ANNUAL REPORT 2015/16
SÜDZUCKER AG

SUSTAINABLE, NATURALLY

SÜDZUCKER

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SÜDZUCKER AG
COMPANY PROFILE

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

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

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

Our goal is to work in concert with our shareholders, suppliers, customers and employees on responsibly shaping the future, based on a comprehensive vision of continued sustainable, profitable growth, earning a return on our invested capital and steadily increasing shareholder value over the long term.

Comments on sustainability are annotated by the symbol › in this report.

CONTENTS

GROUP 2015/16

CONSOLIDATED GROUP REVENUES
down **6 %** from last year at
€ 6,387 [6,778] million.

GROUP CONSOLIDATED OPERATING RESULT
rises – despite the expected operating result decline in the sugar segment – to **€ 241 [181] million** because of significantly improved operating results in the CropEnergies and special products segments.

CASH FLOW
tracks operating result and rise significantly to **€ 480 [389] million**.

INVESTMENTS
decline to **€ 371 [387] million.**

ROCE
rises to **4.2 [3.1] %**; capital employed nearly unchanged at **€ 5.8 [5.9] billion.**

NET FINANCIAL DEBT
down at **€ 555 [593] million.**

NUMBER OF SÜDZUCKER GROUP EMPLOYEES
fell to **16,486 [17,231]**.

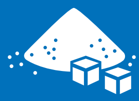
OUTLOOK FOR 2016/17

CONSOLIDATED GROUP REVENUES
expected to come in at **€ 6.4** to **6.6 [2015/16: 6.4] billion.**

OPERATING RESULT EXPECTED
to rise and come in at between **€ 250** to **350 [2015/16: 241] million.**

BUDGET FOR INVESTMENTS
at **€ 300 to 350 [2015/16: 371] million.**

CAPITAL EMPLOYED
to rise; ROCE to improve.



SUGAR

Sugar segment reports lower revenues and posts negative operating result due to further sharp declines in quota-sugar sales revenues on average throughout the fiscal year.

REVENUES:
€ 2,855 [3,228] million

OPERATING RESULT:
€ –79 [7] million

CAPITAL EMPLOYED:
€ 3,041 [3,199] million

ROCE:
–2.6 [0.2] %

European market leader

29 sugar factories:
Germany (9), Belgium (2), France (4), Poland (5), Moldova (2), Austria (2), Romania (1), Slovakia (1), Czech Republic (2), Hungary (1)

2 refineries:
Bosnia (1), Romania (1)

350,000 ha cultivation area

23.7 million tonnes beets processed

4.1 million tonnes sugar produced
(incl. raw sugar refining)

ED&F Man, Great Britain
(25% share)

OVERVIEW SEGMENTS 2015/16

SPECIAL PRODUCTS

Special products segment generates significantly higher operating result driven by higher revenues and lower costs.

REVENUES:
€ 1,791 [1,724] million

OPERATING RESULT:
€ 171 [120] million

CAPITAL EMPLOYED:
€ 1,436 [1,377] million

ROCE:
11.9 [8.7] %

BENEO:
Functional ingredients
for food, animal feed, non-food and pharmaceutics
5 production locations:
Germany (1), Belgium (2), Chile (1), Italy (1)

FREIBERGER:
Frozen and chilled pizza as well as frozen pasta dishes and snacks
5 production locations:
Germany (3), Great Britain (1), Austria (1)

PORTIONPACK EUROPE:
Portion Packs
7 production locations:
Belgium (1), Great Britain (1), Netherlands (2), Spain (1), South Africa (1), Czech Republic (1)

STARCH:
Starch for food and non-food sectors as well as bioethanol
6 production locations:
Germany (1) Austria (3), Hungary (1), Romania (1)

CROPENERGIES

Despite lower revenues, CropEnergies segment's operating result improves significantly due to higher ethanol sales revenues on average over the course of the fiscal year, lower net raw material costs and elimination of the previous year's operating losses related to the bioethanol plant in Wilton, Great Britain. The plant was temporarily shut down in February 2015.

REVENUES:
€ 658 [764] million

OPERATING RESULT:
€ 87 [–11] million

CAPITAL EMPLOYED:
€ 490 [518] million

ROCE:
17.7 [–2.2] %

One of the leading European manufacturers of sustainably produced bioethanol, predominantly for the fuel sector, with an annual production capacity of over **1.2 million m^3** for bioethanol and over **1 million tonnes** for food and animal feed

4 production locations:
Germany (1), Belgium (1), France (1), Great Britain (1, currently not in operation)

Joint venture in Germany:
Factory for production of food carbon dioxide

FRUIT

The fruit segment reports slightly higher revenues and a moderate operating result decline due to lower margins for fruit juice concentrates.

REVENUES:
€ 1,083 [1,062] million

OPERATING RESULT:
€ 62 [65] million

CAPITAL EMPLOYED:
€ 823 [782] million

ROCE:
7.5 [8.4] %

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.

38 production locations:
Austria (2), Germany (2), France (2), Poland (6), Romania (1), Russia (1), Serbia (1), Turkey (1), Ukraine (2), Hungary (4); Egypt (1), Argentina (1), Australia (1), Brazil (1), China (2), Fiji (1), Morocco (2), Mexico (1), South Africa (1), South Korea (1), United States (4)

KEY FIGURES

		2015/16	2014/15	2013/14	2012/13	2011/12
Revenues and earnings						
Revenues	€ million	6,387	6,778	7,533	7,879	6,992
EBITDA	€ million	518	453	889	1,246	1,015
EBITDA margin	%	8.1	6.7	11.8	15.8	14.5
Operating result	€ million	241	181	622	972	751
Operating margin	%	3.8	2.7	8.3	12.3	10.7
Net earnings	€ million	181	74	387	734	515
Cash flow and investments						
Cash flow	€ million	480	389	697	996	823
Investments in fixed assets [1]	€ million	371	386	377	338	276
Investments in financial assets/acquisitions	€ million	0	1	22	183	10
Total investments	€ million	371	387	399	521	286
Performance						
Fixed assets [1]	€ million	2,869	2,832	2,699	2,676	2,605
Goodwill	€ million	1,145	1,145	1,145	1,147	1,141
Working capital	€ million	1,665	1,787	1,916	2,015	1,848
Capital employed	€ million	5,791	5,877	5,873	5,950	5,707
Return on capital employed	%	4.2	3.1	10.6	16.3	13.2
Capital structure						
Total assets	€ million	8,133	8,474	8,663	8,806	8,289
Shareholders' equity	€ million	4,473	4,461	4,625	4,731	3,970
Net financial debt	€ million	555	593	536	464	791
Net financial debt to cash flow ratio		1.2	1.5	0.8	0.5	1.0
Equity ratio	%	55.0	52.6	53.4	53.7	47.9
Net financial debt as % of equity (gearing)	%	12.4	13.3	11.6	9.8	19.9
Shares						
Market capitalization	€ million	2,834	2,782	4,114	6,850	4,117
Total shares issued as of 28/29 February	millions of shares	204.2	204.2	204.2	204.2	189.4
Closing price on 28/29 February	€	13.88	13.63	20.15	33.55	21.75
Earnings per share	€	0.53	0.10	1.37	3.08	1.99
Dividend per share [2]	€	0.30	0.25	0.50	0.90	0.70
Yield as of 28/29 February	%	2.2	1.8	2.5	2.7	3.2
Employees		**16,486**	**17,231**	**18,186**	**17,940**	**17,489**

[1] Including intangible assets.
[2] 2015/16: Proposal.

TABLE 001

Revenues by segment

€ million	2015/16	2014/15	+/– in %
Sugar	2,855	3,228	–11.6
Special products	1,791	1,724	3.9
CropEnergies	658	764	–13.8
Fruit	1,083	1,062	2.0
Group total	**6,387**	**6,778**	**–5.8**

TABLE 002

Operating result by segment

€ million	2015/16	2014/15	+/– in %
Sugar	–79	7	–
Special products	171	120	41.9
CropEnergies	87	–11	–
Fruit	62	65	–5.2
Group total	**241**	**181**	**33.0**

TABLE 003

SUSTAINABLE, NATURALLY

Processing large quantities of agricultural commodities requires a responsible approach to nature and its resources. As a result, sustainability naturally forms the basis of our business.

This mindset can be found consistently in all of our divisions. And even at the top executive level, sustainability considerations are always close at hand when it comes to making corporate decisions.

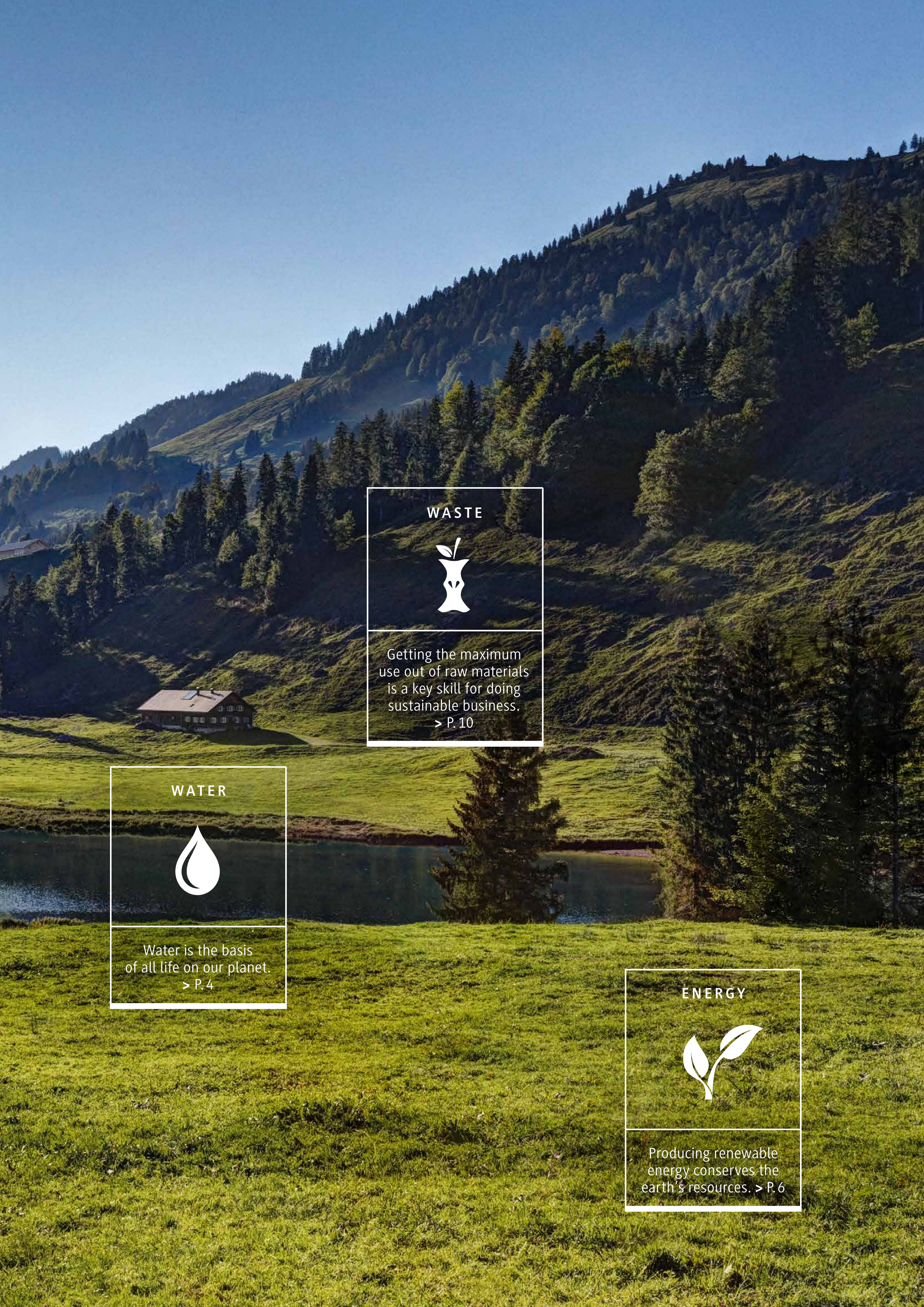
Just how close? Südzucker's Executive Board reveals the answer on a "virtual trip" through different landscapes that are closely linked to the following sustainability issues: water, energy, emissions and waste. We report on them in depth in our management report.

CO_2

Reducing emissions is one of the most important international climate goals. > P. 8

PLACING FOCUS ON FOUR SUSTAINABILITY ISSUES

Water, energy, emissions and waste are the four major topics featured in Südzucker's sustainability reporting and key issues that we focus on in all of our segments.



WASTE

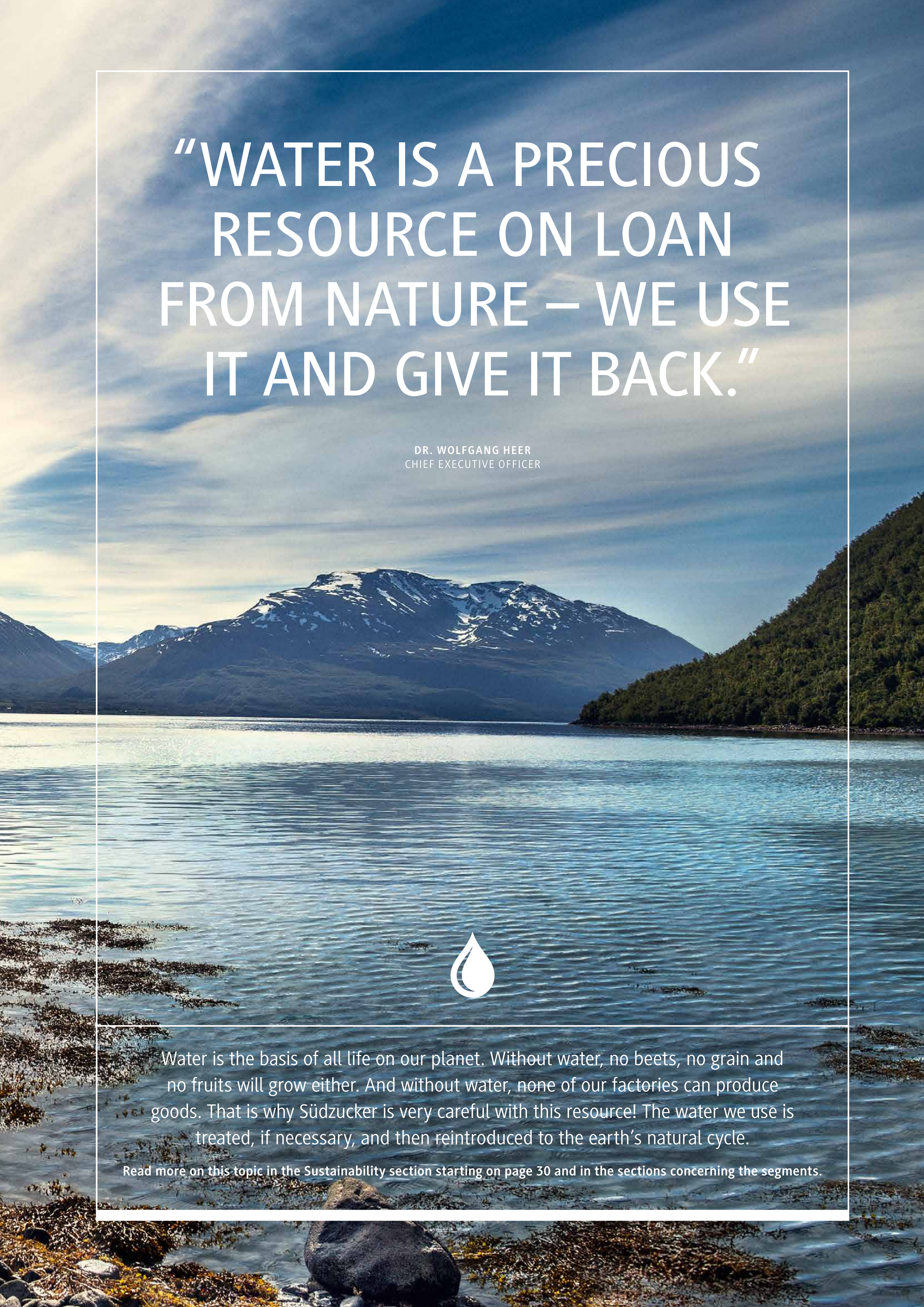
Getting the maximum use out of raw materials is a key skill for doing sustainable business. > P. 10

WATER

Water is the basis of all life on our planet. > P. 4

ENERGY

Producing renewable energy conserves the earth's resources. > P. 6



"WATER IS A PRECIOUS RESOURCE ON LOAN FROM NATURE – WE USE IT AND GIVE IT BACK."

DR. WOLFGANG HEER
CHIEF EXECUTIVE OFFICER

Water is the basis of all life on our planet. Without water, no beets, no grain and no fruits will grow either. And without water, none of our factories can produce goods. That is why Südzucker is very careful with this resource! The water we use is treated, if necessary, and then reintroduced to the earth's natural cycle.

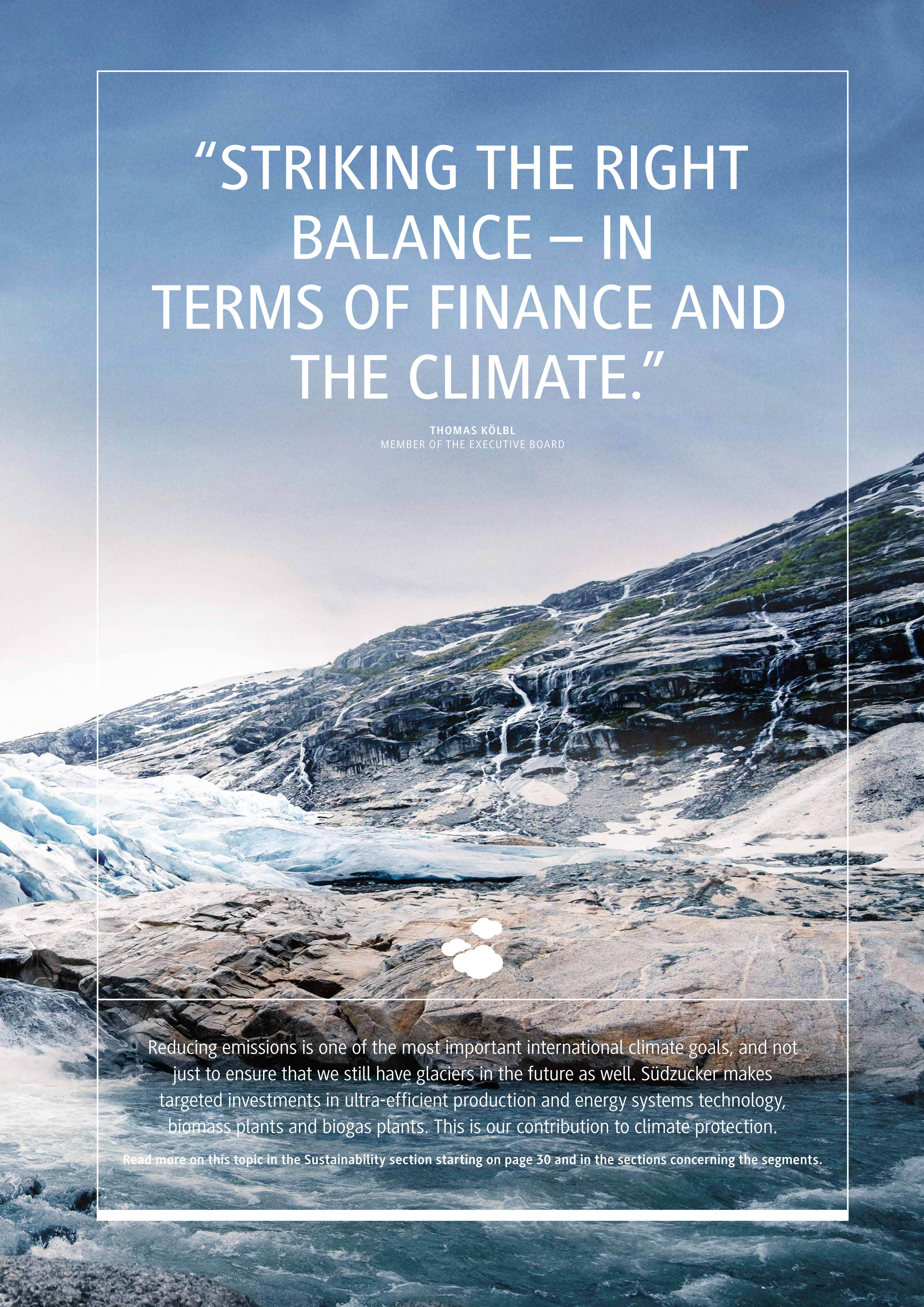
Read more on this topic in the Sustainability section starting on page 30 and in the sections concerning the segments.

"GRAIN IS REPLENISHED QUICKLY, A FOREST SLOWLY, AND OIL NOT AT ALL."

DR. THOMAS KIRCHBERG
MEMBER OF THE EXECUTIVE BOARD

Producing and using renewable energy conserves the earth's resources. Südzucker takes this approach by producing biofuels from sustainably cultivated raw materials. The grain we use is grown in Europe, certified and provides valuable feedstuffs in addition to energy. No forests are cleared for cultivation while a portion of the needed oil – a finite resource – can be replaced by bioethanol.

Read more on this topic in the Sustainability section starting on page 30 and in the CropEnergies section.

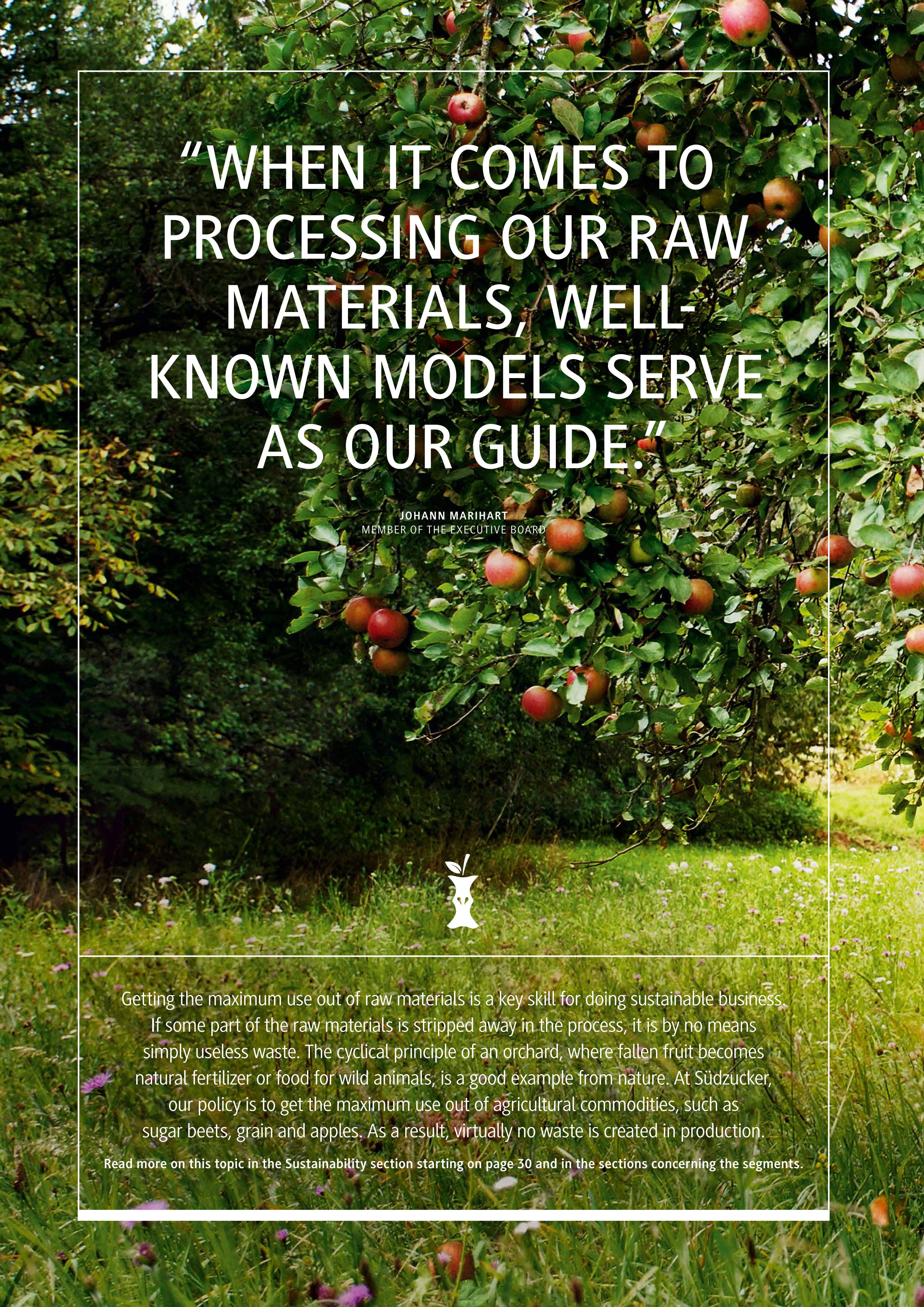


“STRIKING THE RIGHT BALANCE – IN TERMS OF FINANCE AND THE CLIMATE.”

THOMAS KÖLBL
MEMBER OF THE EXECUTIVE BOARD

Reducing emissions is one of the most important international climate goals, and not just to ensure that we still have glaciers in the future as well. Südzucker makes targeted investments in ultra-efficient production and energy systems technology, biomass plants and biogas plants. This is our contribution to climate protection.

Read more on this topic in the Sustainability section starting on page 30 and in the sections concerning the segments.



"WHEN IT COMES TO PROCESSING OUR RAW MATERIALS, WELL-KNOWN MODELS SERVE AS OUR GUIDE."

JOHANN MARIHART
MEMBER OF THE EXECUTIVE BOARD

Getting the maximum use out of raw materials is a key skill for doing sustainable business. If some part of the raw materials is stripped away in the process, it is by no means simply useless waste. The cyclical principle of an orchard, where fallen fruit becomes natural fertilizer or food for wild animals, is a good example from nature. At Südzucker, our policy is to get the maximum use out of agricultural commodities, such as sugar beets, grain and apples. As a result, virtually no waste is created in production.

Read more on this topic in the Sustainability section starting on page 30 and in the sections concerning the segments.

MANNHEIM, 25 APRIL 2016

Dear Shareholders,

Much better than expected, but not really great – that is how you could describe the fiscal year 2015/16 just ended.

In April of 2015 we were expecting revenues ranging from € 6.0 to 6.3 billion and an operating result between € 50 and 150 million. Fortunately, we were able to beat these numbers by a wide margin: group consolidated revenues came in at € 6.4 billion and our operating result ended at € 241 million. But we should make no mistake about these numbers: we have not returned to our former strength – yet. We have concerns, among other things, about EU sugar prices, which remain very low. Neither has the demand for bioethanol recovered significantly. Still, there are also positive dynamics, such as low raw material costs, signs of rising sugar prices and the demand for our special products segment's products.

Last fiscal year again made it clear that uncertainties and price volatility in the raw materials sectors and our target markets are having more and more of an impact on our business development and therefore make it harder to provide reliable forecasts. Nevertheless, our aim continues to be to provide timely updates of our expectations to the capital markets and the public. We are forecasting that fiscal 2016/17 consolidated group revenues will rise to € 6.4 to 6.6 billion and our operating result increase to between € 250 and 350 million.

The dividend of 0.30 (0.25) €/share, dear shareholders, recommended by both the executive board and the supervisory board is based on the aforementioned group developments last fiscal year, our expectations for fiscal 2016/17, and the principles of our dividend policy.

This year we have for the first time included a motto in our financial statements: "Naturally sustainable". Ever since its founding in the nineteenth century, Südzucker has been a company that is closely intertwined with nature and whose business practices have traditionally been sustainable. Our statements at the beginning of the report are meant to draw attention to the importance of these business practices to our company. Our aim is to take into consideration sustainable production conditions – more than ever before; also in the upstream part of the value chain. A detailed chapter on sustainability and extensive data contained in the various segment reports outline Südzucker's commitment to sustainability. The reports are based on Global Reporting Initiative (GRI) G4 Core standards. We intend to continue to present this type of report in future in order to give you, our shareholders, a comprehensive and complete as possible insight into our company, over and above pure financial reporting. This will also enable us to address the demands of consumers and our customers, for whom evidence of sustainability along the entire value chain of the product has become an important quality and purchase criterion.

But now back to the previous reporting year, which was probably one of the most difficult the sugar segment has faced since its founding. Revenues dropped to € 2.9 (3.2) billion and for the first time we were forced to report a negative operating result, which came in at € –79 (7) million. Quota sugar prices in Europe reached a low of 414 €/t in summer 2015 and at the end of January 2016 were just under 429 €/t; neither is there any sign of lasting improvement in world market prices. It remains to be seen whether the moderate price increases observed at the beginning of this year mark the start of a real turnaround, or are simply a short-term reflection of the lower European production levels of the last campaign. At the same time, there can be little change in beet prices before 2017 due to market regulations. We need to continue our efforts to further reduce costs. Our stated goal is to be the cost leader, also in view of what is expected after 2017.

Our efficiency improvement and cost savings program affects all of our activities, from the field to our customers, and impacts every one of the segment's departments, be it raw material procurement, production, sales and marketing or logistics associated with sugar and its byproducts. The necessary adjustments were also made or initiated in the administration area.

One example in the raw material procurement area during the 2015 campaign was the successful introduction of reduced sampling to determine beet quality in the German sugar factories. The number of samples was reduced by about 30 %, which resulted in organizational simplification and commensurate cost reduction.

Another initiative is focused on optimizing production structures. This includes the painful decisions to close the raw sugar refinery in Marseille and the sugar packaging in Regensburg. The difficult transition to an era without sugar quotas is in full swing. Our strategic objective is to expand our existing market leadership based on having the lowest costs. This makes it necessary to fully utilize existing production capacities.

In order for plans to highly load our sugar factory production capacities to come to fruition, it will be necessary to have a reliable supply of sugar beets. Here we are working on further intensifying our relations with farmers, e. g. by providing tools such as Südzucker's raw material service, which will help beet growers achieve the best possible sugar yields. This also means timely definition of contract conditions for all parties in order to establish a reliable framework. We are making good progress.

The Zeitz location is a good example of the required production concept. The plan is to integrate the material and energy flows of the new wheat starch factory into the existing sugar and bioethanol production plants so that all resources are utilized completely and efficiently. Testing and trial operation of some of the components at the new wheat starch plant have begun. The glucose syrups that will be produced there in future will complement the special products segment's product range.

Our diverse functional ingredients in this segment are fully in line with market trends: product properties such as prebiotic, clean label, organic, GMO-, gluten-, lactose-, or allergy-free, to name just a few, are exactly what consumers are asking for. High sales volumes in all divisions confirm our strategy of flexibly responding to new trends and developing and marketing products accordingly for both the food and non-food sectors. It enabled us to boost the special products segment's revenues and operating result to € 1.8 (1.7) billion and € 171 (120) million respectively.

The CropEnergies segment's growth has also been a great source of satisfaction to us. CropEnergies was able to contribute € 87 (–11) million to the consolidated group operating result, driven mainly by the significantly improved market situation in the European bioethanol markets. Because of lower volumes of ethanol, food and animal feed, revenues were lower than last year, coming in at € 0.7 (0.8) billion. And even though there is still no sign of rising demand and ethanol prices are currently again dropping sharply, we remain confident. The fundamentals for increasing the share of renewable energies in the transport sector are in place, and without the use of E10 across the board, it will not be possible to achieve the EU's climate targets.

Our fruit segment proved to be a reliable pillar last fiscal year and made an excellent contribution to consolidated group revenues. The segment contributed € 1.1 (1.1) billion with an operating result of € 62 (65) million. The fruit preparations division was particularly successful and reported the strongest results ever. After a weak fiscal year, the production of aromas and beverage bases gave a fresh boost to the fruit juice concentrates division.

Looking at all of the segments, our strategy to diversify has proven to be correct: although the excellent or stable results generated by the special products, CropEnergies and fruit segments were not enough to fully offset the slump in the sugar segment, they did significantly mitigate it.

The challenges of the past fiscal year were huge and they will certainly not be any smaller in the coming years. We are very grateful that we can rely on the dedication and loyalty of our employees: the dedication with which they face the challenges of our daily business, and the loyalty with which they continue to embrace the changes in the company.

You, dear shareholders, have also remained loyal to our company during these difficult times and have stayed with us. Your encouragement is our incentive.

Sincerely
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 in 1987 at the headquarters of Süddeutsche Zucker-Aktiengesellschaft in Mannheim, Germany. 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 / 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 2017

Born in 1960. Studied agriculture in Göttingen, Germany. Joined Südzucker in Ochsenfurt, Germany, in 1989. Appointed acting manager of the central region in 1991 and manager in 1995. Appointed chairman of Südzucker International in Poland 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 / by-products
- Farms
- Production / engineering
- 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
- Procurement of supplies and consumables
- Property / insurance
- Bioethanol

JOHANN MARIHART
LIMBERG, AUSTRIA

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

Born in 1950. Studied chemical engineering 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

* Updated: 29 February 2016. Other board memberships are listed starting on page 178 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
Trade Union Secretary of the Food and Catering Union

ERWIN HAMESEDER
Second Deputy Chairman
Mühldorf, Austria
Chairman of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.

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 Niederösterreich-Wien reg. Gen.m.b.H.

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

WOLFGANG KIRSCH
Königstein
Chairman of the executive board of DZ BANK AG

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

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

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

BERND MAIWEG**
Bellheim
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

* Updated: 29 February 2016. Other board memberships are listed starting on page 176 of the annual report.
** Employee representative.

Dear shareholders,

This report will give you an overview of the supervisory board's activities in fiscal 2015/16 just ended. Before we go into detail, let us talk about the still dominant topic: preparing the company for the substantial changes in our core sugar business. The EU Commission's decision in June 2013 to let the European sugar market regulations that have been in force since 1968 expire without replacement represents a historic turning point. The aim of this market regulation had been to provide a reliable framework for beet farmers, sugar factories and purchasers, while at the same time ensuring a sustainable supply of sugar for Europe's citizens. After almost 50 years, this system will be eliminated and Europe's sugar market will become one of the least regulated in the world. All other important sugar producing countries are subsidizing their sugar industries.

The European market changed immediately after the EU Commission announced its decision. The first impacts were already noticeable in fiscal 2013/14 and the negative sugar results for 2015/16 should also be seen in this light. The supervisory and executive boards immediately began to deal with the required changes. Südzucker successfully initiated the necessary measures in all of the segment's departments – from raw material procurement, to production, sales and marketing and the logistics associated with sugar and byproducts, up to and including administration – and further steps will follow. The declared aim of the supervisory and executive boards is to lead back the company in the medium term to a group consolidated operating result of about € 550 million.

Again in fiscal 2015/16, 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 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 and the company's situation, and in between meetings informed the supervisory board about important business dealings, both verbally and in writing. The executive board reports were mainly updates about the company's situation and development, corporate policy and profits as well as Südzucker AG's and Südzucker Group's corporate, treasury, investment, research and personnel budgets. In addition, the supervisory board chairman took part in executive board meetings and was informed by the CEO in several working meetings about all important business activities.

Supervisory board meetings and decisions

The supervisory board met with the executive board at four ordinary meetings and two extraordinary meetings in fiscal 2015/16. The supervisory board approved all of the executive board's decisions after a thorough review and discussions thereof.

The meeting regarding the balance sheet on **20 May 2015** dealt with the audit and approval of Südzucker AG's financial statements and the consolidated financial statements dated 28 February 2015. The auditor reported on the material findings and results of the audit, which included the internal control systems related to the accounting system. The board approved the recommendation for appropriation of retained earnings and the supervisory board report. The board also made preparations for the 2015 annual general meeting: The supervisory board adopted the agenda and proposed resolutions, in particular the nominated supervisory board candidates and the planned amendments to the articles of association with regard to Authorized Capital 2015. The supervisory board also approved a financial investment and the regular adjustment of the executive board's remuneration.

At its meeting on **15 July 2015** – the day prior to the annual general meeting – the supervisory board approved the investment plan for 2016/17, the long-term investment program and investment amendments. The mid-term plan was presented. The supervisory board also approved a property acquisition project in Belgium. In addition, the supervisory board set the target for the number of women on the executive board. Finally the board elected Mr. Georg Koch to succeed Mr. Erhard Landes as a member of the agricultural committee.

The earnings projections for 2015/16 were presented at the board's meeting on **19 November 2015**. 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 2015 declaration of compliance. An amendment was made to the wording of article 8, paragraph 3 of the articles of incorporation. The supervisory board approved a financing project, the sale of shares of PortionPack Belgium, a Freiberger share acquisition project and investment amendments, as well as a property exchange.

The latest earnings projections for 2015/16 were presented at the board's meeting on **26 January 2016**. The supervisory board approved the expansion of the AGRANA wheat starch factory in Aschach and other investment amendments, as well as an AGRANA share acquisition project. The board also approved an amendment to the standard rules of procedure for the executive board as recommended by the German Corporate Governance Code. Finally the board dealt with the subject of retirement benefits for executives.

The extraordinary meeting on **30 April 2015** was held to address the resignation of executive board member Dr. Lutz Guderjahn.

The only item on the agenda of the extraordinary supervisory board meeting on **25 January 2016** was the responsibility of the company's bodies in connection with the 2014 antitrust fine.

Two supervisory board members were excused at the meetings held on 20 May 2015 and 19 November 2015. However, the absent members took part in the decision-making via written notes. Three members were excused at the extraordinary supervisory board meeting held on 30 April 2015. Otherwise, all supervisory board members personally attended the meetings. No member of the supervisory board took part in only half or fewer 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 three times in fiscal 2015/16, dealing each time with strategic issues and the succession planning for the executive board. At the 30 April 2015 meeting, the board dealt furthermore with the resignation of executive board member Dr. Guderjahn. The supervisory board also held preliminary discussions regarding the adjustment of the executive board's remuneration at its meeting on 20 May 2015. At the 19 November 2015 meeting, the board discussed the status of the review of the responsibility of corporate bodies in connection with the 2014 antitrust fine as well.

The **audit committee** convened five times during the year, in three meetings and two telephone conferences. At its meeting on 11 May 2015 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 15 July 2015 the audit committee discussed the auditor's quotation for the audit assignment and commissioned the auditor, subject to election of the auditor at the annual general meeting on 16 July 2015. In the audit committee meeting on 6 October 2015, 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 6 July 2015 and 11 January 2016, the audit committee discussed the Q1 and Q3 2015/16 quarterly financial reports with the executive board.

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

The **agricultural committee** convened on 19 November 2015. Topics and reports up for discussion included a business update by the agricultural division on the situation in the raw material markets and "big data in agriculture".

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 19 November 2015, 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 14 January 2016, 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, measures to limit the risks arising from fraud and responses to cases of 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 2015 issued by the executive and supervisory boards, can be reviewed in the corporate governance report. In addition, all relevant information is available on the Internet at www.suedzucker.de/en/Investor-Relations/Corporate-Governance/.

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 given an opportunity to participate in an information session on the topic of corporate governance.

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.

Annual financial statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, was elected 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 2015/16, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2015/16, 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 appears suitable for early detection of developments that may threaten the company's survival.

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 4 May 2016 meeting and in the supervisory board's financial review meeting of 18 May 2016 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 18 May 2016, 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 regarding the distribution of a dividend in the amount of € 0,30 per share.

Personnel

The following changes occurred on the supervisory board in fiscal 2015/16:

Shareholder representative Mr. Erhard Landes resigned from the supervisory board effective as of the adjournment of the annual general meeting on 16 July 2015, in accordance with the standard rules of procedure of the supervisory board. The supervisory board sincerely thanks Mr. Erhard Landes for his long-standing commitment to the company's wellbeing.

Mr. Helmut Friedl (farm operations manager and teacher at the technical school for the agricultural sector located in Landsberg am Lech, Germany) was appointed as Mr. Erhard Landes' successor and as member of the supervisory board by shareholders at the annual general meeting on 16 July 2015.

The supervisory board elected Mr. Georg Koch as Mr. Erhard Landes' successor at the agricultural committee meeting of 15 July 2015, effective as of the adjournment of the annual general meeting held on 16 July 2015.

The following changes occurred on the executive board in fiscal 2015/16: Dr. Lutz Guderjahn resigned from the executive board effective 30 April 2015 and ceased working for the company. Responsibility for his portfolio was transferred to executive board members Dr. Wolfgang Heer, Dr. Thomas Kirchberg, Thomas Kölbl and Johann Marihart. Südzucker AG thanks Dr. Lutz Guderjahn for the work that he did and wishes him all the best for the future.

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, 18 May 2016

On behalf of the supervisory board

DR. HANS-JÖRG GEBHARD
CHAIRMAN

SÜDZUCKER SHARES AND CAPITAL MARKETS

CAPITAL MARKETS STILL VOLATILE

Driven by expansionary monetary policy, the German stock markets initially set new records at the start of the 2015/16 capital market year. On 22 January 2015, the European Central Bank (ECB) announced a comprehensive European government bond purchasing program in the amount of € 1.14 trillion to September 2016, thereby triggering a liquidity-driven stock market rally that drove the German MDAX® and DAX® to new all-time highs in April 2015. Subsequently the recurring debate about Greece, the refugee crisis and other geopolitical crises provided the necessary stimuli for significant market fluctuations. The crash on the Chinese stock exchanges in August 2015 created significant uncertainty about prospects for the Chinese economy, which also drove European stock markets lower from August to September 2015.

The eurozone was on a solid growth track, expanding 1.5 %. However, in view of the average inflation rate of 0.0 %, the ECB felt compelled to announce an expansion of its bond purchase program at the end of October 2015, which triggered a second stock market rally that continued until the ECB decision was taken on 3 December 2015. The ECB Council stated it would extend its bond purchasing from September 2016 to March 2017. This injected even more liquidity into the European markets. In addition, the ECB lowered the deposit rate to encourage European banks to boost lending.

The markets were disappointed with the extent of the planned additional bond purchases. This combined with world economic forecasts drove stock prices lower. Südzucker shares rose 55.7 % in calendar year 2015 (price increase and dividend distribution). The MDAX® was up 22.7 %. The stock markets' initial performance in 2016 was the weakest in 25 years; as a result, share performance as of the end of Südzucker's fiscal year 29 February 2016 deviated significantly: Südzucker shares +3.5 %, MDAX® −3.3 %.

Südzucker share data

		2015/16	2014/15
Market capitalization [1]	€ million	2,834	2,782
Freefloat - market capitalization [1]	€ million	964	946
Number of shares issued at € 1 [1]	million shares	204.2	204.2
Xetra® closing price [1]	€	13.88	13.63
High for the year (Xetra®)	€	18.82	22.45
Low for the year (Xetra®)	€	11.12	9.95
Average trading volume/day [2]	thousand of shares	1,436	1,872
Cumulative trading turnover	€ million	5,267	6,713
MDAX® closing rate [1]	points	19,422	20,092
Performance Südzucker share (1 March to 28/29 February) [3]	%	3.5	−30.0
Performance MDAX® (1 March to 28/29 February)	%	−3.3	18.9
Dividend [4]	€/share	0.30	0.25
Dividend yield	%	2.2	1.8
Earnings per share	€	0.53	0.10

[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] 2015/16: Proposal.

TABLE 004

Price performance of Südzucker shares

From 1 March 2015 to 29 February 2016
in €

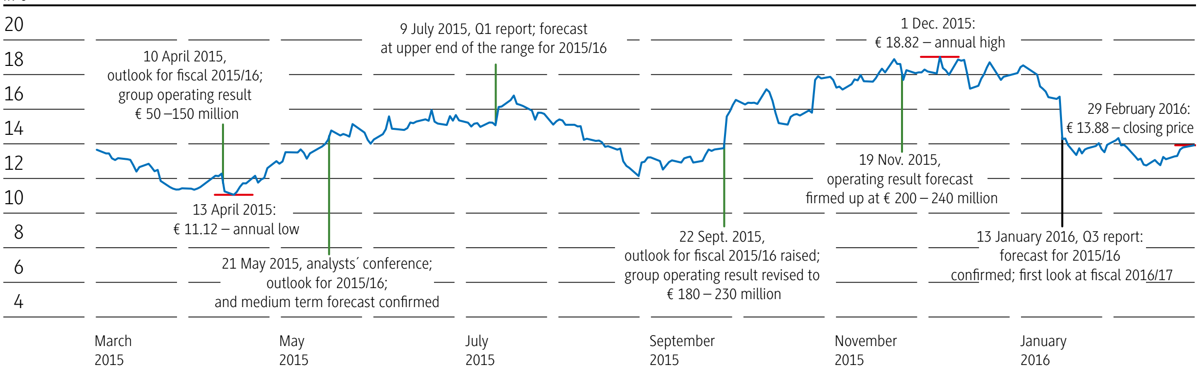


DIAGRAM 001

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)

[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

STABLE SHAREHOLDER STRUCTURE

Südzucker AG continued to have two major long-term shareholders. As of 29 February 2016, Süddeutsche Zuckerrüben-verwertungs-Genossenschaft eG (SZVG) held about 56 % of Südzucker AG's shares. The second major shareholder, Zucker Invest GmbH, representing Austrian shareholders of Raiffeisengruppe, continued to hold about 10 % of the shares. The free float was about 34 %.

STRATEGIC GOAL IS TO CONFIRM RATING

Südzucker adheres to a conservative financial policy with the objective of obtaining effective refinancing in the capital markets. Südzucker has asked the rating agency Moody's to evaluate its performance since 1991 and Standard & Poor's (S&P) since 2003. Südzucker has had an investment grade rating since the beginning, which attests to the company's higher creditworthiness, cash flow strengthand profitability compared to companies with a non-investment grade rating.

In fiscal 2015/16, the rating was impacted by the volatility of prices in the European sugar and bioethanol markets. On 23 January 2015, Moody's confirmed the company's investment-grade rating (rating of the company and senior debt) of Baa2, but reduced the outlook from stable to negative. In evaluating the key rating parameters, Moody's recognizes 75 % of the subordinated hybrid bond as equity.

S&P confirmed the investment-grade rating of BBB on 16 January 2015 and lowered the outlook from stable to negative. On 15 June 2015 the rating was lowered to BBB– with a stable outlook. S&P continues to assess the hybrid bond with an equity credit of 50 %.

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

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

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

From 1 March 2011 to 29 February 2016
(Indexed) in %

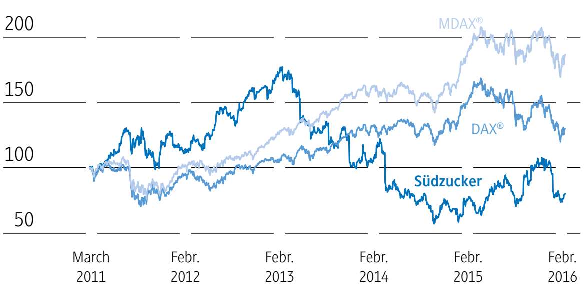


DIAGRAM 002

Price performance of Südzucker shares vs. the MDAX®

From 1 March 2015 to 29 February 2016
in €

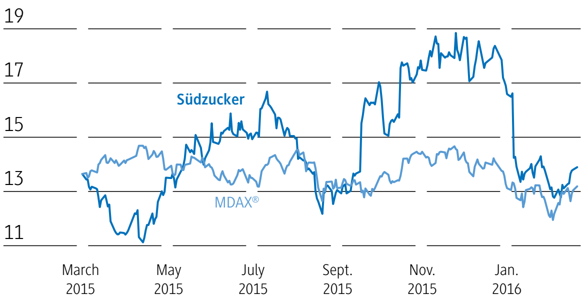


DIAGRAM 003

CONSOLIDATED MANAGEMENT REPORT

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ABOUT THE GROUP

Corporate strategy

Responsible conduct is a prerequisite to long-term economic success. It is because of this that Südzucker pursues a strategy of value-based, profitable growth geared towards a balance between economic and ecological factors as well as social responsibility and focuses on its core competencies and guiding principles. Corporate management is committed to conducting business sustainably, whereby the key principle is to carefully handle all resources deployed.

TAKE ADVANTAGE OF MEGATRENDS

Südzucker Group's four segments conduct business in sectors that will also benefit both in the medium and long term from global megatrends such as the expanding world population, rising incomes - especially in the emerging economies, where dietary habits are changing accordingly – and the increasing demand for food, animal feed and energy. These megatrends remain intact and will therefore keep driving growth and offering new perspectives. For example, global sugar consumption is expected to continue to increase 2 % to 3 % per annum – from the current 182 million tonnes to about 200 million tonnes in 2020. We continue to align our business divisions to meet rising demand for agricultural raw materials, food, animal feed and renewable energies.

STRENGTHEN MARKET POSITION

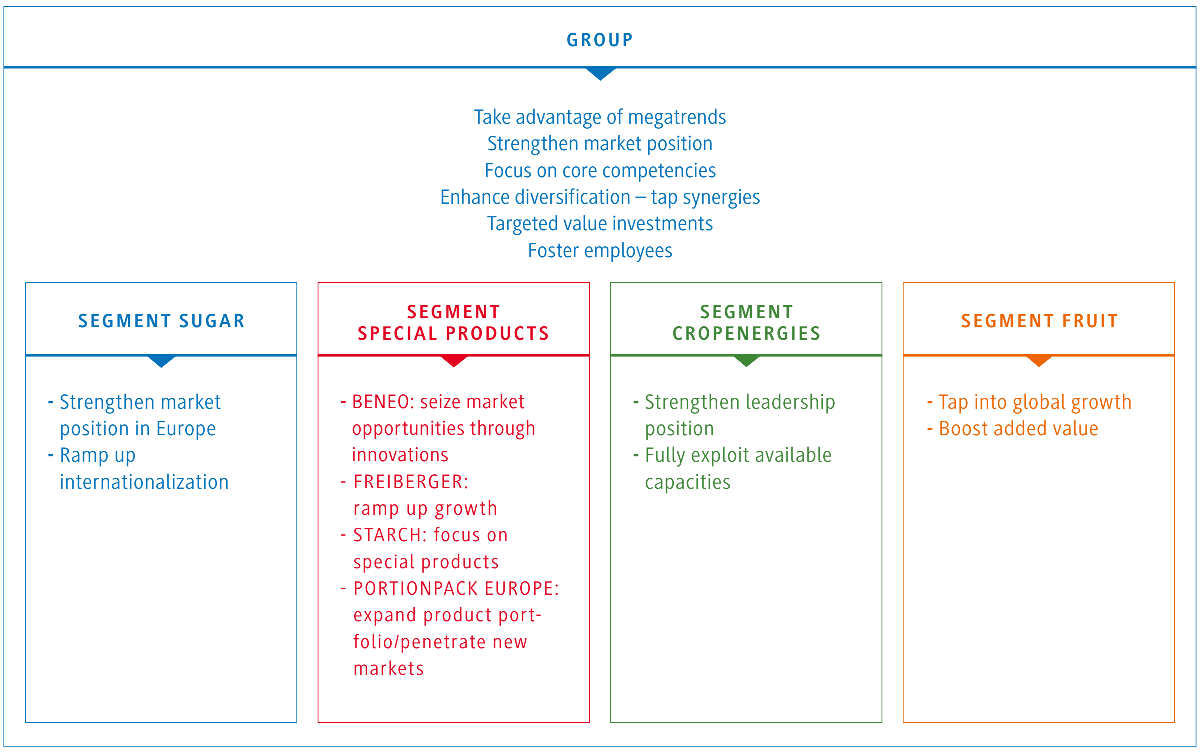
A key competitive advantage in our markets is size. That is why we want all of our divisions to seize opportunities as they arise, either through organic growth, alliances or acquisitions. Our goal remains to be number one or a strong number two in our target markets.

Our company's strong cash flow and investment grade rating provide us with excellent access to international capital markets and are very important to achieving this goal. In doing so, our priority is always to have a solid financing strategy.

FOCUS ON CORE COMPETENCIES

Our main core competence remains the large-scale conversion of agricultural products, which encompasses all steps in the value chain from raw material procurement,

STRATEGY CHART



through production, up to including knowledge of our markets and customer relationships. The focus of our daily work is on continuously developing this knowledge so that we can adapt our business conduct to changes in general conditions and continue to successfully compete.

ENHANCE DIVERSIFICATION – TAP SYNERGIES

We maintain a balanced risk profile by diversifying our portfolio of products and services and spreading it out across a wide range of geographic locations. This continues to be our approach.

Our growth activities should focus on our core competence so that we can tap synergies along the entire value chain – from raw material cultivation through added value stages to the end customer. This conserves natural resources and contributes to business success. This is particularly evident at the locations where we produce products for different segments.

TARGETED VALUE 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 the sugar and ethanol segments, we will continue to press forward with the internationalization strategy of the sugar segment by continually evaluating acquisition opportunities. We are also open to new investments outside the sugar and CropEnergies segments. One area of focus is the construction and expansion of multipurpose sites, where we are making cross-segment investments.

OUR GUIDING PRINCIPLES

- Our aim is to compete fairly, set benchmarks in our business fields and continue to be successful by innovating and delivering high quality, excellent service and reliability.
- In doing so, we must adhere to our corporate compliance principles.
- We have a long-standing tradition of conducting business sustainably – from the farming methods we apply in producing raw materials to our processes along the entire value chain.
- Our goal is to be a responsible employer that helps its employees fulfill their potential and takes into consideration and values their individual personalities.
- Our experience and expertise in marketing, sales and logistics make us a reliable partner for our customers.
- We augment Südzucker Group's innovation strength with intragroup competency in research and development and by cooperating with other entities.
- In the capital markets, we stand for transparency and an open dialogue with all stakeholders.

WE CREATE VALUE THAT GENERATES SUSTAINABLE, REWARDING CORPORATE GROWTH.

FOSTER EMPLOYEES

The success of our company is supported by the specialist expertise, experience, social skills and commitment of our approximately 16,500 employees worldwide. Various human resources policy measures are implemented with the aim of supporting the company's strategy and enabling our employees to successfully respond to changing conditions.

SEGMENT STRATEGIES

When the regulations regarding minimum beet price and quotas expire on 30 September 2017, volume and price fluctuations will have an even greater impact than before on the EU sugar market. At the same time, the lifting of export restrictions for European beet sugar will provide greater export opportunities, which we want to exploit in partnership with the British trading company ED&F Man Holdings Ltd., London.

As Europe's largest supplier of beet sugar with high-performance factories in the most competitive beet growing regions of Europe, Südzucker considers itself well positioned in this changing market environment. Thanks to its production facilities in the European core markets and thus its proximity to industrial customers and the key sugar consumption markets, Südzucker is today already able to supply customers all over Europe with sugar products at optimum prices.

To further boost competitiveness, Südzucker continually cuts costs and improves the logistics processes in its sugar segment.

SUGAR SEGMENT

6 Divisions

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

Investments/Joint venture

- ED&F Man Great Britain (25 % share)
- Agrana-Studen Sugar Trading GmbH (refinery Bosnia, 50 % Joint venture)

SPECIAL PRODUCTS SEGMENT

4 Divisions

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

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

- Portion packs
- 7 production locations

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

CROPENERGIES SEGMENT

Listed company

- 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
- 24 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

This will include fully utilizing the capacities of its existing beet sugar factories in future.

Not only the sugar segment, but also the other business segments will benefit from the rising global demand for food, animal feed and energy. The strategy of the special products and fruit segments is to become global players and extend their core product lines – including by increasing the degree of value added. The CropEnergies segment's strategy is to strengthen its European position and fully utilize the existing capacities over time.

Group structure

Südzucker AG, a German stock corporation based in Mannheim, is the parent company of Südzucker Group and also its largest operating company. The consolidated financial statements include the parent company – Südzucker AG – and 153 (157) other entities, of which Südzucker AG is directly or indirectly the majority shareholder. A total of 16 (15) 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, procurement of operating supplies, purchase of capital goods, maintenance supplies and services, finance and accounting, research/development/services, animal feed/byproducts, 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., Wroclaw) as well as distributors in Greece, the United Kingdom, 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., Chisinau) and an agricultural division (Südzucker AG, agricultural division and Agrar und Umwelt AG Loberaue, Rackwitz). The following entities have been accounted for in the consolidated financial statements using the equity method: British trading company ED&F Man Holdings Ltd., the 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 Südzucker AG in Zeitz. BENEO produces and sells functional food ingredients made from various raw materials. The products have dietary and technology benefits when used in food and animal feed. Freiberger Group produces chilled and frozen pizzas as well as frozen pasta dishes and snacks and focuses strongly on the private label business. PortionPack Europe specializes in developing, packaging and marketing portion packs. The starch division comprises AGRANA's starch and bioethanol business, which includes Austrian potato and corn starch producers, a corn starch factory in Romania and bioethanol producers in Austria. The starch division is also responsible for the wheat starch plant at the Zeitz location. The starch and bioethanol businesses of Hungrana 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 has been operating a food-grade CO_2 liquification plant in Zeitz. This 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 long-term 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 and ensures that the law, regulatory codes and internal corporate guidelines (compliance) are adhered to. It also makes sure that executive management positions are appropriately filled.

The segments'/divisions' management organizations manage the daily business operations in accordance with national laws and Südzucker's internal rules and procedures. 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 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, or ROCE, is the ratio of operating result to capital employed. Südzucker calculates the cost of capital for the operating assets as the average of equity and debt capital. The costs of capital are specified for the segments and divisions by taking into account the respective country and business risks. Currently Südzucker Group's primary indicators for management purposes are the financial performance indicators.

FINANCING MANAGEMENT

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

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 users and industrial applications is central to our business model – and we do it on a large scale: In fiscal 2015/16, the company processed about 27 million tonnes of agricultural raw materials, such as sugar beets, grain, corn, chicory and fruits, at over ninety 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. Awareness of this fact is what has made the principle of sustainability, where the environment, social and business needs are in harmony, a traditional, deeply rooted component of corporate strategy.

In the recent history of the company, Südzucker evolved from a regional sugar producer to a global group of companies with various businesses. This evolution goes hand-in-hand with the challenge of embedding sustainable business practices in all parts of the company and all regions.

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 material suppliers that meet strict quality standards. Südzucker also ensures that methods used to process agricultural raw materials when making sugar, animal feed ingredients, functional food ingredients for food and animal feed, bioethanol, starch and fruit products are sustainable and that the company is the quality leader in this field. The aim is to integrate ecological, economic and social objectives for the long term.

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 and energy efficiency
- Effective quality, environment and energy management
- Respect the interests of all major Südzucker stakeholders
- Establish long-term partnerships; e.g., with raw material suppliers and customers

Key stakeholders	Primary means of communication
Farmers (raw materials) Suppliers (energy, water, capital goods, operating supplies, services, raw materials)	Information events for beet farmers Raw materials portal/farming consultation Supplier meetings
Customers (end users, retail, industry)	Customer consultation Application support Product specifications, certifications
Employees Unions	Employee meetings, performance reviews Employee newspaper/newsletter Intranet
Shareholders, capital markets, financial institutions, investors	Financial reports, annual general meeting Analysts' conferences, roadshows 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 Factory tours Cooperative research and projects Political dialogue Südzucker website

TABLE 007

OUR STAKEHOLDERS

Another increasingly important task is to meet the needs of our company's stakeholders and provide structured reports about relevant aspects of sustainability. For example, sustainability is one of our customers' corporate values and increasingly influences their buying decisions.

Based on its day-to-day business experience, Südzucker has identified the major stakeholders relevant to the group and communicates with them in various ways. The highlights of the communications are geared toward the interests of the various groups.

OUR CORE BUSINESS ACTIVITIES

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 sustainable business practices.

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

- Agricultural raw materials procurement
- Environmental and energy aspects of production
- Product responsibility and quality
- Social responsibility
- Working conditions and human rights

The primary sustainability factors 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. The company has developed a strategy to ensure that its procurement practices for agricultural raw materials and primary products are sustainable and documented. The agricultural raw materials Südzucker deploys mainly come from European fields. They comply with the EU's cross-compliance principles and associated constraints on the agricultural industry, which aim to ensure that the cultivation of agricultural raw materials is sustainable.

The latest EU agricultural policy reform in 2013 covering the funding period to 2020 emphasized the need for environmentally sound farming. Some of the adjustments are mandatory (greening), others voluntary. 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.

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.

A major share of the agricultural raw materials processed by Südzucker is sourced from farmers under contract to the company. Südzucker obtains its sugar beets exclusively from farmers near its sugar factories in the EU countries and Moldova. Each cultivation year, the company signs sugar beet supply contracts that govern cultivation, supply and payment conditions.

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 and consultation for all agricultural raw materials used by Südzucker Group. Of course, sugar beets are front and center.

Südzucker conducts comprehensive sustainable farming tests and experiments. For decades, these have included extensive field testing of various soil treatment methods and their long-range impact, as well as developing soil organisms and organic substances. Other topics include strip tillage for sugar beets, plant variety and plant protection experiments and extensive cultivation of various catch crops and catch crop blends for sugar beets at various locations. Südzucker also has its own fields, which enables it to put its expertise into practice and further develop its knowledge. Identifying and taking action on topics such as new cultivation processes, crop rotation management, integrated plant protection, location and crop-specific fertilization, harvesting methods and storage optimization are key.

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, our Bodengesundheitsdienst division 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 continuously work towards making sugar beet cultivation more sustainable, efficient and competitive. The aim of the Mont Blanc consultation initiative launched by Südzucker in 2013 is to intensify and network the very diverse regionally coordinated consultation activities and to share experiences among the group's companies.

A major contributor is the company's Bodengesundheitsdienst division, 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. Among other things, this has cut the volume of mineral nitrogen used for sugar beet cultivation at Südzucker AG since 1980 by over 50%. 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. In conjunction with the testing of organic fertilizers for nutrients, recommendations for environmentally compatible use in agriculture are made. 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, basic feeds such as corn and grass silage are tested.

Sustainable Agriculture Initiative Platform

The Sustainable Agriculture Initiative Platform (SAI) is the leading global initiative for promoting sustainable farming methods. The non-profit organization was founded in 2002 and currently has over eighty members – mainly large companies in the food industry, including many Südzucker customers. Südzucker joined SAI in June 2015. Food producers and their raw material suppliers join SAI to document their adherence to wide-ranging sustainability criteria. One of the key tools offered by SAI is a questionnaire that can be used anywhere in the world. It enables agricultural producers to analyze the status of their own operations with regard to sustainable production criteria. The customers of these operations get a globally comparable status report when they review the farmers' self-evaluation.

For Südzucker, SAI membership means that the status evaluation of its own operations will successively be carried over to the supply contracts of beet growers in the originating countries. Starting in 2016, the results of the evaluation will be externally audited.

Biodiversity

As a processor of agricultural raw materials, Südzucker relies on their availability and thereby on ecosystems that will remain intact over the long term. This is why biodiversity is an important sustainability criterion in the upstream value chain for Südzucker. Südzucker group launches and promotes countless programs that raw material suppliers use to contribute to biodiversity. For example, in 2014, the company launched a program to plant flowers at the edges of its fields and supplied seed mixtures for about 200 flower strips in Germany. 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. For 2016, plans call for setting up bumblebee nest houses in Germany. Additional programs to promote biodiversity are in progress.

ENVIRONMENTAL AND ENERGY ASPECTS OF PRODUCTION

Production principles

When processing agricultural raw materials to make high quality products, our aim is to minimize resource consumption – including energy use – and potential environmental effects taking into consideration the highest quality standards. We also strive for maximum safety at our production plants in order to ensure we offer a safe and healthy workplace to our employees.

For us this means not only compliance with all statutory and internal regulations, but also continuously monitoring and optimizing our plant designs, production processes and associated supply chains with respect to their environmental impact, resource consumption and energy efficiency. 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.

Our key production principles include also developing and implementing innovative production processes. Another strength lies in our ability to design and operate multipurpose production sites; for example, in Zeitz, where we produce sugar, ethanol, high protein food and animal feed from sugar beets and grain, as well as biogenic carbon dioxide, and as of fiscal 2016/17, wheat starch.

The following environmental and energy aspects are also discussed at the segment level.

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. This not only cuts costs, but also makes the products produced more sustainable.

Many individual measures at our more than 90 production plants around the world contribute to the overall measurably 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.

At the sugar factories in Strzelin (Poland), Kaposvár (Hungary) and Drochia (Moldova), we operate biogas plants that generate energy for the sugar factories from biomass – primarily fresh or fermented beet pellets or beet pellet silage – thereby replacing fossil fuels as an energy source. The Rackwitz plant uses renewable raw materials to produce biomethane that is fed into the public distribution network year-round.

Aside from the many individual projects, the ISO 50001 energy management system was introduced at Südzucker's, Freiberger's, BENEO's and CropEnergies' German production locations. In Austria, the sugar production plants in Tulln and Leopoldsdorf and the starch plants at the Aschach, Gmünd and Pischelsdorf locations were all certified.

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 biomass through to the bioenergy generation and use. At the Zeitz location, the carbon dioxide generated during the fermentation of herbal raw materials is purified and liquefied using special equipment, then sold as biogenic carbon dioxide. It can then be used, for example, in the beverage industry.

Water and wastewater

Water, probably the most important resource from a global perspective, is one of the many inputs to Südzucker Group's production processes. Water is utilized and disposed of at all sites in a sustainable manner. Südzucker frequently uses the water contained in agricultural materials in its 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. Beets consist of about 75 percent water. This water is used both to wash the sugar beets and to extract the sugar from the pellets. Producing juice concentrate from apples is similar. Apples contain about 86 percent water.

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

Waste and soil adhesion

Thanks to the company's integrated production concepts, the raw materials used are almost entirely converted to high-quality products, which results in minimal waste. We achieve this using integrated and coupled production concepts that produce multiple products from the raw materials; for example, not only sugar and bioethanol, but also other high-value food and animal feed, raw materials for the fermentation industry and fertilizers.

A particular challenge is reducing soil adhesion. The soil arrives with the beets delivered to the sugar factories. Reducing soil adhesion during the harvesting and truck loading impacts the downstream preparation of the beets and treatment of the wastewater. Even though pre-washing beets at the edges of the fields is typical practice throughout central Europe, weather conditions during the harvest can have a significant impact on soil adhesion. The soil that clings to the beets is washed off during the preparation and after sedimentation in soil holding ponds, is returned to the fields as high-grade soil to maintain soil fertility.

PRODUCT RESPONSIBILITY AND QUALITY

Quality management and product safety

Manufacturing safe and high-quality products is extremely important to Südzucker and the company is aware of the associated responsibilities. That is why the company implemented a quality management system that provides a structured and effective set of procedures for all production phases. It also defines all measures necessary to ensure that the products produced always comply with statutory requirements and our customers' requirements with respect to quality, product specifications and product labeling.

A key element of Südzucker's quality management system is the HACCP concept. A structured risk analysis is used to assess the potential consumer health risks associated with each individual production step. If necessary, appropriate steps are taken to protect consumers on the basis of this analysis.

Other major elements of the quality management system include long-term supplier relationships, qualified employees, mastery of production processes and close coordination with customers.

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.

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

The processes and specifications related to parts of the equipment that come into contact with the product were redefined in 2015. The resulting reference documents are uniform throughout the group and are available to every production location in electronic form and in the local language.

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, social conduct and economics.

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 raw materials used by Südzucker Group are required for sugar and bioethanol production – about 26.7 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. 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) and Loon-Plage (France) 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, 67 % of the raw materials used arrive by ship and 8 % directly via a rail track to the neighboring sugar factory.

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 very important from an ecological perspective to continuously optimize distribution logistics.

For example, the sugar segment operates a weekly shuttle that delivers sugar from Germany to Italy by train. This eliminates 1,900 truck journeys annually.

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 are being adjusted to future needs.

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

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. The dialogue with employees and support of social commitment of employees are important focus.

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.

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 – often also with enthusiastic support from our employees – in an effort to help deal with societal challenges. Our focus is on promoting science and education, also at universities, stewardship of the historic heritage of the sugar industry at our sugar factory museum 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 every year provides extensive information regarding various aspects related to the environment, working conditions, compliance and procurement. The results of the 2015 evaluation were released in December 2015. Südzucker was in the top 30% of all companies evaluated and has been awarded silver status.

Economic sustainability

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

The salient characteristic of most of our locations is that they are located close to the point of raw material generation, and thereby in rural areas. Here the production plants not only make a significant contribution to the national economy by offering long-term, high-quality jobs, but also contribute to securing the sustainability of the regional farming operations.

Südzucker commissioned the research institute WIFOR in Darmstadt to conduct a study for the year 2013 to quantify the significance of the business activities of Südzucker AG's sugar division on the European economy. The results demonstrate the high actual economic impact in Europe. According to the study, Südzucker factories in Europe generated a direct gross value added of EUR 1.1 billion. Including indirect and induced value added effects the number rose to EUR 3.7 billion. About 87 % of the total value was generated in rural areas. The direct and indirect employment effects totaled about 71,000 jobs, 85% of which were in rural areas. The employment multiplication factor was 8.7 – for every job at Südzucker, almost eight 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
FEVIA – Fédération de l'Industrie Alimentaire	Bruxelles/Belgium	Raffinerie Tirlementoise S.A.	Belgium
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 entity of Südzucker Group are member.

TABLE 008

WORKING CONDITIONS AND HUMAN RIGHTS

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 2003. 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.

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	München	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.	Köln	Südzucker AG	2006	Promotion of fair trade
RSPO – Roundtable on Sustainable Palm Oil	Kuala Lumpur / Malaysia	Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG[1]	2015	Promotion of sustainable palm oil production
SAI – Sustainable Agriculture Initiative Platform	Geneva / Switzerland	Südzucker AG[1]	2014	Promotion of sustainable agricultural practice
Sedex Information Exchange Limited	London / United Kingdom	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 009

RESEARCH AND DEVELOPMENT

MAJOR PROJECTS/OVERVIEW

The research, development and services department's focus is on optimizing and enhancing the company's numerous processes – including from an energy perspective –, extending and optimizing existing product lines, as well as developing new products and product concepts for the food and non-food sectors. The team works intensively on topics along the entire value chain, starting with agricultural raw materials, to process technologies for extracting and processing our products, up to and including application concepts for customers. Research and development activities aimed at fulfilling sustainability requirements are front and center. Collaboration with research institutes, universities and other companies rounds out the company's range of research undertakings.

The division employs 391 (409) persons and the total budget in 2015/16 for research, development and services was € 42.2 (40.4) million. In fiscal 2015/16, 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.

SUGAR

Process technology

The focus in the process technology area is driven by the pending structural shift in the European sugar industry. The emphasis is on further improvements in sugar extraction and energy consumption, as well as preparing for longer campaigns. Sugar production specialists work with researchers to develop models capable of evaluating the efficiency of selected process segments, so that they may subsequently implement targeted process improvements to boost sugar yield, cut energy consumption and save on operating supplies.

The longer campaigns planned for the future are expected to result in deteriorating beet quality and frost damage. A promising approach to processing such raw materials is a new, patented juice purification process that reduces the load on downstream process segments, and thereby could enable the factories to maintain the same processing capacity for longer periods of time. A cost-benefit analysis of the required investments is currently being conducted.

A groupwide project has been launched to harmonize Südzucker Group's various beet processing methods. This includes evaluating potential optimization initiatives that would further improve efficiency, taking into consideration local conditions and the available technical equipment.

Product development

New additives are being blended into existing recipes to cater to market trends such as clean labeling or the use of functional ingredients. The department develops both brand-name and brand-labeled retail products for the entire group. The main focus is on regional and country-specific products for the European market.

It is also working hard on developing and implementing new production concepts for candies, nibs sugar and Compri sugar.

FUNCTIONAL FOOD INGREDIENTS

Process technology

The production of Palatinose™ from sucrose is a biochemical catalization process. After a thorough analysis, the biocatalyzer was optimized and put back into production in order to optimize the utilization of the raw material sucrose.

Exclusively treating native rice starches and rice flours physically improved their properties so much that their application profile compares to that of chemically modified starches. This makes the starches suitable for clean label products. The findings from the pilot plant are currently being applied in the construction of a production scale system.

Dietary and physiological aspects

Further positive physiological properties and health-related claims related to Palatinose™, inulin and oligofructose have now been proven based on nutritional scientific research and experiments. An example is the documented positive impact of Orafti®Synergy1 on feeling full when eating and the associated positive impact on calorie intake.

Product development

Developing products in the functional food ingredients area presents a wide range of challenges. The focus is on taking advantage of the various specific product properties and benefits to the optimum extent possible.

Development is continuing on the potential uses of galenIQ™ in tablets, coated products and powder applications. For inulin, the focus is on formulas to reduce sugar and fat in baked goods and dairy products. The department was able to systematically derive technological advantages of isomalt for a wide variety of chewing gum applications: chewing gum base, coated chewing gums, strip chewing gums and liquid filled chewing gums. The use of isomalt in hard caramels was further enhanced in a joint project with customers. Further progress was made on the newly introduced concept of using Palatinose™ in icing for baked goods in order to extend shelf life and reduce stickiness. The department is also investigating various ways to use Palatinose™ in desserts, beverages and various confectionary items.

The department is using starch and rice flours to develop gluten-free dough recipes to make bread, cake, noodles and pizza in order to meet the growing demand for gluten-free food. Work has started on optimizing rice starch properties that impact texture, especially in fermented dairy products.

Textured gluten and rice flour can replace meat proteins in food, thereby conserving resources and catering to demand for vegetarian and vegan foods. Associated application-related developments are steering more and more in this direction. Initial products have been introduced to market.

STARCH

Raw materials

A pilot project was launched to extract and analyze the properties of special starches from newly cultivated plant varieties. The pilot plant built to process these new varieties is capable of splitting between 150 and 700 kg of raw material per batch into its main components. In this way, the innovative starches can be extracted in commercial grade quality and subjected to application related testing – especially for food applications, but also for technical uses.

Food

The property profiles of finished starches could only be modified to a limited extent using the currently typical production process for cold swelling starches for the food sector. To overcome this, a newly developed process was successfully implemented on a pilot project scale, from which a wide variety of various cold swelling starches could be extracted. Initial results show that starches produced using the new process dissolve more easily and exhibit better thickening performance than roll dried products.

Non-Food

Sustainable solutions in technical applications of starches are becoming increasingly important. The department has taken advantage of synergies within the group to develop custom starch products meeting the demands of the growing worldwide consumer interest in natural products.

In a project sponsored by the Agency of Renewable Resources (FNR), the department developed new starch products for the topcoat as a replacement for crude-oil-based latex solutions. This enables manufacturers of high-gloss papers to meet sustainability specifications in the coated papers fishing area.

Innovative starch products have been applied in new textile printing processes. The starches exhibit excellent, stable solution behavior and produce outstanding printing results. The department developed processes for glues that improve the characteristics of high quality glues to the extent that a lesser amount can be applied.

One forward-looking project is the development of biologically degradable plastics based on the renewable resource starch. Specially modified new thermoplastic starches have been developed that can be used in a wide variety of different packaging materials, such as plastic films and rigid packages. So a starch-based raw material for manufacturing sustainable and biologically degradable plastic bags is now available. Positive claims can be made about the product.

BIOETHANOL

The aim is to use as wide a range of raw materials as possible for fermentation at the bioethanol production plants. In this connection, the focus continued to be on evaluating new commercially available enzymes and yeasts for use in the various biotechnology process steps.

The department is also focusing on identifying and executing projects with the potential to save energy. As progress is made on process optimization and adaptation, changes are made to the various CropEnergies Group plants.

The department also evaluated and implemented many process optimization projects. These resulted in achievements such as increasing the bioethanol drying capacity in Wanze (Belgium), improving and boosting the capacity of the DDGS pelletization process in Zeitz and optimizing the gluten drying system.

The department also processed questions to support sales and participated in the German and European standardization process for ethanol and ethanol-based fuels. It also supported research activities looking into ways to allow fuels with a higher ethanol content to be used. The focus is on improving the energy efficiency of such fuels in comparison to conventional gasoline.

FRUIT

Last fiscal year, the main focus was on consolidating the individual projects aimed at continuously improving the quality of producing and marketing/selling fruit preparations along the entire value chain. Here the innovation strategy consists of executing market oriented projects. The common goal of all of these activities is to avoid changing the natural texture of the various fruits and to retain their natural aroma and color.

Decisive progress was made on microbiological characterization in the area of raw material procurement. Work also began on improving the microbiological standards using innovative handling methods for raw fruit materials.

Special drying technologies are being developed and introduced that aim to increase productivity and profitability when producing fruit preparations. Various ways to apply this process are being investigated. The aim is to improve the quality of fruit preparations.

In collaboration with universities, researchers are attempting to significantly improve the organoleptic properties of fruit preparations by optimizing process parameters and plant designs.

The department is working with a long-standing business partner to develop marketable product innovations for ice cream.

NEW PRODUCTS AND TECHNOLOGIES

Proteins

More than ever, Südzucker is working on integrating new processes and process technologies according to the biorefinery concept in order to further boost the efficiency of existing plants and processes. Coupled usage paths for energy recovery and material recycling in byproduct processes are seen to be very promising.

These activities are bundled in the protein platform. A project was launched in close cooperation with technical research partners in conjunction with the Joint Technology initiative JTI Bio-based Industries (BBI) that aims to identify new products that contain protein. The goal is to isolate products for the food sector that to date have only been used for animal feed in the byproduct process streams, in order to even better utilize the value added potential of our production plants.

CO_2 as a raw material

In conjunction with its innovation alliance for industrial biotechnology, the Federal Ministry of Education and Research (BMBF) has deemed that the ZeroCarb FP research alliance, of which Südzucker is a member, is eligible for government subsidies. The consortium has produced excellent results that already indicate that CO_2 can be used as a source of carbon in fermentation processes. The focus is on developing a cultivation process for a microorganism that binds CO_2 and supplies intermediary chemical products, which can then be sold as sustainable organic-based raw materials for chemical applications.

Algae

Carbon dioxide from the bioethanol plant in Zeitz was successfully used to produce algae. This project, supported by BMBF, has brought to light important findings related to cultivating starch forming algae in photobioreactors. Products have been isolated and properties identified that demonstrate excellent behavior compared to competitive products.

AGRICULTURAL RAW MATERIALS

Key research fields related to agricultural raw materials – especially sugar beets – at Südzucker Group are for example: new cultivation methods, crop rotation, integrated plant protection, location and crop-specific fertilization, low loss harvesting processes and long-term storage. A further area of activity is the networking of all operating data to optimize production processes (smart farming) and to improve soil fertility. The last two issues in particular are highly topical and offer opportunities, in collaboration with other companies and universities, to increase efficiency for all agricultural raw materials while simultaneously reducing costs.

The department conducts practical field tests on new varieties exhibiting high, stable yield in combination with resistance to important pathogens and herbicides from the sulphonylureas group. It conducts research on the integrated use of plant protection agents and develops ways to control new pathogens and/or weeds. The experimental issues with regard to plant protection are coordinated with the future challenges of the national action plan on the sustainable use of plant protection products of the German Federal Ministry of Food and Agriculture, whose goals include, among other things, risk minimization in the use of plant protection products.

The knowledge transfer from the research department to the agricultural production departments, the coordination of experiments taking into consideration the respective national interests and/or constraints, the provision of the results generated in a form usable by all Südzucker Group stakeholders, all form the basis for intensive consultation with raw material suppliers, with the ultimate objective being to protect the environment and sustainably improve efficiency.

EMPLOYEES

EMPLOYEES BY SEGMENT AND REGION[1]

The number of Südzucker Group employees on 29 February 2016 was 16,486 (17,231) or 4.3 % below the previous year's closing date. The largest reduction was in the sugar segment due to the short campaign that ended for the most part already in December as well as to the closure of sugar refining in Marseille, France. The number of employees in the special products segment increased as a result of the new wheat starch plant in Zeitz. Changes in the fruit segment are attributable to seasonal influences. Campaign operations at the sugar factories and in parts of the special products segment as well as the seasonality of the fruit business may cause fluctuations in the number of employees over the course of the financial year.

Employees by segment

28/29 February	2016	2015	+/– in %
Sugar	7,028	7,636	–8.0
Special products	4,422	4,278	3.4
CropEnergies	416	432	–3.7
Fruit	4,620	4,885	–5.4
Group	**16,486**	**17,231**	**–4.3**

TABLE 010

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. Nearly 9 % of the employees work for the group companies in Eastern European countries. Just under 15 % of the workforce is employed outside Europe, i.e. in other countries around the world.

Employees by region

28/29 February	2016	2015	+/– in %
Germany	3,803	3,784	0.5
Other EU	8,848	9,369	–5.6
Other countries	3,835	4,078	–6.0
	16,486	**17,231**	**–4.3**

TABLE 011

[1] The numbers of employees for the segments and regions are stated as full-time equivalents (FTEs). All other figures are based on employees by head count at the balance sheet date.

Length of service in years in %

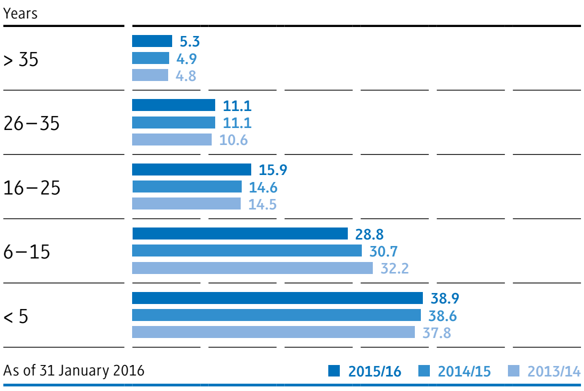


DIAGRAM 004

Employees by age group in %

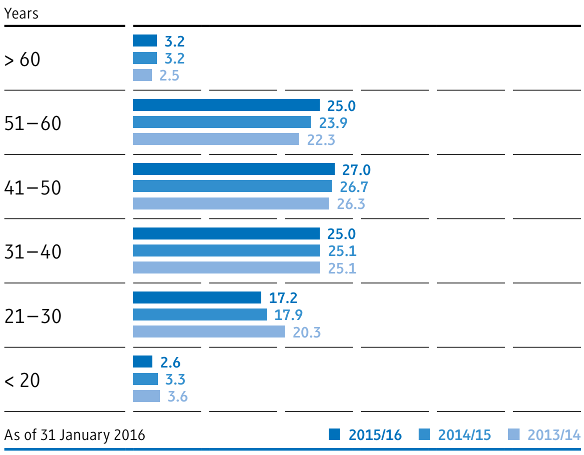


DIAGRAM 005

EMPLOYMENT AND PERCENTAGE OF WOMEN IN THE GROUP

Around 72 % of all employees work under a collective agreement. Roughly 12 % 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. As at 29 February 2016, permanent and temporary employment relationships in the individual segments are represented as follows:

Employment relationship by segment

	permanent	non-permanent
Sugar	92.9%	7.1%
Special products	96.3%	3.7%
CropEnergies	96.4%	3.6%
Fruit	72.3%	27.7%
	88.0%	**12.0%**

TABLE 012

In recruiting and developing staff, Südzucker continues to use qualification, suitability as well as the candidate's level of commitment and willingness to learn as its main selection criteria – not gender. However, one must consider that the business segments are very technology-oriented and that the proportion of female apprentices and students in the relevant career fields is still at a relatively low level.

The percentage of women employed throughout Südzucker Group in 2015/16 was 31 %, with women holding 20 % of the leadership positions.

Südzucker is implementing the law in Germany regarding equal participation by women and men in leadership positions in the private and public sectors. Südzucker AG resolved to raise the percentage of women at the first and second management levels to 10 to 15 % from the current 9.7 % and 6.8 %, respectively by 30 June 2017.

The responsibility of the group functions anchored in the matrix organization will continue to increase as progress is made in terms of internationality and HR development, which is driven by diversity. This is for instance evident in sugar sales, where this trend is already taken into account when recruiting young talent. In addition, regional sales activities are now more centralized to effectively compensate any fluctuations and to continue making preparations for the market changes expected after the expiry of quota regulations.

AGE DISTRIBUTION AND LENGTH OF SERVICE

The age distribution of our employees continues to be balanced. However, the share of older employees will increase in coming years due to the raising of the statutory retirement age and the ending of some early retirement programs. The company is aware that it must prepare and take appropriate measures in order to create the necessary conditions.

The average length of service remains high throughout the group at 13 years and also proves that Südzucker is an attractive employer. The turnover rate, which includes employment relationships terminated by the employee or the employer, was less than one percent in the year under review. New hires are at about the same level as last year.

It should be mentioned here that Südzucker once again placed at the top of employer attractiveness rankings and has held a leading position in its industry for years. Fair remuneration, modern benefits and good conditions for work along with the corporate culture make an important contribution to creating a good working environment in which employees can feel comfortable.

HR DEVELOPMENT/TRAINING AND CONTINUING EDUCATION

We are presently examining our cost structures, especially in the sugar segment's companies. Any necessary restructuring measures will also impact the employees in these areas. It is especially important in phases like this to have skilled, motivated and flexible employees, which is why we will continue to offer seminars, training and coaching with a special focus on teaching "soft skills". Cross-cutting measures are another priority, which broaden employees' view of the group as a whole and give them the depth and perspective they need to build networks that enable them to meet the growing global demands in their areas of work.

Trainee programs remain an integral part of HR development, especially in the technical, scientific and agricultural areas, and prepare young employees to take on responsibilities and tasks within the group. These programs form a fundamental cornerstone of successful succession planning and make the company somewhat less reliant on the external labor market.

Vocational training at Südzucker AG and in the group

Basic vocational training continued at a high level, which not only demonstrates the company's commitment to social responsibility but is also a preventive measure to prepare us for the expected shortage of skilled workers. Last year Südzucker AG alone had 225 individuals enrolled in 10 different apprenticeships. This means that we even slightly increased our apprenticeship ratio, which has been around 10 % for many years.

Last year a total of 309 (289) apprentices took part in 20 apprenticeship programs at Südzucker Group companies in Germany and Austria.

In September 2016, Raffinerie Tirlemontoise in Tienen will participate in a pilot project in Belgium at the beginning of the new school year to introduce the dual-track studies program that until now has been common only in Germany and Austria.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety programs are essential to the continued success of Südzucker Group. These programs are based on a work safety management system that defines procedures for risk evaluation, accident analysis and training, as well as responsibilities. Risk assessment analyzes both the physical aspects and the psychological stress experienced at work using a method developed by the University of Heidelberg.

Employee training plays a key role in work safety and includes not only recurring training as required by law, but especially maintaining a continuous dialogue on the topic of work safety so that it is always on employees' minds. The company highlights a particular topic and issues information accordingly every month, and also organizes safety drives at the locations. The "challenge cup", an annual work safety contest, and the "Best-in-Safety" award are other measures that promote employee awareness of the importance of safety in the workplace.

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".

The number of work-related accidents with working days lost based on one million hours worked fell in 2015 to 11.8 from 13.7 the year prior. However, the average number of days lost per accident increased year-over-year from 13.3 to 17.1. Overall, the number of work-related accidents is comparatively low and the accident-related lost work hours are very low. This success was achieved with the help of both employees and managers.

Health promotion is an important issue at Südzucker Group, which is why we offer employees a variety of health courses and training opportunities in this area. Our staff sickness rate was about 4 %.

SÜDZUCKER AS A RESPONSIBLE 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 suppliers and service providers.

In addition, Südzucker offers various programs that help employees improve their work-life balance with flexible working arrangements that include flextime, part-time or home office work. A number of locations offer employees with children daycare services during school holidays; the site in Vienna, Austria even has its own kindergarten.

Südzucker Polska is a regional sponsor of cultural and charitable events such as the Harvest Fest, Children's Day, St. Nicholas Day and other festivals. Institutions that look after the interests of children also receive support from Südzucker Polska, for example, "Sweet Valleys", specially designed children's corners with colorful furniture and toys, were installed in seven psychological counseling centers near the sugar factories and offices.

Old-age benefits and financial security also play a major role at Südzucker AG, which is apparent in the company pension plan whose most recent reform now offers new employees who join Südzucker AG the opportunity to increase their pension contributions by making additional payments, which the company then honors as part of deferred compensation.

And Raffinerie Tirlemontoise has worked with so-called sheltered employment companies for years. These companies employ people with disabilities who temporarily or permanently cannot find work on the regular job market.

EMPLOYEE SUGGESTION PROGRAM

The number of improvement suggestions submitted in Germany at Südzucker AG, CropEnergies AG and BENEO-Palatinit GmbH has remained at a high level for many years. 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

Representatives of the European Works Council from Germany, Austria, Belgium, France, Poland and Hungary held this year's annual meeting at the renovated head office in Mannheim. As always, it was an interesting event with discussions on topics that have a transnational impact.

THANK YOU FROM THE EXECUTIVE BOARD

Employees are a company's most important asset. The executive board is well aware of this, and would like to express its thanks and appreciation to all employees for the work they do, which is not always easy to accomplish in difficult times. The executive board is proud of its loyal and motivated employees – and also of the communication with employee representatives, which is so critical in times of change. We would therefore also like to thank the works council members for their willingness to discuss important issues and for their constructive collaboration.

CORPORATE GOVERNANCE

The following is the report 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 declaration regarding corporate management and the corporate governance report are published on Südzucker's website (http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/2015_Declaration_of_compliance.pdf).

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 Kolbl, 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. Ms. Veronika Haslinger, Vienna/Austria, is a member and the supervisory board's and audit committee's financial expert with specialized expertise and experience in the use of accounting principles and internal control procedures.

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. The 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".

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 the Internet or to give instructions to Südzucker AG's proxies via the Internet.

ANNUAL GENERAL MEETING 2016

The invitation to the annual general meeting scheduled for 14 July 2016, 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 Codeas per the 2015 amendment.

Effective 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 German Corporate Governance Code and compliance is a key executive board and supervisory board responsibility.

Südzucker regards the current version of the German Corporate Governance Code dated 5 May 2015 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.

DECLARATION OF COMPLIANCE 2015

In the mutual declaration of compliance by the executive board and supervisory board for 2015, the following exceptions to recommendations were added as an amendment to the previous year's declaration:

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

Going forward, Südzucker AG will adjust its standard rules of procedure for the executive board to comply with the new code recommendation with respect to conducting business transactions with a person or company related to an executive board member only with the approval of the supervisory board. As a precaution, an exception is taken to this requirement until the new requirement in the standard rules of procedure has been issued.

The supervisory board amended the standard rules of procedure for the executive board accordingly in its meeting of 26 January 2016.

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

A time limit for membership on the supervisory board will not be set. This will enable continuity and ensure that the many years of supervisory board expertise can serve the interests of the company.

The complete version of the mutual 2015 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 (http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/2015_Declaration_of_compliance.pdf).

GENDER QUOTA

The amendment to the German Stock Corporation Act 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 the first and second management levels below the executive board level from the current 9.7 % and 6.8 % to 10–15 % each by 30 June 2017.

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 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 ACCORDING TO ARTICLE 15A OF THE SECURITIES TRADING ACT (WPHG)

No member of the executive or supervisory board owns shares representing 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 2015/16, 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 2015/16 to further strengthen the compliance culture.

Südzucker's group-wide compliance principles as outlined below are adapted as required to various national and company-specific peculiarities and focus on compliance with antitrust laws and prevention of corruption. Moreover, 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 statutory regulations and relevant company rules. Recommended conduct illustrated with practical examples and training courses help ensure that employees understand the key issues.

Again in fiscal 2015/16, Südzucker continued to strengthen its compliance measures – among other things in consideration of the lessons learned from the antitrust proceedings. 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 http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/.

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. 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 29 February 2016, 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 an option to buy 18,797,796 of Zucker Invest's Südzucker shares and Zucker Invest has an option to buy 246,368 of the Südzucker shares held by SZVG.

SHAREHOLDINGS IN SÜDZUCKER AG 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 18 December 2015, 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.

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 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

General and industry-specific business conditions

BUSINESS ENVIRONMENT AND CURRENCIES

In 2015, world economic growth slowed to +2.4 %, registering the weakest expansion since the global financial crisis in 2009. The main reason was emerging nations' development, especially the economic slowdown in China, and the severe recessions in Russia and Brazil. Geopolitical crises also bogged down world trade.

Still, with expansion at +1.5 %, eurozone growth was solid. Strong economic performance in Germany and Spain led the way. Statistically, the US economy achieved close to full employment and again reported dynamic growth of +2.4 %.

The euro was torn between the anticipated prime rate increase in the United States and expansionary monetary policy in the eurozone. When the European Central Bank (ECB) announced an extensive bond purchase program at the beginning of 2015, the euro fell 12 % to USD 1.05. Despite expansionary monetary policy measures and economic growth, the inflation rate – in part due to the plummeting oil price – remained stuck at 0.0 %, substantially below the ECB target of 2.0 %. At the end of October 2015, the ECB Council announced further monetary easing. On 3 December 2015, it decided to extend the bond purchase program to March 2017 and increase the volume to € 1.8 trillion. The announcement had no impact on the euro in 2015 as it slid slightly from USD 1.12 to USD 1.08.

The US prime rate turnaround appreciated the value of the US dollar against emerging nations' currencies. In addition, the recessions in Brazil and Russia and the collapse of raw material prices for commodities such as sugar, as well as oil, exerted downward pressure on the Brazilian real and the Russian ruble. During Südzucker's fiscal year, the value of the real dropped 42 %, from 2.84 to 4.02 BRL/USD. The Chilean and Mexican pesos also weakened.

SALES AND RAW MATERIAL MARKETS

The world market price for sugar again fluctuated widely in fiscal 2015/16. Initially it rose briefly, but then fell steeply again due to the sharp devaluation of the Brazilian real versus the US dollar. Since the end of September 2015, market stakeholders' have begun to expect world sugar production to decline amid further increased global sugar consumption for the 2015/16 and 2016/17 sugar marketing years. As a result, world sugar inventories are projected to shrink again for the first time in six years. This assumption caused world prices to rise sharply.

At the beginning of March 2015, European ethanol was trading at 450 €/m³. Prices then climbed to over 600 €/m³ over the course of 2015, and by the end of February 2016 had dropped back to 511 €/m³. The prices tracked developments in the biodiesel market and reflected the temporary tight supply situation at the main trading location, Rotterdam, Netherlands.

The soybean harvest in fiscal 2015/16 reached record levels. Together with high inventories, this led to a six-year price low of less than 9 USD/bushel. As a result, prices for rapeseed meal fell from about 240 €/t at the beginning of March 2015 to 180 €/t at the end of February 2016, despite a weaker EU rapeseed harvest in 2015/16. The selling price for the food and animal feed produced as a byproduct when making bioethanol from grain are influenced mainly by the price of soya and rapeseed meal.

Expectations of an excellent grain harvest caused wheat prices to drop from about 188 €/t at the beginning of March 2015 to about 147 €/t at the end of February 2016.

Demand for fruit preparations continued to decline slightly in the EU, but this was offset by slight growth in the markets outside Europe. Apple juice concentrates prices in Europe were recently up sharply compared to the 2014 harvest because of strong demand amid supply shortages.

The fruit preparations and fruit juice concentrates business saw excellent fruit harvests at the beginning of 2015, which resulted in excellent supplies and moderate raw material prices. However, the unusually hot summer created supply bottlenecks and noticeable price increases for berry fruits.

ENERGY AND EMISSIONS TRADING

Both the oil and gas sectors of the energy market were impacted by continuing excess production. In the gas sector, mild winter temperatures further dampened prices.

At the beginning of May 2015, crude oil prices responded to an unexpected significant decline in US inventories, leading to the peak price for North Sea Brent in fiscal 2015/16: 66 USD/barrel. Despite a significant oversupply in world markets, OPEC did not curb production. As a result, the price of crude was dragged into the global raw material price slump starting in the second quarter of 2015/16. In January 2016, the price for Brent temporarily hit a fifteen-year low of 26 USD/barrel. On 29 February 2016, it was trading at 36 (62) USD/barrel. Over the course of Südzucker's fiscal year, the price of Brent crude plummeted 42 %.

Relatively low inventories of natural gas in Europe and global geopolitical crises caused natural gas prices to trend sideways in the first quarter of 2015/16, amid strong price fluctuations. During the summer months, the usual weather-related downward trend in natural gas quotations was evident. However, the price subsequently continued to slide, which was unusual for that time of year. The reasons included a significant oversupply and mild temperatures.

A market stability reserve (MSR) was introduced in the European Emissions Trading System in 2015, which led to a sweeping revaluation of the price outlook for European Emission Allowances (EUA). The intended purpose of the MSR is to limit emissions trading price volatility by reducing or increasing the number of EUAs offered for auction. Greece's decision in summer of 2015 to remain in the eurozone, together with continuously sinking coal prices, also caused EUA market prices to rise. Despite the climate goals agreed to at the World Climate Conference in Paris in December 2015, EUA prices fell sharply at the close of the summit. The price continued to plunge at the beginning of 2016. On 29 February 2016, the EUA spot market price was € 4.98.

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

[1] One barrel is equal to 158.987 liters.

Südzucker Group business performance – results from operations

REVENUES AND OPERATING RESULT

Consolidated group revenues for fiscal 2015/16 were down sharply to € 6,387 (6,778) million because of the performance of the sugar and CropEnergies segments. The fruit and special product segments' revenues were slightly higher than last year.

Consolidated group operating result rose to € 241 (181) million, driven especially by the significant improvement of the results reported by the CropEnergies and special products segments. This was offset by the sugar segment's sharply lower results. The fruit segment's operating result came in lower than last year.

CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED (ROCE)

Capital employed was almost the same as last year at € 5,791 (5,877) million. The decline in the sugar and CropEnergies segments was greater than the investment-driven increase in the special products segment and the increase in the fruit segment due to higher working capital commitment. Due to the higher operating result of € 241 (181) million, ROCE rose to 4.2 (3.1) %.

RESULT FROM OPERATIONS

The result from operations of € 277 (159) million for fiscal 2015/16 breaks down into the operating result of € 241 (181) million, the result from restructuring and special items of € –19 (–44) million and the result from companies consolidated at equity of € 55 (22) million.

RESULT FROM RESTRUCTURING AND SPECIAL ITEMS

The result from restructuring and special items of € –19 (–44) million includes income in the sugar segment from the reimbursement claims for sugar marketing years 2001/02 to 2005/06 for excess EU production levies. The special products segment incurred expenses from the test phase and trial operation of some of the components of the wheat starch plant at the Zeitz site. These were offset by other income, including from property tax reimbursements for previous years at BENEO. CropEnergies' expenses represent the fixed costs of the temporarily closed bioethanol factory in Wilton, Great Britain. The fruit segment's expenses related to the factory closed last year at the Herk-De-Stad site in Belgium.

Revenues and operating result

		2015/16	2014/15	+/– in %
Revenues	€ million	**6,387**	**6,778**	**–5.8**
EBITDA	€ million	518	453	14.3
Depreciation on fixed assets and intangible assets	€ million	–277	–272	1.8
Operating result	€ million	**241**	**181**	**33.0**
Result from restructuring/special items	€ million	–19	–44	–55.9
Result from companies consolidated at equity	€ million	55	22	> 100
Result from operations	€ million	**277**	**159**	**73.9**
EBITDA margin	%	8.1	6.7	
Operating margin	%	3.8	2.7	
Investments in fixed assets [1]	€ million	371	386	–4.0
Investments in financial assets/acquisitions	€ million	0	1	–100.0
Total investments	€ million	**371**	**387**	**–4.2**
Shares in companies consolidated at equity	€ million	333	333	0.1
Capital employed	€ million	5,791	5,877	–1.5
Return on capital employed	%	4.2	3.1	
Employees		16,486	17,231	–4.3

[1] Including intangible assets.

TABLE 013

Income statement

€ million	2015/16	2014/15	+/− in %
Revenues	**6,387**	**6,778**	**−5.8**
Operating result	241	181	33.0
Result from restructuring/special items	−19	−44	−55.9
Result from companies consolidated at equity	55	22	> 100
Result from operations	**277**	**159**	**73.9**
Financial result	−50	−32	56.3
Earnings before income taxes	**227**	**127**	**78.1**
Taxes on income	−46	−53	−14.4
Net earnings	**181**	**74**	**> 100**
of which attributable to Südzucker AG shareholders	109	20	> 100
of which attributable to hybrid capital	18	26	−29.8
of which attributable to other non-controlling interests	54	28	94.9
Earnings per share (€)	**0.53**	**0.10**	**> 100**

TABLE 014

Last year, the sugar segment incurred expenses for an early retirement program at the Raffinerie Tirlemontoise, as well as for the closure of the Saint Louis Sucre raw sugar refinery in Marseille/France and the packaging system in Regensburg. In addition, there was income from the sale of a former factory site, as well as from the conclusion of a legal case in connection with value added tax payments and wastewater levies. The CropEnergies segment's expenses were for the temporary shutdown of the bioethanol factory in Wilton. The fruit segment had expenditures related to restructuring, among other things for the closure of the fruit preparations plant at the Kröllendorf site in Austria.

RESULT FROM COMPANIES CONSOLIDATED AT EQUITY

The result from companies consolidated at equity totaled € 55 (22) million. The sugar segment's total of € 32 (−5) million related mainly to its share of results from British trading company ED&F Man Holdings Ltd., Studen Group and joint-venture distributor Maxi S.r.l. The special products segment's total includes € 23 (27) million for its share of results from Hungrana's starch and bioethanol businesses.

FINANCIAL RESULT

The financial result deteriorated to € −50 (−32) million. The net interest result improved to € −27 (−34) million. However, the result from other financing activities was € −23 (2) million, due mainly to measurement-related foreign exchange losses related to the financing of Central and South American subsidiaries.

TAXES ON INCOME

Earnings before taxes of € 227 (127) million resulted in taxes on income of € −46 (−53)million. The tax rate was 20 (42) %; last year the increase in the group's tax rate was mainly due to additional tax charges related to the temporary closure of the bioethanol plant in Wilton.

CONSOLIDATED NET EARNINGS

Of the consolidated net earnings of € 181 (74) million, € 109 (20) million were allocated to Südzucker AG shareholders, € 18 (26) million to hybrid bondholders and € 54 (28) 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 € 0.53 (0.10). 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	2015/16	2014/15	+/– in %
Cash flow	**480**	**389**	**23.6**
Increase (–)/decrease (+) in working capital	**114**	**131**	**–13.0**
Investments in fixed assets			
Sugar segment	181	186	–2.9
Special products segment	131	125	5.1
CropEnergies segment	17	32	–47.3
Fruit segment	42	43	–3.0
Total investments in fixed assets [1]	**371**	**386**	**–4.0**
Investments in financial assets/ acquisitions	**0**	**1**	**–100.0**
Total investments	**371**	**387**	**–4.2**
Increases in stakes held in subsidiaries	**3**	**33**	**–92.2**
Capital increase/decrease	**–29**	**0**	**–**
Dividends paid	**–129**	**–173**	**–25.3**

[1] Including intangible assets.

TABLE 015

CASH FLOW

Cash flow tracked the improved consolidated net earnings and came in at € 480 million. Last year it was € 389 million. Cash flow thus reached 7.5 (5.7) % of revenues.

WORKING CAPITAL

The improved cash availability resulting from a reduction of € 114 million in working capital was primarily driven by lower sugar inventory volumes, as well as price-driven reduced trade receivables coupled with reduced trade payables.

INVESTMENTS IN FIXED ASSETS

Investments in fixed assets (including intangible assets) totaled € 371 (386) million. The sugar segment's investments of € 181 (186) million were mainly for replacements, as well as energy efficiency and logistics improvements such as the AGRANA packaging center in Kaposvár, Hungary. The special products segment invested € 131 (125) million, most of which was for construction of the starch plant in Zeitz and the startup of the biomass boiler at the BENEO location in Pemuco, Chile, as well as the capacity expansion at the starch plant in Aschach, Austria. The CropEnergies segment invested € 17 (32) million, primarily to optimize its production systems. The fruit segment invested € 42 (43) million, mainly in the fruit preparations division; for example, installation of additional production capacities such as in Lysander, USA.

EQUITY CAPITAL BUYBACK/ADDITIONAL SUBSIDIARY SHARE PURCHASES

During the current fiscal year, Südzucker bought back hybrid equity capital in the amount of € 29 million. Additional subsidiary share purchases last year related mainly to the acquisition of a minority stake in AGRANA Bioethanol GmbH by AGRANA Stärke GmbH.

PROFIT DISTRIBUTION

Profit distributions throughout the group in the fiscal year just ended totaled € 129 (173) million and included € 51 (102) million paid out to Südzucker AG's shareholders and € 78 (71) million to minority interests.

DEVELOPMENT OF NET FINANCIAL DEBT

Cash flow of € 480 million and a cash inflow of € 114 million due to a further reduction in working capital exceeded the cash outflow due to investments in fixed assets totaling € 371 million, plus the buyback of hybrid equity capital totaling € 29 million and the profit distribution of € 129 million. Net financial debt was thus reduced by € 38 million and went from € 593 million to € 555 million as of 29 February 2016.

Balance sheet – assets

NON-CURRENT ASSETS

Non-current assets rose by € 24 million to € 4,534 (4,510) million. The carrying amount of fixed assets rose € 35 million to € 2,825 (2,790) million, driven by investments, while other assets fell € 13 million to € 520 (533) million. Intangible assets increased slightly year over year to € 1,189 (1,187) million, while goodwill was unchanged.

Balance Sheet

€ million	29 February 2016	28 February 2015	+/– in %
Assets			
Intangible assets	1,189	1,187	0.1
Fixed assets	2,825	2,790	1.3
Remaining assets	520	533	–2.4
Non-current assets	**4,534**	**4,510**	**0.5**
Inventories	1,897	2,128	–10.8
Trade receivables	783	870	–10.0
Remaining assets	919	966	–4.9
Current assets	**3,599**	**3,964**	**–9.2**
Total assets	**8,133**	**8,474**	**–4.0**
Liabilities and equity			
Equity attributable to shareholders of Südzucker AG	3,158	3,125	1.1
Hybrid capital	653	684	–4.5
Other non-controlling interests	662	652	1.4
Total equity	**4,473**	**4,461**	**0.3**
Provisions for pensions and similar obligations	798	826	–3.4
Financial liabilities	734	774	–5.2
Remaining liabilities	279	285	–2.1
Non-current liabilities	**1,811**	**1,885**	**–4.0**
Financial liabilities	425	500	–15.1
Trade payables	801	956	–16.2
Remaining liabilities	623	672	–7.3
Current liabilities	**1,849**	**2,128**	**–13.1**
Total liabilities and equity	**8,133**	**8,474**	**–4.0**
Net financial debt	555	593	–6.4
Equity ratio in %	55.0	52.6	
Net financial debt as % of equity (gearing)	12.4	13.3	

TABLE 016

CURRENT ASSETS

Current assets declined by € 365 million to € 3,599 (3,964) million. The main reason was the reduction of € 231 million in inventories, especially in the sugar segment, which brought the total to € 1,897 (2,128) million. In addition, trade receivables were down € 87 million to € 783 (870) million due to lower prices. Other assets fell € 47 million to € 919 (966) million, mainly due to the decline in cash and cash equivalents.

SHAREHOLDERS' EQUITY

Shareholders' equity rose € 12 million to € 4,473 (4,461) million; the equity ratio was higher than last year at 55 (53) % as total assets contracted. Südzucker AG shareholders' equity was higher than last year at € 3,158 (3,125) million. Non-controlling interests rose in parallel and were up € 10 million to € 662 (652) million. Hybrid capital of € 653 (684) million was repurchased with a nominal amount of € 32 million.

NON-CURRENT LIABILITIES

Non-current liabilities fell € 74 million to € 1,811 (1,885) million. This was driven mainly by lower provisions for pensions and similar obligations, which fell € 28 million to € 798 (826) million after the discount rate was adjusted from 1.75 % to 1.95 % for important pension plans. Non-current financial liabilities were down € 40 million to € 734 (774) million. Other liabilities fell € 6 million to € 279 (285) million. Included therein are tax liabilities totaling € 99 (79) million.

CURRENT LIABILITIES

Current liabilities fell € 279 million to € 1,849 (2,128) million. This was due to the drop in trade payables, which were down € 155 million to € 801 (956) million. Included therein are € 354 (435) million for liabilities toward beet farmers. Financial liabilities also fell, declining € 75 million to € 425 (500) million. Other debts, consisting of other provisions, taxes owed and other liabilities, were reduced by € 49 million to € 623 (672) million.

NET FINANCIAL DEBT

Net financial debt was cut by € 38 million to € 555 (593) million as of 29 February 2016. The ratio of net financial debt to equity was 12.4 (13.3) %.

The group's long-term financing requirements as of 29 February 2016 were covered by € 399 (410) million in bonds, € 126 (126) million in promissory notes and € 207 (238) million in long-term bank loans.

Short-term financing as of the record date was in the form of short-term bonds totaling € 164 (227) million, of which € 125 (200) million was in the form of commercial papers with three-month maturities. As of the record date, Südzucker Group had access to adequate liquidity reserves of € 1.4 (1.4) billion, consisting of undrawn syndicated credit lines and other bilateral bank credit lines.

Value added, capital structure and dividend

Value added Group

€ million	2015/16	2014/15	2013/14	2012/13	2011/12
Operating result	**241**	**181**	**622**	**972**	**751**
Capital employed	5,791	5,877	5,873	5,950	5,707
Return on capital employed (ROCE)	4.2 %	3.1 %	10.6 %	16.3 %	13.2 %

TABLE 017

Capital employed was almost comparable to last year at € 5,791 (5,877) million. In 2015/16, return on capital employed (ROCE) rose to 4.2 % from 3.1 %, driven by the improved operating result of € 241 (181) million. Fixed assets were higher because of higher investments. This was offset by a reduction in working capital, mainly in the sugar segment, as a result of lower inventories, as well as reduced trade receivables and payables. There were no fully consolidated acquisitions in fiscal 2015/16; the goodwill carrying amount remained the same.

The debt ratio (ratio of net financial debt to cash flow) as of the balance sheet date was 1.2 (1.5). Net financial debt as of 29 February 2016 was 12.4 (13.3) % of shareholder's equity of € 4,473 (4,461) million. The equity ratio on the balance sheet date rose to 55.0 (52.6) % as total assets fell to € 8,133 (8,474) 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

Capital structure

		2015/16	2014/15	2013/14	2012/13	2011/12
Debt factor						
Net financial debt	€ million	555	593	536	464	791
Cash flow	€ million	480	389	697	996	823
Net financial debt to cash flow ratio		1.2	1.5	0.8	0.5	1.0
Debt equity ratio						
Net financial debt	€ million	555	593	536	464	791
Shareholders' equity	€ million	4,473	4,461	4,625	4,731	3,970
Net financial debt as % of equity (gearing)	%	12.4	13.3	11.6	9.8	19.9
Equity ratio						
Shareholders' equity	€ million	4,473	4,461	4,625	4,731	3,970
Total assets	€ million	8,133	8,474	8,663	8,806	8,289
Equity ratio	%	55.0	52.6	53.4	53.7	47.9

TABLE 018

the group's sustainable operating earnings development. The historic dividend per share payments in relation to earnings numbers are shown below.

The executive and supervisory boards recommended dividend of € 0.30 (0.25)/share reflects a significant drop in result from restructuring and special items on the one hand and the fiscal 2015/16 positive earnings momentum on the other which should continue in 2016/17. The recommended dividend also takes into consideration the company's continuity approach to dividend payments. Based on the 204.2 million shares outstanding , the total dividend distribution will be € 61.3 million. Last year the total distribution was € 51.0 million.

Dividend

		2015/16	2014/15	2013/14	2012/13	2011/12
Operating result	€ million	241	181	622	972	751
Cash flow	€ million	480	389	697	996	823
Earnings per share	€	0.53	0.10	1.37	3.08	1.99
Dividend per share [1]	€	0.30	0.25	0.50	0.90	0.70
Payout ratio	%	56.6	–	36.5	29.2	35.2

[1] 2015/16: Proposal.

TABLE 019

Sugar segment

LOCATIONS:	29 sugar factories, 2 refineries
RAW MATERIALS:	Sugar beets, sugar cane
PRODUCTS:	Sugar, sugary specialty products, by-products (animal feed and fertilizers)
MARKETS:	Europe and the world
CUSTOMERS:	Food industry, retailers, agriculture

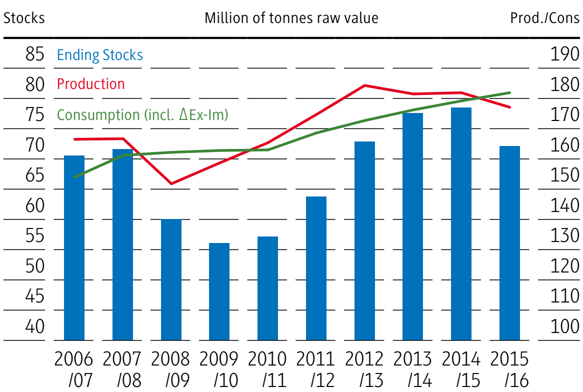
Market developments and economic environment

WORLD SUGAR MARKET

In its second estimate of the world sugar balance for the 2015/16 campaign year (1 October to 30 September) dated February 2016, German market analyst F. O. Licht expects a deficit for the first time in six years. While consumption will continue to expand, to 181.7 (178.9) million tonnes in 2015/16, sugar production will drop to 176.9 (181.7) million tonnes. This will be the first time since 2012/13 it will be less than 180 million tonnes. In spite of the expected increase in Brazilian sugar production because of the attractive world market price expressed in the country's local currency, world sugar production will fall, especially because of smaller harvests in the EU, as well as in India and Thailand. Taking into consideration other volume changes, inventories will decline for the first time in six years, to 72.0 (78.4) million tonnes of sugar, which is equivalent to 39.6 (43.9) % of one year's consumption.

Again in fiscal 2015/16, world market prices fluctuated significantly. At the beginning of the fiscal year, the world market price for white sugar initially rose briefly to about 350 €/t from 331 €/t, but then fell back to less than 300 €/t at times because of the sharp devaluation of the Brazilian real – the currency of the world's largest sugar producer and world's largest sugar exporter – versus the US dollar. As the year progressed, expectations of a world market deficit in 2015/16 moved to the forefront, which caused the price of sugar to recover substantially from September 2015 onward and drove it to almost 400 €/t. Amid strong volatility, the world market price for white sugar at the end of the reporting period was 374 €/t.

Global sugar balance



Source: F. O. Licht

DIAGRAM 006

A summary of the most important sugar producing and consuming countries is presented in table 021, along with the largest importing and exporting nations. With a share of 22 %, Brazil continues to be the largest sugar producer and with shipments of 25.5 million tonnes, the largest sugar exporter by a wide margin.

Global sugar balance

Million of tonnes raw value equivalent	2015/16e	2014/15	2013/14	2012/13	2011/12
Opening balance	**78.4**	**77.5**	**72.8**	**63.7**	**57.1**
Production	176.9	181.7	181.3	184.1	174.6
Consumption	−181.7	−178.9	−176.0	−172.5	−168.4
Volume adjustments	−1.6	−1.9	−0.6	−2.5	0.4
Closing balance	**72.0**	**78.4**	**77.5**	**72.8**	**63.7**
In % of consumption	39.6	43.9	44.0	42.2	37.8

Source: F. O. Licht, 2nd World sugar balance estimate, February 2016.

TABLE 020

EU SUGAR MARKET

Following previous year's record harvest, Südzucker substantially cut back the cultivation area throughout the EU for the current 2015/16 sugar marketing year (1 October – 30 September) on account of the restrictions on selling non-quota sugar. At the same time, yields from the 2015 campaign are below last year's record level, and in many parts of Europe even less than the perennial average. As a result, sugar production in the EU (including isoglucose) is expected to shrink considerably to 15.6 (20.3) million tonnes. This will cause non-quota sugar stocks to contract. 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. For processed products such as chocolate and confectionary items, for which sugar is a major ingredient, the export volume is expected to reach the same 0.8 million tonnes of sugar as last year, when it increased year over year. Quota sugar inventories are expected to be down further at the end of the 2015/16 sugar marketing year (table 022).

During the last 2014/15 sugar marketing year EU sugar quotas were fulfilled amid record yields, which resulted in a very high volume of non-quota sugar. Due to the limited options for selling non-quota sugar, the excess volume was partially carried over to the 2015/16 sugar marketing year. Preferential imports during the last sugar marketing year were less the year prior because of sharply lower EU sugar prices. This led to a significant decline in quota sugar inventories by the end of the 2014/15 sugar marketing year.

Export licenses for 1.35 million tonnes of non-quota sugar were granted for the 2015/16 sugar marketing year, the same as last year.

According to EU price reporting, average prices stabilized after declining significantly last year. Prices for bulk sugar (ex factory) ranged between 414 and 419 €/t between March and September 2015, and since then have risen moderately, closing at 429 €/t in January 2016 (diagram 008).

LEGAL AND POLITICAL ENVIRONMENT

WTO negotiations

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

Million of tonnes raw value	2015/16e	2014/15	2013/14	2012/13	2011/12
Top 5 producer					
Brazil	39.9	34.7	39.5	41.2	35.3
India	28.3	30.8	26.6	27.3	28.6
EU	15.0	19.1	17.1	17.4	19.1
China	10.8	11.5	14.5	14.2	12.5
Thailand	10.3	11.6	11.7	10.3	10.6
Top 5 consumer					
India	27.7	27.3	26.3	25.4	24.6
EU	19.3	19.3	19.3	19.1	19.0
China	17.1	16.6	16.2	15.8	15.3
Brazil	12.5	12.4	12.6	12.7	12.7
USA	11.0	11.0	11.1	10.7	10.2
Top 5 exports					
Brazil	25.5	23.7	24.7	29.7	22.1
Thailand	8.8	8.1	6.5	6.1	7.3
Australia	3.5	3.5	3.1	3.0	2.4
Guatemala	2.2	2.5	1.9	2.0	1.7
India	2.2	1.3	1.4	0.6	3.6
Top 5 Importers [1]					
China	4.4	4.8	4.0	3.7	4.2
Indonesia	4.2	3.1	3.8	4.3	2.8
USA	2.8	3.2	3.0	2.7	3.1
EU	2.5	1.6	2.5	2.8	1.4
Bangladesh	2.1	2.4	1.8	1.7	1.7

Source: F. O. Licht, 2cd World sugar balance estimate, February 2016.
[1] Sugar consumed in the country without refining for third countries.

TABLE 021

Global market sugar prices

1 March 2013 to 31 March 2016
London, nearest forward trading month

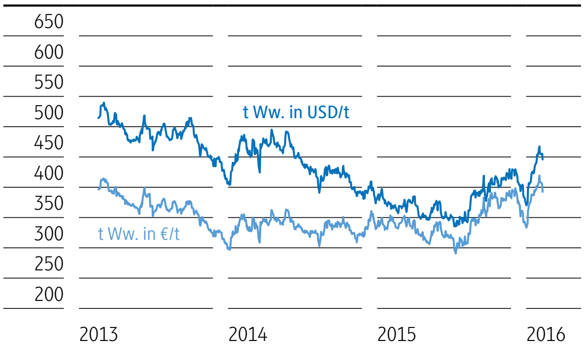


DIAGRAM 007

EU sugar balance

Million of tonnes white sugar	2015/16e	2014/15	2013/14	2012/13	2011/12
Beginning stocks incl. carry forward	**4.0**	**2.6**	**3.2**	**2.4**	**1.2**
Production	15.6	20.3	17.5	18.1	19.5
Import	3.1	2.8	3.2	3.7	3.5
Consumption	−19.2	−19.4	−19.2	−18.9	−19.0
Export	−1.5	−1.5	−1.4	−1.4	−2.1
Net export processed products	−0.8	−0.8	−0.7	−0.7	−0.7
Ending stocks incl. carry forward	**1.2**	**4.0**	**2.6**	**3.2**	**2.4**
thereof carry forward	0.5	2.7	0.6	0.7	0.8

Source: EU commission, AGRI C4, estimate of EU sugar balance sheet 2015/16; March 2016.

TABLE 022

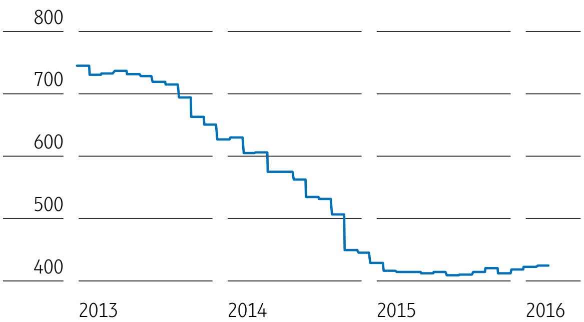
On 19 December 2015, the WTO ministers' conference adopted a resolution to eliminate export subsidies for agricultural goods earlier than originally planned. The decision will have no direct negative impact on EU sugar exports due to the expiry of the quota and minimum price regulations in October 2017. After October 2017, EU sugar producers will be permitted to export beet 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 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. During the previous 2014/15 sugar marketing year, a free trade agreement was signed that would permit 20,000 tonnes of duty-free sugar to be traded between the EU and Vietnam.

EU price reporting

1 January 2013 to 31 January 2016
€/t Ww.



Source: EU commission, AGRI C4.

DIAGRAM 008

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 food market volume of food be 10 % less than in 2015. This includes all types of sugar, not only the household variety, as well as fruit preparations added to food for the purpose of sweetening.

Business performance

REVENUES AND OPERATING RESULT

The sugar segment reported revenues of € 2,855 (3,228) million, which was significantly less than a year earlier. The main reason for this was the further decline in average quota sugar sales revenues. Revenues were down substantially at the beginning of the financial year as a result of lower prices in the 2014/15 sugar marketing year, but recovered moderately at the start of the 2015/16 sugar marketing year. Non-quota sugar sales revenues came in lower than last year. Sugar volumes also fell, mainly due to lower export volumes.

As expected, the sugar segment posted an operating loss of € −79 (7) million in fiscal 2015/16. This was largely attributable to further declines in quota sugar sales revenues on average throughout the fiscal year. In comparison, raw material costs were only slightly lower on average for the year as a result of the sugar beet minimum price regulations for the market. Higher fixed unit costs also weighed on the 2015/16 results due to lower sugar production in the 2015 campaign.

RESULT FROM RESTRUCTURING AND SPECIAL ITEMS

The result from restructuring and special items of € 4 (−7) million primarily includes income from the reimbursement claims for sugar marketing years 2001/02 to 2005/06 for excess production levies. Last year, restructuring expenses incurred for an early retirement program at Raffinerie Tirlemontoise, for the closure of the sugar refinery in Marseille, and for the packaging system in Regensburg were included here, as well as income from the sale of a former factory site in Groß-Gerau and from the conclusion of a legal case in connection with value added tax payments and wastewater levies.

RESULT FROM COMPANIES CONSOLIDATED AT EQUITY

The result from companies consolidated at equity in the sugar segment was € 32 (−5) million, most of which relates to the earnings contribution from British trading company ED&F Man Holdings Ltd., London, England, but also to the earnings contributions from Studen Group and the Italian joint venture distributor Maxi S.r.l. ED&F Man increased its majority interest in Empresas Iansa S.A., Santiago, Chile, the leading sugar manufacturer in the Chilean market, to around 92 % through a public offering. Due to the historically low stock price below net assets, gain on acquisition was recognized when the investment was fully consolidated for the first time. This is part of the at-equity consolidated result of ED&F Man.

Sugar segment business performance

		2015/16	2014/15	+/− in %
Revenues	€ million	**2,855**	**3,228**	**−11.6**
EBITDA	€ million	48	133	−63.0
Depreciation on fixed assets and intangible assets	€ million	−127	−126	1.8
Operating result	€ million	**−79**	**7**	**–**
Result from restructuring/special items	€ million	4	−7	–
Result from companies consolidated at equity	€ million	32	−5	–
Result from operations	€ million	**−43**	**−5**	**> 100**
EBITDA margin	%	1.7	4.1	
Operating margin	%	−2.7	0.2	
Investments in fixed assets [1]	€ million	181	186	−2.9
Investments in financial assets/acquisitions	€ million	0	0	−100.0
Total investments	€ million	**181**	**186**	**−2.9**
Shares in companies consolidated at equity	€ million	275	250	10.1
Capital employed	€ million	3,041	3,199	−4.9
Return on capital employed	%	−2.6	0.2	
Employees		7,028	7,636	−8.0

[1] Including intangible assets.

TABLE 023

CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED (ROCE)

Capital employed fell to € 3,041 (3,199) million due to lower sugar inventories. As a result of the operating loss of € –79 (7) million, ROCE in fiscal 2015/16 was negative at –2.6 (0.2) %.

INVESTMENTS

Investments of € 181 (186) million in the financial year were mainly allocated toward replacement spending and to improve technological efficiency. Examples here are the molasses desugaring system in Tulln, Austria, the sugar beet pellet preparation in Roye, France, and the cutting machine stations in Offstein. Other main topics include energy savings that can be achieved thanks to the refurbishment of the evaporator station in Leopoldsdorf, Austria, and the new sugar drying system in Tienen, Belgium. Projects such as the packing and distribution building in Plattling, the viewing and shipping station in Tienen and the packing center in Kaposvár, Hungary, help streamline logistics processes. Infrastructure projects such as the power station network, the 110kV link to the multipurpose site in Zeitz and the investments in new facilities for crystal sugar and cube sugar production in Tienen are also worth mentioning. Environmental investments include flue gas particulate removal systems for several steam generators in Poland, the flue gas desulphurization plant at the location in Tienen and the tank farms for storing fuel at Südzucker AG factories. The investment in biogas production from sugar beet pellets with the feed-in of natural gas to the grid at the site in Kaposvár is notable with regard to power generation using renewable raw materials.

Raw materials and production

CULTIVATION AREA

Südzucker Group's sugar beet cultivation area was scaled back in 2015 by about 13.5 % to 350,000 (405,000) ha, after the high sugar yields last year had made it necessary for many beet growers to carry over inventories.

BEET PLANTING AND DEVELOPMENT

Beet planting in 2015 began as early as in previous years under average to good conditions, but the period was significantly longer and went until mid April. The dry spell that had already begun early in the year continued in the summer of 2015. At the same time, temperatures up to 40 °C were not uncommon so that the sugar beets in all Südzucker Group areas suffered drought stress. The beets grew very differently depending on the soil quality and whether thundershowers brought rain to the respective region.

Raw materials and production

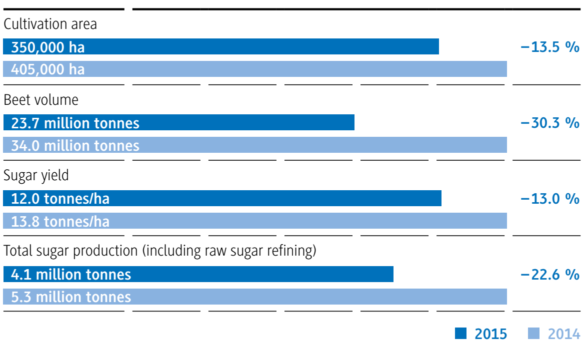


DIAGRAM 009

Sugar production by country

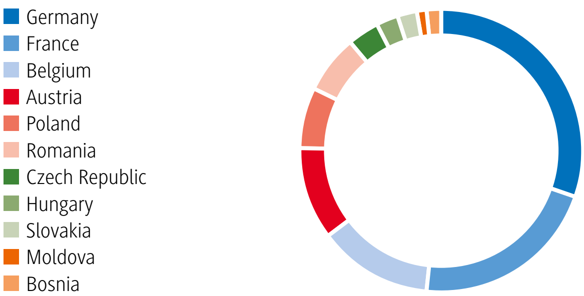


DIAGRAM 010

YIELDS

The dry, hot weather led to below-average beet yields, especially in Poland, Germany and Austria. Precipitation in Belgium and France in August resulted in average beet yields in France, and even above average yields in Belgium. Considering that the average beet yield over the past five years includes two record years (2011 and 2014), the average beet yield throughout the entire Südzucker Group of 69 (84) tonnes/ha is around 6 % below the five-year average. However, the dry weather had a positive effect on the sugar content. At Südzucker Group overall, it came in at 17.5 (16.5) % for the 2015 campaign, which is higher than the five-year average.

2015 CAMPAIGN

The significantly reduced cultivation area together with the below-average beet yield led to a considerable decline in the total beet volume to 23.7 (34.0) million tonnes. However, thanks to the higher sugar content of the beets, it was still possible to produce 3.8 (5.0) million tonnes of beet sugar. With production performance at nearly the same level as last year, the average campaign duration at all factories was 89 (127) days; processing at the individual factories took between 36 days in Falesti, Moldova to 129 days in Sered, Slovakia. The campaign went smoothly in nearly all factories into the winter months thanks to the very mild and mostly dry weather. Average production performance increased at the factories in Wanze, Belgium, and Eppeville, France, thanks to a favorable, nearly trouble-free campaign. The Ochsenfurt factory processed a lower volume of beets per day after reaching the maximum sugar output due to the high sugar content of the beets. The evaporator station at the factory in Leopoldsdorf, Austria, had to be boiled for several days due to residue buildup, which also led to a reduction in processing performance.

Several locations store beet syrup in tanks during the beet campaign as an intermediate product. This is either processed into sugar in separate beet syrup campaigns, sold directly to customers or used within the group to produce ethanol.

Südzucker Group's refineries produced 0.37 (0.35) million tonnes of sugar from raw sugar. The refinery in Marseille, France contributed to this for the last time before it was closed at the end of 2015.

The factories in Warburg and Hrusovany, Czech Republic, processed organic beets into organic products in separate campaigns. While Warburg processed far fewer beets than the year before, Hrusovany was actually able to produce more organic sugar than last year thanks to the higher sugar content of the beets.

ENERGY USE 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 use in the sugar segment

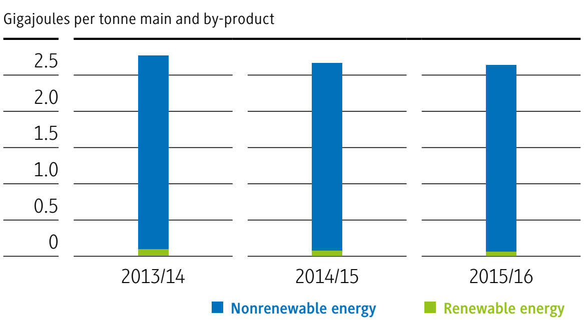
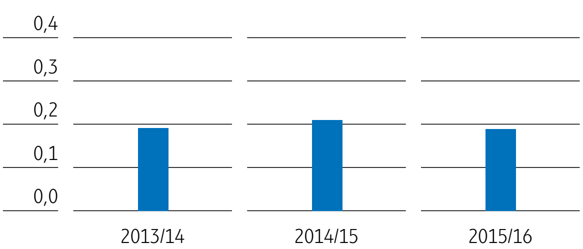


DIAGRAM 011

Emissions from direct and indirect energy use in the sugar segment

Tonne of CO_2 equivalent per tonne main and by-product



GRAFIK 012

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 intake water (approximately 75 %) 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 water. 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 / wastewater

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

[1] Main and by-products.

TABLE 024

UTILIZATION OF RAW MATERIALS

When processing agricultural raw materials, Südzucker uses all raw material 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 exploited 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

Sugar beets are already pre-cleaned in the field when they are harvested to reduce the amount of soil that is brought into the factories. Soil adhesion in the 2015 campaign was 4.7 %. The sugar beets are washed in the factory. The soil that is washed off is drained and generally returned to the field because beet soil is high-grade topsoil. This "recycling" ensures enduring soil fertility.

WASTE

Most waste products – especially slag and ash from the coal-fired CHP plants in the factories – are recycled. 0.3 (0.2) % of all waste is considered hazardous; this mainly concerns used lubricants from production.

Sugar segment – waste by disposal type

Thousand of tonnes	2015/16	2014/15	2013/14
Recycling	179.7	253.7	385.0
Reuse	91.5	89.5	69.3
Landfill	68.6	84.4	70.3
Composting	14.3	9.9	9.3
Incineration	9.7	2.2	2.2
Other	12.2	17.0	16.3
Total	**376.0**	**456.8**	**552.5**

TABLE 025

Sales

TOTAL SUGAR VOLUME

Consolidated total volume for all group companies, including non-quota sugar exports and shipments to the non-food industry, fell 2.7 % to 5.2 (5.4) million tonnes in fiscal 2015/16. Volumes in the EU companies declined by 2.4 % to 5.1 (5.3) million tonnes. The market within the EU was marked by the approaching end of the EU sugar market regulations in September 2017, low world market prices and the sugar price in the EU of 414 €/tonne – the lowest ever according to EU price reporting. Rising world market prices in recent months are spurring the modest, emerging recovery. Outside of the EU, volumes of the company in Moldova fell by 20 %.

QUOTA SUGAR

At 4.3 (unchanged) million tonnes, the total volume of quota sugar was at the same level as last year – despite lower volumes from the sales cooperation with Mauritius (Mauritius Sugar Syndicate). The volume in countries in which Südzucker Group produces sugar fell by 3.2 %; sales to industry and trade were equally affected by this. Intensive price competition in these markets resulted in Südzucker's refusal to meet price demands in some cases. In contrast, volumes in the EU countries where Südzucker Group has no production sites – but thanks to its own distribution structures has developed a good market position with a broad portfolio of customers in recent years – increased by 7.2 % over the previous year.

NON-QUOTA SUGAR

At 0.9 (1.0) million tonnes, volumes of non-quota sugar were 12.9 % lower. Use within the EU, and thus in the non-food industries, was 2.7 % higher than the previous year. Exports to non-EU countries declined by 34.1 % owing to the lower number of export licenses available since October 2015 but also due to the fact that the inventories will be completely cleared at the start of the new campaign even without major exports.

ANIMAL FEED

The volume of animal feed and by-products from sugar production declined in line with the lower beet processing volume in the 2015 campaign.

This also meant that a significantly lower quantity of molasses pulp and molasses pulp pellets was available for marketing purposes compared to last year. Although customers were able to use cheap grain as a substitute in their animal feed mix, prices for molasses pulp and molasses pellets remained at last year's levels.

Molasses production from beets was 21 % lower in Europe, while raw molasses prices remained stable. This made it possible to sign contracts at record price levels in nearly all customer segments – even in the Eastern European countries.

Special products segment

Business performance

REVENUES AND OPERATING RESULT

The special products segment was able to boost revenues to € 1,791 (1,724) million, driven especially by higher sales volumes in all divisions. Revenue growth was also positively impacted by the devaluation of the euro.

The segment's operating result improved significantly, going from € 120 to 171 million. All divisions contributed to the higher result. In addition to the favorable volume and exchange-rate developments, a year-over-year increase in ethanol sales revenues and continued low raw material costs also had a positive impact.

RESULT FROM RESTRUCTURING AND SPECIAL ITEMS

The result of restructuring and special item of € −2 (−3) million included expenses from the test phase and trial operation of some of the components of the wheat starch plant at the Zeitz site. These were offset by other income, including from property tax reimbursements for previous years at BENEO.

RESULT FROM COMPANIES CONSOLIDATED AT EQUITY

The result of € 23 (27) 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 to € 1,436 (1,377) million due to higher investments. The significantly higher operating result of € 171 (120) million caused ROCE to rise to 11.9 (8.7) %. The capital employed number also includes the investments for the wheat starch plant at the Zeitz location. This factory did not contribute to the operating result during the reporting period.

INVESTMENTS

The special products segment invested € 131 (126) million. The BENEO division's spending was mainly on efficiency improvements for the production plant in Oreye, Belgium, and the biomass power plant to improve energy use at the site in Pemuco,

Special products segment business performance

		2015/16	2014/15	+/− in %
Revenues	€ million	**1,791**	**1,724**	**3.9**
EBITDA	€ million	246	192	27.5
Depreciation on fixed assets and intangible assets	€ million	−75	−72	3.6
Operating result	€ million	**171**	**120**	**41.9**
Result from restructuring/special items	€ million	−2	−3	−42.1
Result from companies consolidated at equity	€ million	23	27	−15.5
Result from operations	€ million	**192**	**144**	**33.3**
EBITDA margin	%	13.7	11.2	
Operating margin	%	9.5	7.0	
Investments in fixed assets [1]	€ million	131	125	5.1
Investments in financial assets/acquisitions	€ million	0	1	−100.0
Total investments	€ million	**131**	**126**	**4.5**
Shares in companies consolidated at equity	€ million	56	81	−30.8
Capital employed	€ million	1,436	1,377	4.3
Return on capital employed	%	11.9	8.7	
Employees		4,422	4,278	3.4

[1] Including intangible assets.

TABLE 026

Chile. Investments were made in rice derivative product development at Remy to further support the market position of the business. Most of the funds invested by the starch division were for the wheat starch plant in Zeitz. Some of the investment monies also were directed toward a new production plant for infant milk formula in Gmünd, Austria. Freiberger invested mainly in expanding the production capacity of Stateside Foods at the British site in Westhoughton.

BENEO division

LOCATIONS:	Five production locations in four countries, five branch sales offices in five 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

Both the scientifically proven connection between a balanced diet and a reduced risk of so-called diseases of civilization and the increasingly aging population in many countries positively impact demand for products with added health benefits. This is reinforced by dietary trends such as sugar and fat reduction, gluten-free, vegetarian or vegan, all tied to the desire for natural ingredients.

The challenges in this basically positive environment continue to be an increasing concentration of competitors and stronger legislation of food related conditions in many countries, which make it more difficult to develop innovative products.

BUSINESS PERFORMANCE

Despite increasing competition, BENEO was able to again successfully defend its market position in fiscal 2015/16. Differing conditions in various markets resulted in an overall balance.

The recognition of so-called claims regarding product characteristics are essential to further growth in Europe, yet these are often subject to lengthy review processes conducted by the :European Food Safety Authority (EFSA) before being approved. BENEO was able to successfully support a new exclusive claim regarding the dietary benefits and improved bowel regularity attributable to the use of the ballast substance inulin, for which it received approval in January 2016. This positive assessment demonstrates that BENEO, which continually invests in research and studies to support its submitted claim files, is on the right track; one that will enable it to offer the food industry innovative products that combine naturalness and functionality.

Healthy digestion has been a hot topic in Europe for several years, and now there are signs of increasing interest in the United States and Asia. The special products division aims to exploit this market potential for functional ballast substances such as inulin and oligofructose, which have positive properties such as prebiotic effect, boosting healthy intestinal flora and improving calcium absorption. The food technology development work focuses on using these ingredients in dairy products, baked goods, cereals and baby food.

Despite strong competition and further concentration in the confectionery industry, the segment successfully expanded the already high volume of isomalt sales, the only sugar substitute made from sugar. The technological, taste and dietary benefits related to tooth friendliness and calorie reduction continue to make isomalt the number one ingredient worldwide in sugar-free candies and chewing gum.

There is further potential for Palatinose™, a sugar that is released much more slowly and is also tooth friendly, in special foods, baby foods and sports nutrition markets, as well as food technology applications.

The rice derivative product range, with its “clean label”, “gluten-free”, “lactose free” or “allergen-free” claims, continues to be on a growth track. The planned launch of Remypure, a new functional rice starch, in 2016 will strengthen this position.

BENEO Pro VWG, a technologically functional wheat protein, is being used more and more in the animal feed and food industries.

Freiberger division

LOCATIONS:	Five production locations in three 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

MARKET DEVELOPMENTS

The demand for frozen pizzas was up again in Germany. However, overall improved purchasing power caused consumers to reach for brand-name products. This trend is exerting pressure on food retailer discount chains to incorporate brand-names in their product mix. In France, brand-name manufacturers were able to boost their market share by 4 %, driven especially by aggressive pricing strategies. As a result, private label brands lost 3.4 % of their market share, while Freiberger was down about 0.6 %. The dynamic growth of German discounters in Great Britain continued in 2015/16 and exerted further pressure on the traditional British food retailers. Overall, demand for both frozen and chilled pizzas rose in Great Britain. Freiberger was able to benefit and expand its market share.

BUSINESS PERFORMANCE

Freiberger concentrated further on analyzing its consumers and product range last fiscal year in order to manage its product range strategy and used the results as a service for retail customers. The division continued to develop new product concepts. In addition, it extended the application options for its product lines, as well as its production capacities in Great Britain. The efforts enabled Freiberger to defend its market share and strengthen its position as the leading private label manufacturer.

PortionPack Europe division

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

PortionPack Europe's target market improved slightly in fiscal 2015/16, but conditions remained difficult in most countries. Germany was the only country in which there was any appreciable growth in the out-of-home sector. The division invested in its production systems to expand its product portfolio and improved quality assurance. Against this background, PortionPack Europe Group's revenues were about the same as last year.

Starch division

LOCATIONS:	Six production locations in four countries
RAW MATERIALS:	Corn, wheat, potatoes
PRODUCTS:	Potato-, corn- and wheat starch, bioethanol
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, chemicals industry, pharmaceuticals and cosmetics industries, petroleum industry, animal feed industry

ECONOMIC ENVIRONMENT AND GENERAL CONDITIONS

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".

MARKET DEVELOPMENT AND RAW MATERIAL MARKETS

The starch division's market environment was defined by stable and/or falling grain prices, an oversupply of sugar and the high price level for bioethanol in the European market. Even though the supply of grain and oil fruits was severely affected regionally by the drought during the summer of 2015, high harvest yields for grain, proteins and oil fruits internationally exerted pressure on byproduct sales revenues. Raw material prices remained volatile. An extended drought in the summer caused severe local harvest failures for fall crops such as corn and potatoes and drove prices temporarily higher.

BUSINESS PERFORMANCE

The starch division's revenues rose 3.1 % in fiscal 2015/16, due mainly to the significantly higher ethanol prices compared to last year. Further development of the product and market portfolio toward starch derivatives that generate better margins and revenues also had a positive impact. The volume of starches for technical applications (especially for paper and corrugated cardboard) remained stable at a high level. Revenues from infant milk formula and organic products were also sharply higher. On the other hand, despite higher volumes, revenues for sweeteners were down from last year due to price pressure. Sales revenues for byproducts were also slightly less than last year due to low grain and soya prices. Some savings were generated due to lower costs than last year for raw materials and energy.

The division was able to significantly expand its market share in the European starch market thanks to the addition of wheat starch to its portfolio.

PRODUCTION

The entire value chain was further optimized at the Austrian factories last fiscal year. Production process improvements and organizational changes aimed at a stronger customer focus led to further efficiency increases.

Although the number of contracts remained the same, the Austrian starch factory in Gmünd processed a much lower volume of starch potatoes in the 104 (122) days of its 2015 campaign. This was driven by weather-related lower average yields of around 26 (40) t/ha. The average starch content was 17.3 %, the same as last year. The organic share was up slightly at about 4 (3) %. A year-over-year comparable volume of raw materials was processed to produce potatoes staple products for the food industry potato sector. The organic share was about 26 (21) %.

The volume of corn processed at the AGRANA starch factories in Austria and Romania was slightly less than last year due to weather-related reduced moist corn processing. The share of specialty corn (waxy corn, organic corn, certified non-GMO corn) rose about 31 % year-over-year. Corn processing at HUNGRANA in Hungary was up slightly.

The volume of raw materials refined to make wheat starch at the wheat starch plant in Pischelsdorf Austria was about 14 % higher than last year. Certified organic wheat was used for the first time.

The volume of corn, wheat and triticale processed at the Pischelsdorf bioethanol plant was slightly less than last year.

Testing and trial operations of some of the components began at the new wheat starch plant in Zeitz.

Production in the special products segment

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. Since starting up a biomass boiler in Pemuco at the beginning of 2015, a considerable amount of the fossil fuels consumed at the BENEO site in Chile has been replaced by renewable raw materials. This boosted the share of energy from renewable sources consumed in the special products segment.

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.

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 ground-water and potable water from public water supplies. Quite often, part of the water remains in the foods produced, as well as other products. The starch division also uses surface water, primarily for cooling water.

Energy use by the special products segment

Gigajoules per tonne main and by-product

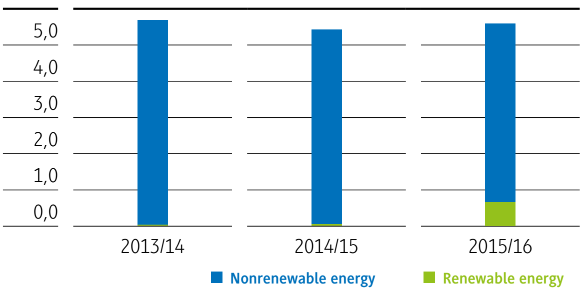


DIAGRAM 013

Special products segment – water withdrawal / wastewater

m³ per tonne [1]	2015/16	2014/15	2013/14
Water withdrawal	4.2	4.5	4.8
Wastewater	4.1	4.6	4.4

[1] Main and by-products.

TABLE 027

Most of the special products segment's production waste-water is treated in its own biological treatment plants. Where this is not the case, it is sent to municipal treatment plants or third-party waste handling systems.

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

Tonne of CO_2 equivalent per tonne main and by-product

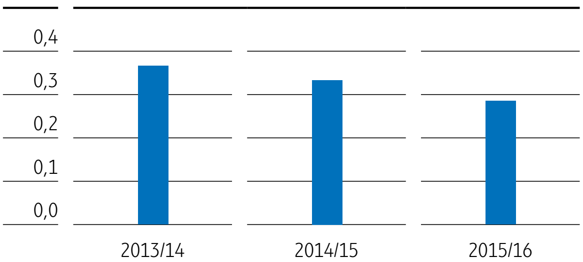


DIAGRAM 014

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 into high-quality products and byproducts. The Freiberger division primarily deploys 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 prewashing. The soil washed-off from these raw materials normally is drained and 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. Only 0.4 (0.2) % of the waste is hazardous. The hazardous waste consists mainly of used lubricants from the production systems.

Special products segment – waste by type of disposal

Thousand of tonnes	2015/16	2014/15	2013/14
Composting	32.6	47.8	42.0
Incineration	12.0	11.9	12.1
Landfill	7.2	2.9	2.2
Recycling	4.9	5.0	5.6
Reuse	0.7	0.0	0.2
Other	4.0	4.3	3.7
Total	**61.4**	**71.8**	**65.9**

TABLE 028

CropEnergies segment[1]

LOCATIONS:	Four factories in four countries, three branch sales offices in three countries
RAW MATERIALS:	Feed grain, sugar syrup, raw alcohol
PRODUCTS:	Bioethanol, protein-based food and animal feed, liquid CO_2
MARKETS:	Europe
CUSTOMERS:	Oil companies and traders , food and animal feed producers, beverage and cosmetics producers, pharmaceutical companies

Market developments and economic environment

TARGET MARKETS

Bioethanol markets

In 2015, global bioethanol production rose 2.7 % to 115.1 (112.1) million m³. Of this production volume, 84.4 (84.1) % was for the fuel sector and 15.6 (15.9) % for beverages, cosmetics, medical or industrial applications. Global bioethanol production of about 97.1 (94.2) million m³ for the fuel sector represents about 5 % of the global gasoline market. Global bioethanol production in 2016 is expected to remain nearly constant at 114.2 million m³. Fuel grade ethanol production is expected to reach 96.7 million m³.

Bioethanol production in the United States in 2015 rose 3.2 % to 57.5 (55.8) million m³. Due to higher domestic consumption of 54.5 (52.6) million m³, net bioethanol exports fell 2.3 % to 2.7 (2.8) million m³. Changes in 2016 are expected to be minor and the production surplus is expected to remain high.

In Brazil, bioethanol production in sugar marketing year 2015/16 is expected to rise 3.6 % to 30.0 (29.0) million m³ on account of an improved cane sugar harvest. Because of a significant increase in domestic demand, which is up 10.7 % to 29.7 (26.8) million m³, supply and demand is expected to be largely balanced.

[1] Further details can be found in CropEnergies AG's current 2015/16 annual report.

In the EU, total ethanol consumption for 2015 is expected to be slightly less than last year at 7.7 (7.8) million m³ taking into consideration alcohol for traditional and technical applications. The lower ethanol production of 7.1 (7.2) million m³ reflects weak demand. In view of the falling gasoline consumption trend and a lack of stimulus from higher blending requirements, the EU's fuel grade ethanol consumption fell 2.6 % to 5.2 (5.4) million m³ in 2015. Market analysts expect fuel grade ethanol consumption to fall further in 2016, to 5.1 million m³. Given a slight increase in domestic production, this could result in a slight production surplus of fuel grade ethanol for the first time. Once again, the potential for fast and cost-effective reduction in greenhouse gas emissions resulting from the use of bioethanol is not being exploited. A quick introduction of E10 in other EU member states would accelerate decarbonization in the transportation sector and significantly improve its climate footprint.

Brazilian ethanol prices expressed in euro at the end of February 2016 closed at 487 €/m³. Compared to the beginning of March 2015, the increase was a moderate 40 €/m³. However, over the course of the year, prices occasionally dipped considerably below 400 €/m³. In the United States, one-month futures on the Chicago Board of Trade remained largely flat, hovering around the 1.50 USD/gallon mark.

EU bioethanol volume balance

million m³	2016e	2015	2014
Opening balance	**1.9**	**2.0**	**2.1**
Production	7.2	7.1	7.2
Import	0.5	0.7	0.7
Consumption	−7.6	−7.7	−7.8
Export	−0.2	−0.2	−0.2
Closing balance	**1.8**	**1.9**	**2.0**

Source: F. O. Licht. Data estimated of EU biothanol volume balance, April 2016.

TABLE 029

However in the end, ethanol prices also sank below 1.40 USD/gallon and at the end of February 2016 were trading at the equivalent of 335 €/m³. Reasons for the lower prices in the United States continue to be low raw material and energy costs, high inventories and a further decline in oil prices. At the end of February 2016, West Texas Intermediate (WTI) was trading at 30 USD/barrel.

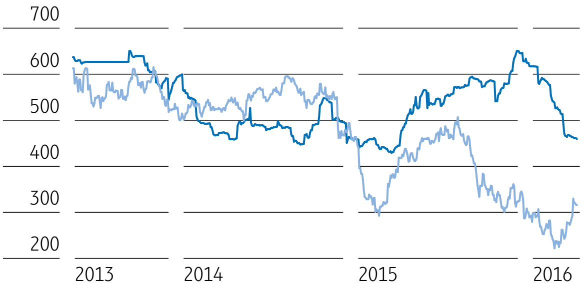
In Europe, ethanol prices rose sharply, from 450 €/m³ fob Rotterdam at the beginning of March 2015 to 511 €/m³ at the end of February 2016. The price briefly climbed above 600 €/m³, in part because of higher prices in the biodiesel market and a temporary supply shortage at Europe's main trading location for bioethanol in Rotterdam.

Protein markets

The selling price for the valuable food and animal feed produced as a byproduct when making bioethanol from grain are influenced mainly by the price of soya and rapeseed meal.

Price trend for European ethanol and gasoline

1 March 2013 to 31 March 2016
€/m³



Source: Reuters Thomson Eikon

DIAGRAM 015

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

According to the US Department of Agriculture estimate dated 12 April 2016, the global soybean harvest is again expected to hit last year's record 320 (320) million tonnes in marketing year 2015/16. Because of expectations of the higher production and higher inventories, one-month futures for soybeans fell below 9 USD/barrel on the CBOT in August 2015 for the first time in six years and have since continued to trade at this low level. Expressed in euro, the drop to 288 €/t at the end of February 2016 represents a decline of about 15 % for fiscal 2015/16. The EU's rapeseed harvest is expected to shrink to 21.5 (24.3) million tonnes in the 2015/16 marketing year. In spite of this, prices for rapeseed meal fell from around 240 €/t at the beginning of March 2015 to 180 €/t at the end of February 2016 because of internationally low protein prices.

RAW MATERIAL MARKETS

In its estimate dated 12 April 2016, the US Department of Agriculture projected that world grain production (excluding rice) for the 2015/16 grain marketing year will be only slightly less than last year's record and come in at 1,994 (2,029) million tonnes. Global grain consumption is expected to grow 0.4 % to 1,969 million tonnes. Production thus again exceeds consumption. As a result, global inventories are expected to increase 5.6 % to 484 million tonnes, thereby passing even the previous record set in the 1986/87 grain marketing year. The EU Commission is forecasting that the EU's grain harvest will shrink about 5.5 % for the 2015/16 grain marketing year. However, at 310 (328) million tonnes, it will still be significantly above the average for the past five years and higher than expected grain consumption of 283 (282) million tonnes.

Expectations of an excellent global grain harvest caused one-month futures prices for milling wheat to decline on the Euronext in Paris. In response, wheat prices fell from 188 €/t at the beginning of March 2015 to 147 €/t at the end of February 2016.

Legal and political environment

RENEWABLE ENERGY DIRECTIVE

The EU's renewable energy directive continues to be the legislative instrument in which the EU has defined a mandatory blending of 10 % for renewable energies in the transportation sector by 2020. A key requirement for gaining market access to the EU's biofuels market is compliance with strict sustainability criteria; for example, adherence to minimum standards regarding sustainable biomass generation and processing. Biofuels must reduce greenhouse gas emissions by at least 35 % by weight compared with fossil fuels, rising to 50 % by weight by 2018. In addition, the origin of the processed biomass must be seamlessly documented.

FUEL QUALITY DIRECTIVE

In addition, 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 directive released on 24 April 2015 defining calculation methods and specifications for reporting greenhouse gas emissions from fuels legislates that the greenhouse gas emission savings of 6 % by weight must be calculated on basis of the average greenhouse gas levels for fuels consumed in 2010, which was 94.1 g CO_2eq/MJ. Greenhouse gas emissions from fuels from unconventional oil sources, such as tar sands, shale or deep-sea wells, are in fact significantly higher and are not taken into consideration.

2015 AMENDMENT TO THE DIRECTIVE

The so-called iLUC directive was released in September 2015. This directive provides specific guidelines for achieving the targets in the renewable energies directive and the fuel quality directive. It must be implemented in national law within two years. Among other things, the revised rules state that up to 7 % of the specified 10 % of renewable energies in the transportation sector may be sourced from conventional biofuels certified to be sustainable. The remaining 3 % are to be partly achieved by double counting biofuels from waste and scrap. The latter are being additionally promoted by a sub quota of at least 0.5 %. Electricity consumed by rail and roadworthy vehicles will also be applied multiple times, provided it is generated from renewable sources. Since greenhouse gas emissions from indirect land use (iLUC) can only be hypothetically derived and therefore remain vague, the member states will be compelled to continue reporting these assumed indirect effects, but they will still not be directly accounted to the individual biofuels. Regrettably, the iLUC directive makes it possible to notionally double count biofuels from so-called waste and scrap. This has resulted not only in a noticeable international migration of waste, but in addition, has reduced the volume of renewable fuels and created a strong incentive to consume more fossil fuels. The same applies to the duplicate allocation of electricity in the transportation sector.

PARIS CLIMATE CONFERENCE

In December 2015, 195 countries for the first time signed a binding global climate treaty at the UN climate conference in Paris. The agreement will come into force in 2020 and aims to limit global warming to less than two degrees Celsius. This would require a reduction to zero of net greenhouse gas emissions in the 2nd half of the twenty-first century. To reach this ambitious goal, fossil energy sources must be eliminated in the long-term. Biofuels, which rely on the photosynthesis of carbon stocks in the atmosphere, will make an indispensable contribution to reaching this goal. Even though the agreed national contributions are as yet insufficient to achieve the targets, and the treaty does not include sanctions, the agreement is still an important step toward shaping the future energy and climate protection policy.

2030 CLIMATE AND ENERGY PACKAGE

The EU has now continued the talks about a climate and energy package from 2020 to 2030. The European Council set the cornerstones in October 2014 by specifying binding greenhouse gas emission savings of 40 % compared to 1990, a binding renewable energy share of 27 % in all sectors in the EU and energy efficiency improvements of 27 %. The EU Commission is expected to release recommendations by the end of 2016 regarding the legislation required to achieve these goals. In this connection, the EU Commission is also charged with reviewing the promotion of sustainable biofuels after 2020 on a technology neutral basis within the context of climate and energy policies to 2030. The ambitious climate protection targets, which the EU supportedstrongly at the Paris climate conference, cannot be fulfilled given the ever-increasing share of total greenhouse gas emissions in the EU from the transportation sector.

GREENHOUSE GAS REDUCTION QUOTAS IN GERMANY

In Germany, the energy biofuel quota was replaced by a greenhouse gas reduction target on 1 January 2015. It specifies greenhouse gas emission savings of 3.5 % by weight of total fuel consumption. The savings target will rise to 4.0 % by weight starting in 2017 and to 6.0 % by weight starting in 2020.

According to preliminary data, in 2015 greenhouse gas savings specific to biofuels rose on average more than 60 % compared to fossil fuels thanks to the efforts of biofuel producers to reduce greenhouse gas emissions. However, at the same time, the volume of biofuel blendingswas reduced accordingly, which caused the share of fossil fuels to rise again. This has undermined the goal to reduce greenhouse gas emissions in the transportation sector. The German biofuel industry has therefore requested for not waiting until 2017 to legislate the planned increase in the greenhouse gas emission reduction target of 4 % by weight. In addition, it is calling for the savings targets in subsequent years to be raised step-wise. This would create an ongoing incentive to replace fossil fuels and ensure that the 2020 greenhouse gas emission target of 6 % by weight is actually met.

Business performance

Although CropEnergies' production and sales volumes were down in fiscal 2015/16 as expected due to lower capacity utilization overall, higher bioethanol sales revenues and slightly lower raw material prices drove the result from operations significantly higher. Despite the more favorable market environment, CropEnergies continued to work on improving its costs and earnings structure to address the ongoing uncertainties.

Even though there is no doubt about the need to cut greenhouse gas emissions in the transport sector, demand for fuel grade ethanol remains subdued in Europe. However, given the short time remaining before the year 2020, the urgency regarding execution of member states' plans to expand the use of renewable energies in the transport sector is steadily rising. Setting ambitious blending targets and introducing E10 in other member states would enable CropEnergies to fully utilize its production capacity.

REVENUES AND OPERATING RESULT

The CropEnergies segment's revenues fell year-over-year to € 658 (764) million. Ethanol sales revenues were still higher than last year's low level at the end of the fiscal year. However, this was offset by lower sales volumes of ethanol, food and animal feed as a result of lower production due to the temporary shutdown of the plant in Wilton, Great Britain and the maintenance shutdown at Wanze in Belgium.

The segment was able to improve its operating result substantially, to € 87 (-11) million. This was driven by higher ethanol sales revenues and lower net raw material costs. In addition, the temporary shutdown of the plant in Wilton generated cost savings and improved the operating cost structure.

RESULT OF RESTRUCTURING AND SPECIAL ITEMS

The result from restructuring and special items of € –18 (–28) million relates to the fixed costs associated with the temporary closure of the bioethanol factory in Wilton.

CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED (ROCE)

The reduction of capital employed to € 490 (518) million was primarily due to depreciation, which was significantly higher than total investments. The higher operating result of € 87 (–11) million caused ROCE to recover to 17.7 (–2.2) %.

INVESTMENTS

Investments during the fiscal year totaled € 17 (32) million and were mainly for the neutral alcohol ? rectified spirits plant in Zeitz, product portfolio extension and the bran post-treatment systems installed at Wanze to boost production systems efficiency. Investments in additional exhaust gas scrubbing systems for the biomass boiler in Wanze will improve the cost effectiveness of the system, as will the sharing of existing resources brought about by installing a common electrical connection between the ethanol plant and the sugar factory at the Wanze site.

CropEnergies segment business performance

		2015/16	2014/15	+/– in %
Revenues	€ million	**658**	**764**	**–13.8**
EBITDA	€ million	122	25	> 100
Depreciation on fixed assets and intangible assets	€ million	–35	–36	–4.4
Operating result	€ million	**87**	**–11**	**–**
Result from restructuring/special items	€ million	–18	–28	–36.8
Result from companies consolidated at equity	€ million	0	0	–100.0
Result from operations	€ million	**69**	**–39**	**–**
EBITDA margin	%	18.5	3.3	
Operating margin	%	13.2	–1.5	
Investments in fixed assets [1]	€ million	17	32	–47.3
Investments in financial assets/acquisitions	€ million	0	0	–
Total investments	€ million	**17**	**32**	**–47.3**
Shares in companies consolidated at equity	€ million	2	2	5.9
Capital employed	€ million	490	518	–5.4
Return on capital employed	%	17.7	–2.2	
Employees		416	432	–3.7

[1] Including intangible assets.

TABLE 030

Raw materials and production

Agricultural materials originating in Europe are processed in Zeitz, Wanze, and Wilton. CropEnergies deems it important to source raw materials locally in order to minimize freight charges. CropEnergies used fixed-price contracts supplemented by derivative instruments to mitigate the price risk for grain. The focus in Loon-Plage, France, was on sourcing raw alcohol cost-effectively.

In fiscal 2015/16, CropEnergies Group's bioethanol production fell to 0.8 (1.1) million m³ as expected due to the temporary shutdown of the plant in Wilton. As a result, the volume of dried food and animal feed produced also declined to 0.4 (0.5) million tonnes. CT Biocarbonic GmbH was able to further increase the production volume of biogenic carbon dioxide.

In Zeitz, raw material used was continually matched to prevailing market conditions as capacity utilization remained high. After a short time, the rectified spirits production system started up at the beginning of 2015 was able to operate continuously at high capacity utilization. The bioethanol plant in Wanze was also heavily loaded and thanks to optimizations carried out on the system was able to boost yields. In addition, efforts to reduce specific energy use led to higher greenhouse gas emission savings. The temporary shutdown at the Wilton bioethanol plant gave plant operators time to carry out maintenance work. At the same time, personnel worked on optimizations that will boost the availability and efficiency of the plant. 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 use 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 almost fully covered by a biomass power station that uses bran as fuel; that is, the husks of the wheat delivered to the plant.

Energy use by the CropEnergies segment

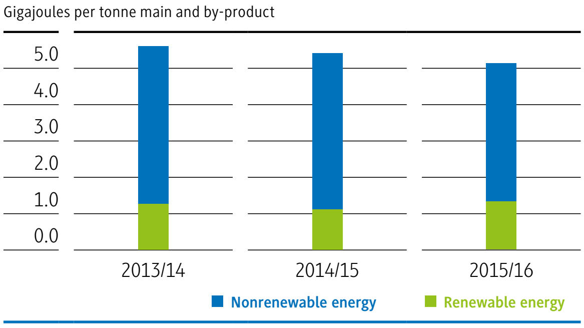


DIAGRAM 016

The volume of CO_2 emitted is a function of both total energy demand and input fuels mix. The plant exports electricity and steam, so some of its emissions are assignable to third parties.

Emissions from direct and indirect energy use in the CropEnergies segment

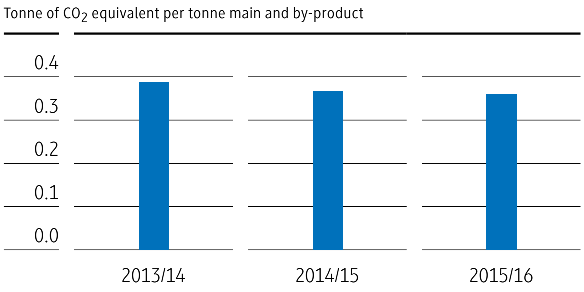


DIAGRAM 017

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.

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 / wastewater

m³ per tonne [1]	2015/16	2014/15	2013/14
Water withdrawal	4.0	3.7	4.2
Wastewater	2.6	2.3	2.6

[1] Main and by-products.

TABLE 031

WASTE

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

CropEnergies segment – waste by type of disposal

Thousand of tonnes	2015/16	2014/15	2013/14
Recycling	67.4	73.5	85.1
Composting	9.2	8.5	7.4
Landfill	1.0	0.0	0.0
Incineration	0.4	0.5	0.7
Other	1.0	0.5	0.4
Total	**79.0**	**83.0**	**93.6**

TABLE 032

Most of the waste is recycled, composted or used as a source of energy. Only 0.2 (0.2) % of the waste is hazardous. The hazardous waste consists mainly of fusel oils and used lubricants from the production systems.

Sales

BIOETHANOL SALES VOLUMES

Bioethanol sales volumes fell to 1.0 (1.3) million m³ as expected due to lower production volumes. About 0.2 (0.2) million m³ of this total consisted of trading goods. The most important market continues to be Germany, although CropEnergies has tank storage facilities at its production sites as well as in Rotterdam and Duisburg and has a unique European logistics network that enables it keep its freight costs low when delivering its products throughout Europe.

In the past few years, CropEnergies has expanded its activities in market segments outside the fuel market. Some of the biggest names in the beverage, cosmetics, pharmaceutical and chemical industries buy the company's rectified spirits. With the new rectified spirit plant in Zeitz and the production plant in Loon-Plage, CropEnergies has attractive sales prospects in these market segments. 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 developments and an anti-dumping duty on bioethanol with origin from the United States, bioethanol imports to the EU from Brazil and the United States continue to be low to nonexistent.

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 fell to 0.4 (0.5) million tonnes in fiscal 2015/16 in line with lower production volumes. Due to a weak rapeseed harvest in Europe and the devaluation of the euro versus the US dollar, CropEnergies continued to be able to generate better sales revenues from protein-based food and animal feed than from wheat.

Fruit segment[1]

LOCATIONS:	24 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

In fiscal 2015/16, the main focus was on trends such as health, naturalness, enjoyment and convenience. Consumers are looking for new tastes and are particularly interested in products that contain natural ingredients and have high fruit content. Products that provide a natural energy boost and support a healthy lifestyle are also in demand. The "Greek" trend continues to dominate the yogurt market, especially because it is so versatile. In addition to the trend toward healthy eating, so-called "brown flavors" (chocolate, caramel, nougat) for desserts are making enjoyment an increasingly important factor.

Overall, demand for fruit preparations continued to decline marginally in the EU, whereas the non-European markets expanded slightly. In Russia, Ukraine, White Russia, the Near and Middle East and Argentina, macroeconomic and political problems are slowing market growth.

In calendar 2015, beverage and fruit yogurts registered average global growth of about 4 %[2], whereby consumption in Western and Eastern Europe – especially in Russia and Ukraine – as well as the Pacific region declined.

The trend toward fruit juice drinks with low juice concentrations continues without interruption in the fruit concentrates business. Consumption of beverages with high fruit content continued to decline slightly in Western Europe, but apple juice concentrates stabilized in the most important market, Germany. Price levels for fruit juice concentrates recovered in Europe despite the excellent harvest forecasts for 2015 and trade policy influences on the raw materials markets (Ukraine and Russia) and their pricing structures in fall 2015. This will however not have an impact until fiscal 2016/17.

Business performance

REVENUES AND OPERATING RESULT

The fruit segment's revenues rose slightly to € 1,083 (1,062) million. The lower volumes of fruit juice concentrates and significantly lower sales revenues for apple juice concentrates were more than offset by volume and sales revenue increases in the fruit juice preparations division.

Despite higher operating results in the last quarter, the overall operating result fell to € 62 (65) million. Although the fruit preparations business continued to grow, this was not enough to fully offset the lower sales-revenue-driven volumes and margins in the fruit concentrates business.

RESULT FROM RESTRUCTURING AND SPECIAL ITEMS

The expenses of € –3 (–6) million reported under the result from restructuring and special items were mainly attributable to the closure of the plant at Herk-De-Stad in Belgium. Last year, the fruit segment had expenses related to closure of the fruit preparations plant at the Kröllendorf site in Austria.

CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED (ROCE)

Capital employed rose from 782 to 823 million because of higher inventory valuations. Because the operating result fell to € 62 (65) million, ROCE was also down and was posted at 7.5 (8.4) %.

[1] Further details can be found in AGRANA's current 2015/16 annual report.
[2] Source: Euromonitor.

INVESTMENTS

Investments totaled € 42 (43) million. The fruit preparations division invested in capacity expansions. Among other things, the business unit installed additional production lines at the fruit preparation plants in Lysander, New York and Michoácan, Mexico. Further investments to boost efficiencies included container cleaning systems in Central Mangrove, Australia and Gleisdorf, Austria. Investments in the fruit juice concentrates division were mainly for replacements and to meet market demands.

AGRANA Fruit (fruit preparations)

Revenues in the fruit preparations division rose, due to higher selling prices, reinforced by favorable foreign exchange effects, as well as higher volumes. Higher revenues came especially from North America and Asia/Australia. Volumes were higher in all AGRANA regions except North America.

It was especially gratifying to see higher volumes sold in the EU despite the shrinking market, because it is still the most important region from a revenue perspective. An excellent product portfolio mix also drove business growth, especially in France. In North America, volume was the same as last year, but volumes in the ice cream division were higher. The "Greek yogurt" trend continues to offer excellent growth prospects. In the Eastern European region, the picture was mixed; while volumes were up in Russia, they were below last year's level in Ukraine. More fruit preparations were sold in Latin America than the year before. Here the main driver was Mexico, while the economic situation in Brazil had a negative impact on volume development. Some of the business activities of Dirafrost in Belgium were shut down and associated equipment mothballed in an effort to improve efficiencies in the production of frozen fruits and finished products.

The customer portfolio was successfully enhanced, which resulted in higher revenues and volumes in the dairy sector as well as with food service, baked goods and ice cream customers.

Overall, the fruit preparations division's business performance was very positive with respect to results development across all regions.

Fruit segment business performance

		2015/16	2014/15	+/– in %
Revenues	€ million	**1,083**	**1,062**	**2.0**
EBITDA	€ million	102	103	–1.8
Depreciation on fixed assets and intangible assets	€ million	–40	–38	3.9
Operating result	€ million	**62**	**65**	**–5.2**
Result from restructuring/special items	€ million	–3	–6	– 53,7
Result from companies consolidated at equity	€ million	0	0	–
Result from operations	€ million	**59**	**59**	**0.3**
EBITDA margin	%	9.4	9.8	
Operating margin	%	5.7	6.1	
Investments in fixed assets [1]	€ million	42	43	–3.0
Investments in financial assets/acquisitions	€ million	0	0	–
Total investments	€ million	**42**	**43**	**–3.0**
Shares in companies consolidated at equity	€ million	0	0	–
Capital employed	€ million	823	782	5.3
Return on capital employed	%	7.5	8.4	
Employees		4,620	4,885	–5.4

[1] Including intangible assets.

TABLE 033

Raw material procurement for fruit preparations was marked by unusual volatility and some critical supply situations in fiscal 2015/16. For example, after an excellent harvest at the beginning of calendar 2015, which resulted in an excellent supply situation and moderate raw material prices, the unusually hot summer led to supply shortages and price increases, especially for berries and stone fruits. The currency exchange development between the euro and the US dollar made the price of tropical fruits and other globally sourced ingredients such as pectin more expensive.

Currency risks related to procurement in other countries with high inflation rates, such as Russia, Ukraine and Latin America, were mitigated by local raw material management.

AUSTRIA JUICE (fruit juice concentrates)

Volumes of fruit juice concentrates were down sharply in fiscal 2015/16. This was mainly caused by the price collapse for apple juice concentrates from the 2014 harvest, but also by lower volumes.

Fruit juice concentrates prices were volatile for the fiscal year just ended, but the overall trend was sharply downward, especially for apple juice concentrates from the 2014 harvest. Both raw material prices and market prices stabilized during AUSTRIA JUICE's 2015 campaign. The same trend was observed for berry juice concentrates.

In the fruit juice concentrates division, the available volume of apples was lower than the year before in the major processing centers, Poland and Hungary. The dry spring and summer months led to substantial raw material price increases at the start of the apple processing season. However, toward the end of the fiscal year, there was a noticeable downward trend in raw material prices. The European fruit juice concentrates factories had average loads during the 2015 campaign. In China, the production season proceeded more or less according to plan at last year's level.

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 higher than last year. The only exception was raspberries.

Production

ENERGY CONSUMPTION AND EMISSIONS

Over 90 % of the 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. The volume of CO_2 emitted is essentially a function of total energy demand.

Energy use by the fruit segment

Gigajoules per tonne main and by-product

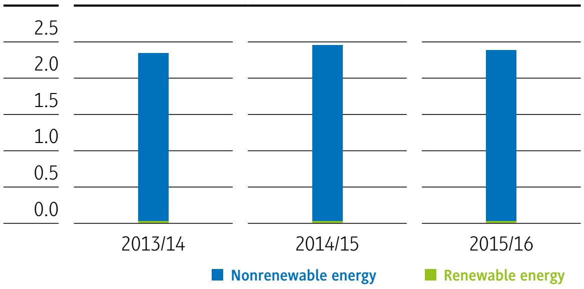


DIAGRAM 018

Emissions from direct and indirect energy use in the fruit segment

Tonne of CO_2 equivalent per tonne main and by-product

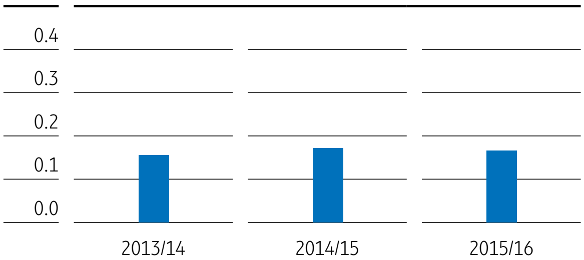


DIAGRAM 019

WATER WITHDRAWAL AND WASTEWATER

Approximately two-thirds of the water used for production stems 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. The remaining sites use municipal plants to treat wastewater.

Fruit segment – water withdrawal / wastewater

m^3 per tonne [1]	2015/16	2014/15	2013/14
Water withdrawal	4.0	4.2	3.9
Wastewater	3.8	4.0	3.9

[1] Main and by-products.

TABLE 034

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. In the fruit preparations division, a significant amount of the waste consists of production scrap, which is recycled as an energy source or composted. Only 0.1 (0.0) % of the waste is hazardous, consisting of lubricants used in the production process.

Fruit segment – waste by type of disposal

Thousand of tonnes	2015/16	2014/15	2013/14
Reuse	17.8	20.0	12.6
Recycling	14.9	14.1	9.0
Landfill	9.8	7.8	5.5
Composting	4.1	3.4	6.2
Incineration	0.4	0.3	0.7
Other	0.1	0.1	3.2
Total	**47.1**	**45.7**	**37.2**

TABLE 035

Actual and forecast business performance

		Outlook 2015/16 [1]	Actual 2015/16	Actual 2014/15
Group				
Revenues	€ billion	Decline to between 6.0 and 6.3	6.4	6.8
Operating result	€ million	In between 50 and 150	241	181
Return on capital employed	%	lower	4.2	3.1
Investments in fixed assets [2]	€ million	about 400	371	386
Sugar segment				
Revenues	€ billion	Sharpely lower	2.9	3.2
Operating result	€ million	Significantly lower	–79	7
Return on capital employed	%	Negative	–2.6	0.2
Special products segment				
Revenues	€ billion	Remaining stable	1.8	1.7
Operating result	€ million	Moderate decline	171	120
Return on capital employed	%	Going down	11.9	8.7
CropEnergies segment				
Revenues	€ billion	Decline to more than 0,5	0.7	0.8
Operating result	€ million	Range between –20 and +10	87	–11
Return on capital employed	%	Track operating result development	17.7	–2.2
Fruit segment				
Revenues	€ billion	As good as last year	1.1	1.1
Operating result	€ million	As good as last year	62	65
Return on capital employed	%	Decline	7.5	8.4

[1] Published on the press and analysts' conference (consolidated management report) on 20 May 2015.
[2] Including intangible assets.

TABLE 036

The above table shows the actual business performance in 2015/16, juxtaposed with the forecast for 2015/16 contained in the 2014/15 financial statements.

On 10 April 2015, Südzucker announced that it expected a further decline in consolidated group revenues to € 6.0 to 6.3 billion for fiscal 2015/16. Another significant drop in the operating result was expected, to a range between € 50 and € 150 million. The expectation was driven by the continuing unsatisfactory sales revenue situation in the European sugar and ethanol markets at that particular point in time. This forecast was reaffirmed during the balance sheet and analysts' conference on 20 May 2015 with the publication of the group's consolidated financial statements for 2014/15. The forecast was again confirmed when the first quarter interim report for 2015/16 was released.

After sales revenues for bioethanol climbed in the second quarter, the revenue forecast was raised from € 6.2 to 6.4 billion and the operating result forecast raised to a range between € 180 to 230 million. The new projection was announced on 22 September 2015 and confirmed with the release of the half year report.

The forecast was firmed up on 19 November 2015 and confirmed with the release of the third quarter 2015/16 interim report on 13 January 2016. The new forecast was for a decline in consolidated group revenues against prior year to € 6.3 to 6.5 billion and a consolidated group operating result in a range from € 200 to 240 million. Sugar segment revenues were expected to drop considerably, with a projected operating loss ranging between € 60 and 80 million. The forecast for the special products segment was for slightly higher revenues and an operating result of over € 145 million. Thanks to stabilizing spot prices for bioethanol, the forecast for the CropEnergies segment was again raised, with the new projections showing a much better result than the year prior. The forecast was now for revenues of over € 600 million and an operating result in a range between € 70 and 90 million. The forecast for the fruit segment's revenues continued to be at least the same as last year, but now the operating result was expected to decline.

Actual investments in fixed assets in fiscal 2015/16 came in at € 371 million, less than the forecast of around € 400 million.

In fiscal 2015/16 the consolidated group operating result of € 241 (,181) million was unsatisfactory despite improving, especially due to the continuing tense situation in the sugar markets.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no especially significant events since 29 February 2016 that would have a material impact on the company's assets, financial position or earnings.

RISK MANAGEMENT

Risk management system

Südzucker Group's business policies aim to safeguard the company's continued life, earn solid and adequatereturns and systematically 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 deploys an integrated system for 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.

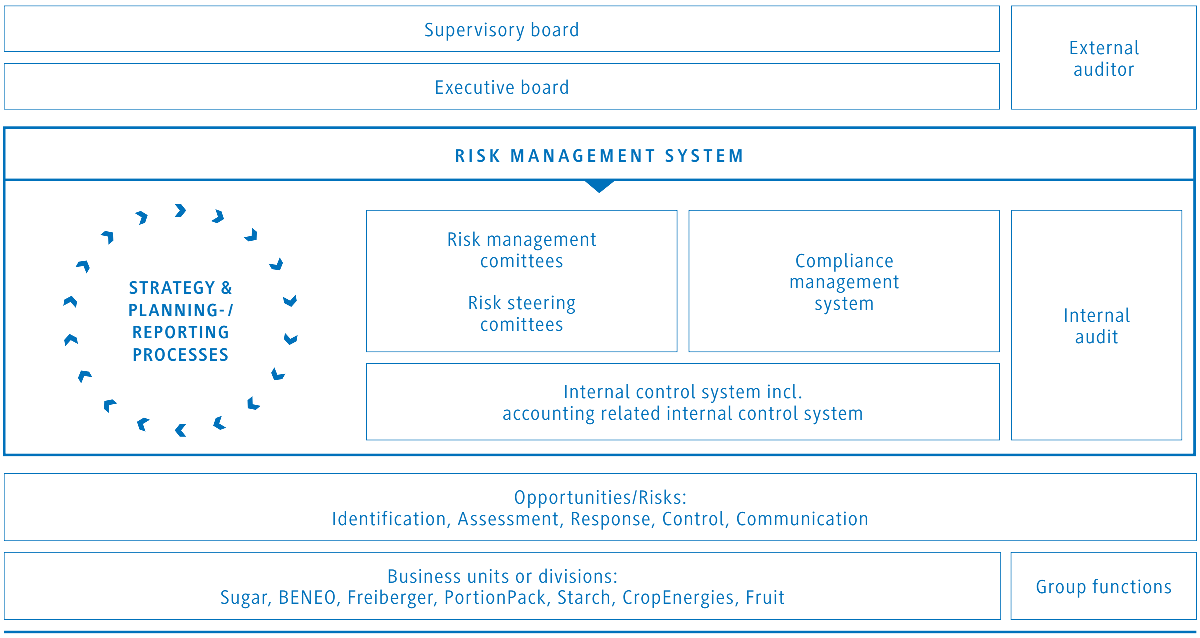
The risk management system of the business segments, divisions and the corporate departments is the responsibility of their respective managers, who take steps to reduce and defuse operational risks, as well as financial and legal risks. Changes in market prices can exert considerable positive or negative 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 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

RISK MANAGEMENT SYSTEM



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 heads of divisions and business areas, but also group departments regularly report to their respective department heads concerning current developments in their areas of responsibility.

INTERNAL AUDIT

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

Risks

SUMMARY OF CORPORATE RISK EXPOSURE

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

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

TABLE 037

The relative and absolute values "low", "medium" and "high" used for the corresponding categories are shown in table 037. 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

	Likelihood of materialisation	Possible financial effects
Strategic risks		
Risks from changes 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	low	high
Risks of price volatility of raw materials	high	high
Risks of price volatility of products	high	high
Exchange rate fluctuation risks	high	medium
Quality risks	low	medium
IT risks	low	medium
Personnel risks	low	medium
Creditworthiness and default risks	low	low
Other operating risks	low	low
Compliance risks		
General legal risks	medium	medium
Antitrust risks	medium	high
Corruption risks	low	medium
Financial risks		
Interest rate fluctuation risks	medium	medium
Exchange rate fluctuation risks	high	medium
Liquidity risks	low	high
Creditworthiness and default risks	low	high
Risk of rating downgrade	medium	medium

TABLE 038

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. Expiry of the regulations on minimum beet prices and quotas effective 30 September 2017 will further change the European sugar market. Sugar beet and isoglucose production in the European Union is expected to rise after the elimination of the quota regulations, thereby increasing competition in the markets. Beet prices will decisively influence the availability of sugar beets as raw material in the future. At the same time, the competitive situation will be distorted by the fact that several EU member states pay incentives tied to beet cultivation.

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. This is also true for bioethanol. For example, raising or lowering national mandatory blendings after 2020, restricting or promoting the usability of various raw materials, as well as regulating the use of cultivation areas can lead to new opportunities or 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.

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 around 30 to 35 million tonnes of agricultural raw materials grown on about 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 fluctuation 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 lead to 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 quota beet and ethanol 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 signs annual beet delivery contracts each season in the various cultivation areas. For the 2015/16 and 2016/17 sugar marketing years, these contracts for quota beets reflect 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. Südzucker is currently discussing 2017/18 beet prices with farmers. The aim is to derive beet prices from sugar sales revenues.

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.

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

CropEnergies' business policy will continue to mitigate residual risks of raw material price increases by entering into long-term supply agreements and utilizing commodity futures contracts as a hedge, as well as using alternative raw materials. Also, the company regularly balances forward contracts for purchased raw materials and sales of food, animal feed and ethanol. The degree of hedging is determined by the market situation, whereby the basic principle applied is that forward contracts for ethanol not exceed forward contracts for input raw materials. 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 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 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 deploys 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 expected 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. Compliance with carbon leakage criteria will in future be audited every five years; the next audit will be conducted for the allocation years 2020 to 2024. Elimination of carbon leakage status as of 2020 for the various industrial sectors in which Südzucker operates would significantly curtail the annual allocation of free-of-charge CO_2 certificates the company presently has. We are currently not expecting our carbon leakage status to be canceled. For the coming four trading periods from 2021 to 2030, we expect a significant reduction in the allocation of free-of-charge certificates, even if our carbon leakage status is retained.

Risks arising from the price volatility of products

The most important markets for sugar, functional ingredients for food and animal feed, frozen products, starch, bioethanol and fruit are distinguished by their comparably stable and/or rising demand. Signs of possible changes in consumer behavior are detected early. Any impact on Südzucker's market position is evaluated and may lead to a revised corporate strategy, such as restructuring or cost and capacity adjustments. Südzucker strives to reduce its dependency on the price of goods sold. Here optimizing cost structures to achieve cost leadership contributes toward stabilizing earnings margins. Still, all segments are exposed to market and product price risks.

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 2015/16 sugar marketing year. Starting in 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 as dictated by 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.

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.

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. We employ qualified internal and external experts and take appropriate technical steps to ensure IT systems are properly maintained and optimized. 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 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 2015/16. 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 report, the German Federal Antitrust Authority charged German sugar producers Südzucker AG, Nordzucker AG and Pfeifer & Langen GmbH & Co. KG with engaging in unlawful practice to restrict competition, including territorial, quota and price-fixing agreements. Südzucker accepted the penalty notice issued on 18 February 2014 as part of a settlement, and paid the fine in order to bring to a close the case and achieve legal and planning certainty going forward. The case was based on statements by a crown witness for the prosecution and had lasted almost five years. After payment of the fine, the German antitrust case was closed.

Since closure of the German antitrust proceedings, customers are claiming damages as expected, due to alleged cartel-related markups. Südzucker and the two other fined German sugar producers are categorically disputing these claims, especially since various appraisers have stated that no customers were disadvantaged during the timeframe considered by the Antitrust Authority. Some customers have made claims for damages or information against the German 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 alleged violation of the Austrian Cartel Act. AGRANA and Südzucker are accused of anticompetitive agreements relating to Austria. 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 additional 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 2015/16. 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.

CURRENCY EXCHANGE 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 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

Moody's and Standard & Poor's rating agencies assess Südzucker's creditworthiness. Südzucker considers itself duty-bound 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 . Südzucker's European locations have advantageous natural geography with excellent soils, high yields and stable 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 for isoglucose will rise in the European sweetener market starting in 2017.

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 at 2 % to 3 % per annum from the current 182 million tonnes to about 200 million tonnes by 2020. 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 global 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 offering the company markets is a 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 expanding 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.

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.

The objectives of the EU's bioethanol market expansion program are to secure energy supplies, protect the climate and strengthen regional structures. The EU established conditions to encourage greater use of bioethanol in the fuel sector, and opportunities may arise from the resulting market growth. Should the introduction of E10 throughout Europe gain momentum, bioethanol volume could increase considerably, resulting in further growth opportunities for CropEnergies.

The construction and commissioning of the production facility for neutral alcohol in Zeitz has given CropEnergies the opportunity to pursue high-margin applications for bioethanol.

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 US-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

Global economic growth in 2016 is expected to come in at 2.2 (2.4) %. Growth in the United States and Asia is expected to weaken, hence especially in China and South America. The EU is expected to grow at a rate of +1.7 %.

VOLUME AND RAW MATERIAL MARKETS

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

Sugar
The world market for sugar is expected to have a deficit for the first time in six years in sugar marketing year 2015/16. German analyst F.O. Licht also expects a further decline in global sugar inventories for the following sugar marketing year. Based on this forecast and largely stable currency exchange rates, especially with respect to the Brazilian real, world market prices for sugar are expected to trend higher. Last sugar marketing year, the EU price level was so low, that the EU's import requirements could not be fully covered. Prices in the EU sugar market must therefore rise in order to enable imports to be sold at covered costs and to balance Europe's sugar needs.

Bioethanol
Fuel grade ethanol consumption in the EU is expected to decline further to 5.1 million m^3 in 2016. The potential for fast and cost-effective decarbonization of the transport sector resulting from the use of bioethanol is thus by far not being exploited. After completion of the discussions about the future form of the political framework in the EU, it is expected that E10 will be introduced throughout Europe in the medium term; for example, E10 should be available in Belgium as of January 2017.

The demand for fuel grade ethanol in the EU will again mainly be covered by domestic producers in 2016. Market analysts expect European production to rise to 5.1 million m^3. No significant change in supply and demand is expected for bioethanol markets outside the fuel grade sector.

CropEnergies expects European bioethanol prices to be lower in 2016 than last year. We say this because the actual demand for bioethanol will continue to be significantly lower than the national action plans of the EU member states, upon which basis companies expanded their production capacities in the EU. If bioethanol imports grow moderately, it is expected that European bioethanol prices will closely track the recently lower raw material costs in Europe.

Fruit
The fruit preparations market volume is expected to expand further globally. The positive trend is expected above all in Latin America and Asia. We expect stable to slightly climbing demand for fruit juice concentrates in the coming year following the average harvest in 2015, which resulted in significantly higher prices than for the 2014 harvest.

Grain
According to the US Department of Agriculture (USDA) estimates released on 12 April 2016, world grain production (excluding rice) will be around 1,994 million tonnes in grain marketing year 2015/16, only slightly under last year's record level. Because of the excellent supply situation, inventories are expected to rise 5.6 % to 484 million tonnes, so it is unlikely that grain prices will rise noticeably. Initial forecasts by the International Grains Council for grain marketing year 2016/17 are forecasting another above-average grain harvest, with cultivation acreage remaining largely unchanged and yields at normal levels. This will result in a continued excellent supply situation.

Group

We expect group consolidated revenues to come in at € 6.4 to 6.6 (2015/16: 6.4) billion in fiscal 2016/17. We anticipate revenues in the sugar segment to remain the same as last year. The special product segment's revenues are expected to be slightly higher. We expect the CropEnergies segment's revenues to range between € 550 and 625 million and the fruit segment's to jump significantly.

We expect the operating result to rise further. It should come in at between € 250 to 350 (2015/16: 241) million. This will be driven mainly by better results in the sugar segment. After the records set in 2015/16, we expect a significant retreat in the special products and CropEnergies segments. We expect a year-over-year increase in the fruit segment.

We assume that there will be a slight increase in capital employed. Based on the increased operating result, we expect ROCE to improve (2015/16: 4.2 %).

The total budget for investments for fiscal 2016/17 is about € 300 to 350 (2015/16: 371) million.

The consolidated group operating result for the first quarter of the current 2016/17 fiscal year is expected to be significantly higher than last year at the same time.

Sugar segment

We are expecting the sugar segment's revenues to stabilize. Average sugar sales revenues for the entire fiscal year should be higher than last year. This should offset the missing revenue contributions resulting from cancellation of the joint sales venture with Mauritius (Mauritius Sugar Syndicate) and termination of raw sugar refining at the site in Marseille, France.

Following an operating loss in fiscal 2015/16, we are expecting a positive operating result for the current fiscal year because of the higher sales revenues that will be generated over the course of the year. Here we also expect a contribution from higher loading of the sugar factories during the 2016 campaign in the second half of the fiscal year. Cost saving programs will continue to be executed as planned.

Capital employed is expected to remain stable, and after the operating loss last year, ROCE is expected to be positive (2015/16: –2.6 %).

Special products segment

We expect the special products segment's revenues to rise slightly. Our forecast predicts a significant decline in operating result compared to last year's very high level. This takes into consideration among other things the significant decline in expected ethanol sales revenues, as well as charges from the startup of the new starch plant in Zeitz, which will be commissioned in the first half of 2016/17.

ROCE (2015/16: 11.9 %) will go down as capital employed rises slightly and the operating result contribution will come in lower.

CropEnergies segment

Due to the current stable futures prices, CropEnergies expects bioethanol prices to initially remain low for fiscal 2016/17. The introduction of E10 in more countries should boost demand for bioethanol over the course of the year and lead to a normalization of prices. Given these assumptions, bioethanol production, as well as food and animal feed, should be about the same as in fiscal 2015/16. Including trading business, the sales volume of bioethanol should safely reach about 1 million m^3. Revenues should therefore reach € 550 to 625 million.

Given constant sales volumes and bioethanol prices lower than last year's excellent levels, CropEnergies expects an operating result in a range from € 30 to 70 million in fiscal 2016/17. In addition, there will be extraordinary expenses of up to € 17 million per annum while the bioethanol plant in Wilton remains closed.

Capital employed will remain steady and the operating result will decline, so ROCE (2015/16: 17.7 %) is expected to drop as well.

Fruit segment

For the fruit segment, we expect revenues to rise sharply and a higher operating result than last year. We expect the fruit preparations division's revenues to increase due to rising sales volumes. The excellent supply situation for fruits will result in a stable operating result development. In the fruit juice concentrates division, higher revenues will be driven by the forecasted sales volume and revenue increase, which will also generate a higher operating result.

Capital employed is expected to rise moderately, and the operating result is also expected to increase, so ROCE (2015/16: 7.5 %) is expected to be higher than last year.

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 March 2015 to 29 February 2016

€ million	Notes	2015/16	2014/15	+/– in %
Income statement				
Revenues	(6)	**6,387.0**	**6,777.6**	**–5.8**
Change in work in progress and finished goods inventories and internal costs capitalized	(7)	–175.3	–199.3	–12.0
Other operating income	(8)	122.5	136.6	–10.3
Cost of materials	(9)	–4,091.8	–4,495.0	–9.0
Personnel expenses	(10)	–831.5	–839.1	–0.9
Depreciation	(11)	–283.9	–280.5	1.2
Other operating expenses	(12)	–905.1	–962.9	–6.0
Result from companies consolidated at equity	(13)	55.0	21.8	> 100
Result from operations	(14)	**276.9**	**159.2**	**73.9**
Financial income	(15)	59.6	42.5	40.2
Financial expense	(15)	–109.8	–74.4	47.6
Earnings before income taxes		**226.7**	**127.3**	**78.1**
Taxes on income	(16)	–45.8	–53.5	–14.4
Net earnings	(18)	**180.9**	**73.8**	**> 100**
of which attributable to Südzucker AG shareholders		108.9	20.1	> 100
of which attributable to hybrid capital		18.4	26.2	–29.8
of which attributable to other non-controlling interests		53.6	27.5	94.9
Earnings per share (€)	(18)	**0.53**	**0.10**	**> 100**

€ million	Notes	2015/16	2014/15	+/– in %
Statement of other comprehensive income				
Net earnings		**180.9**	**73.8**	**> 100**
Market value of hedging instruments (cash flow hedge) after deferred taxes		–6.8	1.2	–
Revaluation not affecting income		–11.4	–1.5	> 100
Realization resulting in a profit or loss		1.5	3.4	–55.9
Deferred taxes		3.1	–0.7	–
Market value of securities (available for sale) after deferred taxes		–1.1	0.9	–
Revaluation not affecting income		–1.5	1.5	–
Deferred taxes		0.4	–0.6	–
Exchange differences on net investments in foreign operations after deferred taxes		–3.8	0.2	–
Revaluation not affecting income		–4.7	0.2	–
Deferred taxes		0.9	0.0	–
Foreign currency translation differences		–56.6	18.4	–
Share from companies consolidated at equity		–4.9	27.9	–
Income and expenses to be recognized in the income statement in the future	(19)	**–73.2**	**48.6**	**–**
Remeasurement of defined benefit pension plans and similar obligations after deferred taxes	(27)	27.0	–118.9	–
Revaluation not affecting income		37.7	–162.6	–
Deferred taxes		–10.7	43.7	–
Income and expenses to not be recognized in the income statement in the future	(19)	**27.0**	**–118.9**	**–**
Other comprehensive income/loss	(19)	**–46.2**	**–70.3**	**–34.3**
Comprehensive income		**134.7**	**3.5**	**> 100**
of which attributable to Südzucker AG shareholders		74.5	–39.2	–
of which attributable to hybrid capital		18.4	26.2	–29.8
of which attributable to other non-controlling interests		41.8	16.5	> 100

TABLE 039

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 2015 to 29 February 2016

€ million	2015/16	2014/15	+/– in %
Net earnings	180.9	73.8	> 100
Depreciation and amortization of intangible assets, fixed assets and other investments	284.0	280.5	1.2
Decrease (–) / Increase (+) in non-current provisions and deferred tax liabilities and increase (–) / decrease (+) in deferred tax assets	6.9	16.3	−57.7
Other income (–) / expenses (+) not affecting cash	8.6	18.2	−52.7
Cash flow	**480.4**	**388.8**	**23.6**
Gain (–) / Loss (+) on disposal of items included in non-current assets and of securities	−2.6	−17.6	−85.2
Decrease (–) / Increase (+) in current provisions	−20.9	41.0	–
Increase (–) / decrease (+) in inventories, receivables and other current assets	252.9	422.5	−40.1
Decrease (–) / Increase (+) in liabilities (excluding financial liabilities)	−117.8	−332.2	−64.5
Increase (–) / Decrease (+) in working capital	**114.2**	**131.3**	**−13.0**
I. Net cash flow from operating activities	**592.0**	**502.5**	**17.8**
Investments in fixed assets and intangible assets	−370.8	−386.2	−4.0
Investments in financial assets	0.0	−0.8	−100.0
Investments	**−370.8**	**−387.0**	**−4.2**
Cash received on disposal of non-current assets	12.2	32.2	−62.1
Cash received (+) for the sale of bonds	125.0	0.0	–
Cash paid (–) for the purchase of bonds	−125.0	0.0	–
Cash paid (–) / received (+) for the purchase / sale of other securities	−0.3	1.9	–
II. Cash flow from investing activities	**−358.9**	**−352.9**	**1.7**
Increases in stakes held in subsidiaries	−2.6	−33.3	−92.2
Capital buyback (–) / increase (+)	−29.1	0.0	–
Dividends paid	−129.2	−173.0	−25.3
Repayment (–) / Issuance (+) of commercial papers	−75.0	110.0	–
Other Repayment (–) / Refund (+) of financial liabilities	−59.5	−15.7	> 100
Repayment (–) / Refund (+) of financial liabilities	**−134.5**	**94.3**	**–**
III. Cash flow from financing activities	**−295.4**	**−112.0**	**> 100**
Change in cash and cash equivalent (total of I., II. and III.)	**−62.3**	**37.6**	**–**
Change in cash and cash equivalents			
due to exchange rate changes	−14.0	−4.2	> 100
due to changes in entities included in consolidation	0.0	0.0	–
Decrease (–) / Increase (+) in cash and cash equivalents	**−76.3**	**33.4**	**–**
Cash and cash equivalents at the beginning of the period	535.7	502.3	6.6
Cash and cash equivalents at the end of the period	**459.4**	**535.7**	**−14.2**

€ million	Notes	2015/16	2014/15	+/– in %
Dividends received from companies consolidated at equity / other participations investments		48.7	27.8	75.2
Interest receipts	(20)	23.2	21.5	7.9
Interest payments	(20)	−30.6	−37.5	−18.4
Income taxes paid	(20)	−79.0	−38.4	> 100

TABLE 040

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

BALANCE SHEET

29 February 2016

€ million	Notes	29 February 2016	28 February 2015	+/– in %
Assets				
Intangible assets	(21)	1,188.9	1,187.4	0.1
Fixed assets	(22)	2,824.7	2,789.6	1.3
Shares in companies consolidated at equity	(23)	333.3	333.1	0.1
Other investments	(23)	21.8	21.9	−0.5
Securities	(23), (30)	18.6	19.9	−6.5
Other assets	(25)	13.6	24.8	−45.2
Deferred tax assets	(16)	133.2	133.3	−0.1
Non-current assets		**4,534.1**	**4,510.0**	**0.5**
Inventories	(24)	1,897.2	2,127.6	−10.8
Trade receivables	(25)	782.8	869.6	−10.0
Other assets	(25)	298.2	266.7	11.8
Current tax receivables	(16)	36.0	38.9	−7.5
Securities	(30)	125.7	125.7	
Cash and cash equivalents	(30)	459.4	535.7	−14.2
Current assets		**3,599.3**	**3,964.2**	**−9.2**
Total assets		**8,133.4**	**8,474.2**	**−4.0**

€ million	Notes	29 February 2016	28 February 2015	+/– in %
Liabilities and shareholders' equity				
Equity attributable to shareholders of Südzucker AG		3,158.4	3,124.7	1.1
Hybrid capital		653.1	683.9	−4.5
Other non-controlling interests		661.4	652.2	1.4
Total equity	(26)	**4,472.9**	**4,460.8**	**0.3**
Provisions for pensions and similar obligations	(27)	797.9	826.0	−3.4
Other provisions	(28)	103.0	109.0	−5.5
Financial liabilities	(30)	733.8	774.1	−5.2
Other liabilities	(29)	15.5	18.2	−14.8
Tax liabilities	(16)	98.6	78.9	25.0
Deferred tax liabilities	(16)	62.0	79.2	−21.7
Non-current liabilities		**1,810.8**	**1,885.4**	**−4.0**
Other provisions	(28)	208.7	230.1	−9.3
Financial liabilities	(30)	424.6	500.0	−15.1
Trade payables	(29)	801.1	955.9	−16.2
Other liabilities	(29)	354.7	342.6	3.5
Current tax liabilities	(16)	60.6	99.4	−39.0
Current liabilities		**1,849.7**	**2,128.0**	**−13.1**
Total liabilities and equity		**8,133.4**	**8,474.2**	**−4.0**
Net financial debt		554.7	592.8	−6.4
Equity ratio		55.0	52.6	
Net financial debt as % of equity (gearing)		12.4	13.3	

TABLE 041

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 2015 to 29 February 2016

€ million	Outstanding subscribed capital	Nominal value own shares	Capital reserve	Other reserves
1 March 2014	**204.2**	**0.0**	**1,614.9**	**1,525.4**
Net earnings				20.1
Other comprehensive income/loss before taxes				−152.7
Taxes on other comprehensive income				42.0
Comprehensive income				**−90.6**
Distributions				−102.1
Capital increase / decrease				0.0
Buyback of hybrid capital	0.0		0.0	0.0
Other changes				−2.0
28 February 2015	**204.2**	**0.0**	**1,614.9**	**1,330.7**
1 March 2015	**204.2**	**0.0**	**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
Capital increase / decrease	0.0		0.0	0.0
Buyback of hybrid capital				1.7
Other changes				8.5
29 February 2016	**204.2**	**0.0**	**1,614.9**	**1,424.2**

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
−1.9	**1.5**	**−10.6**	**−42.7**	**−22.8**	**3,268.0**	**683.9**	**672.9**	**4,624.8**
					20.1	26.2	27.5	73.8
0.9	1.0	0.2	23.2	26.9	−100.5		−12.2	−112.7
−0.5	−0.3				41.2		1.2	42.4
0.4	**0.7**	**0.2**	**23.2**	**26.9**	**−39.2**	**26.2**	**16.5**	**3.5**
					−102.1	−26.2	−34.1	−162.4
					0.0		0.0	0.0
					0.0	0.0		0.0
					−2.0		−3.1	−5.1
−1.5	**2.2**	**−10.4**	**−19.5**	**4.1**	**3,124.7**	**683.9**	**652.2**	**4,460.8**
−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**

TABLE 042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment report

€ million	2015/16	2014/15	+/– in %
Südzucker Group			
Gross revenues	**6,748.6**	**7,156.8**	**–5.7**
Consolidation	–361.6	–379.2	–4.6
Revenues	**6,387.0**	**6,777.6**	**–5.8**
EBITDA	**517.8**	**453.1**	**14.3**
EBITDA margin	8.1 %	6.7 %	
Depreciation	–276.5	–271.7	1.8
Operating result	**241.3**	**181.4**	**33.0**
Operating margin	3.8 %	2.7 %	
Result from restructuring/special items	–19.4	–44.0	–55.9
Result from companies consolidated at equity	55.0	21.8	> 100
Result from operations	**276.9**	**159.2**	**73.9**
Investments in fixed assets [1]	370.8	386.2	–4.0
Investments in financial assets/acquisitions	0.0	0.8	–100.0
Total investments	**370.8**	**387.0**	**–4.2**
Shares in companies consolidated at equity	333.3	333.1	0.1
Capital employed	5,790.8	5,876.5	–1.5
Return on capital employed	4.2 %	3.1 %	
Number of employees	**16,486**	**17,231**	**–4.3**
Sugar segment			
Gross revenues	**3,095.5**	**3,481.3**	**–11.1**
Consolidation	–241.1	–253.6	–4.9
Revenues	**2,854.4**	**3,227.7**	**–11.6**
EBITDA	**48.7**	**131.5**	**–63.0**
EBITDA margin	1.7 %	4.1 %	
Depreciation	–126.9	–124.6	1.8
Operating result	**–78.2**	**6.9**	**–**
Operating margin	–2.7 %	0.2 %	
Result from restructuring/special items	3.9	–5.0	–
Result from companies consolidated at equity	32.1	–5.6	–
Result from operations	**–42.2**	**–3.7**	**> 100**
Investments in fixed assets [1]	181.1	186.5	–2.9
Investments in financial assets/acquisitions	0.0	0.0	–100
Total investments	**181.1**	**186.5**	**–2.9**
Shares in companies consolidated at equity	275.2	250.0	10.1
Capital employed	3,041.3	3,199.2	–4.9
Return on capital employed	–2.6 %	0.2 %	
Number of employees	**7,028**	**7,636**	**–8.0**

[1] Including intangible assets.

€ million	2015/16	2014/15	+/– in %
Special products segment			
Gross revenues	**1,846.4**	**1,785.8**	**3.4**
Consolidation	–55.3	–61.9	–10.7
Revenues	**1,791.1**	**1,723.9**	**3.9**
EBITDA	**245.9**	**192.8**	**27.5**
EBITDA margin	13.7%	11.2%	
Depreciation	–75.0	–72.4	3.6
Operating result	**170.9**	**120.4**	**41.9**
Operating margin	9.5%	7.0%	
Result from restructuring/special items	–2.2	–3.8	–42.1
Result from companies consolidated at equity	22.9	27.1	–15.5
Result from operations	**191.6**	**143.7**	**33.3**
Investments in fixed assets [1]	131.2	124.8	5.1
Investments in financial assets/acquisitions	0.0	0.8	–100.0
Total investments	**131.2**	**125.6**	**4.5**
Shares in companies consolidated at equity	56.3	81.4	–30.8
Capital employed	1,436.1	1,377.4	4.3
Return on capital employed	11.9%	8.7%	
Number of employees	**4,422**	**4,278**	**3.4**
CropEnergies segment			
Gross revenues	**722.6**	**827.2**	**–12.6**
Consolidation	–64.4	–63.4	1.6
Revenues	**658.2**	**763.8**	**–13.8**
EBITDA	**121.5**	**25.2**	**> 100**
EBITDA margin	18.5%	3.3%	
Depreciation	–34.8	–36.4	–4.4
Operating result	**86.7**	**–11.2**	**–**
Operating margin	13.2%	–1.5%	
Result from restructuring/special items	–18.0	–28.5	–36.8
Result from companies consolidated at equity	0.0	0.3	–100.0
Result from operations	**68.7**	**–39.4**	**–**
Investments in fixed assets [1]	16.8	31.9	–47.3
Investments in financial assets/acquisitions	0.0	0.0	–
Total investments	**16.8**	**31.9**	**–47.3**
Shares in companies consolidated at equity	1.8	1.7	5.9
Capital employed	490.3	518.4	–5.4
Return on capital employed	17.7%	–2.2%	
Number of employees	**416**	**432**	**–3.7**

[1] Including intangible assets.

€ million	2015/16	2014/15	+/− in %
Fruit segment			
Gross revenues	**1,084.1**	**1,062.5**	**2.0**
Consolidation	−0.8	−0.3	> 100
Revenues	**1,083.3**	**1,062.2**	**2.0**
EBITDA	**101.7**	**103.6**	**−1.8**
EBITDA margin	9.4%	9.8%	
Depreciation	−39.8	−38.3	3.9
Operating result	**61.9**	**65.3**	**−5.2**
Operating margin	5.7%	6.1%	
Result from restructuring/special items	−3.1	−6.7	−53.7
Result from companies consolidated at equity	0.0	0.0	–
Result from operations	**58.8**	**58.6**	**0.3**
Investments in fixed assets [1]	41.7	43.0	−3.0
Investments in financial assets/acquisitions	0.0	0.0	–
Total investments	**41.7**	**43.0**	**−3.0**
Shares in companies consolidated at equity	0.0	0.0	–
Capital employed	823.1	781.5	5.3
Return on capital employed	7.5%	8.4%	
Number of employees	**4,620**	**4,885**	**−5.4**

[1] Including intangible assets.

TABLE 043

As outlined in IFRS 8 (Operating Segments), the reporting segments of Südzucker Group are aligned with the internal reporting structure. Südzucker Group reports for the four segments sugar, special products, CropEnergies and fruit.

Sugar segment

The sugar 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., Wroclaw) as well as distributors in Greece, the United Kingdom, Italy and Spain. The AGRANA Zucker division comprises sugar production in Austria, Romania, Slovakia, Czech Republic and Hungary. There are also the divisions sugar production in Moldova (Südzucker Moldova S.A., Chisinau) and agriculture (Südzucker AG, Landwirtschaft, Agrar und Umwelt AG Loberaue, Rackwitz). The British trading company ED&F Man Holdings Ltd., 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 in Hungary are consolidated at equity.

CropEnergies segment

The CropEnergies segment bundles the bioethanol activities of Südzucker Group at the four production sites in Germany, Belgium, France and the United Kingdom as well as trading activities in Brazil and Chile, and conducts business as a publicly held company (Aktiengesellschaft). CropEnergies is a leading manufacturer of sustainably produced bioethanol for the European fuel sector and a producer of food and animal feed. CropEnergies also holds a 50 % stake in CT Biocarbonic GmbH, which operates a plant in Zeitz for the production of food-grade liquid CO_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 non-alcoholic beverage industry.

Result from operations

The result from operations reported in the statement of comprehensive income breaks down into operating result, the result from restructuring / special items and result from companies consolidated at equity. Result from operations is a key ratio that represents a benchmark for entities with different financial structures and tax systems by which the net earnings are adjusted for the financial result and the tax expense.

Operating result

Operating result is the result from operations adjusted for special items and effects from at equity consolidation. Special items do not regularly recur within business operations and include also items that influence earnings but are not attributable to the reporting period. Operating result serves as a basis for internal group management. Operating margin is calculated as the percentage of operating result to revenues.

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 € 361.6 (379.2) million – were conducted at market conditions.

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	2015/16	2014/15
Operating result	**241.3**	**181.4**
Goodwill	1,257.6	1,257.8
Concessions, industrial and similar rights	43.8	42.2
Fixed assets	2,824.7	2,789.6
Non-interest bearing receivables	*1,046.7*	*1,110.6*
Inventories	*1,897.2*	*2,127.6*
./. Current provisions	*−208.7*	*−230.1*
./. Non-interest bearing liabilities	*−1,070.5*	*−1,221.2*
Working capital	1,664.7	1,786.9
Capital employed	**5,790.8**	**5,876.5**
Return on capital employed	**4.2 %**	**3.1 %**

TABLE 044

Information about geographic segments is provided below:

€ million	2015/16	2014/15
Third-party revenues		
Germany	1,530.8	1,716.4
Other EU	3,677.4	3,939.9
Other countries	1,178.7	1,121.3
	6,387.0	**6,777.6**
Expenditures on fixed and intangible assets (excluding goodwill)		
Germany	147.6	175.2
Other EU	198.3	163.7
Other countries	24.9	47.3
	370.8	**386.2**
Carrying amount fixed and intangible assets (excluding goodwill)		
Germany	979.9	923.1
Other EU	1,593.7	1,585.1
Other countries	295.0	323.6
	2,868.6	**2,831.8**
Employees by geographic areas		
Germany	3,803	3,784
Other EU	8,848	9,369
Other countries	3,835	4,078
	16,486	**17,231**

TABLE 045

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 18 December 2015, the corporate purpose of the company is the production of sugar, its sales, the exploitation of its by-products and conducting agricultural operations. The company is also authorized to participate in other undertakings in any permissible form, to acquire such undertakings and to enter into any transactions that appear directly or indirectly beneficial to achieving or promoting the corporate purpose.

The consolidated financial statements present the operations of Südzucker AG and its subsidiaries. Südzucker has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, based on the interpretations of the IFRS Interpretations Committee (IFRS IC) as to be applied in the EU. The statutory commercial requirements as set out in section 315a (1) of the German Commercial Code (HGB) have also been considered. All IFRSs issued by the IASB that were effective and applied by Südzucker AG at the time these consolidated financial statements were prepared have been adopted by the European Commission for application in the EU.

The consolidated financial statements for the period ended 29 February 2016 were prepared on 25 April 2016 by the executive board and received an unqualified audit opinion by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Mannheim. The audit committee audited the consolidated financial statements on 4 May 2016, which were subsequently audited and approved by the supervisory board at its meeting on 18 May 2016. The publication date is 19 May 2016.

Südzucker prepares and presents the consolidated financial statements in euros; unless otherwise indicated, all amounts are disclosed in millions of euros (€ million). The previous year’s numbers are generally shown in parentheses. Numbers and percentages are subject to differences due to rounding.

In addition to a statement of comprehensive income, which comprises the income statement, a statement of 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 in order to improve the clarity of presentation. These items are shown separately and described in the notes to the financial statements. The income statement is part of the statement of comprehensive income and has been prepared using the nature of expense method.

The consolidated financial statements are prepared based on historical cost, provided no other method is reported under note (5) Accounting policies.

First-time adoption of IFRSS and IFRIC

IAS 19 (Employee Benefits), the standards amended as part of the Annual Improvements Projects 2011 – 2013 and 2010 – 2012, and IFRIC 21 (Levies) were mandatory for the first time in the 2015/16 financial year. The amendments had no material effect on the presentation of the financial position and performance of Südzucker.

Future application of IFRSS and IFRIC

The following is a summary of the standards and interpretations that must be applied as of the 2016/17 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 1 Presentation of Financial Statements (amendment)	18.12.2014 18.12.2015	2016/17	The amendments clarify that information should not be obscured by aggregating and that materiality considerations apply to all parts of the financial statements even if individual standards prescribe minimum disclosures. The relevance of items in the balance sheet and the statement of comprehensive income determines whether they are itemised or combined. All effects from entities consolidated at equity are presented in a separate catagory in other comprehensive income, irrespective of recyclability. The amendments are part of the initiative for improving disclosure requirements (Disclosure Initiative). The amendments are expected to have an impact on the presentation of the financial statements and the disclosures in the notes.
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 16 Property, plant and equipment (amendment)	12.05.2014 23.11.2015	2016/17	No effect is expected on the presentation of the financial position and performance.
IAS 16 Property, plant and equipment (amendment)	30.06.2014 02.12.2015	2016/17	No effect is expected on the presentation of the financial position and performance.
IAS 27 (amended 2011) Separate financial statements (amendment)	12.08.2014 18.12.2015	2016/17	This amendment has no effect since it concerns separate financial statements.
IAS 28 (amended 2011) Investments in Associates (amendment)	11.09.2014 no	2016/17	No effect is expected on the presentation of the financial position and performance.
IAS 28 (amended 2011) Investments in Associates (amendment)	18.12.2014 no	2016/17	No effect is expected on the presentation of the financial position and performance.
IAS 38 Intangible Assets (amendment)	12.05.2014 02.12.2015	2016/17	No effect is expected on the presentation of the financial position and performance.
IAS 41 Agriculture (amendment)	30.06.2014 23.11.2015	2016/17	No material effect is expected on the presentation of the financial position and performance.

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 / no	2018/19	The IASB has published the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement". This new version of the Standard adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets. The impairment model is based on the concept of providing for expected losses at inception of a contract, except in the case of purchased or originated credit-impaired financial assets, where expected credit losses are incorporated into the effective interest rate. The final version amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVTOCI) category for certain debt instruments. Furthermore, it provides additional guidance on how to apply the business model and contractual cash flow characteristics test. The Standard supersedes all previous versions of IFRS 9. There will also be changes to how existing securities are measured due to the new classification and more extensive hedge accounting is expected for derivatives. The disclosure requirements are also expected to increase.
IFRS 10 Consolidated Financial Statements (amendment)	11.09.2014 / no	2016/17	No effect is expected on the presentation of the financial position and performance.
IFRS 10 Consolidated Financial Statements (amendment)	18.12.2014 / no	2016/17	No effect is expected on the presentation of the financial position and performance.
IFRS 11 Joint Arrangements (amendment)	06.05.2014 / 24.11.2015	2016/17	This amendment may affect the accounting of future acquisitions of investments in associates.
IFRS 12 Disclosures of Interests in Other Entities (amendment)	18.12.2014 / no	2016/17	This amendment has no relevance for Südzucker.
IFRS 14 Regulatory Deferral Accounts	30.01.2014 / no	2016/17	This standard has no relevance for Südzucker. Due to the extremely small audience, the European Commission has not endorsed formal adoption of this interim standard.
IFRS 15 Revenue from Contracts with Customers	28.05.2014 / no	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.

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 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. There is a recognition option for low-value assets and short-term leases if the lease term is for 12 months or less. Südzucker is reviewing the extent to which IFRS 16 applies to existing lease agreements and how the value in use and the corresponding liability is to be measured for individual agreements or contract groups. It will be possible to estimate the effect on the financial position once this process is complete. Südzucker is a lessor only to a very limited extent. For the lessor, the dual accounting model remains in effect with operating and finance leases; therefore, no adjustment requirements are expected.
Miscellaneous Annual Improvements Project 2012 – 2014	25.09.2014 15.12.2015	2016/17	No material effect is expected on the presentation of the financial position and performance.

TABLE 046

Restatement in accordance with IAS 8

Beginning with the 2015/16 financial year, the presentation of the statement of comprehensive income now includes the line item “Share from companies consolidated at equity” under “Statement of other comprehensive income”. It comprises amounts resulting from market valuations and exchange differences recognized directly in equity at companies consolidated at equity. These were previously allocated to the line items “Market valuations” and “Foreign currency translation differences”. This led to an adjustment in the statement of changes in shareholders’ equity so that the individual components of other comprehensive income – provided they are attributable to the equity of Südzucker AG shareholders – are directly reported; here as well, a column isolates the amounts resulting from market valuations and exchange differences recognized directly in entity at companies consolidated at equity.

(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. 153 (157) companies in addition to Südzucker AG were included in the consolidated financial statements for the year ended 29 February 2016. Four companies were merged and three companies were liquidated. In addition, the AGRANA subsidiary AGRANA Research & Innovation Center GmbH, Vienna, Austria, was consolidated for the first time; the difference of € 3.6 million is recognized in other operating income. Apart from this two newly founded sales entities have been consolidated for the first time. Furthermore, one company meets the criteria to be classified as held for sale. The effects of the change in companies included in consolidation on the consolidated financial statements are as follows:

€ million	Effects of the change in companies included in consolidation	
28/29 February	2016	2015
Non-current assets	2.4	−0.4
Inventories	*0.0*	*−1.0*
Receivables and other assets	*5.0*	*−2.0*
Cash and cash equivalents and securities	*0.0*	*−0.4*
Current assets	5.0	−3.4
Total assets	**7.4**	**−3.8**
Shareholders' Equity	4.4	−2.8
Non-current liabilities	1.9	0.0
Current liabilities	1.1	−1.0
Total liabilities and equity	**7.4**	**−3.8**

TABLE 047

Companies consolidated at equity

The equity method was used for 15 (14) joint ventures of Hungrana Group and Studen Group, CT Biocarbonic GmbH, Maxi S.r.l. and Collaborative Packing Solutions (Pty) Ltd and also for the associate ED&F Man Holdings Ltd. 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	2016			2015		
€ million	Total	Hungrana group	Other	Total	Hungrana group	Other
Non-current assets	154.7	107.4	47.3	156.9	106.7	50.2
Inventories	87.9	35.1	52.8	91.7	24.7	67.0
Receivables and other assets	120.5	40.5	80.0	143.1	62.5	80.6
Cash, cash equivalents and securities	10.5	2.2	8.3	30.3	21.8	8.5
Current assets	218.9	77.8	141.1	265.1	109.0	156.1
Total assets	**373.6**	**185.2**	**188.4**	**422.0**	**215.7**	**206.3**
Equity	132.1	110.2	21.9	179.6	160.3	19.3
External financial liabilities	9.8	7.5	2.3	13.6	10.5	3.1
Other liabilities	6.8	5.9	0.9	7.5	6.7	0.8
Non-current liabilities	16.6	13.4	3.2	21.1	17.2	3.9
External financial liabilities	80.2	34.4	45.8	51.9	10.7	41.2
Other liabilities	144.7	27.2	117.5	169.4	27.5	141.9
Current liabilities	224.9	61.6	163.3	221.3	38.2	183.1
Total liabilities and equity	**373.6**	**185.2**	**188.4**	**422.0**	**215.7**	**206.3**
Revenues	775.9	318.4	457.5	809.7	315.8	493.9
Depreciation	−16.4	−12.6	−3.8	−16.0	−12.2	−3.8
Other expenses	−692.1	−248.2	−443.9	−719.8	−235.9	−483.9
Result from operations	**67.4**	**57.6**	**9.8**	**73.9**	**67.7**	**6.2**
Interest income	0.8	0.0	0.8	0.2	0.1	0.1
Interest expense	−2.5	−0.7	−1.8	−2.5	−0.6	−1.9
Other financial expense	1.4	0.7	0.7	−1.1	−0.8	−0.3
Earnings before income taxes	**67.1**	**57.6**	**9.5**	**70.5**	**66.4**	**4.1**
Taxes on income	−13.5	−11.6	−1.9	−14.2	−12.2	−2.0
Net earnings	**53.6**	**46.0**	**7.6**	**56.3**	**54.2**	**2.1**
Income and expenses recognized in other comprehensive income	−4.2	−4.2	0.0	3.9	3.6	0.3
Comprehensive income	**49.4**	**41.8**	**7.6**	**60.2**	**57.8**	**2.4**

TABLE 048

The financial position and performance of associates summarized below currently only includes ED&F Man Holdings Ltd.:

€ million 28/29 February	2016	2015
Non-current assets	813.9	469.4
Current assets	15,394.7	12,705.6
Total assets	**16,208.6**	**13,175.0**
Equity	854.5	774.3
Non-current liabilities	1,012.8	329.4
Current liabilities	14,341.3	12,071.3
Total liabilities and equity	**16,208.6**	**13,175.0**
Revenues	7,343.5	6,434.6
– other expenses	−7,248.6	−6,472.5
= Net earnings	94.9	−37.9
Income and expenses recognized in other comprehensive income	−13.9	98.5
Comprehensive income	**81.0**	**60.6**

TABLE 049

ED&F Man Holdings Ltd. has a different financial year than Südzucker that ends on 30 September. The company now 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 and significant events between these dates considered. The changes in equity from 1 January to 31 December 2015 of ED&F Man Holdings Ltd. are thus included in these consolidated financial statements.

The carrying amount of all shares in companies consolidated at equity is € 333.3 (333.1) million. The carrying amount for these two significant investments, i.e. ED&F Man Holdings Ltd. and Hungrana Group, is derived as follows:

28/29 February	2016		2015	
€ million	ED&F Man	Hungrana	ED&F Man	Hungrana
Equity	854.5	110.2	774.3	160.3
+/– Adjustments (in substance other minority interests)	−39.8	0.0	−55.3	
= Equity attributable to shareholders	**814.7**	**110.2**	**719.0**	**160.3**
thereof Südzucker-share in equity	*203.7*	*55.1*	*179.8*	*80.2*
+ Goodwill	56.4	0.5	56.4	0.5
= Shares in companies consolidated at equity (carrying amount)	**260.1**	**55.6**	**236.1**	**80.7**
Dividends attributable to Südzucker	10.3	45.9	0.0	0.0

TABLE 050

(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 arrangement or as financial instrument – 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	29.02.2016	2015/16	28.02.2015	2014/15	28.02.2014
Australia	AUD	1.53	1.49	1.44	1.46	1.54
Chile	CLP	754.45	737.20	692.59	752.09	772.84
China	CNY	7.14	6.98	7.05	8.00	8.49
Great Britain	GBP	0.79	0.73	0.73	0.79	0.83
Moldova	MDL	22.11	21.28	21.32	19.00	18.68
Poland	PLN	4.36	4.21	4.15	4.19	4.16
Romania	RON	4.48	4.45	4.44	4.44	4.50
Russia	RUB	82.64	69.79	69.20	55.51	49.94
Czech Republic	CZK	27.06	27.17	27.44	27.58	27.34
Ukraine	UAH	29.78	24.98	31.42	17.70	13.64
Hungary	HUF	311.26	310.04	303.03	309.59	310.45
USA	USD	1.09	1.10	1.12	1.29	1.38

TABLE 051

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 at least annually or when there is an indication of impairment (impairment-only approach). 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 052

Securities

Non-current and current equity securities are recognized independent of 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”.

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.

Financial receivables

Non-current and current financial receivables in terms of interest-bearing loans are classified in the category ”Loans and receivables” and recognized at amortized cost using the effective interest method less impairments.

Inventories

Inventories are stated at acquisition or production cost using average cost or the first-in, first-out method for raw materials, as this represents actual usage. Production cost includes all production-related costs determined assuming normal levels of production capacity. In detail, it includes directly attributable costs, fixed and variable production overheads as well as depreciation of production machinery. Finance charges are not considered here. Where necessary, the lower net realizable value less costs to complete is used. Sugar is primarily produced from September to January. This is why depreciation on systems used for the campaign is predominantly applied in the third 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 emissions rights

CO_2 emissions rights are recognized in accordance with IAS 38 (Intangible Assets), IAS 20 (Government Grants) and IAS 37 (Provisions). CO_2 emissions rights issued or granted at no charge for each calendar year are intangible assets, which are classified as other current assets. They are measured at cost, which, in the case of emissions rights issued at no charge, is zero.

If actual emissions exceed the certificates allocated, a provision for CO_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 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. 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. Revenues are recognized when the delivery or service has been rendered and significant opportunities and risks have been transferred. The INCOTERMS (International Commercial Terms) govern the transfer of opportunities and risks to the buyer.

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 segment reporting.

(7) Change in work in progress and finished goods inventories and internal costs capitalized

€ million	2015/16	2014/15
Change in work in progress and finished goods inventories		
Sugar	−205.0	−153.6
Special products	−14.1	−10.3
CropEnergies	−1.6	−3.2
Fruit	39.5	−37.5
	−181.2	**−204.6**
Internal costs capitalized	5.9	5.3
	−175.3	**−199.3**

TABLE 053

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	2015/16	2014/15
Foreign exchange and currency translation gains	27.4	22.4
Gain on sales of current and non-current assets	6.2	4.4
Income from derivatives	2.4	5.7
Reversal of bad debt allowances	2.5	3.3
Income from special items	12.2	42.4
Other income	71.8	58.4
	122.5	**136.6**

TABLE 054

Income from special items of € 12.2 (42.4) million includes, among other items, income from claims for reimbursements from the production levy that was imposed at too high a level for the sugar marketing years 2001/02 through 2005/06 and, at BENEO, from wealth tax refunds for previous years. Last year this item included income from the sale of a former plant site, from the settlement of litigation related to the value-added tax payments for sugar deliveries to Italy and from proceedings that were settled against Raffinerie Tirlemontoise in Belgium.

Other income in the amount of € 71.8 (58.4) 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	2015/16	2014/15
Cost of raw materials, consumables and supplies and of purchased merchandise	3,828.5	4,224.8
Cost of purchased services	263.3	270.2
	4,091.8	**4,495.0**

TABLE 055

(10) Personnel expenses

€ million	2015/16	2014/15
Wages and salaries	637.5	647.6
Contributions to statutory old-age insurance	42.0	29.5
Social security, pension and welfare expenses	152.0	162.0
	831.5	**839.1**
Employees on 28/29 February	**16,486**	**17,231**
Employees average	**17,672**	**17,920**

TABLE 056

The number of employees in the group as of the end of the financial year 2015/16 (full-time equivalent) decreased year-over-year by 745 to 16,486 (17,231). Of the total personnel expenses in the amount of € 831.5 (839.1) million, € 11.7 (33.2) million is reported in the result from restructuring and special items and is largely related to the staff at the UK bioethanol plant, which closed temporarily, as well as to new hires at the starch factory in Zeitz. Last year this item primarily included expenses from staff reductions in the sugar segment in Belgium, Germany and France and in the fruit segment in Belgium and Austria. The average number of employees is distributed across the group with 7,461 (7,814) in the sugar segment, 4,333 (4,266) in the special products segment, 423 (435) in the CropEnergies segment and 5,455 (5,405) in the fruit segment.

(11) Depreciation

€ million	2015/16	2014/15
Intangible assets	13.7	13.8
Fixed assets	263.1	258.6
Depreciation and amortization	**276.8**	**272.4**
Intangible assets	0.0	0.0
Fixed assets	7.8	8.8
Impairment losses including special items	**7.8**	**8.8**
Income from reversal of impairment losses	**−0.7**	**−0.7**
Net depreciation	**283.9**	**280.5**
thereof operating result	276.5	271.7
thereof result from restructuring/special items	7.4	8.8
Impairment according to segments		
Sugar	0.5	8.1
Special products	1.6	0.5
CropEnergies	4.8	0.0
Fruit	0.9	0.2
Total	**7.8**	**8.8**

TABLE 057

The CropEnergies segment accounted for the largest share of impairment losses totaling € 7.8 (8.8) million. In addition to write-downs of the value in use, this was largely due to regular depreciation of the temporarily closed production site in the United Kingdom, which is recognized under special items. Last year’s impairment losses were primarily related to the closure of the raw sugar refinery in France.

(12) Other operating expenses

€ million	2015/16	2014/15
Selling and advertising expenses	379.6	395.0
Operating and administrative expenses	262.9	276.2
Advertising expenses	53.5	53.8
Expenses due to restructuring/special items	9.9	41.2
Operating lease expenses	10.0	12.9
Service agreement expenses	29.8	30.1
Production levy	19.0	19.3
Losses on disposals of current and non-current assets	4.8	6.9
Bad debt allowances	4.9	3.8
Foreign exchange and currency translation losses	26.8	10.6
Expense from derivatives	2.6	4.8
Other taxes	25.5	29.3
Other expenses	75.8	79.0
	905.1	**962.9**

TABLE 058

Operating and administrative expenses in the amount of € 262.9 (276.2) million comprise items such as office, communication and travel expenses, consulting fees, fees and contributions, insurance premiums, employee training, employee benefits and outsourced maintenance and repair services.

Expenses from restructuring and special items of € 9.9 (41.2) million were largely attributable to the temporary closure of the CropEnergies bioethanol plant in Wilton, United Kingdom in February 2015 as well as to the testing and trial operation of individual components of the wheat starch plant in Zeitz.

The main share of other taxes in the amount of € 25.5 (29.3) million is attributable to non-income taxes. Other operating expenses totaling € 75.8 (79.0) million comprise items such as research and development costs, market research fees, license fees and other services.

(13) Result from companies consolidated at equity

Result from companies consolidated at equity of € 55.0 (21.8) million includes the share of earnings from the joint ventures of Hungrana Group, Studen Group, CT Biocarbonic GmbH, Maxi S.r.l. and Collaborative Packing Solutions (Pty) Ltd and the associate ED&F Man Holdings Ltd.

(14) Result from operations

€ million	2015/16	2014/15
Result from operations	**276.9**	**159.2**
thereof operating result	241.3	181.4
thereof result from restructuring/special items	−19.4	−44.0
thereof result from companies consolidated at equity	55.0	21.8

TABLE 059

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

(15) Financial income and expense

€ million	2015/16	2014/15
Interest income	19.3	22.3
Interest expense	−46.2	−56.1
Interest income and expense, net	**−26.9**	**−33.8**
Other financial income	40.4	20.2
Other financial expense	−63.7	−18.3
Other financial income and expense, net	**−23.3**	**1.9**
Financial expense, net	**−50.2**	**−31.9**
thereof financial income	59.6	42.5
thereof financial expense	−109.8	−74.4

TABLE 060

Interest expense fell from € −33.8 million to € −26.9 million even as average debt rose year-over-year due to once again lower interest rates. The net interest expense also contains the net expense from the unwinding of the discount for provisions for pensions and similar obligations totaling € 13.8 (21.3) million and the expense from the unwinding of the discount for other non-current provisions and liabilities of € 1.1 (1.5) million.

The other financial result was an expense of € −23.3 (1.9) million. This included currency translation losses of € −21.5 million, from € 4.6 million in gains the year prior; this item deteriorated in particular as a result of measurement-related currency exchange losses from the financing of Central and South American as well as Eastern European subsidiaries.

(16) Taxes on income

The tax expense of € 45.8 (53.5) million is comprised of current taxes paid or payable and deferred tax expense / income as follows:

€ million	2015/16	2014/15
Current taxes	70.2	46.9
Deferred taxes	−24.4	6.6
Taxes in income	**45.8**	**53.5**

TABLE 061

The unchanged projected theoretical tax expense of 29.1 % for fiscal 2015/16 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	2015/16	2014/15
Earnings before taxes on income	226.7	127.3
Theoretical tax rate	29.1 %	29.1 %
Theoretical tax expense (+)	**66.0**	**37.1**
Change in theoretical tax expense as a result of:		
Different tax rates	−5.7	−0.5
Tax reduction for tax-free income	−27.5	−19.8
Tax increase for non-deductible expenses	10.1	8.3
Tax effects from prior periods	0.7	−1.6
Tax effects from capitalized losses carried forward and temporary differences	−1.6	23.6
Other	3.8	6.4
Taxes on income	**45.8**	**53.5**
Effective tax rate	**20.2 %**	**42.0 %**

TABLE 062

Following a rise in earnings before income taxes of € 226.7 (127.3) million, taxes on income were € 45.8 (53.5) million. The normalization of the tax rate to 20.2 (42.0) % primarily resulted from the additional tax charges in connection with the temporary closure of the bioethanol plant in Wilton, United Kingdom.

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 € 148.4 (135.4) million were recognized for tax loss carryforwards that are expected to be used against future taxable income. Deferred tax assets totaling € 112.1 (112.2) 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, € 13.9 (18.6) million expires within a period of up to seven years and € 98.2 (93.6) million does not expire. An impairment loss in the amount of € 0.7 (12.9) million was recognized on loss carryforwards for deferred tax assets and on deductible temporary differences recognized in previous years. Deferred tax assets totaling € 54.7 (0.0) 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 € 48.8 (46.9) million, since such gains are intended to be reinvested indefinitely and a reversal of these differences is thus not anticipated.

Deferred taxes lowered income and expenses recognized directly in equity by € 6.3 million during the reporting period and raised income and expenses recognized directly in equity by € 42.4 million last year. Key influencing factors here were deferred tax assets from the remeasurement of defined benefit pension commitments and similar obligations recognized directly in equity, which led to a decrease in equity by € 10.7 million, i.e. last year to an increase in equity by € 43.7 million.

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	2016	2015	2016	2015
Fixed assets and intangible assets	26.3	34.7	153.0	160.1
Inventories	11.5	14.7	26.1	17.9
Other assets	16.7	12.8	7.2	6.3
Tax-free reserves	0.0	0.0	61.7	66.0
Provisions	134.0	144.0	18.0	26.7
Liabilities	15.1	12.4	14.8	22.9
Tax loss carryforwards	148.4	135.4	0.0	0.0
	352.0	**354.0**	**280.8**	**299.9**
Offsets	−218.8	−220.7	−218.8	−220.7
Balance sheet	**133.2**	**133.3**	**62.0**	**79.2**
thereof non-current	**98.3**	**96.2**	**56.3**	**70.2**

TABLE 063

Current tax assets reported as at 29 February 2016 decreased to € 36.0 (38.9) 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 € 98.6 (78.9) million 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 is recognized in the income statement in the item “Taxes on income”.

Current tax liabilities of € 60.6 (99.4) 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 391 (409) staff. Research and development costs amounted to € 42.2 (40.4) million and were fully recognized as an expense.

(18) Earnings per share

€ million	2015/16	2014/15
Net earnings of the year	**180.9**	**73.8**
of which attributable to shareholders of Südzucker AG	108.9	20.1
Time-weighted average number of shares outstanding	204,183,292	204,183,292
Earnings in € per share [1]	**0.53**	**0.10**

[1] Undiluted / diluted.

TABLE 064

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 € 0.53 (0.10) with no dilution.

(19) Other comprehensive income

Other comprehensive income totaling € –46.2 (–70.3) million includes income and expenses recognized directly in the equity of Südzucker shareholders and other non-controlling interests.

The income and expenses of € –73.2 (48.6) 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 € –56.6 (18.4) million are primarily due to the weaker Polish zloty, Chilean peso, British pound sterling and Mexican peso. Last year income was reported here from the stronger Chilean peso, US dollar and British pound sterling, and the weaker Ukrainian hryvnia, Moldavian leu and Russian ruble (closing rate) against the euro.

The share from companies consolidated at equity was € –4.9 (27.9) million, coming mainly from ED&F Man Holdings Ltd. and Hungrana.

The income and expenses of € 27.0 (–118.9) million not to be recognized in the income statement in the future relate to the remeasurement of defined benefit pension plans and similar obligations. The raising of the discount rate from 1.75 % as at 28 February 2015 to 1.95 % for material pension plans effective 29 February 2016 relieved pressure on equity in the amount of € 27.0 million. Last year changes to the discount rate, salary and pension trend parameters, and experience adjustments led to an expense of € 118.9 million.

Cash flow statement

(20) Notes to the cash flow statement

Cash flow

The reported cash flow of € 480.4 (388.8) million improved compared to last year and corresponded with the increase in net earnings.

Change in working capital

The cash flow freed up through the decrease in working capital by € 114.2 (131.3) million was largely due to lower inventories and trade receivables with concurrently lower trade payables.

Investments in property, plant and equipment

Investments in property, plant and equipment (including intangible assets) totaled € 370.8 (386.2) million. In the sugar segment, investments totaling € 181.1 (186.5) million were mainly allocated toward replacement spending and to improve energy efficiency and logistics, e.g. at the AGRANA packing center in Kaposvár, Hungary. Investments in the special products segment totaling € 131.2 (124.8) million were primarily due to the construction of a starch factory in Zeitz, the commissioning of the biomass boiler at the BENEO site in Pemuco, Chile and the capacity expansion of the starch factor in Aschach, Austria. The CropEnergies segment invested € 16.8 (31.9) million; further optimization of production systems was the top priority. Investments in the fruit segment of € 41.7 (43.0) million largely went to the fruit preparations division for the installation of market-related production capacity expansions, e.g. in Lysander, United States.

Capital redemption / increases in stakes held in subsidiaries

In the year under review, Südzucker redeemed hybrid capital in the amount of € 29.1 million. The prior year's increases in stakes held in subsidiaries related to the acquisition of minority interests in AGRANA Bioethanol GmbH by AGRANA Stärke GmbH.

Dividends paid

Dividends paid throughout the group in the financial year just ended totaled € 129.2 (173.0) million and included € 51.0 (102.1) million paid out to Südzucker AG's shareholders and € 78.2 (70.9) million to minority interests.

Income taxes paid

The balance of income taxes paid amounted to € 79.0 (38.4) 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.

Notes to the balance sheet

(21) Intangible assets

€ million	Goodwill	Concessions, industrial and similar rights	Total
2015/16			
Acquisition costs			
1 March 2015	1,734.0	204.5	1,938.5
Change in companies incl. in the consolidation and other changes	0.0	0.0	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**

€ million	Goodwill	Concessions, industrial and similar rights	Total
2014/15			
Acquisition costs			
1 March 2014	1,734.1	192.2	1,926.3
Change in companies incl. in the consolidation and other changes	0.0	0.0	0.0
Changes due to currency translation	−0.1	2.3	2.2
Additions	0.0	10.3	10.3
Transfers	0.0	1.8	1.8
Disposals	0.0	−2.1	−2.1
28 February 2015	1,734.0	204.5	1,938.5
Amortization and impairment losses			
1 March 2014	−588.8	−149.1	−737.9
Change in companies incl. in the consolidation and other changes	0.0	0.2	0.2
Changes due to currency translation	0.0	−1.8	−1.8
Amortization for the year	0.0	−13.8	−13.8
Impairment losses	0.0	0.0	0.0
Transfers	0.0	0.2	0.2
Disposals	0.0	2.0	2.0
Reversals of impairment losses	0.0	0.0	0.0
28 February 2015	−588.8	−162.3	−751.1
Net carrying amount 28 February 2015	**1,145.2**	**42.2**	**1,187.4**

TABLE 065

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 1.5 (1.8) %, 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:

€ million	Goodwill		Weight average cost of capital	
28/29 February	2016	2015	2015/16	2014/15
CGU Sugar	769.0	769.2	8.5 %	7.8 %
CGU Freiberger	158.9	158.9	5.9 %	5.7 %
CGU BENEO	84.9	84.9	7.6 %	7.1 %
CGU PortionPack	40.3	40.3	6.7 %	6.4 %
CGU Fruit	92.0	91.9	8.1 %	7.6 %
	1,145.1	**1,145.2**	**–**	**–**

TABLE 066

No impairment was necessary in the 2015/16 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 1 % increase in the cost of capital after tax resulting on the capital market does not create a need for impairment at any of the CGUs.

The key planning assumptions for the sugar CGU with the largest share of goodwill are determined based on the EU sugar market and the regulatory environment. Here, the key market development projections are based on estimates for EU beet sugar and isoglucose production volumes, the development of sugar imports and exports, and sugar prices. The main cost factors of the CGU are commodity and energy costs. In addition to current market developments, these estimates take into account regulatory changes and 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 previous 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 2 to 3 % per year from currently 182 million tonnes to roughly 200 million tonnes by 2020. 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. Working together with London-based trading company ED&F Man Holdings Ltd., Südzucker will explore additional ways to participate in this market growth. Moreover, Südzucker already enjoys a leading market position in Europe in the starch and starch saccharification products areas, which will be further expanded in line with market developments.

(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
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	0.3	5.9	−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	4,907.1	409.1	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**

€ 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
2014/15					
Acquisition costs					
1 March 2014	1,744.6	4,626.4	383.9	136.1	6,891.0
Change in companies incl. in the consolidation and other changes	−0.4	−1.3	−0.3	−0.4	−2.4
Changes due to currency translation	13.7	38.1	0.5	5.5	57.8
Additions	59.0	127.6	27.3	161.9	375.8
Transfers	66.8	68.0	−5.8	−130.8	−1.8
Disposals	−12.3	−60.6	−15.0	−0.1	−88.0
28 February 2015	1,871.4	4,798.2	390.6	172.2	7,232.4
Amortization and impairment losses					
1 March 2014	−842.7	−3,110.9	−280.6	−0.6	−4,234.8
Change in companies incl. in the consolidation and other changes	−0.1	0.5	0.5	0.0	0.9
Changes due to currency translation	−4.0	−15.9	−0.3	0.0	−20.2
Amortization for the year	−46.2	−187.4	−25.0	0.0	−258.6
Impairment losses including special items	−1.2	−7.5	−0.1	0.0	−8.8
Transfers	−10.0	4.8	5.0	0.0	−0.2
Disposals	8.0	56.8	13.3	0.1	78.2
Reversals of impairment losses	0.2	0.5	0.0	0.0	0.7
28 February 2015	−896.0	−3,259.1	−287.2	−0.5	−4,442.8
Net carrying amount 28 February 2015	**975.4**	**1,539.1**	**103.4**	**171.7**	**2,789.6**

TABLE 067

The investments are reduced by government grants totaling € 0.2 (2.9) million. Interest on debt capital was recognized in the amount of € 1.0 (1.9) 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 weakening of Central and South American as well as Eastern European currencies against the euro; this reduced the carrying amount of property, plant and equipment by € 38.5 million. Last year, the strengthening of the US dollar, British pound sterling and Chilean peso largely exceeded the effects from the devaluation of the Ukrainian hryvnia, Moldavian leu and Russian ruble (closing rate); this increased the carrying amount of property, plant and equipment by € 37.6 million.

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

€ million	Shares in companies consolidated at equity	Securities	Other investments
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**
2014/15			
1 March 2014	**284.8**	**104.6**	**23.7**
Change in companies incl. in the consolidation and other changes	−15.0	0.3	0.0
Changes due to currency translation	42.6	0.2	0.0
Additions	0.8	0.0	0.0
Share of profits	21.8	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals/dividends	−1.9	−85.2	−1.8
Impairment losses including special items	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0
28 February 2015	**333.1**	**19.9**	**21.9**

TABLE 068

The companies consolidated at equity primarily comprise the stakes in ED&F Man Holdings Limited, London, Great Britain, 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.

Other investments also comprise subsidiaries that are not included in consolidation due to their relative insignificance.

(24) Inventories

€ million 28/29 February	2016	2015
Raw materials and supplies	349.7	385.4
Work in progress and finished goods		
Sugar segment	1,078.9	1,290.8
Special products segment	169.6	187.7
CropEnergies segment	38.7	40.3
Fruit segment	170.9	134.7
Total of work in progress and finished goods	1,458.1	1,653.5
Merchandise	89.4	88.7
	1,897.2	**2,127.6**

TABLE 069

At € 1,897.2 (2,127.6) million, inventories were € 230.4 million lower than the previous year, mainly due to the reduction in finished goods and work in progress in the sugar segment as a result of harvest yields during the 2015 sugar campaign.

Write-downs in the amount of € 2.5 (13.7) million were required on inventories in the sugar segment as at 29 February 2016 and were largely attributable to lower net disposal proceeds for both quota sugar and non-quota sugar. Write-downs totaling € 0.8 (0.6) million were necessary in the special products segment and € 0.8 (1.4) million in the fruit segment. No write-downs were necessary in the CropEnergies segment this year (last year: write-downs of € 2.0 million).

Write-downs of net disposal proceeds in the sugar segment totaling € 2.0 (0.6) million and in the fruit segment totaling € 0.3 (0.0) million were also necessary on merchandise inventories as at 29 February 2016.

(25) Trade receivables and other assets

€ million		Remaining term			Remaining term	
28/29 February	2016	to 1 year	over 1 year	2015	to 1 year	over 1 year
Trade receivables	**782.8**	**782.8**	**0.0**	**869.6**	**869.6**	**0.0**
Receivables due from the EU	23.2	23.2	0.0	9.6	9.6	0.0
Positive market value derivatives	5.5	5.5	0.0	4.1	4.1	0.0
Remaining financial assets	79.9	66.3	13.6	92.8	68.0	24.8
Other taxes recoverable	134.2	134.2	0.0	130.4	130.4	0.0
Remaining non-financial assets	69.0	69.0	0.0	54.6	54.6	0.0
Other assets	**311.8**	**298.2**	**13.6**	**291.5**	**266.7**	**24.8**

TABLE 070

Trade receivables fell € 86.8 million to € 782.8 (869.6) million in line with the lower revenues.

Remaining financial assets totaling € 79.9 (92.8) million primarily concern financial receivables from non-consolidated companies, investments and employees, and other third parties.

Remaining non-financial assets of € 69.0 (54.6) million are mainly related to advances made and accruals / deferrals. Also included here are assets of € 10.8 million attributable to the available-for-sale Belgian sites Herentals (PortionPack) and Herk-de-Stad (fruit preparations). With the associated valuation expenses of € 0.6 million to be recognized in other operating expenses, these are of minor importance in terms of their impact on the consolidated financial statements.

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

€ million 28/29 February	2016	2015
Total trade receivables	832.0	922.6
Value adjusted	−49.2	−53.0
Net carrying amount	**782.8**	**869.6**

TABLE 071

Bad debt allowances on trade receivables developed as follows:

€ million	2015/16	2014/15
1 March	**53.0**	**55.7**
Change in companies incl. in the consolidation/currency translation/other changes	−1.1	0.2
Additions	4.9	3.8
Use	−5.1	−3.4
Reversal	−2.5	−3.3
28/29 February	**49.2**	**53.0**

TABLE 072

The following table shows information related to the credit risk associated with the trade receivables. Trade receivables before allowances totaled € 782.8 (869.6) million; € 667.7 (749.7) million of this amount was not yet due. The aging structure of past-due receivables is as follows:

€ million 28/29 February	2016	2015
Receivables not past-due before allowances	667.7	749.7
Past-due receivables without specific-debt allowances	115.1	119.9
of which up to 10 days	50.9	44.2
of which 11 to 30 days	24.8	26.8
of which 31 to 90 days	20.5	24.8
of which over 90 days	18.9	24.1
Net carrying amount	**782.8**	**869.6**
Receivables including specific-debt allowances	49.2	53.0
Total trade receivables	**832.0**	**922.6**

TABLE 073

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 29 February 2016 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 29 February 2016, 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 (683.9) million comprises the hybrid bond issued in the summer of 2005 with a nominal value of € 700 million.

In the course of financial year 2015/16 Südzucker materialised repurchases at a nominal volume of € 31.6 million; the resulting effects have been accounted neutrally within equity capital.

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 € 661.4 (652.2) million relate to co-owners of the AGRANA subgroup in the amount of € 525.9 (527.6) million. The remaining non-controlling interests of € 135.5 (124.6) 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-Aktiengesellschaft	Austria	49.6	50.4	Sugar, Starch, Fruit
CropEnergies AG	Germany	69.2	30.8	Bioethanol

TABLE 074

Südzucker AG holds a direct stake in AGRANA Beteiligungs-AG of 6.5 (unchanged) %. Up to 5 % is intended for reissuing to increase the free float of AGRANA Beteiligungs-AG, which is listed on the Vienna stock exchange. The aim here is to increase the liquidity of AGRANA shares to make them even more attractive to investors.

In addition, Z&S Zucker und Stärke Holding AG holds an 86.1 (unchanged) % stake in AGRANA Beteiligungs-AG. Z&S Zucker und Stärke Holding AG is a 100 % subsidiary of AGRANA Zucker, Stärke und Frucht Holding AG. In addition to Südzucker, which holds a 50 % stake minus one share in the company, Zucker-Beteiligungsgesellschaft m.b.H. has a participating interest 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. Exercising the voting majority by Südzucker entitles Zucker-Beteiligungsgesellschafts m.b.H. – subject to a minimum one-year period – to establish an equality of votes among the syndicate partners.

The group share of Südzucker AG in subgroup AGRANA is calculated at 49.6 (unchanged) %. The equity capital of AGRANA must be recognized as a minority interest at 50.4 (unchanged) % in Südzucker's consolidated financial statements as a result.

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

28/29 February	2016		2015	
€ million	AGRANA	CropEnergies	AGRANA	CropEnergies
Non-current assets	1,027.6	459.8	1,136.6	493.4
Current assets	1,215.6	131.7	1,270.3	150.5
Total assets	**2,243.2**	**591.5**	**2,406.9**	**643.9**
Non-current liabilities	378.7	103.0	418.1	157.9
Current liabilities	664.4	121.3	794.4	154.3
Total liabilities	**1,043.1**	**224.3**	**1,212.5**	**312.2**
Net assets	**1,200.1**	**367.2**	**1,194.4**	**331.7**
Revenues	2,477.6	722.6	2,493.5	827.2
Result from operations	129.0	68.7	121.7	−39.4
Earnings before income taxes	104.4	63.0	116.5	−43.1
Taxes on income	−23.5	−20.4	−31.9	−14.9
Net earnings	**80.9**	**42.6**	**84.6**	**−58.0**
Income and expenses recognized in other comprehensive income	−17.6	−7.1	−21.6	3.1
Comprehensive income	**63.3**	**35.5**	**63.0**	**−54.9**
Cash flow	225.9	87.3	208.1	5.3
I. Net cash flow from operating activities	101.9	101.5	227.1	26.1
II. Cash flow from investing activities	−19.9	−16.8	−84.2	−31.5
III. Cash flow from financing activities	−163.6	−86.4	−81.1	2.6
Change in cash and cash equivalents	**−81.6**	**−1.7**	**61.8**	**−2.8**
due to exchange rate changes	−2.8	0.0	−3.9	−1.4
due to changes in entities included in consolidation	0.0	0.0	0.0	0.0
Decrease (–) / Increase (+) in cash and cash equivalents	−84.4	−1.7	57.9	−4.2
Cash and cash equivalents at the beginning of the period	193.8	9.7	135.9	13.9
Cash and cash equivalents at the end of the period	**109.4**	**8.0**	**193.8**	**9.7**
Dividend payment in fiscal year	55.0	0.0	55.4	8.7
thereof attributable to other minority interest outside the Südzucker Group	29.6	0.0	30.1	2.7

TABLE 075

The data correspond to the published consolidated financial statements of the respective subgroups. More detailed information is available in the current 2015/16 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 € 42.1 (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	2016	2015
Defined benefit obligation for direct pension benefits	910.6	941.7
Fair value of plans assets	−112.7	−115.7
Provision for pensions and similar obligations (net defined benefit obligation)	**797.9**	**826.0**
Interest rate in %	1.95	1.75

TABLE 076

Südzucker Groups offers employees the following main types of pension plans as part of retirement and severance plans:

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 in the amount of € 689.6 (711.9) million 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 with a total net obligation of € 41.9 (39.4) million.

Belgium

Employees at the Belgian companies Raffinerie Tirlemontoise S.A., BENEO-Orafti S.A. and Biowanze S.A. have access to funded pension plans with a defined benefit obligation of € 50.3 (51.6) million and plan assets of € 56.6 (55.3) million. 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; the defined benefit obligation was € 26.3 (29.0) million with plan assets of € 32.7 (32.3) million. 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.

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. The total defined benefit obligation is € 55.8 (58.4) million with plan assets totaling € 6.7 (11.0) million.

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 pension liabilities and similar obligations
1 March 2014	**770.6**	**−111.5**	**659.1**
Expenses for company pension plans (Income statement)			
Current service cost	20.8		20.8
Past service cost	1.3		1.3
Gains and losses on curtailments or settlements	−0.3		−0.3
Interest expense (+)/income (–)	25.2	−3.9	21.3
	47.0	**−3.9**	**43.1**
Remeasurements (other comprehensive income)			
Gains (–) and losses (+) on actual return on plan assets		−4.4	−4.4
Gains (–) and losses (+) from change of demographical assumptions	0.0		0.0
Gains (–) and losses (+) from changes in financial assumptions	174.2		174.2
Gains (–) and losses (+) on experience adjustments	−7.2		−7.2
	167.0	**−4.4**	**162.6**
Benefit payments, contributions, change in consolidated companies (and other)			
Change in consolidated companies (and other)	−6.3	0.4	−5.9
Effect of exchange rate differences	0.3	−0.1	0.2
Employer contributions to plan assets	0.0	−5.6	−5.6
Plan participants contributions	0.3	−0.3	0.0
Benefit payments	−37.2	9.7	−27.5
	−42.9	**4.1**	**−38.8**
28 February 2015	**941.7**	**−115.7**	**826.0**

€ million	Defined benefit obligation	Fair value of plan assets	Provision for pension liabilities 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 (statement of income and expenses recognized directly in equity)			
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**

TABLE 077

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 € –37.7 (162.6) million remeasurement of pension obligations recognized directly in equity resulted from the adjustment of the discount rate from 1.75 % to 1.95 % for material pension plans and experience adjustments. Last year the change was due to adjustments to the parameters for salary and pension increases and from experience adjustments – in particular due to the reduction 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	2016	2015
Interest rate	1.95	1.75
Salary growth	2.50	2.50
Pension growth	1.50	1.50

TABLE 078

Interest rates between 1.80 and 2.60 (1.40 and 2.00) % 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 groups of plans. Plans primarily comprising pensioners (duration 10 years) had an underlying interest rate of 1.80 (1.40) %, plans with a mixed portfolio of active employees pensioners (duration 17 years) 1.95 (1.75) % and plans predominantly comprising active employees (duration 26 years) 2.15 (2.00) %.

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		2016		2015	
€ million	Change in actuarial assumption	Definded benefit obligation	Change	Definded benefit obligation	Change
Present value of the obligation		910.6	–	941.7	–
Discount rate	Increase by 0.50 percentage point	840.6	−7.7 %	867.3	−7.9 %
	Decrease by 0.50 percentage point	991.0	8.8 %	1,027.4	9.1 %
Salary growth	Increase by 0.25 percentage point	924.5	1.5 %	954.8	1.4 %
	Decrease by 0.25 percentage point	898.1	−1.4 %	929.3	−1.3 %
Pension growth	Increase by 0.25 percentage point	934.6	2.6 %	966.7	2.7 %
	Decrease by 0.25 percentage point	887.6	−2.5 %	917.8	−2.5 %
Life expectancy	Increase by one year	943.8	3.6 %	976.1	3.7 %
	Decrease by one year	876.5	−3.7 %	906.4	−3.7 %

TABLE 079

Plan assets

The primary investment objective for the pension plan assets is to provide full coverage of benefit obligations associated with the respective pension commitments. The plan assets thus consist mainly of debt securities (bonds) with an associated risk structure that guarantees long-term fulfillment of the obligations. Plan assets also include equity securities and insurance contracts, and, to a limited extent, property. The fixed-interest bonds are guided by the returns expected from government bonds. A guaranteed minimum interest rate is assumed for the insurance contracts. Plan assets do not comprise own financial instruments or owner-occupied property.

The plan assets were invested under the following categories as of the period end. Market prices in active markets were used to the specified extent as a basis to determine the fair value of plan assets for the following asset categories:

28/29 February	2016		2015	
€ million	Fair value	thereof market prices in active markets	Fair value	thereof market prices in active markets
Debt instruments	56.4	56.4	60.6	60.6
Equity instruments	13.3	13.3	14.2	14.2
Real estate funds	0.6	0.0	0.5	0.0
Assets held by assurance company	40.7	0.7	39.1	0.0
Other	1.7	1.3	1.3	1.2
Total	**112.7**	**71.7**	**115.7**	**76.0**

TABLE 080

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 weighting average duration of the present value of all defined benefit obligations is approximately 16.6 (16.9) years. Employer contributions to plan assets are expected to total € 2.6 (2.8) 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	
2016/17	33.3
2017/18	35.2
2018/19	37.6
2019/20	38.2
2020/21	39.1
2021/22 to 2025/26	201.6
Total	**385.0**

TABLE 081

(28) Other provisions

€ million 28/29 February	2016	Short-term	Long-term	2015	Short-term	Long-term
Personnel-related provisions	86.9	21.4	65.5	98.6	36.0	62.6
Provisions for litigation risks and risk precautions	153.7	144.1	9.6	123.2	114.8	8.4
Other provisions	71.1	43.2	27.9	117.3	79.3	38.0
Total	**311.7**	**208.7**	**103.0**	**339.1**	**230.1**	**109.0**

TABLE 082

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 2015	**98.6**	**123.2**	**117.3**	**339.1**
Change in companies incl. in the consolidation and other changes	0.0	0.0	0.1	0.1
Changes due to currency translation	−0.2	0.0	−1.3	−1.5
Additions and unwindings	30.7	42.8	20.6	94.1
Use	−36.7	−9.0	−53.5	−99.2
Reversal	−5.5	−3.3	−12.1	−20.9
29 February 2016	**86.9**	**153.7**	**71.1**	**311.7**

TABLE 083

Personnel-related provisions

Personnel-related provisions of € 86.9 million are primarily made up of largely non-current provisions for long-service awards, provisions for part-time early retirement and largely short-term provisions for termination benefit plans and are lower than last year. Of the total amount of € 86.9 million, € 21.4 million is expected to be used in 2016/17 with the remaining € 65.5 million to be used in subsequent years.

Provisions for litigation risks and risk precautions

Provisions for litigation risks and risk precautions of € 153.7 million include provisions for market regulation proceedings, proceedings from operational contractual relationships and antitrust risks (fines and claims for damages). The utilization of € 9.0 million mainly related to market regulation proceedings of BENEO. Of the total amount of € 153.7 million, € 144.1 million is expected to be used in 2016/17 with the remaining € 9.6 million to be used in subsequent years.

Other provisions

Other provisions decreased from € 117.3 million to € 71.1 million. 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 as well as provisions for the temporary closure of the bioethanol plant in Wilton, United Kingdom. Provisions have also been made for the allocation of emissions 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 use of these provisions is expected to total € 43.2 million in the 2016/17 financial year and € 27.9 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 € 1.1 (1.5) million.

(29) Trade payables and other liabilities

€ million		Remaining term			Remaining term	
28/29 February	2016	to 1 year	over 1 year	2015	to 1 year	over 1 year
Liabilities to beet growers	353.7	353.7	0.0	434.8	434.8	0.0
Liabilities to other trade payables	447.4	447.4	0.0	521.1	521.1	0.0
Trade payables	**801.1**	**801.1**	**0.0**	**955.9**	**955.9**	**0.0**
Liabilities for production levy	24.0	24.0	0.0	9.0	9.0	0.0
Negative market value derivatives	23.1	23.1	0.0	16.5	16.5	0.0
Remaining financial liabilities	154.6	140.3	14.3	166.0	149.2	16.8
Liabilities for personnel expenses	105.9	104.7	1.2	106.7	105.3	1.4
Liabilities for other taxes and social security contributions	42.6	42.6	0.0	49.8	49.8	0.0
Remaining non financial liabilities	20.0	20.0	0.0	12.8	12.8	0.0
Other liabilities	**370.2**	**354.7**	**15.5**	**360.8**	**342.6**	**18.2**

TABLE 084

Due to lower harvest yields, liabilities to beet growers fell from € 434.8 million to € 353.7 million.

Liabilities for personnel expenses in the amount of € 105.9 (106.7) million mainly represent commitments for bonuses, premiums, vacation and overtime pay.

Remaining financial liabilities totaling € 154.5 (166.0) million include, among other things, deferred interest.

Remaining non-financial liabilities totaling € 20.0 (12.8) million primarily include accrued and deferred items as well as on-account payments received on orders. Also included here are liabilities of € 2.8 million attributable to the available-for-sale Belgian site Herentals (PortionPack). See note (25) "Trade receivables and other assets" for more information.

(30) Financial liabilities, securities and cash and cash equivalents (net financial debt)

€ million		Remaining term			Remaining term	
28/29 February	2016	to 1 year	over 1 year	2015	to 1 year	over 1 year
Bonds	562.3	163.6	398.7	636.7	226.9	409.8
of which convertible	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to banks	593.2	260.7	332.5	637.2	273.0	364.2
Liabilities from finance leasing	2.9	0.3	2.6	0.2	0.1	0.1
Financial liabilities	**1,158.4**	**424.6**	**733.8**	**1,274.1**	**500.0**	**774.1**
Securities (non-current assets)	−18.6			−19.9		
Securities (current assets)	−125.7			−125.7		
Cash and cash equivalents	−459.4			−535.7		
Investments in securities and cash and cash equivalents	**−603.7**			**−681.3**		
Net financial debt	**554.7**			**592.8**		

TABLE 085

Of the financial debt totaling € 1,158.4 million, € 733.8 million, or 63.3 %, 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 long-term financial instruments, taking into consideration terms to maturity and interest rates. These include hybrid capital, bonds, commercial paper programs, promissory notes and syndicated or bilateral bank credit lines. Such instruments are normally prepared by the Dutch financing company Südzucker International Finance B.V. and are guaranteed by Südzucker AG. They are 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 call the bond for the first time 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 at any time (according to section 6 (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. Repurchase is still possible up to a maximum of 10 % of the nominal volume.

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 then payable quarterly subsequently in the quarter.

Furthermore, the conditions of issue of the bond provide Südzucker, in the event of a dividend event, with the option to defer the interest coupon payments. An optional (voluntary) coupon suspension may occur if no dividend was approved for shares of Südzucker AG at the last annual general meeting. In the event of a cash flow event, Südzucker is obliged to cancel the interest coupon payment. A mandatory coupon suspension can be triggered when consolidated cash flow falls below 5 % of the group's consolidated revenues. As of 29 February 2016, cash flow was € 480.4 (388.8) million, or 7.5 (5.7) % of the € 6,387.0 (6,777.6) 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".

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

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. Additional information regarding the 4.125 % 2011/18 bond is available on the Südzucker corporate website at www.suedzucker.de/en/Investor-Relations/Anleihen/.

Other bonds

Other bonds having a nominal value of € 38.6 (unchanged) million and bearing interest at an average of 0.33 (0.65) % were issued by Raffinerie Tirlemontoise S.A., Brussels, Belgium, and mature in 2016 through 2017.

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. CPs in the amount of € 125.0 (200.0) million were outstanding as at 29 February 2016.

€ million	29 February 2016	Due date	Coupon	Carrying amount	Fair value	Nominal value
Bond 2011/2018		29 March 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**

€ million	28 February 2015	Due date	Coupon	Carrying amount	Fair value	Nominal value
Bond 2011/2018		29 March 2018	4.125 %	398.1	440.3	400.0
Other bonds				38.6	38.6	38.6
Commercial Paper				200.0	200.0	200.0
Bonds				**636.7**	**678.9**	**638.6**

TABLE 086

Of all bonds with a combined carrying amount of € 562.3 (636.7) million, € 562.3 (625.0) million was for fixed-interest bearing bonds and € 0.0 (11.7) million was for floating-rate bonds. The current Issuer Rating of Südzucker is Baa2 / P-2 (Moody's) and BBB- / A-3 (Standard & Poor's), respectively. The Rating of the hybrid bond is classified with Ba3 (Moody's) and B+ (Standard & Poor's).

Liabilities to banks

Liabilities to banks also include promissory notes with a volume of € 126.0 (unchanged) million, which are explained below. As of the balance sheet date, liabilities to banks of € 1.1 (2.6) million were secured by mortgage rights and € 7.8 (7.9) million by other liens.

€ million		Remaining term			Remaining term		Average effective rate of interest in %	
28/29 February	2016	to 1 year	over 1 year	2015	to 1 year	over 1 year	2015/16	2014/15
Fixed coupon								
EUR	266.8	19.3	247.5	295.7	53.6	242.1	1.52	1.57
USD	0.0	0.0	0.0	31.8	31.8	0.0	–	1.23
Total	**266.8**	**19.3**	**247.5**	**327.5**	**85.4**	**242.1**	**1.52**	**1.54**
Variable interest rate								
EUR	286.7	205.0	81.7	293.1	171.0	122.1	1.09	1.21
ARS	0.6	0.6	0.0	0.5	0.5	0.0	31.20	20.44
CNY	0.8	0.8	0.0	0.0	0.0	0.0	4.56	–
HUF	5.0	5.0	0.0	7.4	7.4	0.0	2.34	2.96
KRW	3.7	3.7	0.0	4.9	4.9	0.0	3.16	3.65
MXN	3.3	0.0	3.3	3.8	3.8	0.0	14.46	14.46
USD	26.3	26.3	0.0	0.0	0.0	0.0	1.28	–
Total	**326.4**	**241.4**	**85.0**	**309.7**	**187.6**	**122.1**	**1.35**	**1.45**
Liabilities to banks	**593.2**	**260.7**	**332.5**	**637.2**	**273.0**	**364.2**	**1.43**	**1.50**

TABLE 087

Promissory notes

AGRANA placed promissory notes with a total volume of € 110 million in April 2012 and increased this to € 126 million in November 2014. Of the total volume of € 126 million, € 72 million is variable and € 54 million has a fixed interest rate with maturities from 2017 to 2022.

Syndicated credit lines

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 November 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 29 February 2016.

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.

Securities and cash and cash equivalents

Investments in securities totaling € 144.3 (145.6) million were mainly in fixed-interest securities. Due to foreign exchange regulations, access to € 18.2 (17.0) million in cash at subsidiaries is restricted in China and Ukraine.

Other explanatory notes

(31) Risk management within Südzucker Group

The group is exposed to credit risk (default and credit risks) and liquidity risk. The Südzucker Group is also exposed in many ways to market price risk. In operations, this primarily relates to commodity price risk from sugar and bioethanol sales, energy, grain and corn purchases as well as currency risk associated with sales and procurement. Similar price risk exists in the financial area from interest rate and exchange rate risks. The investment securities that are exposed to 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 objective of liquidity management is 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 29 February 2016. All outgoing payment flows are undiscounted and comprise interest and principal payments.

		Net cash outflow (as contracted)						
€ 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
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	–	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 – net cash out	5,7	5.3	1.5	1.5	1.5	0.8	0.0	0.0
Commodity derivatives	14.4	14.3	14.3	0.0	0.0	0.0	0.0	0.0
	999.8	**1,001.2**	**982.7**	**15.9**	**1.6**	**1.0**	**0.0**	**0.0**
	2,158.2	**2,230.2**	**1,429.6**	**81.4**	**463.5**	**136.8**	**30.4**	**88.5**

		Net cash outflow (as contracted)						
€ 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 2015								
Financial liabilities								
Bonds	636.7	705.0	243.7	28.3	16.5	416.5	0.0	0.0
Liabilities to banks	637.2	661.3	279.1	64.8	46.3	38.2	132.8	100.1
Liabilities from finance leasing	0.2	0.3	0.1	0.1	0.1	0.0	0.0	0.0
	1,274.1	**1,366.6**	**522.9**	**93.2**	**62.9**	**454.7**	**132.8**	**100.1**
Other financial liabilities								
Liabilities to beet growers	434.8	434.8	434.8	0.0	0.0	0.0	0.0	0.0
Trade payables	521.1	521.1	521.1	0.0	0.0	0.0	0.0	0.0
Liabilities from production levy	9.0	9.0	9.0	0.0	0.0	0.0	0.0	0.0
Remaining financial liabilities	166.0	166.0	149.2	16.8	0.0	0.0	0.0	0.0
Forex futures – cash out	–	281.4	262.7	14.7	0.2	0.2	3.6	0.0
Forex futures – cash in	–	−277.9	−262.5	−12.1	−0.1	−0.1	−3.1	0.0
Interest rate swaps – net cash out	6.0	6.3	1.4	1.4	1.4	1.4	0.7	0.0
Commodity derivatives	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0
	1,137.3	**1,141.1**	**1,116.1**	**20.8**	**1.5**	**1.5**	**1.2**	**0.0**
	2,411.4	**2,507.7**	**1,639.0**	**114.0**	**64.4**	**456.2**	**134.0**	**100.1**

TABLE 088

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 Hungarian forint, the Ukrainian hryvnia, the Romanian and Moldavian leu and / or the Russian ruble. 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 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 29 February 2016.

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

€ million	Exposure		Sensitivity (+)		Sensitivity (–)	
28/29 February	2016	2015	2016	2015	2016	2015
USD	−4.7	24.9	0.4	−2.3	−0.5	2.8
GBP	6.0	23.0	−0.5	−2.1	0.7	2.6
PLN	−1.4	−8.0	0.1	0.7	−0.2	−0.9
CZK	0.1	−1.5	0.0	0.1	0.0	−0.2
CNY	0.6	1.2	−0.1	−0.1	0.1	0.1
HUF	6.3	1.0	−0.6	−0.1	0.7	0.1
Other currencies	−95.8	−205.8	8.7	18.7	−10.6	−22.9

TABLE 089

Currency exposure from the euro concerns 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 29 February 2016 without considering concluded interest rate swaps, interest expense would have increased as follows:

Interest rate sensitivity	2015/16			2014/15		
€ million	Total	thereof with floating rate	Effect from interest rate sensitivity	Total	thereof with floating rate	Effect from interest rate sensitivity
Bonds	562.3	0.0	0.0	636.7	11.7	−0.1
Liabilities to banks	593.2	326.4	−1.6	637.2	309.7	−1.5
Total	**1,155.5**	**326.4**	**−1.6**	**1,273.9**	**321.4**	**−1.6**

TABLE 090

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, gasoline derivatives, coal and oil swaps, and forex futures are used as commodity derivatives in operations. Only normal market instruments are used for financial hedging purposes, such as interest rate swaps and forex futures. These instruments are used within the framework of Südzucker's risk management system as laid down in group guidelines, which set limits based on underlying business volumes, define authorization procedures, prohibit the use of derivative instruments for speculative purposes, minimize credit risks, and determine the content of internal reporting and segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines as well as the correct processing and valuation of transactions and adherence to segregation of duties.

The nominal volumes and market values of derivative instruments are as follows:

€ million	Nominal volume		Positive market values		Negative market values		Net market values	
28/29 Februar	2016	2015	2016	2015	2016	2015	2016	2015
Forex futures	287.8	261.8	2.6	2.4	−3.0	−9.9	−0.4	−7.5
Interest rate swaps	118.0	68.0	0.0	0.2	−5.7	−6.2	−5.7	−6.0
Commodity derivatives	186.0	149.3	2.9	1.5	−14.4	−0.4	−11.4	1.1
Total	**591.8**	**479.1**	**5.5**	**4.1**	**−23.1**	**−16.5**	**−17.5**	**−12.4**

TABLE 091

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.

Changes in values of derivative transactions made to hedge future cash flows (cash flow hedges) are initially recorded directly in equity in other comprehensive income and are only subsequently recorded in the income statement when the cash flow occurs. Their positive, i.e. negative market values amounted to € 3.1 (0.7) million and € –13.7 (–2.2) million, respectively, as at 29 February 2016. Mark-to-market changes previously recognized directly in equity are reclassified to profit or loss at the time that they are realized. As in the previous year, all cash flow hedges were effective as the relation of the mark-to-market changes of underlying and hedging transactions were within the designated interval of 80 to 125 %. No ineffective transactions were recognized in the income statement.

There are also hedges presented as fair value hedges through the application of fair value hedge accounting or through economic classification as "trading" by recognizing the market values of the open positions in the income statement. These primarily concern derivatives related to sugar exports and the associated currency hedges and interest rate hedges. The positive, i.e. negative market value amounted to € 2.4 (3.1) million and € –9.4 (–14.3) million, respectively, as at 29 February 2016.

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, coal and oil, or a decrease, i.e. an increase in prices for sugar and bioethanol by 10 % (respectively), the market value of the derivatives concluded as at 29 February 2016 would change as follows (sensitivity analysis):

€ million	Nominal volume		Sensitivity (+)		Sensitivity (–)	
28/29 February	2016	2015	2016	2015	2016	2015
Forex futures	287.8	261.8	7.8	6.1	−13.9	−7.5
Interest rate swaps	118.0	68.0	2.3	3.5	−2.3	−2.0
Commodity derivatives	186.0	149.3	9.6	6.6	−9.4	−9.0
Total	**591.8**	**479.1**	**19.7**	**16.2**	**−25.6**	**−18.5**

TABLE 092

These corresponding market price changes would have changed equity by € 2.4 (3.5) million and € −9.4 (−6.7) million, respectively, and changed earnings before income taxes by € 17.3 (12.7) million and € −16.2 (−11.8) million, respectively.

(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		2016		2015	
€ million	IAS 39 measurement category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Long term securities	Available for Sale	18.6	18.6	19.9	19.9
Other investments	Available for Sale at Cost	21.8	21.8	21.9	21.9
Trade receivables	Loans and Receivables	782.8	782.8	869.6	869.6
Receivables due from the EU	Loans and Receivables	23.2	23.2	9.6	9.6
Remaining financial assets	Loans and Receivables	79.9	79.9	92.8	92.8
Positive market value derivatives	Financial Assets Held for Trading	2.4	2.4	3.1	3.1
Positive market value derivatives	Derivatives, at fair value directly in equity (Hedge-Accounting)	3.1	3.1	1.0	1.0
Securities	Loans and Receivables	125.0	125.0	0.0	0.0
Securities	Available for Sale	0.7	0.7	40.7	40.7
Securities	Available for Sale at Cost	0.0	0.0	85.0	85.0
Short term securities		*125.7*	*125.7*	*125.7*	*125.7*
Cash and cash equivalents	Loans and Receivables	459.4	459.4	535.7	535.7
		1,516.9	**1,516.9**	**1,679.3**	**1,679.3**
Financial liabilities					
Bonds	Financial liabilities measured at armotized cost	562.3	591.2	636.7	678.9
Liabilities to banks	Financial liabilities measured at armotized cost	593.2	604.3	637.2	647.5
Liabilities from finance leasing	n/a	2.9	2.9	0.2	0.2
Trade liabilities	Financial liabilities measured at armotized cost	801.1	801.1	955.9	955.9
Liabilities from production levy	Financial liabilities measured at armotized cost	24.0	24.0	9.0	9.0
Remaining financial liabilities	Financial liabilities measured at armotized cost	154.6	154.6	166.0	166.0
Negative market value derivatives	Financial Liabilities Held for Trading	9.4	9.4	14.3	14.3
Negative market value derivatives	Derivatives, at fair value directly in equity (Hedge-Accounting)	13.7	13.7	2.2	2.2
		2,161.2	**2,201.3**	**2,421.5**	**2,474.0**

TABLE 093

Total by IAS 39 measurement category

28/29 February	2016		2015	
IAS 39 measurement category € million	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets held for trading	2.4	2.4	3.1	3.1
Available for Sale	19.3	19.3	60.6	60.6
Available for Sale at Cost	21.8	21.8	106.9	106.9
Loans and receivables	1,470.3	1,470.3	1,507.7	1,507.7
Financial liabilities measured at armotised cost	2,135.2	2,175.3	2,404.8	2,457.3
Financial Liabilities Held for Trading	9.4	9.4	14.3	14.3

TABLE 094

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.

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).

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 due from the EU, remaining financial receivables and cash funds, it is assumed that their fair values are equal to their carrying amounts.

The positive and negative market values of currency 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 hedges against changes in the fair value of an asset or liability that are recognized in the income statement.

The market value of commodity derivatives is determined on the basis of prices quoted as at the reference date (Level 1); the positive, i.e. negative market values of these derivatives were € 2.9 (1.5) million and € 13.9 (0.4) million, respectively. Measurement of market values for other commodity derivatives such as gasoline derivatives and coal 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 with negative market values 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). The positive, i.e. negative market values of gasoline derivatives and coal swaps as well as of currency and interest rate derivatives subject to Level 2 totaled € 2.6 (2.6) million and € 9.2 (16.1) million, respectively.

The fair value of the listed 2011/2018 bond in the amount of € 427.6 (440.3) million is based on the quoted price on the last trading day of the fiscal year. This corresponds to Level 1. For non-listed bonds and commercial papers it is assumed that, due to the short remaining terms, the fair values are equal to their reported 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 following financial instruments were recognized at fair value:

€ million	Fair value hierarchy					
28/29 February	2016	Evaluation level 1	Evaluation level 2	2015	Evaluation level 1	Evaluation level 2
Securities – Available for Sale	19.3	19.3	0.0	60.6	20.6	40.0
Positive market values – derivatives without hedge accounting	2.4	1.2	1.2	3.1	0.9	2.2
Positive market values – hedge accounting derivatives	3.1	1.7	1.4	1.0	0.6	0.4
Financial assets	**24.8**	**22.2**	**2.6**	**64.7**	**22.1**	**42.6**
Negative market values – derivatives without hedge accounting	9.4	0.8	8.6	14.3	0.1	14.2
Negative market value – hedge accounting derivatives	13.7	13.0	0.7	2.2	0.3	1.9
Financial liabilities	**23.1**	**13.8**	**9.3**	**16.5**	**0.4**	**16.1**

TABLE 095

Net result by measurement category

Financial instruments are disclosed by measurement category in the income statement with a net profit or loss as follows:

€ million	2015/16	2014/15
Financial Assets Held for Trading	5.2	6.0
Available for Sale	3.5	2.6
Loans and Receivables	14.9	31.4
Financial liabilities measured at armotized cost	−55.2	−25.9
Financial Liabilities Held for Trading	−2.2	−8.3
	−33.7	**5.8**

TABLE 096

In accordance with IFRS 7, net profit or loss from financial instruments includes interest, dividends and gains or losses on the measurement of financial instruments. The net profit or loss from the measurement category "liabilities measured at amortized cost" comprises interest expense in the amount of € 29.1 (30.1) million. The measurement category "loans and receivables" includes interest income totaling € 17.1 (20.1) million.

(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	2016	2015
Guarantees		49.7	45.0
thereof for Joint Ventures		43.7	40.5
Warranty commitments		1.6	1.6

TABLE 097

Guarantees, warranty commitments and contingent liabilities

The guarantees relate primarily to bank loans of jointly controlled investments in the sugar segment at AGRANA as well as to liabilities to third parties. We do not expect to have to make any performance payments from guarantees or warranty commitments.

A contingent liability in the amount of € 6.4 (6.6) 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 € 98.7 (154.7) 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 to lease agreements for offices, machines, vehicles, IT systems and office equipment. Undiscounted minimum lease payments in subsequent periods total € 45.3 (42.3) million. The corresponding payment obligations are due as follows:

€ million 28/29 February	2016	2015
Due date: up to 1 year	11.6	10.7
Due date: 1 to 5 years	25.2	24.9
Due date: over 5 years	8.5	6.7
Total	**45.3**	**42.3**

TABLE 098

(34) Fees for services by the group's external auditors

Expenses in 2015/16 for services provided by the group's external auditors, Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, were made up of fees for the following services:

€ thousand	2015/16	2014/15
Auditing services	808	804
Other assurance services	39	17
Tax consulting fees	15	89
Other services	49	42
Total	**911**	**952**

TABLE 099

(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 19 November 2015, and made it permanently available to shareholders of Südzucker AG at www.suedzucker.de/en/Investor-Relations/Corporate-Governance/.

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 9 November 2015, and made it permanently available to shareholders on the CropEnergies corporate website at www.cropenergies.com/en/investorrelations/Corporate_Governance/Entsprechenserklaerungen/.

(36) Related parties

Related parties (companies)
The following companies are considered related parties:

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (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, Frankenthal, Palatinate (SUW), 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 2015/16 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 € 0.3 (unchanged) million and € 4.4 (4.7) million, respectively. In addition, there were financial receivables of € 132.7 (169.1) million from, and financial liabilities of € 54.7 (98.9) million to Raiffeisen Group; financial receivables of € 125 million relate to a subordinated bond 2016-2031/2/PP 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]	2015/16	2014/15
Joint ventures	304.7	314.5
Associated companies	10.9	17.6
Services performed for related parties	**315.6**	**332.1**
Joint ventures	71.6	75.2
Associated companies	49.8	26.3
Services received from related parties	**121.4**	**101.5**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 100

The receivables from and liabilities to joint ventures and associates at the balance sheet date are:

€ million [1] 28/29 February	2016	2015
Joint ventures	61.1	92.8
Associated companies	0.4	0.2
Receivables from related parties	**61.5**	**93.0**
Joint ventures	8.4	8.2
Associated companies	3.9	0.0
Liabilities to related parties	**12.3**	**8.2**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 101

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.

Provisions for pensions of € 34.7 (35.2) 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 € 3.5 (2.7) million. Provisions for pensions for current executive board members amounted to € 22.0 (23.8) million; service cost additions in 2015/16 amounted to € 0.7 (0.8) million.

€ million	2015/16	2014/15
Fixed compensation	2.6	2.8
Variable compensation	1.3	1.8
Total compensation	**3.9**	**4.6**

TABLE 102

Supervisory board compensation

Total compensation paid to Südzucker AG's supervisory board members for all activities is presented in the following table. The variable component is dependent on the dividend to be approved by the annual general meeting. 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.

€ million	2015/16	2014/15
Fixed compensation	1.8	1.3
Variable compensation	0. 0	0.2
Total compensation	**1.8**	**1.5**

TABLE 103

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
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (supervisory board 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
Trade union secretary 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 SZVG 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.

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]

- SZVG 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

- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (deputy chairman)

WOLFGANG KIRSCH, KÖNIGSTEIN IM TAUNUS

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.

SUSANNE KUNSCHERT, STUTTGART
Born 1970, member since 17 July 2014
Managing partner of Pilz GmbH & Co. KG
BOARD MEMBERSHIPS
- Karlsruhe Institute of Technology, Karlsruhe

ERHARD LANDES, DONAUWÖRTH
Born 1950, member from 29 July 2004 until 16 July 2015
Former chairman of the executive board of Verband bayerischer Zuckerrübenanbauer e. V.

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], BELLHEIM
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)
- 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
- Philipp Morris GmbH, München

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
BOARD MEMBERSHIPS
- BGD Bodengesundheitsdienst GmbH, Mannheim

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
Erhard Landes (until 16 July 2015)
Georg Koch (since 16 July 2015)
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 (CEO)
Ludwigshafen am Rhein
Member of the executive board since 1 March 2008,
CEO since 20 November 2012;
appointed until 28 February 2018

DR. LUTZ GUDERJAHN
Offstein
Until 30 April 2015

DR. THOMAS KIRCHBERG
Ochsenfurt
Since 1 September 2007; appointed until 31 August 2017

THOMAS KÖLBL
Speyer
Since 1 June 2004; appointed until 31 May 2019

BOARD MEMBERSHIPS [1]
- Baden-Württembergische Wertpapierbörse, Stuttgart
- 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.		Athína	Greece	SZH	99.94
				SZV	0.06
Sudzucker Ibérica S.L.U.		Barcelona	Spain	SZH	100.00
Südzucker United Kingdom Limited		West Lothian	Great Britain	SZH	100.00
Division sugar Belgium					
Raffinerie Tirlemontoise S.A.	RT	Bruxelles	Belgium	SZH	99.41
Hosa Trading Importaçao Exportaçao S.A.		São Paulo	Brazil	RT	100.00
James Fleming & Co. Ltd.	JF	West Lothian	Great Britain	RT	100.00
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	RT	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 Netherlands Holding B.V.		Wijchen	Netherlands	RT	100.00
Tiense Suikerraffinaderij Services g.c.v.		Bruxelles	Belgium	RT	100.00
W.T. Mather Ltd.	WTM	Lancashire	Great Britain	JF	100.00
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."	SFOP	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					
AGRANA AGRO S.r.l.		Roman	Romania	AGR	99.00
				AZ	1.00
AGRANA BUZAU S.r.l.		Buzau	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	Bucureşti	Romania	AZ	91.82
				AIV&A	0.21
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	Bulgaria	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	86.18
				SZAG	6.54
AGRANA Group-Services GmbH		Wien	Austria	AB	100.00
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.		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	83.64
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
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		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
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 Latinoamerica Coordenaçao Regional Ltda.		Vila Olímpia, São Paulo	Brazil	BO	100.00
BENEO-Orafti S.A.	BO	Oreye	Belgium	BR	99.99
				B	0.01
BENEO-Palatinit GmbH [2]	BP	Mannheim	Germany	B	85.00
				SZAG	15.00
BENEO-Remy N.V.	BR	Wijgmaal (Leuven)	Belgium	B	99.99
				BP	0.01
Nutriz N.V.		Wijgmaal (Leuven)	Belgium	BR	100.00
Veniremy N.V.		Wijgmaal (Leuven)	Belgium	BR	100.00
Orafti Chile S.A.		Pemuco	Chile	BO	99.99
				BP	0.01
REMY ITALIA S.P.A.		Confienza (PV)	Italy	BR	66.70

[1] Direct share, directly held by Südzucker AG.
[2] Indirect share, directly held by a subsidary.

	Shortcut	Location	Country	Direct shareholder	%
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 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
Great Star Food Production GmbH & Co. KG [3]		Berlin	Germany	FLG KG	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
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 Belgium N.V.		Herentals	Belgium	PPEH	99.97
				PPH	0.03
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
AP Sachets Limited		Telford / Shropshire	Great Britain	APCS	100.00
APCS Holdings Limited	APCS	Telford / Shropshire	Great Britain	SSL	100.00
Central Legal Funding Limited	CLF	Telford / Shropshire	Great Britain	SSL	75.00
Santeau Limited		Telford / Shropshire	Great Britain	CLF	100.00
Sugar Stix Limited		Telford / Shropshire	Great Britain	APCS	100.00
Van Oordt Drukkerij B.V.		Oud-Beijerland	Netherlands	VOP	100.00
Van Oordt Landgraaf B.V.		Landgraaf	Netherlands	PPH	100.00
Van Oordt the portion company B.V.	VOP	Oud-Beijerland	Netherlands	PPH	100.00

	Shortcut	Location	Country	Direct shareholder	%
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
Compagnie Financière de l'Artois SA	CF	Loon-Plage	France	CEAG	100.00
CropEnergies Beteiligungs GmbH	CEB	Mannheim	Germany	CEAG	100.00
CropEnergies Bioethanol GmbH		Zeitz	Germany	CEB	85.00
				CEAG	15.00
CropEnergies Inc.		Houston	USA	CEB	100.00
Ensus Limited		Yarm	Great Britain	CEAG	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	84.83
				AFSS	15.17
AGRANA Fruit Australia Pty Ltd.		Central Mangrove	Australia	AF	100.00
AGRANA Fruit Austria GmbH	AFA	Gleisdorf	Austria	AF	99.98
				AIV&A	0.02
AGRANA Fruit Brasil Indústria, Comércio, Importação e Exportação Ltda.		São Paulo	Brazil	AFB	100.00
AGRANA Fruit Brasil Participações Ltda.	AFB	São Paulo	Brazil	AF	99.99
				AFA	0.01
AGRANA Fruit Dachang Co., Ltd.		Dachang	China	AF	75.00
				AFK	25.00
AGRANA Fruit Fiji Pty Ltd.		Sigatoka	Fiji	AF	100.00
AGRANA Fruit France S.A.		Paris	France	AF	100.00
AGRANA Fruit Germany GmbH		Konstanz	Germany	AF	100.00
AGRANA Fruit Istanbul Gida Sanayi ve Ticaret A.S.		Zincirlikuyu	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

[2] Indirect share, directly held by a subsidary.
[3] Majority of voting shares.

	Shortcut	Location	Country	Direct shareholder	%
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	France	AIV&A	100.00
o.o.o. AGRANA Fruit Moscow Region		Serpuchov	Russia	AF	100.00
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
AGRANA Juice Denmark A/S		Køge	Denmark	AJU	100.00
AGRANA Juice Magyarország Kft.		Vásárosnamény	Hungary	AJU	100.00
AGRANA Juice Romania Vaslui S.r.l.		Vaslui	Romania	AJU	100.00
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Germany	AJU	100.00
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100.00
AUSTRIA JUICE Poland Sp. z.o.o		Chelm	Poland	AJU	100.00
AUSTRIA JUICE Ukraine LLC		Vinnitsa	Ukraine	AJU	100.00
Fruit other					
AGRANA Internationale Verwaltungs- und Asset-Management GmbH		Wien	Austria	AB	98.91
				AMV	1.09

TABLE 104

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		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	25.00
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	CEB	50.00

TABLE 105

III. Companies of minor importance and other participations > 20 % (not included)

	Shortcut	Location	Country	Direct shareholder	%
Affiliated companies (not included)					
Sugar segment					
Business unit sugar					
Division sugar Belgium					
Golborne Ltd.		Lancashire	Great Britain	WTM	100.00
Division sugar France					
Acucar e Alcool do Sul Participacoes Ltda.		Alto de Pinheiros	Brazil	SLS	99.90
				RT	0.10
Division AGRANA sugar					
Sugar Czech Republic					
PERCA 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
Division sugar Moldova					
AGRO-BARABOIENI S. R. L.		Baraboi, rl. Donduseni	Moldova	AZ	51.00
Sugar other					
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		Mannheim	Germany	SZH	100.00
Südzucker Verwaltungs GmbH		Mannheim	Germany	SZAG	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
Dr. Hauser Gesellschaft m.b.H. i.L.		Hamburg	Germany	AS	100.00

	Shortcut	Location	Country	Direct shareholder	%
Joint ventures / associated companies (not included)					
Sugar segment					
Division AGRANA sugar					
SCO STUDEN & CO. BRASIL EXPORTACAO E IMPORTACAO LTDA.		São Paulo	Brazil	ASB	100.00
Other participations > 20%					
Sugar segment					
Business unit sugar					
Division sugar Belgium					
Bio-Generator Regio – Leuven – PORT NV		Tienen	Belgium	RT	35.71
Division sugar France					
GARDEL S.A.		Le Moule	France	SLS	24.28
Eastern Sugar B.V.		Breda	Netherlands	SLS	50.00
Eastern Sugar s.r.o. i.L.		Dunajska Streda	Slovakia	ES	100.00
S.C.I.C.A ROYE DESHYDRATATION S.A.		Roye	France	SLS	10.75
				SFOP	9.79
Sucrerie et Distillerie de Souppes-Ouvré Fils S.A.		Paris	France	SLS	44.50
Division AGRANA sugar					
Sugar Czech Republic					
DELHIA SHELF s.r.o.		Hrušovany	Czech Republic	MC	100.00
Sugar Hungary					
Cukoripari Egyesülés		Budapest	Hungary	MCeF	44.27
Sugar other					
Felix Koch Offenbach Couleur und Karamel GmbH		Offenbach am Main	Germany	SZH	25.10
Special products segment					
Division BENEO					
INVITA Australia PTE Ltd		Balgowlah	Australia	BP	35.00

TABLE 106

(39) Proposed appropriation of earnings

Retained earnings of Südzucker AG amount to € 61.327.383,28. It will be proposed to shareholders at the annual general meeting on 14 July 2016 that a dividend of € 0.30 per share be distributed and be appropriated as follows:

	2015/16
Issued shares (number)	204,183,292
Dividends (€)	0.30
Dividend amount (€)	61,254,987.60
Earnings carried forward (€)	72,395.68
Retained earnings (€)	**61,327,383.28**

TABLE 107

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 € 0.30 per dividend-bearing share is maintained and the corresponding higher remainder carried forward. The dividend will be paid on 15 July 2016.

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, 25 April 2016
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 Aktiengesellschaft 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 AUDITORS’ REPORT

To Südzucker AG, Mannheim

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Südzucker AG, Mannheim and its subsidiaries, which comprise the income statement, the statement of other comprehensive income, the cash flow statement, the balance sheet, the statement of changes in shareholders’ equity and the notes to the financial statements for the business year from 1 March 2015 to 29 February 2016.

Management’s responsibility for the consolidated financial statements

The management of Südzucker AG is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to section 315a (1) of the German Commercial Code (HGB), and give a true and fair view of the financial position and performance of the group in accordance with these requirements. Management is also responsible for the internal controls it deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) as well as in accordance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of audit procedures depends on the auditor’s professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity’s preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In accordance with section 322 (3) sentence 1 HGB, we declare that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to section 315a (1) HGB, and give a true and fair view of the financial position and performance of the group as at 29 February 2016 as well as the results of operations for the financial year ending on this date.

Report on the group management report

We have audited the accompanying group management report of Südzucker AG for the financial year from 1 March 2015 to 29 February 2016. The management of Südzucker AG is responsible for the preparation of the group management report in accordance with the requirements of German law pursuant to section 315a (1) HGB. We conducted our audit in accordance with section 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings and, as a whole, provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

In accordance with section 322 (3) sentence 1 HGB, we declare that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 25 April 2016
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

DR. RALF WORSTER
AUDITOR

PPA. OLAV KRÜTZFELDT
AUDITOR

ADDITIONAL INFORMATION

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GLOBAL REPORTING INITIATIVE

In this annual report, Südzucker will for the first time discuss group-wide sustainability programs. Südzucker uses the Global Reporting Initiative (Version G4, CORE) guideline to collect and publish the key data that relate to its business activities.

To prepare this report, Südzucker determined the economic, environmental and social impacts of its business activities, as well as the expectations and assessments of all stakeholders. The subject areas thereby identified were subdivided into two major categories.

The first category contains all key aspects – broken down by area of activity – that are high priority topics for both Südzucker and its stakeholders.

- Agricultural raw materials 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
  - product labeling
  - Certifications
- Social responsibility
  - compliance
  - logistics in the procurement and production processes
  - dialogue with governments and institutions
  - social engagement
  - economic sustainability
  - diversity and equal opportunity
- Working conditions and human rights
  - code of conduct
  - work safety and health protection
  - training and continuing education
  - trustworthy relationship between management and employees

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
- nutrition and the population
- ensuring mobility
- contribution to standard of living
- human rights protection
- 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 two 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 strictly to all fully consolidated Südzucker Group companies.

The information on energy, emissions, water and waste applies exclusively to production sites. For the sugar segment, these are the EU sugar factories. For the special products segment, the report covers the production sites of the BENEO, Freiberger and starch divisions. The information for the CropEnergies segment applies to all production sites, and for the fruit segment, all global production locations except the factory in Xianyang City.

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 and downstream 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.

REPORT PROFILE AND VALIDATION

A sustainability report was included in the financial report for the first time in fiscal 2015/16. The report will continue to be provided going forward. 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. No separate external audit was conducted on the sustainability related data.

MANAGEMENT POLICY

The following information is meant to show the management policy regarding key aspects of economic, environmental and social ramifications.

Key parameter	Attributable mainly to following stakeholders	Management policy	Reported G4 indicator(s)
Agricultural raw materials procurement			
Evaluation of suppliers' policy regarding working conditions and human rights	Customers	Südzucker guidelines for sustainable procurement	LA14 HR10
Evaluation of suppliers' policy regarding environmental factors	Customers	Südzucker guidelines for sustainable procurement	EN32
Agricultural raw materials used	Several stakeholder groups	Südzucker's environment, energy and work safety policy	EN1
Environmental and energy aspects of production			
Energy use	Several stakeholder groups	Südzucker's environment, energy and work safety policy	EN5
Emissions	Several stakeholder groups	Südzucker's environment, energy and work safety policy	EN18
Water consumed during production	Several stakeholder groups	Südzucker's environment, energy and work safety policy	EN8 EN22
waste elimination	Several stakeholder groups	Südzucker's environment, energy and work safety policy	EN23
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
Social responsibility			
Compliance	Several stakeholder groups	Südzucker's compliance directive	SO4
Integrating stakeholders	Several stakeholder groups	Südzucker's corporate guidelines; Südzucker's code of conduct	Standard disclosure
Working conditions and human rights			
Work safety and health protection	Employees	Südzucker's code of conduct; Südzucker's environment and work safety policies; centralized documentation of incidents	LA6
Assessment of the company regarding human rights	Customers	SMETA and social compliance audits	HR9

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G4	Description	Page
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G4	Description	Page
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LA6	Injury rates, number of lost days, absenteeism rate, number of fatal work-related injuries[1]	45
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Aspect: evaluation		
HR9	Number of group locations that conducted a social audit	38
Aspect: evaluation of suppliers' policy regarding human rights aspects		
HR10	(New) suppliers evaluated based on human rights aspects	33

[1] There were no fatal work-related accidents at Südzucker Group during the reporting year.

G4	Description	Page
Social performance: company		
Aspect: anti-corruption		
SO4	Communication and training on anti-corruption guidelines and processes	50
SO5	Confirmed corruption / fraud cases and associated countermeasures	–[1]
Aspect: anti-competitive conduct		
SO7	Total number of court cases based on anti-competitive conduct, antitrust and monopoly practices together with outcomes	92f
Social performance: product responsibility		
Aspect: product labeling and services		
PR1	Percentage of major product categories whose impact on health and safety was studied in order to seek improvements	35
PR4	Number of cases of non-compliance with labeling specifications	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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Südzucker on the Internet
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Financial calender

Q1
1ST QUARTER REPORT 2016/17
7 July 2016

ANNUAL GENERAL MEETING
FOR FISCAL 2015/16
14 July 2016

Q2
1ST HALF YEAR REPORT 2016/17
13 October 2016

Q3
1ST TO 3RD QUARTER REPORT 2016/17
12 January 2017

PRESS AND ANALYSTS' CONFERENCE
FISCAL 2016/17
18 May 2017

Q1
1ST QUARTER REPORT 2017/18
13 July 2017

ANNUAL GENERAL MEETING
FOR FISCAL 2016/17
20 July 2017

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.
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.

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