17			
Acquisition costs			
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
Amortization and impairment losses			
1 March 2016	−588.8	−170.0	−758.8
Change in companies incl. in the consolidation and other changes	0.0	2.1	2.1
Changes due to currency translation	0.0	−0.1	−0.1
Amortization for the year	0.0	−12.9	−12.9
Impairment losses	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	0.0	2.2	2.2
Reversals of impairment losses	0.0	0.0	0.0
28 February 2017	−588.8	−178.7	−767.5
Net carrying amount 28 February 2017	**1,190.6**	**49.7**	**1,240.3**

€ million	Goodwill	Concessions, industrial and similar rights	Total
2015/16			
Acquisition costs			
1 March 2015	1,734.1	204.4	1,938.5
Change in companies incl. in the consolidation and other changes	−0.1	0.1	0.0
Changes due to currency translation	−0.1	−1.1	−1.2
Additions	0.0	14.0	14.0
Transfers	0.0	2.1	2.1
Disposals	0.0	−5.7	−5.7
29 February 2016	1,733.9	213.8	1,947.7
Amortization and impairment losses			
1 March 2015	−588.8	−162.3	−751.1
Change in companies incl. in the consolidation and other changes	0.0	−0.2	−0.2
Changes due to currency translation	0.0	0.7	0.7
Amortization for the year	0.0	−13.7	−13.7
Impairment losses	0.0	0.0	0.0
Transfers	0.0	−0.1	−0.1
Disposals	0.0	5.6	5.6
Reversals of impairment losses	0.0	0.0	0.0
29 February 2016	−588.8	−170.0	−758.8
Net carrying amount 29 February 2016	**1,145.1**	**43.8**	**1,188.9**

TABLE 074

Goodwill

When carrying out impairment tests, goodwill in Südzucker Group is allocated to the sugar and fruit segments and the BENEO, Freiberger 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 0.4 (1.5) % on the measurement date 31 August 2016, 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 have continued to fall in connection with the ECB's quantitative easing program. In consideration of the ECB inflation expectations, which significantly influences the anticipated growth rate, a reversal is expected in the medium term.

€ million	Goodwill		Weight average cost of capital	
28/29 February	2017	2016	2016/17	2015/16
CGU Sugar	779.7	769.0	7.3 %	8.5 %
CGU Freiberger	158.9	158.9	4.2 %	5.9 %
CGU BENEO	84.9	84.9	5.5 %	7.6 %
CGU PortionPack	40.3	40.3	4.6 %	6.7 %
CGU Fruit	126.8	92.0	6.7 %	8.1 %
	1,190.6	**1,145.1**	**–**	**–**

TABLE 075

No impairment was necessary in the 2016/17 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 raw material 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 will also mean the end of the restrictions on sugar exports. This will result in a new market balance of EU beet sugar and isoglucose production and of sugar imports and exports. EU market prices will be even more closely influenced by world market prices. It is generally expected that global sugar consumption will continue to grow on average by around 2 % per year from currently just over 180 million tonnes to more than 200 million tonnes by 2025. These forecasts bolster the world sugar market price. By concentrating on the best beet growing regions in Europe, 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. Südzucker will exploit its opportunities to better utilize capacities through longer campaigns when the quota regulations end. Further opportunities result from the elimination of restrictions for 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
2016/17					
Acquisition costs					
1 March 2016	1,929.8	4,907.2	409.0	165.1	7,411.1
Change in companies incl. in the consolidation and other changes	37.3	5.9	0.1	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
Amortization and impairment losses					
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
Net carrying amount 28 February 2017	**1,065.9**	**1,592.9**	**114.6**	**148.9**	**2,922.3**

€ 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
2015/16					
Acquisition costs					
1 March 2015	1,871.4	4,798.2	390.6	172.2	7,232.4
Change in companies incl. in the consolidation and other changes	−0.5	0.4	5.8	−0.2	5.5
Changes due to currency translation	−21.5	−40.9	−3.6	−4.4	−70.4
Additions	55.3	137.2	24.0	140.3	356.8
Transfers	48.5	81.2	9.7	−141.5	−2.1
Disposals	−23.4	−68.9	−17.5	−1.3	−111.1
29 February 2016	1,929.8	4,907.2	409.0	165.1	7,411.1
Amortization and impairment losses					
1 March 2015	−896.0	−3,259.1	−287.2	−0.5	−4,442.8
Change in companies incl. in the consolidation and other changes	0.4	−0.2	−3.1	0.0	−2.9
Changes due to currency translation	7.3	21.9	2.7	0.0	31.9
Amortization for the year	−48.1	−188.8	−26.2	0.0	−263.1
Impairment losses including special items	−1.1	−6.0	−0.2	−0.5	−7.8
Transfers	−1.1	2.2	−1.0	0.0	0.1
Disposals	17.0	64.1	16.3	0.0	97.4
Reversals of impairment losses	0.3	0.5	0.0	0.0	0.8
29 February 2016	−921.3	−3,365.4	−298.7	−1.0	−4,586.4
Net carrying amount 29 February 2016	**1,008.5**	**1,541.8**	**110.3**	**164.1**	**2,824.7**

TABLE 076

The investments are reduced by government grants totaling € 1.2 (0.2) million. Interest on debt capital was recognized in the amount of € 1.2 (1.0) million in return. 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 result 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. Last year, the weaker Central and South American as well as Eastern European currencies against the euro led to a reduction in the carrying amount of property, plant and equipment by € 38.5 million.

(23) Shares in companies consolidated at equity, securities and other investments

€ million	Shares in companies consolidated at equity	Securities	Other investments
2016/17			
1 March 2016	**333.3**	**18.6**	**21.8**
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
28 February 2017	**432.8**	**18.8**	**23.6**
2015/16			
1 March 2015	**333.1**	**19.9**	**21.9**
Change in companies incl. in the consolidation and other changes	−0.6	−1.5	0.1
Changes due to currency translation	4.4	0.0	0.0
Additions	0.0	0.3	0.1
Share of profits	55.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals / dividends	−58.6	−0.1	−0.2
Impairment losses including special items	0.0	0.0	−0.1
Reversals of impairment losses	0.0	0.0	0.0
29 February 2016	**333.3**	**18.6**	**21.8**

TABLE 077

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 additions to the companies accounted for using the equity method in the amount of € 86.8 million related to the increase in equity 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 that are not included in consolidation due to their relative insignificance.

(24) Inventories

€ million 28/29 February	2017	2016
Raw materials and supplies	360.8	349.7
Work in progress and finished goods		
Sugar segment	1,214.6	1,078.9
Special products segment	189.5	169.6
CropEnergies segment	45.6	38.7
Fruit segment	150.5	170.9
Total of work in progress and finished goods	1,600.2	1,458.1
Merchandise	91.5	89.4
	2,052.5	**1,897.2**

TABLE 078

At € 2,052.5 (1,897.2) million, inventories were € 155.3 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 higher harvest yields during the 2016 sugar campaign.

Write-downs in the amount of € 3.0 (2.5) million were required on inventories in the sugar segment as at 28 February 2017 and were largely attributable to lower net disposal proceeds. In addition, write-downs totaling € 1.5 (0.8) million were necessary in the special products segment, € 0.5 (0.0) million in the CropEnergies segment and € 1.2 (0.8) million in the fruit segment.

Write-downs of net disposal proceeds in the sugar segment totaling € 0.7 (2.0) million were also necessary on merchandise inventories as at 28 February 2017; no write-downs were necessary in the fruit segment after € 0.3 million in write-downs the year prior.

(25) Trade receivables and other assets

€ million		Remaining term			Remaining term	
28/29 February	2017	to 1 year	over 1 year	2016	to 1 year	over 1 year
Trade receivables	**880.8**	**880.8**	**0.0**	**782.8**	**782.8**	**0.0**
Receivables due from the EU	0.2	0.2	0.0	23.2	23.2	0.0
Positive market value derivatives	32.7	32.7	0.0	5.5	5.5	0.0
Remaining financial assets	92.5	82.1	10.4	79.9	66.3	13.6
Other taxes recoverable	148.0	148.0	0.0	134.2	134.2	0.0
Remaining non-financial assets	32.0	32.0	0.0	69.0	69.0	0.0
Other assets	**305.4**	**295.0**	**10.4**	**311.8**	**298.2**	**13.6**

TABLE 079

The increase in trade receivables by € 98.0 million to € 880.8 (782.8) million is largely sales related.

Remaining financial assets totaling € 92.5 (79.9) million primarily concern financial receivables from non-consolidated companies, investments and employees, and other third parties.

Remaining non-financial assets of € 32.0 (69.0) million are mainly related to advances made and accruals / deferrals.

The carrying amount of trade receivables after allowances breaks down as follows:

€ million 28/29 February	2017	2016
Total trade receivables	930.3	832.0
Value adjusted	−49.5	−49.2
Net carrying amount	**880.8**	**782.8**

TABLE 080

Bad debt allowances on trade receivables developed as follows:

€ million	2016/17	2015/16
1 March	**49.2**	**53.0**
Change in companies incl. in the consolidation / currency translation / other changes	0.4	−1.1
Additions	3.1	4.9
Use	−1.6	−5.1
Reversal	−1.6	−2.5
28/29 February	**49.5**	**49.2**

TABLE 081

The following table shows information related to the credit risk associated with the trade receivables. Trade receivables before allowances totaled € 880.8 (782.8) million; € 776.5 (667.7) million of this amount was not yet due. The aging structure of past-due receivables is as follows:

€ million 28/29 February	2017	2016
Receivables not past-due before allowances	776.5	667.7
Past-due receivables without specific-debt allowances	104.3	115.1
of which up to 10 days	39.1	50.9
of which 11 to 30 days	28.4	24.8
of which 31 to 90 days	19.7	20.5
of which over 90 days	17.1	18.9
Net carrying amount	**880.8**	**782.8**
Receivables including specific-debt allowances	49.5	49.2
Total trade receivables	**930.3**	**832.0**

TABLE 082

Südzucker mitigates default risks on accounts receivable 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 2017 that the 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 2017, 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" 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 € 653.1 (unchanged) million comprises the hybrid bond issued in the summer of 2005 with a nominal value of € 700 million. Südzucker made repurchases with a nominal volume of € 31.6 million during the 2015/16 financial year; the resulting effects were reflected directly in equity.

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/.

Other non-controlling interests

Other non-controlling interests totaling € 887.9 (661.4) million relate to co-owners of the AGRANA subgroup in the amount of € 737.9 (525.9) million. The remaining non-controlling interests of € 150.0 (135.5) million are mainly attributable to minority interests in the CropEnergies subgroup.

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 083

Südzucker and the Zucker-Beteiligungsgesellschaft m.b.H. did not participate in the AGRANA capital increase at the end of January 2017, which led to a dilution of the shareholding of Z&S Zucker und Stärke Holding AG to 78.3 (86.1) % in AGRANA thus increasing the free float of AGRANA shares.

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.

In the context of the AGRANA Beteiligungs-AG capital increase, Südzucker placed 500,000 AGRANA shares from its direct holdings, which it acquired in 2014 and has since then held for sale. This reduced Südzucker AG's direct stake in AGRANA Beteiligungs-AG, Vienna, Austria, to 2.7 (6.5) %.

The effect of € 189.0 million presented in the statement of changes in shareholders' equity under the item Decreases in stakes held in subsidiaries / capital increase mainly relates to funds in the amount of € 139.7 million provided to AGRANA Beteiligungs-AG from the capital increase and the proceeds of € 48.8 million obtained by Südzucker AG through the placement of shares from direct holdings. The resulting transaction costs and taxes totaling € 3.5 million were directly deducted from these amounts. The group share of Südzucker AG in subgroup AGRANA is calculated at 41.9 (49.6) %. The equity capital of AGRANA must be recognized as a minority interest at 58.1 (50.4) % in Südzucker's consolidated financial statements as a result; the effects from the corresponding reclassification of other reserves between equity and minority interest are also recognized under this item in the statement of shareholders' equity.

An overview of the financial position and performance of the two subgroups AGRANA and CropEnergies is provided below:

28/29 February	2017		2016	
€ million	AGRANA	CropEnergies	AGRANA	CropEnergies
Non-current assets	1,135.3	428.7	1,027.6	459.8
Current assets	1,346.1	169.2	1,215.6	131.7
Total assets	**2,481.4**	**597.9**	**2,243.2**	**591.5**
Non-current liabilities	296.6	65.2	378.7	103.0
Current liabilities	772.9	106.9	664.4	121.3
Total liabilities	**1,069.5**	**172.1**	**1,043.1**	**224.3**
Net assets	**1,411.9**	**425.8**	**1,200.1**	**367.2**
Revenues	2,561.3	801.7	2,477.6	722.6
Result from operations	172.4	93.9	129.0	68.7
Earnings before income taxes	154.5	89.8	104.4	63.0
Taxes on income	−36.6	−21.0	−23.5	−20.4
Net earnings	**117.9**	**68.8**	**80.9**	**42.6**
Income and expenses recognized in other comprehensive income	10.2	2.9	−17.6	−7.1
Comprehensive income	**128.1**	**71.7**	**63.3**	**35.5**
Dividend payment in fiscal year	57.3	13.1	55.0	0.0
thereof attributable to other minority interest outside the Südzucker Group	29.4	4.0	29.6	0.0

TABLE 084

The data correspond to the published consolidated financial statements of the respective subgroups. More detailed information is available in the current 2016/17 annual reports of AGRANA Beteiligungs-AG, Vienna, Austria, and CropEnergies AG, Mannheim.

(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 € 43.1 (42.0) 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 28/29 February	2017	2016
Defined benefit obligation for direct pension benefits	941.2	910.6
Fair value of plans assets	−118.7	−112.7
Provision for pensions and similar obligations (net defined benefit obligation)	**822.5**	**797.9**
Interest rate in %	1.90	1.95

TABLE 085

Südzucker Group offers employees the following main types of pension plans as part of retirement and severance plans, which are as distributed as follows:

	Defined benefit plans						Severance plans	
€ million 28 February 2017	Südzucker AG	Germany remaining	Belgium	France	Austria	Other foreign countries	Worldwide	Total
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
Provision for pensions and similar obligations (net defined benefit obligation)	**703.2**	**47.8**	**−5.1**	**−5.6**	**30.6**	**1.5**	**50.1**	**822.5**

	Defined benefit plans						Severance plans	
€ million 29 February 2016	Südzucker AG	Germany remaining	Belgium	France	Austria	Other foreign countries	Worldwide	Total
Defined benefit obligation for direct pension benefits	692.2	42.7	50.3	26.3	42.6	0.6	55.8	910.6
Fair value of plans assets	−2.7	−0.8	−56.6	−32.7	−13.1	−0.1	−6.7	−112.7
Provision for pensions and similar obligations (net defined benefit obligation)	**689.6**	**41.9**	**−6.3**	**−6.4**	**29.5**	**0.5**	**49.2**	**797.9**

TABLE 086

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, BENEO, 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., BENEO-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
1 March 2015	**941.7**	**−115.7**	**826.0**
Expenses for company pension plans (Income statement)			
Current service cost	27.6		27.6
Past service cost	0.5		0.5
Gains and losses on curtailments or settlements	0.0		0.0
Interest expense (+) / income (–)	16.0	−2.2	13.8
	44.1	**−2.2**	**41.9**
Remeasurements (other comprehensive income)			
Gains (–) and losses (+) on actual return on plan assets		2.5	2.5
Gains (–) and losses (+) from change of demographical assumptions	0.0		0.0
Gains (–) and losses (+) from changes in financial assumptions	−34.6		−34.6
Gains (–) and losses (+) on experience adjustments	−5.6		−5.6
	−40.2	**2.5**	**−37.7**
Benefit payments, contributions, change in consolidated companies (and other)			
Change in consolidated companies (and other)	0.7	0.0	0.7
Effect of exchange rate differences	−0.2	0.1	−0.1
Employer contributions to plan assets	0.0	−5.3	−5.3
Plan participants contributions	0.2	−0.2	0.0
Benefit payments	−35.7	8.1	−27.6
	−35.0	**2.7**	**−32.3**
29 February 2016	**910.6**	**−112.7**	**797.9**

€ million	Defined benefit obligation	Fair value of plan assets	Provision for pensions and similar obligations
1 March 2016	**910.6**	**−112.7**	**797.9**
Expenses for company pension plans (Income statement)			
Current service cost	26.0		26.0
Past service cost	−1.3		−1.3
Gains and losses on curtailments or settlements	0.0		0.0
Interest expense (+) / income (–)	17.7	−2.5	15.2
	42.4	**−2.5**	**39.9**
Remeasurements (statement of income and expenses recognized directly in equity)			
Gains (–) and losses (+) on actual return on plan assets		−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
	21.3	**−6.7**	**14.6**
Benefit payments, contributions, change in consolidated companies (and other)			
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
	−33.1	**3.2**	**−29.9**
28 February 2017	**941.2**	**−118.7**	**822.5**

TABLE 087

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 € 14.6 (–37.7) million remeasurement of pension obligations recognized directly in equity resulted from the adjustment of the discount rate from 1.95 % to 1.90 % for material pension plans, and experience adjustments. Last year the change was in particular due to the change of the discount rate.

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 %	28/29 February	2017	2016
Interest rate		1.90	1.95
Salary growth		2.50	2.50
Pension growth		1.50	1.50

TABLE 088

Interest rates between 1.60 and 2.10 (1.80 and 2.60) % 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 1.60 (1.80) %, plans with a mixed portfolio of active employees pensioners (duration 17 years) 1.90 (1.95) % and plans predominantly comprising active employees (duration 25 years) 2.10 (2.15) %.

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.

28/29 February		2017		2016	
€ million	Change in actuarial assumption	Definded benefit obligation	Change	Definded benefit obligation	Change
Present value of the obligation		941.2	–	910.6	–
Discount rate	Increase by 0.50 percentage point	866.9	−7.9 %	840.6	−7.7 %
	Decrease by 0.50 percentage point	1,022.1	8.6 %	991.0	8.8 %
Salary growth	Increase by 0.25 percentage point	951.5	1.1 %	924.5	1.5 %
	Decrease by 0.25 percentage point	927.2	−1.5 %	898.1	−1.4 %
Pension growth	Increase by 0.25 percentage point	963.9	2.4 %	934.6	2.6 %
	Decrease by 0.25 percentage point	915.3	−2.8 %	887.6	−2.5 %
Life expectancy	Increase by one year	976.0	3.7 %	943.8	3.6 %
	Decrease by one year	902.0	−4.2 %	876.5	−3.7 %

TABLE 089

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 investments with an associated risk structure that guarantees long-term fulfillment of the obligations. Plan assets also include equity investments and insurance contracts, and, to a limited extent, real estate funds. Debt instruments 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:

28/29 February	2017		2016	
€ million	Fair value	thereof market prices in active markets	Fair value	thereof market prices in active markets
Debt instruments	53.6	53.6	56.4	56.4
Equity instruments	15.9	15.9	13.3	13.3
Real estate funds	0.6	0.0	0.6	0.0
Assets held by assurance company	44.3	0.7	40.7	0.7
Other	4.3	3.7	1.7	1.4
Total	**118.7**	**73.9**	**112.7**	**71.8**

TABLE 090

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 16.6 (unchanged) years. Employer contributions to plan assets are expected to total € 3.0 (2.6) million in the 2016/17 financial year. Pension and severance payments are expected to develop as follows over the next ten years:

Expected maturities of undiscounted pension and serverance payments

€ million	
2017/18	34.1
2018/19	37.0
2019/20	36.8
2020/21	38.7
2021/22	38.2
2022/23 to 2026/27	186.3
Total	**371.1**

TABLE 091

(28) Other provisions

€ million 28/29 February	2017	Short-term	Long-term	2016	Short-term	Long-term
Personnel-related provisions	84.7	19.5	65.2	86.9	21.4	65.5
Provisions for litigation risks and risk precautions	169.2	163.1	6.1	153.7	144.1	9.6
Other provisions	71.0	50.6	20.4	71.1	43.2	27.9
Total	**324.9**	**233.2**	**91.7**	**311.7**	**208.7**	**103.0**

TABLE 092

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
1 March 2016	**86.9**	**153.7**	**71.1**	**311.7**
Change in companies incl. in the consolidation and other changes	−0.2	0.3	0.1	0.2
Changes due to currency translation	0.1	0.0	−1.1	−1.0
Additions and unwindings	28.6	21.9	43.2	93.7
Use	−22.5	−2.6	−19.0	−44.1
Reversal	−8.2	−4.1	−23.3	−35.6
28 February 2017	**84.7**	**169.2**	**71.0**	**324.9**

TABLE 093

Personnel-related provisions

Personnel-related provisions 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 and are € 2.2 million lower than last year. Of the total amount of € 84.7 million, € 19.5 million is expected to be used in 2017/18 with the remaining € 65.2 million to be used in subsequent years.

Provisions for litigation risks and risk precautions

Provisions for litigation risks and risk precautions of € 169.2 million include provisions for market regulation proceedings, proceedings from operational contractual relationships and antitrust risks (fines and claims for damages). Of the total amount of € 169.2 million, € 163.1 million is expected to be used in 2017/18 with the remaining € 6.1 million to be used in subsequent years.

Other provisions

Other provisions totaled € 71.0 (71.1) million and were comparable to last year’s level. These 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. Provisions have also been made for the allocation of emission certificates by the German Emissions Trading Authority (Deutsche Emissionshandelsstelle) and other similar bodies in the European Union, provided the actual emissions exceed the free certificates allocated. The additions were mainly attributable to provisions for value added tax risks in Romania in the fruit segment as well as for consumption tax proceedings in Germany in connection with ethanol sales. The reversals were largely related to the balance of the provisions to meet contractual obligations in conjunction with the closure of the ethanol factory in Wilton, Great Britain. The use of these provisions is expected to total € 50.6 million in the 2017/18 financial year and € 20.4 million in subsequent years.

Additions and unwindings

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 unwinding of the discount for non-current provisions that mainly affect personnel-related provisions. Unwindings are recognized in the interest expense as part of the financial result and amounted to € 0.8 (1.1) million.

(29) Trade payables and other liabilities

€ million		Remaining term			Remaining term	
28/29 February	2017	to 1 year	over 1 year	2016	to 1 year	over 1 year
Liabilities to beet growers	441.9	441.9	0.0	353.7	353.7	0.0
Liabilities to other trade payables	475.0	475.0	0.0	447.4	447.4	0.0
Trade payables	**916.9**	**916.9**	**0.0**	**801.1**	**801.1**	**0.0**
Liabilities for production levy	19.4	19.4	0.0	24.0	24.0	0.0
Negative market value derivatives	46.0	46.0	0.0	23.1	23.1	0.0
Remaining financial liabilities	169.8	146.3	23.5	154.6	140.3	14.3
Liabilities for personnel expenses	116.2	115.2	1.0	105.9	104.7	1.2
Liabilities for other taxes and social security contributions	50.3	50.3	0.0	42.6	42.6	0.0
Remaining non financial liabilities	9.8	9.8	0.0	20.0	20.0	0.0
Other liabilities	**411.5**	**387.0**	**24.5**	**370.2**	**354.7**	**15.5**

TABLE 094

Due to higher harvest yields, liabilities to beet growers rose from € 353.7 million to € 441.9 million.

Remaining financial liabilities totaling € 169.8 (154.6) million include, among other things, deferred interest.

Liabilities for personnel expenses in the amount of € 116.2 (105.9) million mainly represent commitments for bonuses, premiums, vacation and overtime pay.

Remaining non-financial liabilities totaling € 9.8 (20.0) 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	
28/29 February	2017	to 1 year	over 1 year	2016	to 1 year	over 1 year
Bonds	697.1	0.0	697.1	562.3	163.6	398.7
Liabilities to banks	437.9	220.6	217.3	593.2	260.7	332.5
Liabilities from finance leasing	3.3	0.5	2.8	2.9	0.3	2.6
Financial liabilities	**1,138.3**	**221.1**	**917.2**	**1,158.4**	**424.6**	**733.8**
Securities (non-current assets)	−18.8			−18.6		
Securities (current assets)	−125.7			−125.7		
Cash and cash equivalents	−580.8			−459.4		
Securities and cash and cash equivalents	**−725.3**			**−603.7**		
Net financial debt	**413.0**			**554.7**		

TABLE 095

Of the financial debt totaling € 1,138.3 million, € 917.2 million, or 80.6 %, is available to Südzucker Group in the long-term.

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 an infinite, subordinated hybrid bond with a volume of € 700 million in July and August 2005. Since 30 June 2015, Südzucker can terminate 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.

Redemption of the hybrid bond – also in installments – is possible according to section 6 (paragraph 7) of the conditions of issue of the bond. Südzucker made repurchases with a nominal volume of € 31.6 million during the 2015/16 financial year. No repurchases were conducted in the 2016/17 financial year.

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.
31.12.2015	31.03.2016	91	2.960 %
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 %

TABLE 096

Furthermore, the conditions of issue of the bond provide Südzucker, in case 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 2017, cash flow was € 634.0 (480.4) million, or 9.8 (7.5) % of the € 6,476.0 (6,387.0) 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 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, maturing 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.

Additional information regarding above mentioned bonds is available on the Südzucker corporate website at www.suedzucker.de/en/Investor-Relations/Anleihen/.

Other bonds

The bond issued by Raffinerie Tirlemontoise S.A., Brussels, Belgium with a nominal value of € 38.6 million was repaid in full in fiscal 2016/17.

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 2017; CPs in the amount of € 125.0 were recognized last year.

€ 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
Bonds				**697.1**	**726.8**	**700.0**
€ million	29 February 2016	Due date	Coupon	Carrying amount	Fair value	Nominal value
Bond 2011/2018		29/03/2018	4.125 %	398.7	427.6	400.0
Other bonds				38.6	38.6	38.6
Commercial Paper				125.0	125.0	125.0
Bonds				**562.3**	**591.2**	**563.6**

TABLE 097

All bonds were fixed-interest bearing and had a combined carrying amount of € 697.1 (562.3) million.

Moody's current rating for Südzucker is Baa2/P–2 with a stable outlook. The rating was last confirmed on 20 May 2016 and the outlook improved. Standard & Poor's rating is BBB–/A–3 with a positive outlook. The rating was last confirmed on 21 June 2016 and the outlook improved. Moody's raised the rating of the hybrid bond from Ba3 to Ba2 on 20 May 2016. Standard & Poor's last confirmed the B+ rating for the hybrid bond on 21 June 2016.

Liabilities to banks

Liabilities to banks decreased to € 437.9 (593.2) million. Of the fixed-interest bearing liabilities to banks in the amount of € 287.4 (266.8) million, € 210.1 (247.5) is available in the long-term. The floating rate loans decreased to € 150.5 (326.4) million. As of the balance sheet date, liabilities to banks of € 3.2 (1.1) million were secured by mortgage rights and € 7.8 (unchanged) million by other liens.

€ million		Remaining term			Remaining term		Average effective rate of interest in %	
28/29 February	2017	to 1 year	over 1 year	2016	to 1 year	over 1 year	2016/17	2015/16
Fixed coupon								
EUR	287.3	77.2	210.1	266.8	19.3	247.5	1.38	1.52
EGP	0.1	0.1	0.0	0.0	0.0	0.0	–	–
Total	**287.4**	**77.3**	**210.1**	**266.8**	**19.3**	**247.5**	**1.38**	**1.52**
Variable interest rate								
EUR	127.7	120.6	7.1	286.7	205.0	81.7	1.16	1.09
ARS	1.3	1.2	0.1	0.6	0.6	0.0	20.13	31.20
CNY	0.0	0.0	0.0	0.8	0.8	0.0	–	4.56
HUF	6.2	6.2	0.0	5.0	5.0	0.0	1.70	2.34
KRW	3.0	3.0	0.0	3.7	3.7	0.0	2.87	3.16
MXN	0.0	0.0	0.0	3.3	0.0	3.3	–	14.46
USD	12.3	12.3	0.0	26.3	26.3	0.0	1.67	1.28
Total	**150.5**	**143.3**	**7.2**	**326.4**	**241.4**	**85.0**	**1.33**	**1.35**
Liabilities to banks	**437.9**	**220.6**	**217.3**	**593.2**	**260.7**	**332.5**	**1.36**	**1.43**

TABLE 098

Liabilities to banks include promissory notes in the amount of € 126 million with maturities from 2017 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 2017.

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 2020 and 2018, respectively; the credit facility is made available by five banks. These credit lines had not been accessed as at 28 February 2017; last year funds totaling € 111 million had been drawn at the balance sheet date.

Securities and cash and cash equivalents

Investments in securities totaling € 144.5 (144.3) million were mainly in fixed-interest securities. Due to foreign exchange regulations, access to € 16.9 (18.2) million in cash at subsidiaries is restricted in Egypt, China and Ukraine. There was an impairment of € 4.8 million to the cash and cash equivalents of AGRANA Fruit in the Ukraine.

OTHER EXPLANATORY NOTES

(31) Risk management within Südzucker Group

The group is exposed to credit risk (default and creditworthiness 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 equity 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.

For investments, in addition to the rules for counterparty risk as part of credit risk management, there are also stipulations with regard to maturities and standardized reporting to the Group Treasury department. The monitoring of plan assets for pension obligations is also included here.

Risks resulting from cash flow fluctuations are recognized early on as part of liquidity planning. 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.

To manage seasonal fluctuations in cash flows, financing is raised in the form of overnight or term loans, or through the issuance of commercial paper as part of day-to-day treasury management. 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 2017. All outgoing payment flows are undiscounted and comprise interest and principal payments.

			Contractually agreed cash outflows					
€ million	Carrying amount	Total	to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years
28 February 2017								
Financial liabilities								
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
	1,138.3	**1,208.9**	**245.3**	**463.7**	**81.8**	**34.3**	**34.9**	**349.1**
Other financial liabilities								
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
	1,152.1	**1,153.3**	**1,126.4**	**25.4**	**1.0**	**0.1**	**0.4**	**0.0**
	2,290.4	**2,362.2**	**1,371.7**	**489.1**	**82.8**	**34.4**	**35.3**	**349.1**

€ 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
29 February 2016								
Financial liabilities								
Bonds	562.3	613.3	180.3	16.5	416.5	0.0	0.0	0.0
Liabilities to banks	593.2	612.6	266.2	46.9	44.8	135.8	30.4	88.5
Liabilities from finance leasing	2.9	3.1	0.4	2.1	0.6	0.0	0.0	0.0
	1,158.4	**1,229.0**	**446.9**	**65.5**	**461.9**	**135.8**	**30.4**	**88.5**
Other financial liabilities								
Liabilities to beet growers	353.7	353.7	353.7	0.0	0.0	0.0	0.0	0.0
Trade payables	447.4	447.4	447.4	0.0	0.0	0.0	0.0	0.0
Liabilities from production levy	24.0	24.0	24.0	0.0	0.0	0.0	0.0	0.0
Remaining financial liabilities	154.6	154.6	140.3	14.3	0.0	0.0	0.0	0.0
Forex futures – cash out	3.0	305.1	301.4	0.2	0.2	3.3	0.0	0.0
Forex futures – cash in	–	−303.2	−299.9	−0.1	−0.1	−3.1	0.0	0.0
Interest rate swaps – cash out	5.7	5.3	1.5	1.5	1.5	0.8	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	14.4	14.3	14.3	0.0	0.0	0.0	0.0	0.0
	1,002.8	**1,001.2**	**982.7**	**15.9**	**1.6**	**1.0**	**0.0**	**0.0**
	2,161.2	**2,230.2**	**1,429.6**	**81.4**	**463.5**	**136.8**	**30.4**	**88.5**

TABLE 099

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 Romanian and 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 2017.

The following shows the currency exposure and the hypothetical impact on the net result before tax as gain (+) or loss (–).

€ million	Exposure		Sensitivity (+)		Sensitivity (–)	
28/29 February	2017	2016	2017	2016	2017	2016
USD	5.3	−4.7	−0.5	0.4	0.6	−0.5
GBP	14.7	6.0	−1.3	−0.5	1.6	0.7
PLN	35.7	−1.4	−3.2	0.1	4.0	−0.2
CNY	0.8	0.6	−0.1	−0.1	0.1	0.1
HUF	6.8	6.3	−0.6	−0.6	0.8	0.7
Other currencies	−74.7	−95.8	6.8	8.7	−8.3	−10.6

TABLE 100

Currency exposure from the remaining currencies attributes to euro receivables or payables of group companies in countries with other functional currencies. A long-term intra-group euro loan in the amount of € 99.1 million has been granted in Poland since 2005. This loan qualifies 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 Polish zloty had dropped, i.e. climbed by 10 %, shareholders' equity before tax would have increased by € 9.0 (unchanged) million, i.e. decreased by € 11.0 (unchanged) 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 2017 without considering concluded interest rate swaps, interest expense would have increased as follows:

Interest rate sensitivity	2016/17			2015/16		
€ million	Total	thereof with floating rate	Effect from interest rate sensitivity	Total	thereof with floating rate	Effect from interest rate sensitivity
Liabilities to banks	**437.9**	150.5	−0.8	**593.2**	326.4	−1.6

TABLE 101

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 risks

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 exports and imports (including the 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 standard instruments are used for financial hedging purposes, such as interest rate swaps and forex futures. These instruments are used within the framework of the 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	
28/29 February	2017	2016	2017	2016	2017	2016
Forex futures	928.8	287.8	3.3	2.6	−22.0	−3.0
Interest rate swaps	68.0	118.0	0.0	0.0	−4.1	−5.7
Commodity derivatives	451.4	186.0	29.4	2.9	−19.9	−14.4
Total	**1,448.2**	**591.8**	**32.7**	**5.5**	**−46.0**	**−23.1**

TABLE 102

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 of one 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 2017 would change as follows (sensitivity analysis):

€ million	Net market values		Sensitivity (+)		Sensitivity (–)	
28/29 February	2017	2016	2017	2016	2017	2016
Forex futures	−18.7	−0.4	44.5	7.8	−39.7	−13.9
Interest rate swaps	−4.1	−5.7	1.8	2.3	−1.6	−2.3
Commodity derivatives	9.5	−11.5	−17.4	9.6	17.3	−9.4
Total	**−13.3**	**−17.6**	**28.9**	**19.7**	**−24.0**	−25.6

TABLE 103

These corresponding market price changes would have changed equity by € 8.2 (2.4) million and € -14.4 (-9.4) million, respectively, and changed earnings before income taxes by € 20.7 (17.3) million and € -9.6 (-16.2) 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.

28/29 February		2017		2016	
€ million	IAS 39 measurement category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Long term securities	Available for Sale	18.8	18.8	18.6	18.6
Other investments	Available for Sale at Cost	23.6	23.6	21.8	21.8
Trade receivables	Loans and Receivables	880.8	880.8	782.8	782.8
Receivables due from the EU	Loans and Receivables	0.2	0.2	23.2	23.2
Remaining financial assets	Loans and Receivables	92.5	92.5	79.9	79.9
Positive market value derivatives	Financial Assets Held for Trading	3.6	3.6	2.4	2.4
Positive market value derivatives	Derivatives, at fair value directly in equity (Hedge-Accounting)	29.1	29.1	3.1	3.1
Securities	Loans and Receivables	125.0	125.0	125.0	125.0
Securities	Available for Sale	0.7	0.7	0.7	0.7
Short term securities		*125.7*	*125.7*	*125.7*	*125.7*
Cash and cash equivalents	Loans and Receivables	580.8	580.8	459.4	459.4
		1,755.1	**1,755.1**	**1,516.9**	**1,516.9**
Financial liabilities					
Bonds	Financial liabilities measured at armotised cost	697.1	726.8	562.3	591.2
Liabilities to banks	Financial liabilities measured at armotized cost	437.9	447.7	593.2	604.3
Liabilities from finance leasing	n/a	3.3	3.3	2.9	2.9
Trade liabilities	Financial liabilities measured at armotized cost	916.9	916.9	801.1	801.1
Liabilities from production levy	Financial liabilities measured at armotized cost	19.4	19.4	24.0	24.0
Remaining financial liabilities	Financial liabilities measured at armotized cost	169.8	169.8	154.6	154.6
Negative market value derivatives	Financial Liabilities Held for Trading	12.6	12.6	9.4	9.4
Negative market value derivatives	Derivatives, at fair value directly in equity (Hedge-Accounting)	33.4	33.4	13.7	13.7
		2,290.4	**2,329.9**	**2,161.2**	**2,201.2**

TABLE 104

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 2017		2016/17	29 February 2016		2015/16
IAS 39 measurement category	Carrying amount	Fair value	Net result	Carrying amount	Fair value	Net result
Financial assets held for trading	3.6	3.6	3.4	2.4	2.4	5.2
Available for Sale	19.5	19.5	–	19.3	19.3	–
Available for Sale at Cost	23.6	23.6	3.2	21.8	21.8	4.1
Loans and receivables	1,679.3	1,679.3	14.7	1,470.3	1,470.3	14.4
Financial liabilities measured at armotised cost	2,241.1	2,280.6	−28.7	2,135.2	2,175.2	−55.2
Financial Liabilities Held for Trading	12.6	12.6	−7.1	9.4	9.4	−2.2
	–	**–**	**−14.5**	**–**	**–**	**−33.7**

TABLE 105

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 € 28.3 (29.1) million. The measurement category “loans and receivables” includes interest income totaling € 17.1 (unchanged) 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, liabilities related to the production levy 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 and 2016/23 bonds in the amount of € 726.8 (427.6) 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		
28/29 February	2017	Evaluation level 1	Evaluation level 2	2016	Evaluation level 1	Evaluation level 2
Securities – Available for Sale	**19.5**	**19.5**	**0.0**	**19.3**	**19.3**	**0.0**
Positive market values – derivatives without hedge accounting	3.6	2.3	1.3	2.4	1.2	1.2
Positive market values – hedge accounting derivatives	29.1	26.6	2.5	3.1	1.7	1.4
Positive market values	**32.7**	**28.9**	**3.8**	**5.5**	**2.9**	**2.6**
Financial assets	**52.2**	**48.4**	**3.8**	**24.8**	**22.2**	**2.6**
Negative market values – derivatives without hedge accounting	12.6	2.2	10.4	9.4	0.8	8.6
Negative market values – hedge accounting derivatives	33.4	17.6	15.8	13.7	13.0	0.7
Negative markt values/financial liabilities	**46.0**	**19.8**	**26.2**	**23.1**	**13.8**	**9.3**

TABLE 106

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).

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 28/29 February	2017	2016
Guarantees	41.1	49.7
thereof for Joint Ventures	32.6	43.7
Warranty commitments	1.4	1.6

TABLE 107

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 € 6.5 (6.4) 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 € 68.9 (98.7) million are related 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, machines, vehicles, IT systems and office equipment. Undiscounted minimum lease payments in subsequent periods total € 89.2 (45.3) million. The corresponding payment obligations are due as follows:

€ million 28/29 February	2017	2016
Due date: up to 1 year	21.5	11.6
Due date: 1 to 5 years	48.3	25.2
Due date: over 5 years	19.4	8.5
Total	**89.2**	**45.3**

TABLE 108

The increase in the liabilities from operating leases were largely due to the extension of existing and the signing of new lease agreements as part of the improvement to the logistics structure and the expansion of export business.

(34) Fees for services by the group's external auditors

Expenses in 2016/17 for services provided by the group's external auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, were made up of fees for the following services:

€ thousand	2016/17	2015/16
Auditing services	750	808
Other assurance services	146	39
Tax consulting fees	117	15
Other services	24	49
Total	**1,037**	**911**

TABLE 109

(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 17 November 2016, and made it permanently available to shareholders of Südzucker AG at 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 16 November 2016, and made it permanently available to shareholders on the CropEnergies corporate website at http://www.cropenergies.com/en/investorrelations/Corporate_Governance/Entsprechenserklaerungen/Entsprechenserklaerung_2016/.

(36) Related parties

Related parties (companies)

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 co-operative 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, 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.

Related parties (persons)

The members of the Südzucker AG executive and supervisory boards and their dependents are related parties.

Items recorded in the 2016/17 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 (0.3) million and € 4.1 (4.4) million, respectively. In addition, there were financial receivables of € 201.3 (132.7) million from, and financial liabilities of € 7.4 (54.7) 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 [1]	2016/17	2015/16
Joint ventures	282.3	304.7
Associated companies	13.2	10.9
Services performed for related parties	**295.5**	**315.6**
Joint ventures	85.0	71.6
Associated companies	23.9	49.8
Services received from related parties	**108.9**	**121.4**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 110

The receivables from and liabilities to joint ventures and associates at the balance sheet date are:

€ million [1] 28/29 February	2017	2016
Joint ventures	84.8	61.1
Associated companies	0.9	0.4
Receivables from related parties	**85.7**	**61.5**
Joint ventures	7.8	8.4
Associated companies	0.1	3.9
Liabilities to related parties	**7.9**	**12.3**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 111

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	2016/17	2015/16
Fixed compensation	2.9	2.6
Variable compensation	1.5	1.3
Total compensation	**4.4**	**3.9**

TABLE 112

Provisions for pensions of € 33.1 (34.7) 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 € 2.6 (3.5) million. Provisions for pensions for current executive board members amounted to € 24.1 (22.0) million; service cost additions in 2016/17 amounted to € 0.5 (0.7) 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	2016/17	2015/16
Fixed compensation	1.8	1.8
Variable compensation	0.0	0.0
Total compensation	**1.8**	**1.8**

TABLE 113

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 report, which is part of the group management report.

(37) Supervisory board and executive board

Supervisory board

Dr. Hans-Jörg Gebhard, Eppingen
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[1]
- GoodMills Deutschland GmbH, Hamburg
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (Chairman)
- Vereinigte Hagelversicherung VVaG, Gießen

Franz-Josef Möllenberg[2], Rellingen
1st deputy chairman
Born 1953, member since 14 May 1992,
1st deputy chairman since 26 August 1992
Former chairman of Gewerkschaft Nahrung–Genuss–Gaststätten

Erwin Hameseder, Mühldorf, 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[3]
- Flughafen Wien AG, Vienna, Austria (1st deputy chairman)
- 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

Dr. Jochen Fenner, Gelchsheim
Born 1952, member since 11 May 2005
Chairman of the executive board of Verband Fränkischer Zuckerrübenbauer e. V.
Chairman of the executive board of Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG

Helmut Friedl, Egling a. d. Paar
Born 1965, member since 16 July 2015
Chairman of the executive board of Verband Bayerischer Zuckerrübenanbauer e. V.
Board memberships
- BMG Donau-Lech eG, Mering

Yüksel Gediagac[2], Berlin
Born 1968, member since 19 July 2012
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[3]
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart

Ralf Hentzschel, Panschwitz-Kuckau
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 (deputy chairman)

Wolfgang Kirsch, Königstein
Born 1955, member since 24 July 2007
Chairman of the executive board of DZ BANK AG
Board memberships[4]
- Adolf Würth GmbH & Co. KG, Künzelsau

Georg Koch, Wabern
Born 1963, member since 21 July 2009
Chairman of the executive board of Verband der Zuckerrübenanbauer Kassel e. V.
Deputy chairman of the executive board of Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG

Susanne Kunschert, Stuttgart
Born 1970, member since 17 July 2014
Managing partner of Pilz GmbH & Co. KG
Board memberships
- Karlsruhe Institute of Technology, Karlsruhe
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart

Günther Link[2], Oberickelsheim
Born 1953, member since 15 July 2013
Chairman of the works council at the Ochsenfurt plant of Südzucker AG

Bernd Maiweg[2], Aarbergen
Born 1953, member since 13 February 2009
Divisional officer of Gewerkschaft Nahrung–Genuss–Gaststätten

Joachim Rukwied, Eberstadt
Born 1961, member since 24 July 2007
President of Deutscher Bauernverband e. V.
Board memberships
- BAYWA AG, Munich
- Cost center Landesbauernverband Baden-Württemberg GmbH, Stuttgart (chairman)
- Kreditanstalt für Wiederaufbau, Frankfurt am Main
- LAND-DATA GmbH, Visselhövede (chairman)
- Landwirtschaftliche Rentenbank, Frankfurt am Main (chairman)
- LBF-Unternehmensberatungsdienste GmbH, Stuttgart (chairman)
- Messe Berlin GmbH, Berlin
- R+V Versicherung AG, Wiesbaden

Ronny Schreiber[2], Einhausen
Born 1969, member since 29 July 2004
Chairman of the works council at the Mannheim head office of Südzucker AG

Petra Schwalbe[2], Berlin
Born 1953, member since 19 September 2013
East state area chairwoman of Gewerkschaft Nahrung-Genuss-Gaststätten
Board memberships
- Philip Morris GmbH, Munich

Nadine Seidemann[2], Donauwörth
Born 1982, member since 1 September 2013
Member of the works council at the Rain plant of Südzucker AG

Franz-Rudolf Vogel[2], Worms
Born 1956, member since 24 July 2007
Chairman of the central works council of Südzucker AG

Wolfgang Vogl[2], Bernried
Born 1962, member since 1 March 2011
Manager of the Plattling and Rain plants of Südzucker AG

Rolf Wiederhold[2], Wabern
Born 1969, member since 1 March 2013
Chairman of the works council at the Wabern plant of Südzucker AG

[1] Memberships in addition to Südzucker Group functions.
[2] Employee representative.
[3] Memberships in addition to Südzucker Group and Raiffeisen-Holding Niederösterreich-Wien Group functions.
[4] Memberships in addition to functions in DZ-Bank Group, Frankfurt am Main.

Committees of the supervisory board

General Committee
Dr. Hans-Jörg Gebhard
Franz-Josef Möllenberg
Erwin Hameseder
Franz-Rudolf Vogel

Agriculture Committee
Dr. Hans-Jörg Gebhard (chairman)
Dr. Jochen Fenner
Georg Koch
Günther Link
Ronny Schreiber
Wolfgang Vogl

Audit Committee
Dr. Jochen Fenner (chairman)
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
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
CEO
Since 20 November 2012; member of the executive board since 1 March 2008; appointed until 28 February 2018

Dr. Thomas Kirchberg
Ochsenfurt
Since 1 September 2007; appointed until 31 August 2022

Thomas Kölbl
Speyer
Since 1 June 2004; appointed until 31 May 2019
Board memberships[1]
- Baden-Württembergische Wertpapierbörse, Stuttgart (until 1 March 2017)
- Boerse Stuttgart GmbH, Stuttgart
- EUWAX Aktiengesellschaft, Stuttgart

Johann Marihart
Limberg, Austria
Since 31 January 1994; appointed until 31 January 2019
Board memberships[1]
- 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)

[1] 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	%
Sugar segment					
Business unit sugar					
Division Südzucker and sales companies					
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
Division sugar Belgium					
Raffinerie Tirlemontoise S.A.	RT	Bruxelles	Belgium	SZH	99.41
Nougat Chabert & Guillot SA	NC&G	Montélimar	France	SOGELAF	99.75
S.C.I. DU MARINET		Upie	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
Division sugar France					
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
Division sugar Poland					
Südzucker Polska S.A.	SZPL	Wrocław	Poland	SZH	99.59
"POLTERRA" Sp. z o.o.		Wrocław	Poland	SZPL	100.00
Przedsiebiorstwo Rolne "KLOS" Sp. z o.o.		Wrocław	Poland	SZPLN	100.00
Südzucker Polska Nieruchomosci Sp. z o.o.	SZPLN	Wrocław	Poland	SZPL	100.00
Division AGRANA sugar					
Sugar Austria					
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	%
Sugar Romania					0.00
AGRANA AGRO S.r.l.		Roman	Romania	AGR	99.00
				AZ	1.00
AGRANA BUZĂU 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	98.40
				AIV&A	0.04
Sugar Slovakia					
Slovenské Cukrovary s.r.o.		Sered	Slovakia	AZ	100.00
Sugar Czech Republic					
Moravskoslezské Cukrovary A.S.	MC	Hrušovany	Czech Republic	AZ	100.00
Sugar Hungary					
AGRANA Magyarország Értékesitési Kft.	AME	Budapest	Hungary	MCeF	99.70
				AZ	0.30
Biogáz Fejleszto Kft.		Kaposvár	Hungary	AME	100.00
Koronás Irodaház Szolgáltató Korlátolt Felelösségü Társaság		Budapest	Hungary	MCeF	100.00
Magyar Cukorgyártó és Forgalmazó Zrt.	MCeF	Budapest	Hungary	AZ	87.60
Sugar Bulgaria					
AGRANA Trading EOOD		Sofia	Bulgary	AZ	100.00
Sugar Bosnia					
AGRANA BIH Holding GmbH	ABIH	Wien	Austria	AZ	75.00
				SZH	25.00
AGRANA d.o.o.		Brčko	Bosnia-Herzegovina	ABIH	100.00
AGRANA Holding/other					
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
Division sugar Moldova					
Südzucker Moldova S.A.	SZM	Chişinău	Moldova	SZH	83.92
AGRO-BARABOIENI S. R. L.		Baraboi, rl. Donduseni	Moldova	SZM	100.00
Agro Credit S.R.L.		Drochia	Moldova	SZH	100.00
Agro-SZM S.R.L.		Drochia	Moldova	SZM	100.00

	Shortcut	Location	Country	Direct shareholder	%
Division agriculture					
Agrar und Umwelt AG Loberaue	A&U	Rackwitz	Germany	SZAG	100.00
Rackwitzer Biogas GmbH		Rackwitz	Germany	A&U	100.00
Terra e. G.		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
Sugar other					
AHG Agrar-Holding GmbH [2]		Mannheim	Germany	SZAG	100.00
AGRANA Zucker, Stärke und Frucht Holding AG [1]	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 [2]		Mannheim	Germany	SZAG	100.00
Sächsisch-Thüringische Zuckerfabriken Verwaltungsgesellschaft mbH		Mannheim	Germany	SZAG	100.00
Südprojekt Silo und Logistik GmbH & Co. KG		Mannheim	Germany	SZAG	100.00
Südzucker Holding GmbH [2]	SZH	Mannheim	Germany	SZAG	100.00
Südzucker International Finance B.V.		Oud-Beijerland	Netherlands	SZAG	100.00
Südzucker Tiefkühl-Holding GmbH [2]	SZTK	Ochsenfurt	Germany	SZAG	100.00
Südzucker Versicherungs-Vermittlungs-GmbH		Mannheim	Germany	SZAG	51.00
Südzucker Verwaltungs GmbH [2]	SZVW	Mannheim	Germany	SZAG	100.00

Special products segment

Division BENEO					
BENEO GmbH [2]	B	Mannheim	Germany	SZAG	100.00
BENEO Asia Pacific Pte. Ltd.		Singapore	Singapore	BP	100.00
BENEO Iberica S.L. Unipersonal		Barcelona	Spain	BO	100.00
BENEO Inc.		Morris Plains, NJ	USA	BP	100.00
BENEO India Private Limited		New Delhi	India	BP	99.90
				B	0.01
BENEO Latinoamerica Coordenaçao Regional Ltda.		Vila Olímpia, São Paulo	Brazil	BO	100.00
				BP	0.00
BENEO-Orafti S.A.	BO	Oreye	Belgium	BR	100.00
				B	0.00
BENEO-Palatinit GmbH [2]	BP	Mannheim	Germany	B	85.00
				SZAG	15.00
BENEO-Remy N.V.	BR	Wijgmaal (Leuven)	Belgium	B	100.00
				BP	0.00

[1] Direct share, directly held by Südzucker AG.
[2] Indirect share, directly held by a subsidary.

	Shortcut	Location	Country	Direct shareholder	%
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
Division Freiberger					
Freiberger Holding GmbH [2]	FH	Berlin	Germany	SZTK	90.00
				SZAG	10.00
Alberto Lebensmittel GmbH		Berlin	Germany	FLG KG	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
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 [2]	FLM	Berlin	Germany	FLG KG	100.00
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG [3]	FLG KG	Berlin	Germany	FH	100.00
Freiberger Osterweddingen GmbH & Co. KG [3]		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.		Morris Plains	USA	FLM	100.00
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.		Oberhofen	Austria	FLM	100.00
Sandhof Limited		Westhoughton	Great Britain	FLM	100.00
Stateside Foods Ltd.	SL	Westhoughton	Great Britain	SL	100.00
Division PortionPack Europe					
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 [2]		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.U.		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

[2] Indirect share, directly held by a subsidary.
[3] Majority of voting shares.

	Shortcut	Location	Country	Direct shareholder	%
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
Division starch					
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

CropEnergies segment

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	CEAG	100.00
RYSSEN 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, Importacao e Exportacao Ltda.		São Paulo	Brazil	AFB	100.00
AGRANA Fruit Brasil Participacoes 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.		Paris	France	AF	100.00

	Shortcut	Location	Country	Direct shareholder	%
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 Gida Sanayi ve Ticaret A.S.		Istanbul	Turkey	AF	100.00
AGRANA Fruit Korea Co. Ltd.	AFK	Seoul	South Korea	AF	100.00
AGRANA Fruit Latinoamerica S. de R.L. de C.V.		Michoacan	Mexico	AF	99.99
				AFUS	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
AGRANA Fruit Services GmbH	AFSG	Wien	Austria	AF	100.00
AGRANA Fruit Services S.A.S.	AFSS	Paris	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
Division fruit juice concentrates (AUSTRIA JUICE)					
AUSTRIA JUICE GmbH	AJU	Allhartsberg	Austria	AIV&A	50.01
AGRANA JUICE (XIANYANG) CO., LTD		Xianyang City	China	AJU	100.00
Austria Juice Hungary Kft.		Vásárosnamény	Hungary	AJU	100.00
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Romania	AJU	100.00
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100.00
AUSTRIA JUICE Poland Sp. z.o.o		Chelm	Germany	AJU	100.00
AUSTRIA Juice Romania S.r.l.		Vaslui	Poland	AJU	100.00
AUSTRIA JUICE Ukraine TOV		Vinnitsa	Ukraine	AJU	100.00
Fruit other					
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	AIV&A	Wien	Austria	AB	98.91
				AMV	1.09

TABLE 114

II. Joint ventures / associated companies (consolidated at equity)

	Shortcut	Location	Country	Direct shareholder	%
Sugar segment					
Business unit sugar					
Division Südzucker and sales companies					
Maxi S.r.l.		Bolzano	Italy	SZH	50.00
Division AGRANA sugar					
Sugar Bosnia					
"AGRAGOLD" d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00
AGRAGOLD d.o.o.		Zagreb	Croatia	ASB	100.00
AGRAGOLD dooel 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
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
Sugar other					
ED&F MAN Holdings Limited		London	Great Britain	SZH	35.00
Special products segment					
Division PortionPack Europe					
Collaborative Packing Solutions [Pty] Ltd		Johannesburg	South Africa	PPEH	40.00
Division starch					
GreenPower E85 Kft		Szabadegyháza	Hungary	HK	100.00
HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	HK	Szabadegyháza	Hungary	AS	50.00
HungranaTrans Kft.		Szabadegyháza	Hungary	HK	100.00
CropEnergies segment					
CT Biocarbonic GmbH		Zeitz	Germany	CEBet	50.00

TABLE 115

III. Companies of minor importance and other investments > 20 % (not consolidated)

	Shortcut	Location	Country	Direct shareholder	%
Affiliated companies (not included)					
Sugar segment					
Business unit sugar					
Division Südzucker and sales companies					
S.Z.I.L. LTD		Kfar Saba	Israel	SZH	100.00
Division AGRANA sugar					
Sugar Czech Republic					
PERCA s.r.o.		Hrušovany	Czech Republic	MC	100.00
DELHIA SHELF s.r.o.		Hrušovany	Czech Republic	MC	100.00
Sugar Bosnia					
AGRANA Croatia d.o.o.		Zagreb	Croatia	AZ	100.00
AGRANA Makedonija DOOEL Skopje		Skopje	Macedonia	AZ	100.00
AGRANA Holding/other					
Österreichische Rübensamenzucht Gesellschaft m.b.H.		Wien	Austria	AZ	86.00
Sugar other					
Acucar e Alcool do Sul Participacoes Ltda.		Alto de Pinheiros	Brazil	SZH	99.90
				AIH	0.10
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
Special products segment					
Division starch					
AGRANA Skrob s.r.o.		Hrušovany	Czech Republic	AS	100.00
AGRANA Amidi srl		Sterzing (BZ)	Italy	AS	100.00

	Shortcut	Location	Country	Direct shareholder	%
Joint ventures/associated companies (not included)					
Sugar segment					
Business unit sugar					
Division sugar Belgium					
Food Port N.V.		Tienen	Belgium	RT	35.71
Division AGRANA sugar					
Sugar Bosnia					
SCO STUDEN & CO. BRASIL EXPORTACAO E IMPORTACAO LTDA.		São Paulo	Brazil	ASB	100.00
AGRANA-STUDEN Kosovo L.L.C.		Pristina	Serbia	ASB	100.00
Sugar other					
Felix Koch Offenbach Couleur und Karamel GmbH		Offenbach	Germany	SZH	25.10
Maritime Investment Holdings Pte. Ltd		Singapore	Singapore	SZH	25.00
Special products segment					
Division BENEO					
INVITA Australia PTE Ltd		Balgowlah	Australia	BP	35.00
Other participations > 20% (not included)					
Sugar segment					
Business unit sugar					
Division sugar France					
GARDEL S.A.		Le Moule	France	SLS	24.28
Eastern Sugar B.V.		Breda	Netherlands	SLS	50.00
Sucrerie et Distillerie de Souppes-Ouvré Fils S.A.		Paris	France	SLS	44.50
Division AGRANA sugar					
Sugar Hungary					
Cukoripari Egyesülés		Budapest	Hungary	MCeF	44.27

TABLE 116

(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:

	2016/17
Issued shares (number)	204,183,292
Dividends (€)	0.45
Dividend amount (€)	91,882,481.40
Earnings carried forward (€)	57,738.35
Retained earnings (€)	**91,940,219.75**

TABLE 117

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 20 July 2017; the dividend will be paid on 25 July 2017.

(40) Events after the balance sheet date

No events of particular significance have occurred since 28 February 2017 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, 24 April 2017
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

Audit Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of Südzucker AG, Mannheim, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at February 28, 2017, and the consolidated income statement, the statement of other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the financial year from March 1, 2016, to February 28, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at February 28, 2017, as well as the results of operations for the financial year from March 1, 2016, to February 28, 2017, in accordance with these requirements.

According to § 322 Abs. 3 Satz 1 erster Halbsatz HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements.

Basis for Audit Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group entities in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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 March 1, 2016, to February 28, 2017. 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, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

❶ Recoverability of goodwill
❷ Sugar price hedging transactions
❸ Provisions for litigation and risks
❹ Re-commissioning of the production facilities of Ensus UK Limited

Our presentation of these key audit matters has been structured as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

❶ Recoverability of goodwill

① In the consolidated financial statements of Südzucker AG, a total amount of EUR 1,190.6 million is reported under the line item "Intangible assets" of the consolidated balance sheet. The Company has allocated the goodwill to the cash-generating units. On this basis, the Company carries out impairment tests once per year or if there are indications that goodwill may be impaired. This measurement is based on the present value of the future cash flows of the cash-generating unit to which the respective goodwill is allocated. Present values are calculated using discounted cash flow models. The measurements for each cash-generating unit are derived from the current five-year plan adopted by management and approved by the supervisory board. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit. The result of this measurement depends to a large extent on management's assessment of future cash inflows, and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the measurement models, this matter was of particular importance for our audit.

② As part of our audit, we, among other things, evaluated the method used for performing the impairment tests and assessed the calculation of the weighted average cost of capital. We satisfied ourselves as to the appropriateness of the future cash inflows used in the measurement, among other procedures, by reconciling this information with the current budget projections in the five-year plan adopted by management and approved by the supervisory board, as well as by comparison with general and sector-specific market expectations. With 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 evaluated the measurement model. Due to the significance of goodwill (representing approximately 14 % of consolidated total assets) and the fact that its measurement also depends on economic conditions that are outside of the Company's sphere of influence, we assessed the Company's additional sensitivity analyses and found that the respective goodwill was sufficiently covered by discounted future cash surpluses. Taking into consideration the information available, we believe that, overall, the measurement parameters and assumptions used by management for the goodwill impairment tests are appropriate.

③ The Company's disclosures on goodwill are contained in note 21 of the notes to the consolidated financial statements.

❷ Sugar price hedging transactions

① With the abolition of the quota regime and the lifting of previous export restrictions, sugar prices will in future be more heavily determined by trends in global market prices. Consequently, it is of increasing importance to hedge sugar prices by means of derivatives. At an organizational level, the Südzucker Group has met these requirements by combining the respective Group activities in the Global Markets department. The use of derivative financial instruments is governed by a Group policy on managing operating price risk. For the first time, material market values of sugar derivatives are reported in the consolidated financial statements of Südzucker AG under the line items "Positive" and "Negative market value of sugar derivatives" of the consolidated financial statements amounting to EUR +26.5 million and EUR -17.1 million, respectively. The outstanding sugar derivatives cover a hedged volume of 670,000 tons. In addition, there are currency forwards with a negative market value of EUR 14.8 million and a positive market value of EUR 1.7 million as of the balance sheet date to hedge against the currency risk associated with sugar hedges. Given the scale of the hedged volume, the extensive accounting and reporting requirements under IAS 39, and the organizational changes that the Company has implemented within the Group, this matter was of particular importance for our audit.

② As a part of our audit and with the support of our internal specialists from Corporate Treasury Solutions, we considered the processes relating to sugar price management. We compared the implementation of organizational and procedural structures with customary industry standards to ensure proper risk management, and assessed its appropriateness. We critically assessed the Group policy on managing operating price risk, in particular with respect to a risk management strategy documented in writing and the assignment of responsibilities by management, and likewise assessed its appropriateness.

We assessed both the strategic, operational and procedural implementation of the sugar price management, as well as the accounting treatment of sugar hedges, based on the documentation prepared by Südzucker AG. In addition, we assessed the accounting documents provided to us for their compliance with the requirements of international accounting standards. Specifically, this included, among others, the conditions to apply hedge accounting, including the preparation of respective effectiveness tests. In addition, we retraced the accounting entries to recognize the relevant items and their presentation in the consolidated financial statement and consolidated income statement, and assessed their compliance with the applicable accounting requirements.

We satisfied ourselves that, based on an adequate internal control environment, the hedge transactions were appropriately accounted for and measured.

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 notes 31 and 32 of the notes to the consolidated financial statements.

❸ Provisions for litigation and risks

① In the consolidated financial statement of Südzucker AG, provisions for litigation risks and risk precautions amounting to EUR 169.2 million are reported under line item "Other Provisions" of the consolidated balance sheet. These concern market regulation proceedings, proceedings relating to operational contractual relationships, and antitrust law risks, including fines and damages. The requisite risk assessment on developments in legal disputes 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 shaped to a high degree by assessments and assumptions of management. Against this background, we believe this matter to be of particular importance.

② As part of our audit, we, among other things, assessed the process established by the Company to ensure that a legal dispute is recorded, its outcome is assessed, and the dispute is accounted for. This assessment also included a substantive review of the material legal risks. Being aware that estimated values bear an increased risk of accounting misstatements and that management's recognition and measurement decisions have a direct effect on consolidated profit, we assessed the appropriateness of the carrying amounts, including by comparing these amounts with historical data, evaluating the consistently applied calculation methodology and inspecting 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 assessments. The development of material legal disputes, including management's assessments as to their potential outcomes, is provided to us by the company in writing. As of the balance sheet date, we also obtained external legal confirmations that support management's assessments. We believe that the assessments made by management in respect of recognizing and measuring the provisions for litigation and the associated risk provision in the consolidated financial statements are appropriate.

③ The Company's disclosures relating to provisions for litigation and risks are contained in note 28 of the notes to the consolidated financial statements.

❹ Re-commissioning of the production facilities of Ensus UK Limited

① After the temporary decommissioning of the production facilities of Ensus UK Limited, it was decided in May 2016, to re-commission the production facilities. The extraordinary expenses resulting from the continuing downtime within first months of the financial year 2016/17 reduced the consolidated net income for the financial year 2016/17 by EUR 5.7 million. In respect of expected losses from onerous contracts, a provision which had been recognized in the previous year, was still reported at the balance sheet date February 29, 2016, which was partly utilized in the financial year 2016/17 and beyond that it was reversed. The income was recognized under "other operating expenses".

From our point of view, this matter was of particular importance for our audit given the material significance and the estimates and judgments involved in the underlying assumptions for Ensus UK Limited's business plan as well as the calculation models used.

② With respect to the recoverability of the production facilities recognized under property, plant and equipment, we focused our testing on the Company's impairment test and management's estimates regarding material value-influencing factors in the forecast, specifically management's expectations with respect to the price trends on the commodities and sales markets. We have assessed the fundamental method and measurement concept used to determine the value in use and tested the measurement model's mathematical accuracy on a sample basis. We have assessed the appropriateness of the methodology used to determine the discount rate as well as the underlying parameters. We assessed the Company's calculations with respect to the recognized provision for expected losses from onerous contracts as well as the utilization and reversal of that provision in the financial year 2016/17, and inspected the underlying contracts. With respect to the additional disclosure of the extraordinary expenses recognized within the notes to the consolidated financial statements, we satisfied ourselves that this amount was correctly determined from the line items of the statement of comprehensive income. By performing theses and further audit procedures, we were able to satisfy ourselves that the re-commissioning of the production facilities following the temporary downtime and the associated reversal of the provision for expected losses were properly presented.

③ The Company's disclosures pertaining to the re-commissioning of the production facilities of Ensus UK Limited following the temporary downtime and the resulting impacts on the consolidated balance sheet and consolidated statement of comprehensive income are contained in the notes to the consolidated financial statements in the sections entitled "Accounting policies", "Result from operations" and "Changes in other provisions".

Other Information

Management is responsible for the other information. The other information comprises

- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code,
- the Corporate Governance Statement pursuant to § 289a HGB and § 315 Abs. 5 HGB, as well as
- other parts of the annual report of Südzucker AG, Mannheim, for the financial year ended on February 28, 2017, which were not subject of our audit.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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 Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements, which comply with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, management is responsible for such internal control as management determines is 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is 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 to issue an auditor's report that includes our audit opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, 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, 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 opinion. 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 our auditor's report to the related disclosures in the consolidated financial statements or the group management report or, if such disclosures are inadequate, to modify our audit opinion. 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 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 represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, 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 relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the group management report

Audit Opinion on the Group Management Report

We have audited the group management report of Südzucker AG, Mannheim, for the financial year from March 1, 2016, to February 28, 2017.

In our opinion, based on the findings of our audit, the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the group management report.

Basis for Audit Opinion on the Group Management Report

We conducted our audit of the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Group Management Report

Management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a group management report in accordance with the German legal requirements applicable under § 315 Abs. 1 HGB and to provide sufficient and 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 group management report.

Auditor's Responsibilities for the Audit of the Group Management Report

Our objective is to obtain reasonable assurance about whether the group management report as a whole provides a suitable view of the Group's position as well as, in all material respects, is consistent with the consolidated financial statements as well as the findings of our audit, complies with legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the group management report.

As part of an audit, we examine the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the group management report is integrated into the audit of the consolidated financial statements.
- We obtain an understanding of the policies and procedures (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 policies and procedures (systems).
- We perform audit procedures on the prospective information presented by management in the group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.
- We are also not issuing a separate audit opinion on individual disclosures in the group management report; our audit opinion covers the group management report as a whole.

Responsible Auditor

The auditor responsible for the audit is Michael Conrad.

Frankfurt am Main, 24 April 2017
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

MICHAEL CONRAD
WIRTSCHAFTSPRÜFER
(GERMAN PUBLIC AUDITOR)

PPA. OLAV KRÜTZFELDT
WIRTSCHAFTSPRÜFER
(GERMAN PUBLIC AUDITOR)

ADDITIONAL INFORMATION

GLOBAL REPORTING INITIATIVE

In this annual report, Südzucker discusses group sustainability programs. Südzucker complies with the Global Reporting Initiative, Version G4, CORE guideline when collecting and presenting the material data that relate to its business activities.

Prior to preparing this report, Südzucker reviewed the economic, environmental and social impacts of its business activities prepared for last year's report, as well as the expectations and assessments of all stakeholders. The review consisted of conducting a stakeholder and materiality analysis with those responsible for the various areas of activity.

There were only minor deviations from the topics and groupings identified last year. The grouping into two categories was retained.

The first category contains all key aspects – broken down by area of activity – that are high priority topics for both Südzucker and its stakeholders.

Procurement

- agricultural raw materials used
- promoting sustainable cultivation methods / biodiversity

Environmental and energy aspects of production

- energy and emissions
- water and wastewater in the production process
- waste and soil adhesion

Product responsibility and quality

- quality management and product safety
- certifications

Social responsibility

- compliance
- logistics in the procurement and production processes
- dialogue with governments and institutions
- economic sustainability
- diversity and equal opportunity
- feeding the population

Working conditions and human rights

- code of conduct
- work safety and health protection
- training and continuing education
- trustworthy relationship between management and employees
- human rights protection

These topics will be discussed in their respective chapters.

The second category includes topics that are not the highest priority for Südzucker or its stakeholders, but still need to be considered and / or checked for further potential improvement.

- complaints processes regarding environmental aspects and social consequences
- water consumed by farming
- integrating stakeholders
- social engagement
- ensuring mobility
- contribution to standard of living
- product labeling
- freedom of association
- child labor, forced or compulsory labor
- complaints processes regarding work practices and human rights
- equal pay for men and women

Organizational and content related scope

To the extent available, the tables and graphs include data from three 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; INSTANTINA Nahrungsmittel- und Produktionsgesellschaft m.b.H., Vienna, Austria was included for the first time. For the special products segment, the report covers the production locations of the BENEO, Freiberger and starch divisions. All of the CropEnergies segment's production locations are included. The Chinese fruit juice concentrates factory in Xianyang City was added to the fruit segment's list of production locations; however, the 2016/17 acquired Main Process S.A., Buenos Aires, Argentina, production plant is not included yet.

Content related scope

(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

Since the volume, sugar, starch content and / or quality of the agricultural raw materials such as sugar beets, grain, potatoes and fruits that Südzucker processes is 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. In order to avoid double counting, electric power and steam supplied within the company to associated sites are reported by the group's companies that actually generate the power and steam (Scope 1). The energy consumption and associated indirect emissions in the upstream and downstream segments of the value chain outside Südzucker (Scope 3) are not reported.

(3) Water and wastewater

No data is provided on water use related to producing the agricultural raw materials in the upstream segments of the value chain.

(4) Waste

Information regarding the total weight of waste by type and method of disposal is based upon actual waste handled. Accordingly, residuals sold as byproducts or donated as animal feed and fertilizers are not classified as waste, even if in certain cases these materials have to be declared as waste in a number of countries for regulatory reasons.

Management policy

In the following we present how we analyze and manage sustainability related material aspects and challenges. We report the management approach to controlling the various aspects with reference to ecological, business and social ramifications.

Key parameter	Attributable mainly to following stakeholders	Management policy	Reported G4 indicator(s)	Page
Agricultural raw materials procurement				
Supplier Assessment for Labor Practices and human rights	Customers	Südzucker guidelines for sustainable procurement / beet suppliers contract	LA14 HR10	32
Supplier Environmental Assessment	Customers	Südzucker guidelines for sustainable procurement / beet suppliers contract	EN32	32
Agricultural raw materials used	Several stakeholder groups	Südzucker's environment, energy and work safety policy / beet suppliers contract	EN1	32 f
Environmental and energy aspects of production				
Energy consumption	Several stakeholder groups	Südzucker's environment, energy and work safety policy e.g. ISO 50001	EN5	33 f
Emissions	Several stakeholder groups	Südzucker's environment, energy and work safety policy	EN18	33 f
Water withdrawal and water discharge	Several stakeholder groups	Südzucker's environment, energy and work safety policy	EN8 EN22	34 f
Waste elimination	Several stakeholder groups	Südzucker's environment, energy and work safety policy	EN23	35
Product responsibility and quality				
Product safety and consumer health, product labeling, certifications	Customers; The government / society / The public	ISO 9001 quality management system, HACCP hygiene concept	PR1 PR4	35
Social responsibility				
Compliance	Several stakeholder groups	Südzucker's compliance directive	SO4	52 f
Integrating stakeholders	Several stakeholder groups	Südzucker's corporate guidelines; Südzucker's code of conduct	Standard disclosure	29, 31
Working conditions and human rights				
Occupational Health and Safety	Employees	Südzucker's code of conduct; Südzucker's environment and work safety policies; centralized documentation of incidents	LA6	46
Assessment of the company regarding human rights	Customers	SMETA and social compliance audits	HR9	38

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Report profile and validation

The sustainability reporting was again integrated into the financial report in fiscal 2016/17. 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 data published in this report was sourced and processed with great care. An audit review was conducted on the information related to sustainability presented in the group management report by the accounting firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. No separate external audit was conducted on the sustainability related data.

Index of the standard GRI information presented in the report

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Aspect: Emissions		
EN18	Greenhouse gas (GHG) emissions intensity (Scope 1+2) per metric ton of product	34, 68, 74, 80, 85
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Aspect: Employment		
LA1	Total number and rates of new employee hires and employee turnover *Omissions: Data on employee turnover is not categorized by region as this information is considered confidential.*	44 f

G4	Description	Page
Aspect: Occupational Health and Safety		
LA6	Injury rate (IR), lost days, and absenteeism, and total number of work-related fatalities *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.*	46 f
Aspect : Diversity and Equal Opportunity		
LA12	Composition of governance bodies and breakdown of employees per employee category and gender as well as age group *Omissions: No employee data according to department is collected. Management statistics are not categorized by region as such information is considered confidential.*	16 f, 44 f, 182 f
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HR9	Operations that have been subject to human rights reviews or human rights impact assessments	38
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Aspect: Anti-corruption		
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	52 f
SO5	Confirmed incidents of corruption and actions taken	–[1]
Aspect: Anti-competitive Behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	94 f
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Aspect: Customer Health and Safety		
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	35
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PR4	Number of incidents of non-compliance with regulations concerning product and service information and labeling	Zero

[1] No major corruption cases have been reported in the year under review.

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Forward looking statements / forecasts

This report contains forward looking statements. The statements are based on current assumptions and estimates 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 risk management report in this annual report presents an overview of the risks. It is supplemented by information in this interim report. We assume no obligation to update the forward-looking statements made in this report.

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Published by
Südzucker AG
Maximilianstraße 10
68165 Mannheim
Phone: +49 621 421-0

Layout and design
MPM Corporate Communication Solutions, Mainz
www.mpm.de

Photo credits
Alexander Seeboth

Print and processing
abcdruck, Heidelberg
Paper: Heaven 42 softmatt

FINANCIAL CALENDAR

Q1
1st quarter report 2017/18
13 July 2017

Annual general meeting
For fiscal 2016/17
20 July 2017

Q2
1st half year report 2017/18
12 October 2017

Q3
1st to 3rd quarter report 2017/18
11 January 2018

Press and analysts' conference
Fiscal 2017/18
17 May 2018

Q1
1st quarter report 2018/19
12 July 2018

Annual general meeting
For fiscal 2017/18
19 July 2018

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.

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's 2016/17 annual report is an integrated document; that is, it includes financial and non-financial information. The financial part to the report complies with IFRS rules. The non-financial sections are prepared in accordance with GRI G4 Core (▶ Additional information section) and in each case annotated by the symbol ❯.

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