SÜDZUCKER

Südzucker Aktiengesellschaft Mannheim/Ochsenfurt (headquartered in Mannheim)

Annual General Meeting on August 1, 2013

Report by the executive board to shareholders at the annual general meeting with reference to agenda item 6 (exclusion of shareholder rights) pursuant to article 203, paragraphs 1 and 2, and article 186, paragraph 4, clause 2 of the German Stock Corporation Act (AktG)

Under item 6, the executive and supervisory boards recommend to shareholders at the annual general meeting to establish authorized capital in the amount of € 12,000,000. This represents about 5.88% of share capital at the time of the resolution. The total number of shares issued under exclusion of subscription rights must not exceed 3 % of the registered share capital, which corresponds to 6,125,498 shares, neither at the time of coming into force nor at the time of exercising this authorization.

The Authorized Capital 2013 for which the board is requesting approval will give the company an opportunity to raise equity. It will enable the executive board, with approval of the supervisory board, to respond even more flexibly to favorable market conditions and take maximum advantage of these situations. The intent is to put the executive board in a position to use authorized capital, particularly for the acquisition of companies and shares of companies, as well as to improve the way it utilizes the company's financial resources, by enabling it to increase capital in exchange for both cash contributions and contributions in kind. Considering the current market situation, it is extremely important that companies be able to quickly and flexibly take steps related to corporate actions to ensure strategic flexibility at all times. In the current market environment, opportunities to raise capital arise on very short notice and are mostly short-lived. This applies to both capital increases that serve to strengthen the balance sheet and corporate actions related to strategic acquisitions. The company's strategy includes strengthening its competitive position by acquiring companies, shares of companies or parts of companies, which enable it to steadily grow earnings over the long term. At the same time, this improves the value of the company's stock. In order to have sufficient equity available to finance major spending plans, it will be necessary to raise the proposed authorized capital. The amount of the authorized capital is intended to enable the company to also finance larger company acquisitions in exchange for cash or payments in kind. The amount of capital that must be raised very quickly in the event of an acquisition normally cannot be directly approved by shareholders at the annual general meeting, which convenes only once a year. Instead, authorized capital that the executive board can access quickly is required.

For capital increases in exchange for contributions in kind, the executive board is authorized to exclude the subscription rights of shareholders, subject to approval by the supervisory board. This provides the executive board with the option to bypass the capital markets in certain cases where treasury shares can be suitably used in connection with corporate mergers, the acquisition of companies, parts of companies or shares of companies or other assets connected with acquisition projects. The authorization also includes the right to exclude shareholder subscription rights when issuing shares to acquire other assets (including claims by third parties against the company or companies associated with the company). The company faces stiff competition. It must therefore be in a position at all times to quickly and flexibly respond to changing market conditions in the interest of its shareholders. This includes company mergers and the acquisition of companies, parts of companies or shares in companies or other assets associated with acquisition projects intended to improve the company's competitive position. From past experience, it is evident that such projects involve large entities. The costs are very often considerable. Often, these can and must no longer be transacted in the form of cash, particularly in view of optimizing the financing. In many cases sellers insist on receiving shares of the acquiring company in exchange. The option to offer our treasury shares for acquisitions is therefore an advantage when competing for attractive acquisition opportunities. The proposed authorization thus gives the company the necessary leeway to quickly and flexibly take advantage of opportunities that may arise to engage in mergers, acquire companies or parts of companies or shares in companies (including adding to positions in existing entities in which the company already has an interest), and enables it to utilize the authorized capital in suitable cases to purchase larger companies, parts of companies or shares therein in exchange for treasury shares. The same applies to the acquisition of assets associated with acquisition projects and the acquisition of other assets (including claims by third parties against the company or companies associated with the company). Quite often in the course of these negotiations, there is a need to pay for such acquisitions in the form of shares rather than cash. The authorization satisfies this need.This authorization only applies if the total number of shares issued with the exclusion of subscription rights does not exceed 3 % of the registered share capital, neither at the time of coming into force nor at the time of exercising this authorization.

When share capital is to be increased in exchange for cash contributions, shareholders are generally granted subscription rights. However, the executive board has requested that it be authorized, subject to approval by the supervisory board, to exclude shareholder subscription rights if the issue price of the new shares is not significantly lower than the market price of a similar type of the company's stock at the time of finalizing the issue price. The authorization only applies if the total number of shares issued under exclusion of subscription rights pursuant to article 186, paragraph 3, clause 4 of the German Stock Corporation Act (AktG) does not exceed 3 % of the registered share capital, neither at the time of coming into force nor at the time of exercising this authorization. The limit of 3 % of the registered share capital shall include those shares that (i) are issued or sold during the period of this authorization under exclusion of subscription rights with direct or appropriate application of article 186, paragraph 3, clause 4 of the German Stock Corporation Act (AktG) and/or (ii) are issued or can be issued to service option rights or conversion obligations associated with convertible bonds or warrant bonds or profit participation rights, provided these bonds are issued after the coming into force of this authorization under appropriate application of article 186, paragraph 3, clause 4 of the German Stock Corporation Act (AktG) under exclusion of shareholder subscription rights.

The authorization to exclude subscription rights up to a total of 3 % of share capital so that new shares can be issued at a price that is not significantly lower than the price of shares of the same type trading on the stock exchange enables the executive board to set the issue price near market level when placing shares. This gives the board the opportunity to raise more funds when increasing capital than it would using a rights issue. This authorization also puts the company in a position to quickly and flexibly respond to market opportunities and to have the necessary capital available almost immediately. The need to protect shareholders from dilution of their shareholdings is taken into consideration. Even if this authorization is fully utilized, subscription rights may only be excluded to the extent that 3 % of the existing share capital at the time of the resolution is not exceeded.

The executive board shall be further authorized, subject to approval by the supervisory board, to exclude shareholders' subscription rights to the extent required in order to grant subscription rights for new no-par value bearer shares of the company to holders of warrants or conversion rights or holders of convertible bonds or warrant bonds or profit participation rights, issued or to be issued in the future by the company or subsidiaries in which the company directly or indirectly holds a majority interest, to the extent to which such holders would be entitled as shareholders upon exercising their options or conversion rights or after fulfillment of conversion obligations. The respective terms and conditions of the issue normally include an antidilution clause to facilitate placing the bonds on the capital markets. One option offered by the antidilution clause is to also grant holders of convertible bonds or warrant bonds or profit participation rights, subscription rights to a public offering of shares for which shareholders are entitled to subscription rights. They are thus treated as though they had already exercised their option and conversion rights or conversion obligations had already been fulfilled. Since in this case the company need not grant a reduced option or conversion price when applying the antidilution protection clause, the issue price for the no-par value bearer shares to be issued at time of conversion or exercising an option can be higher. However, this option is only possible to the extent shareholder rights are excluded. Since it is easier to place bonds with conversion and/or warrants or conversion obligations when the terms include an antidilution protection clause, excluding subscription rights is in the best interests of the shareholders with regard to optimizing their company's financial structure. The authorization to exclude shareholder subscription rights also only applies if the total number of shares issued under exclusion of subscription rights does not exceed 3 % of the registered share capital, neither at the time of coming into force nor at the time of exercising this authorization.

The total number of shares issued as a result of the aforementioned authorization under exclusion of subscription rights against contributions in kind and/or cash and/or to holders of conversion or option rights or holders of convertible or warrant bonds or profit participation rights shall not exceed 3 % of registered share capital, neither at the time of coming into force nor at the time of exercising this authorization.

Other than the aforementioned authorization to exclude subscription rights, shareholder subscription rights may only be excluded, subject to approval by the supervisory board, for fractional amounts generated after applying the conversion ratio, which can no longer be equally distributed to all shareholders. This simplifies administration.

The executive board is also authorized, subject to approval by the supervisory board, to stipulate other details regarding share rights and the terms and conditions subject to which shares are issued.

The executive board will carefully analyze each individual case when making its decision to exercise its authorization to increase capital with exclusion of shareholder subscription rights. This option will be utilized if in the opinion of the executive and supervisory boards it serves the best interests of the company and thereby its shareholders.

In order to facilitate processing, the new shares can also be taken over by one or more banks (or equivalent institutions) in accordance with industry practice, provided only that they are offered to shareholders. In such case, known as indirect subscription rights pursuant to article 186, paragraph 5 of the German Stock Corporation Act (AktG), the statutory subscription rights are not materially restricted, but only handled by the banks (or equivalent institutions) instead of the company to facilitate processing.

The executive board will report on utilization of the Authorized Capital 2013 at each subsequent annual general meeting.