

MANAGEMENT REPORT AND FINANCIAL STATEMENTS

SÜDZUCKER AG

DATED 28 FEBRUARY 2018 (GERMAN GAAP – HGB)



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.

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The numbers in parenthesis in the report represent the corresponding prior year’s figures or item.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

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

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

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

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

The supervisory board was directly involved in all decisions of material importance affecting

Südzucker Group and was continuously advised in detail and in a timely manner on all issues related to corporate planning and further strategic development, business activities, the status and development of Südzucker Group including risk situation, as well as risk management and compliance.

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

Supervisory board meetings and decisions

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

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

The meeting regarding the balance sheet on **17 May 2017** dealt with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated 28 February 2017. The auditor reported on the material findings and results of the audit, which included the accounting-system-related internal control systems. The board followed the executive board's proposal for the appropriation of retained earnings and approved the supervisory board report. The board also made preparations for the 2017 annual general meeting and adopted the agenda and proposed resolutions. The board, supported by the recommendation of the audit committee, dealt with the recommendation for the selection of the auditor and especially the candidate proposals for the selection of the shareholder representatives on the supervisory board. One candidate was introduced. The board dealt with the regular agenda item of compliance. The supervisory board also established gender quota targets for the executive board. It approved budget amendments, as well as financing projects and property purchases. The appointment of executive board member Dr. Heer was extended by a further three years.

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

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

At the supervisory board meeting on **20 July 2017**, following the annual general meeting, the newly elected supervisory board assembled for

the first time. The chair of the supervisory board and his two deputies were reelected and the supervisory board committees were formed.

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

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

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

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

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

Supervisory board committees

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

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

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

The **audit committee** convened five times during the year, in three meetings and two telephone conferences. At its 9 May 2017 meeting and in the presence of the external auditors it discussed matters relating to the annual financial statements of Südzucker AG and the consolidated financial statements. It prepared the supervisory board financial review meeting – at which

the chair of the audit committee reported – and subsequently approved the recommendations of the audit committee. In addition, it discussed the recommendation regarding the appointment of the auditors, checked their independence and finally submitted a recommendation to the supervisory board in favor of the appointment of PwC as auditors for the financial year. The board also dealt with the subject of compliance. At the meeting on 20 July 2017 – following the annual general meeting – the audit committee discussed the auditor's quotation for the audit assignment and commissioned the audit assignment. In the 10 October 2017 audit committee meeting, the auditors dealt with monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal audit system, as instructed by the supervisory board. Another agenda item was the discussion of the half-year financial report. The board dealt also with matters of IFRS reporting standards, non-financial statement and new features regarding the audit of the financial statements.

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

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

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

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

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

Supervisory board effectiveness test

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

Compliance

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

Corporate Governance

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

The executive board fully complied with its duties as prescribed by law and the standard rules

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

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

Financial statements

The auditors PwC were selected by the shareholders at the annual general meeting at the recommendation of the supervisory board. PwC has reviewed the financial statements and management report of Südzucker AG for fiscal 2017/18, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2017/18 and issued a qualified audit opinion on each of them. The auditor also confirmed that the executive board suitably complied with its duties as outlined in article 91, paragraph 2 of the German Stock Corporation Act (AktG). In particular, it established an appropriate information and monitoring system that meets the needs of the company and that is suitable for early detection of developments that may threaten the company's survival. PwC has audited the group and individual financial statements since the 2003/04 fiscal year. Michael Conrad has been the responsible auditor at PwC for Südzucker AG since 2016/17 fiscal year.

In view of the declaration by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, Germany, which states that

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

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

The supervisory board concurs with the executive board's recommendation made on 26 March 2018 regarding the distribution of a dividend in the amount of € 0.45 per share.

Personnel

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

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

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

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

There were four changes among the employee representatives: Ms. Petra Schwalbe and Messrs. Yüksel Gediagac, Bernd Maiweg and Ronny Schreiber stepped down from the board as of the close of the 20 July 2017 annual general meeting. Dr. Melanie Frerichs from Hamburg, Germany, chair of the Food, Beverages and Catering Industry Trade Union, Ms. Angela Nguyen from Biederitz, Germany, deputy works council chair of Freiburger Osterweddingen GmbH & Co. KG, Ms. Ulrike Rösch from Bellheim, Germany, deputy works council chair of Südzucker AG's Mannheim headquarters and Mr. Thomas Bernhard from Wunstorf, Germany, union secretary of the Food, Beverages and Catering Industry Trade Union, were newly elected to the supervisory board.

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

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

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

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

Mannheim, Germany, 16 May 2018

On behalf of the supervisory board



Dr. Hans-Jörg Gebhard

Chairman

Management report

About the group

Group structure

Südzucker AG, a German stock corporation based in Mannheim, is the parent company of Südzucker Group and also its largest operating entity. The consolidated financial statements include the parent company – Südzucker AG – and 158 (152) other entities, of which Südzucker AG is directly or indirectly the majority shareholder. For additional details about Südzucker's share ownership in other companies, please see the list of shareholdings starting on page 76 ("List of shareholdings in accordance with section 313 (2) HGB") in the notes 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.

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

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

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

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 CO₂ liquification plant in Zeitz.

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

Group management

Südzucker AG's executive board independently manages the businesses and is supervised and guided by the supervisory board. The executive board is bound to work in the corporation's interests and is responsible for increasing shareholder value. The executive board members are jointly responsible for managing the entire company. Notwithstanding the overall responsibility of all executive board members, individual board members bear sole responsibility for carrying out the decisions made by the executive board that concern the portfolios they handle. The executive board's rules of procedure outline the details of the board's work. Südzucker AG's articles of association stipulate that important business transactions are subject to the consent of the supervisory board.

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

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

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

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

When calculating operating result, the result from operations reported in the income statement is adjusted to reflect the results of restructuring and special items as well as companies consolidated at equity. Capital employed comprises the invested items of property, plant and equipment plus acquired goodwill and working capital as of the reporting date. Return on capital employed is the ratio of operating result to capital employed. Südzucker calculates the cost of capital for the operating assets as the average

of weighted equity and debt capital. The costs of capital are specified for the segments and divisions by taking into account the respective country and business risks. Currently Südzucker Group's primary indicators for management purposes are the financial performance indicators.

FINANCIAL MANAGEMENT Südzucker's growth is financed by a steady, strong cash flow, a stable relationship with the company's various shareholder groups, access to international capital markets and reliable bank relationships. The foundation for the financing is the company's investment grade rating, which secures the company's access to equity and loan financing instruments. Südzucker operates an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates, including hybrid equity capital, bonds, promissory notes and bank credits. The unique financing requirements during the fiscal year due to the seasonality of the sugar sector (financing beet purchases and inventories) means that securing short-term cash is an important aspect of our financing structure. These short-term financing needs are primarily covered through a commercial paper program in the amount of € 600 million and syndicated and bilateral credit lines.

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

However, for Südzucker AG, pursuant to the provisions of the Commercial Code (HGB), the metrics operating result (HGB) and profit after tax are the key figures for corporate management.

Business model and strategy

Business model

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

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

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

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

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

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

Strategy

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

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

Südzucker Group's four segments conduct business in sectors that will benefit from these megatrends, both in the medium and long term. These trends will continue to drive growth and offer new opportunities. Demand for our products will continue to rise, especially in the emerging nations. For example, global sugar

consumption is expected to continue to rise about 2 % per annum on average – from currently slightly above 180 million tonnes to about 200 million tonnes in 2025.

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

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

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

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

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

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

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

Solid financing strategy We have a solid financing strategy. Our aim is to sustainably strengthen our ability to generate cash flow, nurture a strong relationship with the shareholder groups that support the company and ensure that we have access to global capital markets and banks.

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

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

Sustainability is integral part of our corporate strategy Corporate management is committed to conducting business sustainably, whereby the key principle is to handle all of our resources carefully. No business is worth harming our partner – the nature.

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

Our strengths

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

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

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

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

Our guiding principles

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

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

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

Employees

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

Südzucker AG employed an average of 2,610 (2,501) persons during the financial year.

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

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

EMPLOYEE DEVELOPMENT/TRAINING AND CONTINUING EDUCATION

Increasing full employment in skilled occupational fields, together with demographic shifts,

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

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

THANK YOU FROM THE EXECUTIVE BOARD

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

Research and development

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

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

144 (143) employees are responsible for tasks in the area of research, development and technological services at Südzucker AG; the total expenditure in 2017/18 for research, development and technological services was €'000 20,387 (20,245).

RAW MATERIAL SECURITY

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

Boosting sugar and inulin content – The objective in a project backed by the Federal Ministry of Education and Research is to improve sugar flow within sugar beets in order to boost sugar content. After completing the theoretical work on the project, the plan is to conduct field tests in 2020/21 and demonstrate feasibility. The next project will seek to improve sugar beets'

frost tolerance. New breeding methods for chicory aim to inhibit inulin reducing enzymes. Associated growth and storage phase processes are being investigated.

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

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

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

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

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

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

PROCESSING TECHNOLOGY

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

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

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

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

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

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

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

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

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

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

PRODUCTS: RECIPES AND APPLICATION CONCEPTS

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

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

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

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

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

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

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

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

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

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

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

NEW PRODUCTS AND PROCESSES

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

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

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

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

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

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

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

Business report

General and industry-specific business conditions

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

High production levels of 192.7 (194.1) million tonnes of sugar are expected again in 2018/19 after the production ramp-up in fiscal 2017/18. Despite the continuing demand growth, from

183.6 to 186.6 million tonnes, inventories are again expected to climb, to 80.9 (75.8) million t. The ratio of inventories to annual consumption is thus 43 (41) %.

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

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

Global sugar balance

Million of tonnes	2018/19e	2017/18	2016/17	2015/16	2014/15
Opening balance	75.8	68.1	71.7	80.9	79.2
Production	192.7	194.1	179.4	174.0	180.7
Consumption	-186.6	-183.6	-180.6	-179.8	-178.6
Volume adjustments	-1.0	-2.8	-2.4	-3.4	-0.4
Closing Balance	80.9	75.8	68.1	71.7	80.9
In % of consumption	43.4	41.3	37.7	39.9	45.3

Source: F.O. Licht, 3rd world sugar balance estimate as of April 2018.

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

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

For the 2017/18 sugar marketing year that began 1 October 2017, the EU Commission expects sugar production to expand, to 21.8 (17.6) million tonnes, with regional differences but overall good to excellent yields. With the elimination of sugar quota and minimum beet price regulations after October 2017, EU exports will no longer be restricted. The increased produc-

tion levels will lead to higher EU exports, rising to 3.3 (1.4) million tonnes, while import volumes will decline. The EU will therefore be again a net exporter instead of a net importer.

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

SUGAR MARKETS The most important sugar markets in the producing countries Poland, Germany, France and Belgium are the chocolate, baked goods and beverage sectors. The trend toward reducing the percentage of sugar in pro-

cessed foods has had a noticeable impact. In Western Europe, it has fallen by 2.5 % over the course of the past five years.

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

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

Legal and political environment

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

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

In parallel with the ongoing WTO discussions, the EU is negotiating with the various nations and communities, such as the MERCOSUR mem-

ber states, Mexico and Australia regarding potential free trade agreements. In the event sugar and sugary products are not defined as sensitive products – contrary to current trade practice – additional sugar volumes could in future be imported into the EU at preferential tariff rates.

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

on the basis of past trade flows. Because the UK has the largest European sugar cane refinery, very strict rules of origin will be necessary for future trade agreements between the EU and the UK.

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

Spurred by recommendations from the World Health Organization (WHO) concerning the amount of sugar in people's daily diet, there is increasing pressure on the EU commission and EU member states to actively pursue changes to product recipes. Already in 2016, the EU member states agreed that by 2020, the volume of so-called sugar added in the overall marketed volume of food be 10 % less than in 2015. This includes all types of sugar, not only the household variety, as well as fruit preparations added to food for the purpose of sweetening.

Beet harvest and campaign chronology

In 2017, Südzucker AG expanded its cultivation area in Germany by 23 % over the year prior.

The first beet seeds were already planted in Offstein at the beginning of March, amidst spring-like temperatures. The main planting started in the western and southern factories in mid-March. After a short delay due to rain, the other factories also began their planting. By early to mid-April, Südzucker AG had completed all seeding.

Adequate rain and warm weather in July and August led to very strong beet growth, which no one would have expected during the rather dry, hot month of June. The weather in the region served by Ochsenfurt in particular had a very satisfactory impact on beet yield and sugar content this year.

Humidity during the summer encouraged a slight spreading of fungus-based leaf disease. In regions where beets are planted very close together; for example the region served by Plattling, or regions highly susceptible to leaf disease because of their climate, such as Rheingraben, situations where beets suffered from leaf disease were particularly widespread this year.

The high yield expectations required an early campaign start. All nine Südzucker AG factories opened their gates between September 7 and 12. As in previous years, organic beets were processed before conventional beets at the Warburg factory, from September 9 to 21. Beet pulling, loading and transportation conditions were excellent.

The beet yield was considerably above average at 90 (79) t/ha, and sugar content reached 17.9 (17.8) %. The average campaign duration for all 9 factories was 135 (100) days.



Business performance

2017/18 During the first half of fiscal 2017/18, sugar prices were still satisfactory. After sugar market regulations were eliminated on 1 October 2017, sugar sales revenues declined at an ever-increasing pace from the start of the second half of the year right through to the end of the fiscal period due to volume pressure from the substantial production output from the 2017 campaign.

REVENUE AND OPERATING PROFIT

(in € millions)	2017/18	2016/17
Revenues	1,607.4	1,278.6
Change in work in progress and finished goods and internal costs capitalized	5.2	54.7
Other operating income	73.6	28.2
Cost of materials	-1,133.8	-988.1
Personnel expenses	-227.0	-218.1
Depreciation of intangible assets and fixed assets	-62.5	-54.7
Other operating expenses	-253.7	-196.0
Operating profit (HGB)	9.2	-95.4
Investment income/expense	171.4	210.0
Depreciation of financial assets	0.0	0.0
Interest income/expense	-32.6	-31.1
Income from ordinary activities	148.0	83.5

Revenues rose in fiscal 2017/18 by € 328.8 million or 25.7% from € 1,278.6 million to € 1,607.4 million. Revenue growth was based primarily on higher sugar export volumes following the lifting of export restrictions in October 2017, along with the associated centralization of the Südzucker Group's export activities.

Other operating income in the amount of € 28.2 (87.3) million includes € 4.3 (20.1) million in income from prior periods. These are mainly the result of repayment of excess production levies from previous years, accounting profits and reversals of provisions.

Also included is income from the reversal of a special item that included a reserve fund of € 2.5 (1.3) million, insurance damage claim settlements and profit from the integration of Südprojekt Silo und Logistik GmbH & Co. KG.

The increase in **material expenditures** by € 145.7 million to € 1,133.8 (988.1) million resulted from the higher energy and other material costs due to higher production in the 2016/17 campaign. The volume of goods purchased for resale also increased as a result of the centralization of Südzucker Group's sugar export activities.

Personnel expenses increased by € 8.9 million to € 227.0 (218.1) million. This is driven especially by the increase in the average number of workers, which was up 109 to a total of 2,610 (2,501) because of the lengthy sugar campaign.

Depreciation was higher than last year, posting at € 62.5 (54.7) million.

Other operating expenses fell by € 57.7 million to € 253.7 (196.0) million. Other taxes shown under a separate item in the previous year are recognized under other operating expenses.

Operating result (HGB) improved by € 104.6 million compared to the previous year, but at € 9.2 (-95.4) million, remains substantially below our long-term expectations.

Income from investments posted at € 171.4 (210.0) million, which was below the previous year.

The **net interest result** improved by € 1.5 million to € -32.6 (-31.1) million. Included in the net interest result are expenses from the unwinding of the discount for pensions and long-term liabilities totaling € 20.2 (20.6) million.

The **income from ordinary activities** increased by € 64.5 million to € 148.0 (83.5) million.

(in € millions)	2017/18	2016/17
Income from ordinary activities	148.0	83.5
Taxes on income	-52.2	11.9
Profit after taxes/Net earnings for the year	95.8	95.4
Profit brought forward from the previous year	0.1	0.0
Allocations to revenue reserves	-4.0	-3.5
Net earnings available for distribution	91.9	91.9

Taxes on income in the current financial year total € +52.2 (-11.9) million. These also relate to tax expenses for fiscal years not yet tax audited.

Net earnings were thus € 95.8 (95.4) million.

The **allocation to revenue reserves** in the fiscal year was 4.0 (€3.5 million last year). With the profit carried forward last year of € 0.1 (0.0) million, the **net earnings available for distribution** € 91.9 (91.9) million.

INVESTMENTS AND FINANCING

Investments in property, plant and equipment and intangible assets totalled € 73.9 (97.0) million in the financial year. The investments focused on environmental, replacement and optimization measures in the sugar factories.

Net financial debt

(in € millions)	28 Feb. 18	28 Feb. 17
Securities	-170.7	-171.2
Cash and cash equivalents	-62.8	-5.0
Receivables as part of group financing	-546.3	-689.7
Bonds	0.0	0.0
Financial liabilities to banks	146.8	208.6
Liabilities as part of group financing	1,265.4	1,265.7
Net financial debt	632.4	608.4

Net financial debt increased from € 608.4 million in the prior year to € 632.4 million as at 28 February 2018. Operating cash flow posted at € 141.8 (119.6) million. Investments in financial assets totalled € 0.0 million (€ 10.3 million last year). Distributions for the previous year amounted to € 91.9 million.

Südzucker has the following outstanding bonds as at 28 February 2018:

	Coupon	Volume (€)	ISIN	Stock exchange listing
Hybrid bond 2015 Perceptual NC 10	3-Month-EURIBOR +310 BP = 2,771 %	700 million	XS0222524372	Luxembourg (official Market)
Bond 2011/2018	4,125 %	400 million	XS0606202454	Luxembourg (official Market)
Bond 2016/2023	1,25 %	300 million	XS1524573752	Luxembourg (official Market)
Bond 2017/2025	1,00 %	500 million	XS1724873275	Luxembourg (official Market)

The financial instruments are generally issued via the group financing company Südzucker International Finance B.V., Oud-Beijerland, Netherlands, and used throughout the group. Südzucker AG provided guarantees for the bonds.

A commercial paper (CP) program with a volume of € 600 million is also available for seasonal campaign financing. This program was utilized in the amount of € 125 (200) million as at 28 February 2018.

The seasonal liquidity requirements are also secured by the € 600 million syndicated credit line concluded through 2020.

See the section on “Corporate management” for information on corporate management at Südzucker AG.

BALANCE-SHEET

ASSETS		
(in € millions)	28 Feb. 18	28 Feb. 17
Intangible assets	13.3	13.7
Property, plant and equipment	521.1	513.4
Financial assets	2,765.0	2,791.9
Fixed assets	3,299.4	3,319.0
Inventories	467.4	455.3
Receivables and other assets	957.6	965.2
Securities	170.7	171.2
Cash and cash equivalents	62.8	5.0
Current assets	1,658.5	1,596.7
Accrued and deferred items	0.9	1.3
	4,958.8	4,917.0

Südzucker AG's **total assets** increased as at 28 February 2018 to € 4,958.8 (4,917.0) million.

Fixed assets totalled € 3,299.4 (3,319.0) million, € 19.6 million lower than last year.

2017/18 The addition of **inventories** to € 467.4 (455.3) million resulted from the higher sugar production volume of the 2016/17 campaign.

Receivables and other assets of € 957.6 (965.2) million were comparable to last year. While internal lending to associated companies was sharply lower than last year, trade receivables were up because of the revenue growth. Together with the new claim for repayment of excess production levies from previous years, itemized under other assets, outflow and inflow was nearly balanced.

LIABILITIES AND SHAREHOLDERS'

EQUITY

(in € millions)	28 Feb. 18	28 Feb. 17
Shareholders' equity	2,183.5	2,179.5
Special items with an equity portion	30.2	32.7
Provisions for pensions and similar obligations	533.6	505.2
Other provisions	417.4	342.6
Liabilities	1,794.1	1,857.0
	4,958.8	4,917.0

Equity increased to € 2,183.5 (2,179.5) million due to the higher dividend from net earnings compared to last year. The equity ratio improved to 44.0 % (44.3 %) as a result of lower total assets. As in the prior year, Südzucker AG's fixed assets at the balance sheet date were financed entirely through medium and long-term capital; the equity to fixed assets ratio increased up to 124.3 % (121.5 %) due to the emission of the bond 2017/25.

Pension provisions rose by € 28.4 million to € 533.6 (505.2) million, largely due to the adjustment of the discount rate to 3.97 (4.27) % and the consideration of salary and pension adjustments.

The other provisions item consists of taxes, personnel expenses, litigation risks and recultivation obligations.

Financial liabilities decreased by € 62.9 million from € 1,857.0 million to € 1,794.1 million. This corresponds with allocations of intragroup loans to affiliated companies.

CURRENT AND PROJECTED BUSINESS PERFORMANCE

As predicted in the previous outlook, expiry of quota and minimum beet price regulations for the EU sugar market effective 1 October 2017 makes the forecast for fiscal 2017/18 development very uncertain.

Because of the centralization of Südzucker Group's sugar export activities and the upward price trend in the first half of fiscal 2017/18, revenues grew more than expected.

We had expected a better, although not yet positive operating result, because of improved capacity utilization. In principle, this came to pass. Still, one-time effects that had not been foreseen in last year's forecast, such as repayment of production levies from previous years, a profit from the integration of Südprojekt Silo und Logistik GmbH & Co. KG and an insurance claim settlement for the fire in Ochsenfurt resulted in a positive operating result of € 9.2 million.

Contrary to the forecast, net income from investments was lower than last year. Expectations of an improved net interest result because of a lower discount rate were not fulfilled because of the average higher net debt.

Tax expenses include provisions for fiscal years not yet tax audited.

Overall, because of these factors, the forecast for a slightly increasing net income for fiscal 2017/18 was not met.

Outlook

For fiscal 2018/19, we expect the operating result to be significantly negative due to the continuing downward trend in sugar prices.

An improved net interest result, higher net investment income and significantly lower income taxes will have a positive impact.

Net income for the year is expected to be roughly the same as for this reporting year.

Risks and opportunities report

Risk management system

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

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

RISK MANAGEMENT The risk management system is embedded in Südzucker Group's value-oriented management and planning system. The purpose of the risk management system is to detect existing risks early and systematically, to evaluate them and to provide the relevant decision makers with properly organized risk information. This is accompanied by improving the internal transparency of all processes that have an element of risk and creating a culture of risk awareness among all employees. One of the key risk management tasks is to limit strategic, operative, legal and financial risks.

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

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

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

have a high credit rating or on futures exchanges.

Operative, financial and strategic risks are reported and documented regularly as part of the overall planning, management and reporting process. The executive board and the 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 heads to discuss earnings developments and budgets is one tool Südzucker uses to ensure that information flows directly between the parties. Mitigating measures are defined and initiated for any strategic or operational risks identified during the sessions. Not only the heads of divisions and business areas, but also the group departments regularly report to their respective department heads concerning current developments in their areas of responsibility.

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

Risks

SUMMARY OF CORPORATE RISK EXPOSURE

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

The relative and absolute values "low", "medium" and "high" used for the corresponding categories are shown in the following table. The significance of the identified risks is determined by weighing the combined probability of occurrence and potential financial impact.

Occurance probability		Financial impact
low	< 10 %	< € 5 Million
medium	10–50 %	€ 5–50 Million
high	> 50 %	€ >50 Million

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	Occurrence probability	Financial impact
Regulatory risks		
Risks of changes in legal and political environment	medium	high
Macroeconomic risks	medium	medium
Risks of structural changes of product markets	medium	high
Operational Risks		
Risks of availability of raw materials	medium	medium
Risks of price volatility of raw materials	high	high
Risks of price volatility of products	high	high
Exchange rate fluctuation risks	medium	medium
Product quality risks	low	medium
IT risks	low	medium
Personnel risks	low	medium
Creditworthiness and default risks	medium	medium
Risk of integrating acquired companies	low	high
Other operating risks	low	low
Compliance risks		
Legal risks	medium	medium
Antitrust risks	low	high
Corruption risks	low	medium
Financial risks		
Interest rate fluctuation risks	medium	medium
Exchange rate fluctuation risks	medium	medium
Liquidity risks	low	high
Creditworthiness and default risks	low	high
Risk of rating downgrade	medium	medium

STRATEGIC RISKS

RISKS DUE TO CHANGES IN LEGAL AND POLITICAL CONDITIONS As outlined in the respective sections of the segments' management reports, Südzucker's business is subject to a variety of legal and political stipulations, both at the national and European level. The expiry of minimum beet price and quota regulations on 30 September 2017 will cause beet sugar and iso-glucose production in the EU to expand. The EU will thus once again be a net sugar exporter. The highly volatile world market price for sugar increasingly drives EU sugar market prices. This will lead to increased competition in the markets. Sugar prices will influence the availability of sugar beets as raw material in the future, whose cultivation is in competition with alternative crops. At the same time, the competitive situation will be distorted by the fact that several EU member states pay incentives tied to beet cultivation.

On 30 November 2016, the EU Commission presented recommendations for implementing the EU's climate and energy policies to 2030. On 30 November 2016, the EU Commission presented recommendations for implementing the EU's climate and energy policies to 2030. In December 2017, the EU Council stated its position on the recommendations. The European Parliament followed suit in January 2018. The parties subsequently entered into inter-institutional negotiations regarding the final wording of the directive. Because negotiations are still in progress, it is not possible at this point in time to state any final conclusions about the long-term impact on the ethanol business of any changes to the legal framework. Differentiating mandatory blend ratios according to production technologies and/or raw materials can postpone demand, which could weigh on CropEnergies' business.

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

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

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

OVERALL ECONOMIC RISKS AND RISKS ASSOCIATED WITH STRUCTURAL CHANGES TO TARGET MARKETS Südzucker Group's products are subject to the risk of demand fluctuation due to overall economic developments. This has only a limited impact on the core business – the production of food and animal feed – because of the importance of the products to the human food supply. Food production and diet are always critically scrutinized, especially in developed industrial countries. Associated customer demands can require modifying food and beverage industry recipes or adding reduced sugar products to the portfolio. At the same time,

worldwide sugar consumption continues to grow, due especially to expanding demand in emerging nations, which represent a significantly higher share of the world market than the industrial countries.

OPERATIONAL RISKS

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

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

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

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

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

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

RISKS ARISING FROM PRICE VOLATILITY OF RAW MATERIALS In addition to the procurement risks related to availability, agricultural raw materials are subject to price fluctuations that cannot always be directly passed on to the market. Grain and oilseed market price fluctuations are driven primarily by fundamental global and regional market data such as availability, demand and inventories. Markets are very sensitive to critical thresholds related to the ratio of annual consumption to inventories, as well as uncertainty about supply and demand factors, and prices fluctuate accordingly. Over the last few years, this has been repeatedly observed for certain products and is in principle again possible in the future. The price volatility of global markets is increasingly mirrored in the European and domestic markets due to expanding global raw material trading.

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

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

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

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

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

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

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

The free-of-charge CO₂ certificates allocated in conjunction with the third trading period in the EU from 2013 to 2020 will not cover Südzucker Group's consumption. Südzucker's present sugar, starch, inulin and bioethanol production processes meet current EU directives for carbon leakage, and accordingly, a limited number of CO₂ certificates will be allocated free of charge. We are currently not expecting our carbon leakage status to be canceled. For the upcoming four trading periods from 2021 to 2030, a significant reduction in the allocation of free-of-charge CO₂ certificates must be expected, even with an unchanged carbon leakage status. Given the current stage of the EU's legislative process, the actual free-of-charge allocation after 2021 is difficult to.

RISKS ARISING FROM THE PRICE VOLATILITY OF PRODUCTS

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

Another example of price risk is bioethanol prices in Europe, which are affected by various factors such as supply and demand at the local level, the price level and availability in the United States, Brazil and other exporting countries, as well as general political conditions, and may thus fluctuate significantly. CropEnergies manages these risks by adjusting the wording and expiry date of its sales contracts and to the ex-

tent possible, using derivative instruments, as well as flexibly operating its bioethanol plant in Wilton, Great Britain, depending on the market situation and the associated costs and earnings.

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

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

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

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

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

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

PRODUCT QUALITY RISKS AND FOOD SAFETY

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

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

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

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

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

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

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

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

COMPLIANCE RISKS

GENERAL LEGAL RISKS Various lawsuits are pending against Südzucker AG and the group's companies. Accruals are being formed to cover the legal costs for these proceedings. Accruals for the lawsuit risks are built when the likelihood that the company will be liable and the extent of the liability can be adequately determined. The final outcome of individual proceedings may affect earnings during a particular reporting period, but the potential associated liabilities would have no long-term impact on the group's assets and financial position.

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

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

RISKS ARISING FROM ANTITRUST LAW There is a risk that antitrust authorities may interpret the conduct of company organs and employees as violating antitrust laws, and that they may initiate proceedings. Such proceedings always negatively impact the company's reputation and can result in high fines and potentially, unfounded claims for compensation from third parties.

A groupwide standard on compliance with antitrust laws at Südzucker Group (Competitive Guideline) has been in force. The objective of this guideline is to prevent employees from violating antitrust laws and to provide practical support in the application of relevant rules and regulations. This includes the obligation of all employees to comply with antitrust legislation. Südzucker further strengthened its antitrust law compliance program again in fiscal 2017/18 in particular by conducting audits and intensifying reporting and documentation. Training courses and audits to prevent antitrust law violations are conducted at regular intervals.

As described in last year's annual reports, the German Federal Antitrust Authority charged German sugar producers Südzucker AG, Nordzucker AG and Pfeifer & Langen GmbH & Co. KG with engaging in unlawful practice to restrict competition, including territorial, quota and price-fixing agreements. Südzucker accepted the penalty notice issued on 18 February 2014 as part of a settlement and paid the fine in order to bring to a close the case and achieve legal and planning certainty going forward. The case was based on statements by a crown witness for the prosecution and had lasted almost five years. After payment of the fine, the German antitrust case was closed.

Since closure of the German antitrust proceedings, customers are claiming damages as expected, due to alleged cartel-related markups. Südzucker and the two other fined German sugar producers are categorically disputing these claims, especially since various appraisers have stated that no customers were disadvantaged during the timeframe considered by the Antitrust Authority. Some customers have made claims for damages or information against the affected sugar manufacturers – mostly jointly and severally. Claims are pending in various German district courts. They are at an early stage of the process, some at the hearing of evidence stage. The evidence hearing stage is expected to be lengthy for all of the claims. To date no decisions have been taken regarding the cases.

As outlined in last year's annual report, in September 2010, the Austrian Federal Competition Authority referred AGRANA Zucker GmbH and Südzucker AG to the Vienna cartel court, requesting a decision on an alleged violation of the Austrian Cartel Act. AGRANA and Südzucker are accused of anticompetitive agreements relating to Austria in connection with the German antitrust fine. The defendants continue to consider the accusations groundless and dispute the claims submitted in October 2011 by the antitrust authorities based on the evidence presented at the hearings that have been held to date, even after the latest witnesses took the stand in September 2014. The antitrust court in Vienna has not announced a decision and when it will do so is not foreseeable.

CORRUPTION AND BRIBERY RISKS Risks due to corruption can arise if Südzucker Group organs or employees violate laws, internal rules or regulatory standards recognized by Südzucker and the respective Südzucker Group company subsequently suffers damage to its assets or image. The company follows up on all reports of malpractice. The compliance program and the compliance organization were further enhanced

in fiscal 2016/17. The management culture focus on transparency and corporate principles was continuously enhanced to strengthen the compliance culture. Training was further intensified in order to ensure that each and every employee behaves in a proper manner regarding legal conformity and social ethics. Specific recommendations on selected topics were further developed and made available to employees.

FINANCIAL RISKS

Because it conducts business worldwide, Südzucker Group is exposed to a variety of financial risks. This includes risks associated with fluctuating currency exchange and interest rates, liquidity risks, as well as credit rating and default risks. We classify market price risks associated with sugar exports, bioethanol volumes, or energy and raw materials procurement as operative risks. These are described in the respective section of this risk management report.

INTEREST RATE RISKS Südzucker Group is exposed to a limited extent to unexpected changes in interest rates on variable-rate or short-term financial obligations and investments. Exposure to these loans and investments fluctuates significantly over the course of the year because of campaign-related financing requirements. Long-term interest rate changes are of minor importance because of the company's low indebtedness.

CURRENCY EXCHANGE RISKS Financing-related currency exchange risks are mainly due to intra-group financing of subsidiaries in currencies other than the local currency. In the US and Eastern Europe, Südzucker Group finances some subsidiaries through intragroup loans denominated in euro. US dollar financing also occurs in Mexico. To a lesser extent, Group companies in the eurozone also provide financing to subsidiaries in their differing national currencies.

LIQUIDITY RISKS Südzucker is exposed to liquidity risk in that it may not be able to raise the necessary funds to fulfill a payment obligation in time or at all. Südzucker Group's liquidity is thus monitored daily. To the extent that they make sense economically, the company uses cash pools, both in Germany and internationally. Excess cash is also utilized throughout the group. Südzucker ensures that it has a balanced debt repayment scheme and reduces its financing risks by issuing long-term bonds and using bank credit lines. Risks resulting from cash flow fluctuations are detected and controlled at an early stage as part of short, medium and long-term liquidity planning, which is an integral part of corporate planning. A commercial paper program and approved bank credit lines give Südzucker access to immediate and adequate liquidity to meet the seasonal financing requirements associated with sugar campaign production at any given time.

CREDITWORTHINESS AND DEFAULT RISKS There are also financial creditworthiness and default risks associated with financial institutions with which we have entered into hedging transactions, have deposited funds, have credit lines or that have provided guarantees on behalf of Südzucker. These risks increased due to the financial crisis and we limit them by conducting our financial business only with banks that have a high credit rating. Accordingly, we continuously monitor the creditworthiness of the financial institutions.

RISK OF RATING DOWNGRADE The rating agencies Moody's and Standard & Poor's assess Südzucker's creditworthiness. Südzucker feels obliged 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.

Overall risk position

Material risks that could impact the future growth of Südzucker Group are particularly those arising from fluctuations in product and raw material prices, together with the risks associated with a change in the legal and political framework under the terms of which the company operates. The pressure of the world market price on the price of sugar in the European Union has increased for the sugar segment. This pressure will become even greater in future; the risk associated with fluctuations in EU sugar prices will thus also increase. The CropEnergies segment's result is tied primarily to the price of raw materials – particularly wheat – and to bioethanol revenues. In phases of declining bioethanol prices with unchanged or increased grain prices, losses may be incurred when margins do not contribute enough to covering costs. When the variable costs are no longer covered, temporary production stoppage may become necessary. Because the markets for wheat and bioethanol are relatively independent of each other, forecasting result development is difficult. Nevertheless, it is not always practical or possible to hedge all price risks in advance, as this would reduce the future opportunities for positive price development. In addition, insufficient liquidity of price hedging instruments with longer terms limits their use.

The group's overall risk position remains unchanged compared to last year. Nevertheless, there are still no apparent risks that threaten the organization's continued existence.

Opportunities

Rigorously pursuing a corporate strategy aimed at long term value-based growth also creates many opportunities for Südzucker Group. This section outlines opportunities with regard to business activities in the individual segments and divisions.

Südzucker is Europe's leading sugar producer. The company's special products (functional ingredients for food and animal feed, frozen products, portion packs and starch), CropEnergies and fruit (fruit preparations, fruit concentrates) segments have captured significant market shares in their target sectors.

As a result, Südzucker Group will continue to operate in what will remain strongly growing international markets that will drive demand for agricultural commodities, food, animal feed and energy even higher. Südzucker's European locations have advantageous natural geography with excellent soils, high yields and favorable weather conditions compared to other regions around the globe. The company enjoys a stable and reliable foundation for competing internationally as a result. The expanding global population and the trend toward high-quality foods should increase the market opportunities for Südzucker products, especially in countries with rising living standards. With its infrastructure for producing and marketing bioethanol in Europe, the group is in an outstanding position to benefit from the growing European market for fuel from renewable raw materials.

SUGAR SEGMENT

Südzucker's competitive position in the European Union is excellent due to its concentration on the top beet growing regions in Europe and the company will be able to take advantage of the expiry of the quota regulations to strengthen its production and market position. Producing in the European core markets and being close to industrial customers is also a major advantage

logistics-wise. Additional market opportunities may rise in the non-food market, such as in bio-based chemicals.

Opportunities will arise from exporting sugar outside the EU, which since October 2017 is no longer subject to export restrictions. After the expiry of quota regulations, Südzucker increased capacity utilization by extending the duration of the 2017 campaigns. We expect worldwide sugar consumption to rise further from the current slightly over 180 million tonnes, to more than 200 million tonnes by 2025. Still, in the near term, other factors, especially weather conditions in the main growing regions for sugar cane and sugar beets, exchange rate fluctuations and financial investor positions will have a significant influence. This applies especially to the Brazilian real and the Brazilian government's ethanol policies, which can impact the world market price for sugar. The participation in ED&F Man will also give Südzucker additional opportunities to participate in market growth.

There are also opportunities from the continuously increasing sugar yield per hectare associated with beet cultivation. The yield increase for sugar beets is greater than for comparable alternative fruits, as well as cane sugar.

SPECIAL PRODUCTS SEGMENT

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

The BENE0 functional food products are a key business unit of the special products segment, which will benefit from the long-term trend toward healthier dietary habits. BENE0 is a worldwide leading supplier of functional food ingredients for food and beverages and animal feed. It offers functional carbohydrate product lines – Isomalt, Palatinose™ – and the functional dietary fibers inulin and oligofructose. A clearly differentiated market offering is the special product line based on ingredients made from

rice, which has hypoallergenic properties. The division aims to take advantage of current growth opportunities for the group by promoting its product lines for new applications.

Freiberger Group uses its Europe-wide leading position as a supplier of customer-specific convenience products labeled as the private brands of international trading companies to tap the resulting growth potential. The group's European sales and distribution activities have been extended to cover the North American markets. With the purchase of Richelieu Foods Inc., Freiberger purchased the leading American producer in the private label pizza market. The acquired company has an established customer base. The acquisition also provides a platform for Freiberger to realize its planned expansion of German discounters in the North American market and thereby generate higher volumes. The acquired production locations, the established Richelieu Foods organization and Freiberger's innovation strength and technical expertise provide a broad foundation for the planned expansion.

As the European market leader, PortionPack Europe creates, produces and distributes portion-sized articles. The product range covers mainly the food sector, but a number of non-food articles are also available. The key markets are in food service sectors such as hotels, restaurants and bars and caterers. PortionPack Europe is expanding its European market share by growing internally and externally, responding flexibly to customer demands and continuously working on product innovations.

Starch focuses on high-value-added specialty products. Innovative, customer-oriented products with accompanying applications consultation, ongoing product development and continuous cost optimization are among the division's key objectives. Examples include the leading shares in organic starches and non-GMO starches for the food industry or the technical leadership for specialty starches in the paper, textiles, cosmetics, pharmaceuticals and construction sectors.

CROPENERGIES SEGMENT

The segment's ongoing development and results are primarily driven by sales revenue growth for bioethanol, food, animal feed and the costs of the raw materials used.

Opportunities arise from lower grain prices and/or higher prices for bioethanol and the food and animal feed products produced in parallel. CropEnergies can to some extent avoid the volatility of the grain markets by using sugar syrups as a raw material. In addition, CropEnergies benefits by generating sales revenues from high quality foodstuffs and animal feed, which lowers net raw material costs and optimizes production process energy consumption.

In the medium term, CropEnergies expects that the agreements reached at the Paris Climate Summit will result in further growth, also for renewable energies in the transportation market. If not, the goals to limit the increase of the earth's temperature to 2°C and cut the consumption of fossil fuels will be impossible to reach.

As one of Europe's leading bioethanol producers, with adequate plant flexibility and capacity, CropEnergies is well positioned to meet the associated increased demand. This is in part due to the successful restart of the production plant in Wilton in July 2016, which enables CropEnergies to now flexibly deploy the entire produc-

tion capacity according to the market and contract situation.

Additional opportunities for CropEnergies could arise from a consolidation of the number of suppliers in the European bioethanol market, as CropEnergies enjoys competitive advantages based on its size, locations and technological leadership.

FRUIT SEGMENT

The AGRANA fruit segment is the world market leader for fruit preparations for the dairy, ice cream and baked goods industries and the European market's largest producer of fruit juice concentrates from apples, red fruit and berries. Growth opportunities arise in countries with rising incomes, such as Russia, China and Brazil. A greater emphasis is also being placed on the American market, the regions of North Africa and the Middle East.

Internal control and risk management system as it applies to accounting systems

ESSENTIALS Südzucker AG's accounting-related internal control system aims to ensure that its financial reporting and accounting practices comply with recognized standards, are reliable and effective, and that they truly reflect the company's assets, financial and earnings situation at all times. The system is embedded in the underlying business processes in all relevant legal entities and central departments and is continuously being enhanced. The main elements of the system are the principles, procedures and controls that ensure thorough and complete financial reporting; for example, consistent accounting, valuation and balance sheet procedures, processes and practices throughout the group.

IFRS REPORTING GUIDELINE Südzucker Group's accounting and valuation guidelines, including the accounting principles as per International Financial Reporting Standards (IFRS), ensure that the accounting and valuation systems used for all business transactions by the German and foreign subsidiaries included in Südzucker's consolidated financial statements are consistent throughout the group. Südzucker's internal IFRS Reporting Guideline ensures that IFRS is applied as applicable to Südzucker and explains accounting topics. The contents of the IFRS Reporting Guideline are prepared centrally and are regularly updated.

INTERNAL AUDIT SYSTEM AS RELATES TO THE ACCOUNTING PROCESS The group accounting process starts with the group's individual companies. Individual organizational entities prepare and check their financial statements and send them to Südzucker AG's central consolidation department by uploading the data to the consolidation system. Clearly structured authorization rules are in place for all of the group's accounting-related IT systems.

Südzucker AG's central consolidation department is in charge of completing the overall consolidation and preparing the group management report and consolidated financial statements. It also oversees the group's binding standard chart of accounts and manages the IT consolidation tool.

External auditors are regularly appointed as part of the preparation of the financial statements for the valuation of provisions, primarily those for personnel.

Südzucker Group's internal monitoring system has two components: controls integrated into the processes and process-independent controls. There is a strong emphasis on the principle of segregation of duties and the principle of dual control, as well as compliance with guidelines and rules related to key business processes.

Automated validation rules and plausibility checks, especially in the IT-based consolidation system, ensure that the data entered by the individual companies is complete and correct.

Segregating the administrative, executive, accounting and approval functions and making different persons responsible greatly restricts the opportunities to engage in criminal activity. Nevertheless, it is impossible to fully exclude every eventuality, especially arbitrary personal decisions with negative ramifications, erroneous audits, criminal activities or other circumstances.

The monitoring steps taken to ensure proper and reliable accounting include, for example, analyzing business developments on the basis of specific key indicator analyses, as well as analyzing individual transactions in detail. At the group level, specific audit activities to ensure that the group accounting is being properly and reliably carried out include analyzing and, if necessary, adjusting the individual group company financial statements, taking into consideration the external auditors' reports and/or the audit debriefings.

Before integrating newly acquired companies, their internal control systems are quickly adapted to meet Südzucker Group's high standards.

INTERNAL AUDIT The audit committee deals mainly with compliance, monitoring the accounting process and the annual audit of the financial statements. It also reviews and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing process. The internal audit department audits the internal control system, compliance with legal requirements and internal corporate guidelines, as well as the risk management system. It makes recommendations and develops any necessary process changes accordingly, thereby contributing to continuous improvement of the internal control and risk management systems.

EXTERNAL AUDIT The external auditor checks that the early risk identification procedure integrated into the risk management system is entirely suitable for timely identification of existential risks. The auditor also reports to the supervisory board any material weaknesses found in the internal control and risk management system. During the audit of the closing financial statements, the auditor confirmed that Südzucker's early warning system is capable of timely detection of existential risks. The auditor has not encountered any material weaknesses in the internal accounting-related auditing system during its audit.

Corporate management and – responsibility

In the section described below, Südzucker reports on corporate management in accordance with article 315d of the German Commercial Code (HGB) in conjunction with article 289f of the German Commercial Code and corporate governance as per item 3.10 of the German Corporate Governance Code. In addition, the following section reports on corporate responsibility regarding the non-financial statement in accordance with articles 315b and 315c of the German Commercial Code in conjunction with articles 289b and 289c of the German Commercial Code.

Supervisory board and executive board operating procedures

The following summary outlines the operating procedures of the executive and supervisory boards in accordance with articles 289f, paragraph 2, item 3 and 315d of the German Commercial Code.

GENERAL INFORMATION Südzucker AG is a German stock corporation and as such has a dual management structure consisting of an executive board and supervisory board, each having members with independent expertise in different areas. The executive and supervisory boards work on the basis of mutual trust and closely cooperate to manage and supervise the company.

EXECUTIVE BOARD Südzucker AG's executive board currently consists of four members. The management body independently manages the company's businesses in the interests of the corporation with the aim of generating sustainable added value. The duties assigned to the executive board members are outlined in the rules

of procedure for the executive board in the version dated 26 January 2016.

Some executive board members have dual responsibilities with respect to the subsidiary AGRANA Beteiligungs-AG, Vienna, Austria. The CEO of AGRANA Beteiligungs-AG, Johann Marhart, 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 16 November 2017. The shareholder representatives and employee represent-

atives always meet separately to prepare the supervisory board meetings.

SUPERVISORY BOARD STRUCTURE Südzucker AG's supervisory board consists of twenty members as per the articles of incorporation, of which ten are elected by the shareholders and ten by the employees. The terms of office are identical: The term of office of all supervisory board members runs until the close of the annual general meeting at which shareholders will vote on ratifying the board's actions for fiscal 2021/22 (that is, until the end of the annual general meeting in 2022).

SUPERVISORY BOARD DIVERSITY POLICY As per a resolution passed on 16 November 2017, the supervisory board is aiming for the following targets and competence profiles for the full board in its future composition, in consideration of the sector, the size of the company and the share of international business activity

- All supervisory board members shall have adequate corporate or operational experience and shall ensure they have sufficient time to fulfill their supervisory board duties.
- Each member of the supervisory board shall demonstrate the required reliability and personal integrity to fulfill the board's supervisory duties.
- At least two members of the supervisory board should be independent as per item 5.4.2 of the German Corporate Governance Code. Not independent as per item 5.4.2 of the German Corporate Governance Code is anyone who has a personal or business relationship with the company, its organs, a controlling shareholder or company associated with these, which could result in a material and not merely temporary conflict of interest.
- Not more than two former members of the executive board shall be members of the supervisory board.

- The supervisory board shall have at least two members with international experience or specialized knowledge in one of the company's key non-German markets.
- At least one member of the supervisory board shall be a financial expert.
- The supervisory board shall have at least three female and three male members to represent the employees.
- No candidate older than seventy shall be recommended for election or reelection to the supervisory board, unless it would be in the interests of the company.

There is no rule regarding the maximum term of office of a supervisory board member. This is to ensure continuity and long-term expertise on the supervisory board.

When recommending supervisory board members for election, the supervisory board will continue to focus primarily on the personal suitability of the candidates, their specialized skills and experience, their integrity and independence, as well as their motivation and capabilities.

The degree to which the competence profile of the entire body has been achieved is as follows:

The supervisory board's employee representatives were elected on 16 April 2017 by the company's workers and its shareholder representatives by shareholders at the annual general meeting on 20 July 2017. The board has the opinion that since 20 July 2017, it has had at least two independent members, which is in compliance with requirements. At least two members especially meet the criterion of "internationality". The supervisory board has seven female members – four representing the employees and three representing shareholders. There are no former Südzucker AG executive board members on the supervisory board. All members of the supervisory board are familiar with the sector in which Südzucker AG conducts

business. The financial expert on the supervisory board and on the audit committee is Ms. Veronika Haslinger, Vienna, Austria.

EXECUTIVE BOARD DIVERSITY POLICY In its meeting of 16 November 2017, the supervisory board decided – in part also because of existing executive board member contracts that will not expire for some time – not to define a diversity policy for the composition of the executive board with respect to aspects such as age, gender, education or professional background at this time.

SUPERVISORY BOARD COMMITTEES The supervisory board has formed an executive committee, audit committee, agricultural committee, social committee and mediation committee from among its members. These committees prepare and supplement its work. The executive and mediation committees each consist of four members. The other committees have six members each, with an equal number of shareholder and employee representatives. The duties of the executive board and the other committees are outlined in the supervisory board rules of procedure version dated 16 November 2017. In addition, the audit committee's rules of procedure version dated 21 July 2009 apply to the audit committee. The current members of the committees are presented in the notes under item 37 "Supervisory board and executive board".

The chairman of the supervisory board is not simultaneously the chairman of the audit committee.

SHAREHOLDERS AND ANNUAL GENERAL MEETING Südzucker AG's shareholders exercise their voting and control rights at general meetings held at least once a year. On an annual general meeting, shareholders vote on all issues as per the statutory requirements. The decisions are binding for all shareholders and the company. Shareholders are entitled to one vote for each share held.

Every shareholder meeting the general requirements for participating and exercising voting rights and who registered by the due date is entitled to participate in the annual general meeting. Shareholders who are unable to attend personally have the option of exercising their voting rights by proxy through a financial institution, a shareholder association, Südzucker AG appointees who are bound by the directives of the shareholders or by some other authorized representative of their choice. Shareholders also have the option of submitting their vote in advance of the general meeting via Südzucker AG's website (www.suedzucker.de/en/Investor-Relations/Hauptversammlung/) or by assigning power of attorney to Südzucker AG's proxies or to a third party.

RISK MANAGEMENT Responsible management of business risks is fundamental to good corporate governance. Südzucker AG's executive board and Südzucker Group's managers make use of group-wide, company-specific reporting and control systems to detect, evaluate and manage these risks. The executive board regularly keeps the supervisory board abreast of existing risks and how they evolve. The audit committee deals mainly with monitoring the accounting process and the annual audit of the financial statements. It also reviews and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing process. Details regarding risk management are outlined in the risk report.

Corporate governance report

Corporate governance aims to ensure that companies are managed and controlled responsibly and that they provide lasting shareholder value. The following corporate governance report is prepared in accordance with articles 289f, paragraph 2, item 1, 4–6 and 315d of the German Commercial Code. Effective and efficient cooperation between the executive and supervisory boards ensures transparency and the claim to keep shareholders and the public fully informed in a timely manner. The corporate governance report published here by Südzucker AG complies with legal requirements and the German Corporate Governance Code rules.

Good corporate governance is a given at Südzucker and has been practiced since many years. The company's policies are consistent with the recommendations of the Code and compliance is a key executive board and supervisory board responsibility.

Südzucker regards the current version of the Code dated 7 February 2017 as largely balanced, practical and of high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles. We comply with the recommendations of the code with the exception of the items outlined in the declaration of compliance.

2017 DECLARATION OF COMPLIANCE

In the 2017 mutual declaration of compliance by the executive board and the supervisory board in accordance with article 161 of the German Stock Corporation Act (AktG), the following deviations from the recommendations – compared to last year's statement – were added:

Item 4.1.3 – Compliance, whistleblower system

Südzucker AG's current compliance system includes a telephone hotline to the compliance officer. By the end of 2017, a whistleblower feature will be added to the system, which will enable employees and third parties to securely inform corporate management by electronic means about any compliance infringements within the company. Since technical implementation has not been completed to date, a deviation to item 4.1.3 clause 3 is reported as a precautionary measure.

The complete version of the mutual 2017 declaration of compliance by the executive board and supervisory board – as well as the declaration of compliance for prior years – is posted on Südzucker's website (www.suedzucker.de/en/Entsprechenserklaerung/).

GENDER QUOTA

The amended German Stock Corporation Act due to the Gender Quota Law stipulates that listed and co-determined companies have a fixed gender quota of 30 % on the supervisory board and set targets for the number of women on the executive board and the two management levels below the executive board. 35 percent of the supervisory board's members are women. The legal quota requirement is thus fulfilled

In its meeting on 17 May 2017, the supervisory board resolved to keep the number of women on the executive board at 0 % until 16 May 2022, taking into consideration all relevant factors and especially the current status quo.

In its meeting of 12 June 2017, the executive board resolved to raise the percentage of women at Südzucker AG at the first and second management levels below the executive board level to 9 and 13 %, respectively, from the current 8.3 % and 12.2 %, respectively, by 11 June 2022.

EDUCATION AND TRAINING

Members of the supervisory board are solely responsible for any education and training measures they may require to fulfill their duties. They received appropriate support from Südzucker. Again in fiscal 2017/18, an information seminar regarding corporate governance topics was presented by an external legal expert. Most of the supervisory board members attended. In February 2018 a closed meeting of employee representative members of the supervisory board was held – especially for the information of newly elected members – at which Südzucker management made presentations on company fundamentals.

REMUNERATION

Executive board Südzucker AG's executive board compensation consists of a fixed annual base salary, a variable incentive component based on the average dividends of the previous three years, a company pension plan, which is mainly based on a fixed percentage of the annual base salary, plus payments in kind. The remuneration does not include any share-based compensation or comparable long-term remuneration components. 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 22 of the notes to the annual report.

ASSET LOSS LIABILITY INSURANCE

The company has taken out an asset loss liability insurance with a deductible, which covers the activities of members of the executive and supervisory boards (D & O insurance). Article 93, paragraph 2 of the German Stock Corporation Act (AktG) states the deductible for supervisory board members shall be at least 10 % of the damage up to at least 1.5 times their fixed annual remuneration. The German Corporate Governance Code endorses this recommendation

with respect to supervisory board members. The D & O insurance deductibles for the executive and supervisory board members have been adjusted accordingly.

SHARES HELD BY MEMBERS OF THE EXECUTIVE AND SUPERVISORY BOARDS/SECURITY TRANSACTIONS SUBJECT TO DISCLOSURE

No member of the executive or supervisory board owns shares or related financial instruments that either directly or indirectly represent more than 1 % of Südzucker AG's total share capital. Furthermore, the total shareholdings of all executive and supervisory board members are less than 1 % of the total shares issued by the company.

In fiscal 2017/18, the members of the executive and supervisory boards have not informed Südzucker AG about any notifiable dealings in securities.

Compliance

The following summary relates to disclosures about corporate policy regarding compliance in accordance with articles 289f, paragraph 2, item 2 and 315d of the German Commercial Code.

COMPLIANCE – CORPORATE PRINCIPLES

For Südzucker, compliance; that is, operation in accordance with laws and company policies, is a standard part of good corporate management. At Südzucker, practicing compliance is not merely the responsibility of the executive board, but also the managers of all of the group departments, divisions and subsidiaries or companies in which Südzucker Group holds an interest.

In addition to group-wide guidelines, compliance in the company is enshrined in the code of conduct and in the corporate compliance principles. The Compliance corporate principles highlight key issues that are very important in day-to-day practice. The corporate compliance principles are published on Südzucker's website at www.suedzucker.de/en/Unternehmensgrundsaeetze/ and the code of conduct at www.suedzucker.de/en/Verhaltenskodex/.

Südzucker applies the laws currently in force and expects the same from its employees and business partners.

COMPLIANCE MANAGEMENT SYSTEM

Existing Südzucker Group corporate rules were incorporated into the compliance management system policies and various compliance-critical company departments and activities were integrated into the program. The compliance management and its principles of “knowledge” (informing and training), “compliance” (verifying and documenting) and “improvement” (reporting and acting) aim to ensure the lawful conduct of the company, its executive bodies and its employees. The goal is to prevent employees from breaking any laws and to help them apply laws and corporate guidelines properly and professionally.

“Knowledge“ Südzucker provides its employees with the necessary information sources and advice to enable them to avoid contravening any rules or laws. All supervisors must organize their area of responsibility to ensure that the corporate compliance principles, the code of conduct, the company's internal directives and statutory requirements are adhered to. After all, only risk-aware employees can recognize risks and successfully avoid or at least mitigate them.

The compliance officer and compliance representatives ensure that information flow is timely. In fiscal 2017/18, about 5,000 employees were trained in seminars and with the help of e-learning on the topics of corruption and bribery prevention throughout the group. This covers about 80 % of the defined persons (salaried employees including management).

“Compliance” All employees are obliged to report any violation of the corporate compliance principles, the code of conduct, the company's internal directives and statutory requirements to the compliance officer, the compliance representatives or the executive board immediately. Violations of external and internal rules are not tolerated. Any indication of wrongdoing is investigated.

“Improvement” Compliance activities and the compliance organization were continuously enhanced in fiscal 2017/18 just ended.

MAIN ITEMS: ANTITRUST LAWS, BRIBERY AND CORRUPTION CONTROL The focus of the group-wide corporate compliance principles continues to be compliance with antitrust laws, corruption and bribery prevention – with country and company-specific adaptation. These principles are reinforced by guidelines. The executive board has ruled that all contact with competitors be approved in advance by the responsible supervisor and that such contact always be documented.

The executive board regularly reports to Südzucker AG's supervisory board and the supervisory board's audit committee regarding compliance issues.

Disclosures on takeovers

The following disclosures provide further details in accordance with articles 289a, paragraph 1 and 315a, paragraph 1 of the German Commercial Code and an explanatory report as per article 176, paragraph 1, clause 1 of the German Stock Corporation Act (AktG); they form part of the audited group management report.

COMPOSITION OF SUBSCRIBED CAPITAL AND VOTING RIGHTS As of 28 February 2018, Südzucker's subscribed capital amounts to € 204,183,292 million and consists of 204,183,292 ordinary bearer shares, each of which represents a notional holding of € 1 per share. The company held no treasury shares as of the balance sheet date.

VOTING RIGHTS, SHARE TRANSFERS All shares entitle holders to the same rights and each share is worth one vote at the annual general meeting. Voting rights for the shares may be restricted as per German Stock Corporation Act regulations. Under certain conditions, shareholders may not be entitled to vote (article 136 of the German Stock Corporation Act [AktG]).

A voting agreement exists between Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, and Zucker Invest GmbH (Zucker Invest), Vienna /Austria, one of the companies of the registered Raiffeisen Holding Niederösterreich-Wien cooperative with limited liability (Raiffeisen-Holding), Vienna / Austria. Additional voting agreements exist between companies of the Raiffeisen group. Furthermore, SZVG has a preemptive right to buy 18,797,796 of Zucker Invest's Südzucker shares and Zucker Invest has a preemptive right to buy 246,368 of the Südzucker shares held by SZVG.

SÜDZUCKER AG SHAREHOLDINGS EXCEEDING 10

% Südzucker AG knows of two direct equity investments in the company that exceed 10 %: SZVG owns 56.5 % of total share capital and Zucker Invest 10.3 %. Raiffeisen-Holding and its associated companies hold a direct interest via Zucker Invest. The shareholdings are reciprocally attributed to the companies, so that each holds a share of about 67 % of total share capital, according to the German Securities Trading Act.

SHARES WITH SPECIAL RIGHTS, VOTING RIGHTS CONTROL FOR SHARES HELD BY EMPLOYEES

Shares with special rights that would impart controlling authority do not exist at Südzucker. No employees who hold shares of Südzucker AG are subject to voting rights control.

APPOINTMENT AND DISMISSAL OF EXECUTIVE BOARD MEMBERS

Executive board members are appointed and dismissed by the supervisory board in accordance with articles 84 and 85 of the German Stock Corporation Act (AktG) and article 31 of the German Codetermination Act (MitbestG). In accordance with article 5, item 2 of Südzucker AG's articles of incorporation in the current version dated 23 December 2016, the supervisory board determines the number of executive board members and the supervisory board has the authority to appoint deputy members.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments to the articles of association are governed by articles 179 and following of the German Stock Corporation Act (AktG). Article 22 of the articles of incorporation authorizes the supervisory board to make amendments to the company's articles of association that only affect the wording.

AUTHORITY OF THE EXECUTIVE BOARD, ESPECIALLY AS RELATES TO ISSUING AND SHARE BUYBACK

Subject to approval by the supervisory board, the executive board is authorized to increase the company's share capital once or several times up until 15 July 2020 by up to €

20,000,000 by issuing new no-par value bearer shares in exchange for cash contributions and/or contributions in kind, for the entire amount or in tranches (Authorized Capital 2015). Subject to approval by the supervisory board and according to article 4, paragraph 4 of the articles of incorporation, the executive board may exclude subscription rights of shareholders in certain cases, provided the shares issued under exclusion of the subscription rights do not exceed 10 % of total share capital, neither at the time of the coming into force of this authorization, nor at the time of exercising same. Details are outlined in article 4, paragraph 4 of the articles of association. Authorized Capital 2015 has not been utilized to date.

Shareholders at the 16 July 2015 annual general meeting authorized the executive board to buy back up to 10 % of the company's total share capital existing at that time until 15 July 2020 in accordance with article 71, paragraph 1, item 8 of the German Stock Corporation Act (AktG). The shares may be acquired on the open stock market or via a public offer to purchase to all shareholders. The costs of buying back own shares may be charged against net retained earnings or other revenue reserves. The executive board was also authorized, subject to approval by the supervisory board, to sell the shares bought back to third parties and to exclude shareholder subscription rights in the case of corporate mergers or when purchasing companies or parts of companies or shares of companies. Details are provided in the authorization approved at the annual general meeting on 16 July 2015. To date, the board has not exercised the right granted in 2015 to purchase own shares.

CHANGE OF CONTROL AND COMPENSATION AGREEMENTS

Südzucker AG has signed an agreement with a banking consortium providing access to a line of credit in the amount of € 600,000,000. In the event of a change of control, each member of the bank consortium would under certain conditions have the right to terminate the line of credit and its share of the outstanding loans, and demand immediate repayment of same, including interest. Other than that, there are no material agreements pursuant to 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 management report.

Non-financial statement section 289b (1) HGB

The non-financial statement provided for the group is equally applicable to Südzucker AG. All of the guidelines and associated management approach apply for the entire Südzucker group. There are no non-financial targets that only apply to Südzucker AG. Information on Südzucker AG's non-financial reporting in accordance with articles 289b and following of the German Commercial Code is included

Recommendation on appropriation of profits

The executive and supervisory boards will recommend a dividend of € 0.45 (0.45) per share to the annual general meeting on 19 July 2018. With dividend-bearing capital of € 204.2 (204.2) million, this represents a total dividend pay-out of € 91.9 (91.9) million. The dividend is scheduled to be paid on 24 July 2018.

Concluding declaration regarding the dependent company report pursuant to section 312 (3) of the stock corporation act (AktG)

According to notice received from Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, the entity holds a majority interest in our company through its own holdings of Südzucker shares and the shares it holds in trust for its associated shareholders. The report in this regard, based on article 312 of the German Stock Corporation Act, closes with the following declaration:

"For the legal transactions or measures listed in the report regarding the relationship to SZVG, the association of Association of Süddeutsche Zuckerrübenanbauer e.V., Ochsenfurt, its regional associations and beet farmers, our company received appropriate compensation for every legal transaction or measure in accordance with the conditions known at the time such transactions or measures were undertaken, and were not disadvantaged by implementation of the measures."

FINANCIAL STATEMENTS

Balance sheet as of 28 February 2018

ASSETS				
(€ '000)	Notes	28 February 2018	28 February 2017	
Intangible assets		13,317	13,711	
Property, plant and equipment		521,088	513,414	
Financial assets		2,765,038	2,791,881	
Fixed assets	1	3,299,443	3,319,006	
Inventories	2	467,356	455,287	
Receivables and other assets	3	957,599	965,209	
Securities	4	170,656	171,206	
Cash and cash equivalents		62,846	4,951	
Current assets		1,658,457	1,596,653	
Accrued and deferred items	5	921	1,374	
		4,958,821	4,917,033	

LIABILITIES AND SHAREHOLDERS' EQUITY				
(€ '000)	Notes	28 February 2018	28 February 2017	
Subscribed capital		204,183	204,183	
Capital reserve		1,620,579	1,620,579	
Revenue reserves		266,778	262,778	
Net earnings available for distribution		91,914	91,940	
Shareholders' equity	6	2,183,454	2,179,480	
Special items with an equity portion	7	30,170	32,693	
Provisions for pensions and similar obligations	8	533,575	505,151	
Other provisions	9	417,386	342,644	
Provisions		950,962	847,795	
Liabilities	10	1,794,235	1,857,065	
		4,958,821	4,917,033	

Income statement

1 March 2017 to 28 February 2018

(€ '000)	Notes	1 March 2017– 28 February 2018	1 March 2016– 28 February 2017
Revenues	12	1,607,432	1,278,610
Change in work in progress and finished goods and internal costs capitalized	13	5,214	54,734
Other operating income	14	73,622	28,154
Cost of materials	15	-1,133,828	-988,089
Personnel expenses	16	-226,968	-218,105
Depreciation of intangible assets and fixed assets		-62,540	-54,723
Other operating expenses	17	-253,686	-195,995
Investment income/expense	18	171,424	209,956
Interest income/expense	19	-32,624	-31,074
Taxes on income	20	-52,190	11,900
Profit after taxes/Net earnings for the year		95,856	95,368
Profit brought forward from the previous year		58	72
Allocations to revenue reserves		-4,000	-3,500
Net earnings available for distribution		91,914	91,940

Notes to the financial statements

Application of German GAAP (HGB)

The financial statements of Südzucker AG (register court: district court of Mannheim HRB 0042) were prepared in accordance with the rules of the German Commercial Code (HGB) in the version of the Accounting Directive Implementation Act (BilRUG) as well as the Stock Corporation Act (AktG).

The income statement has been prepared using the nature of expense method. Certain items in the balance sheet and income statement 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 financial statements have been prepared in euros. Unless otherwise indicated, all amounts are disclosed in thousands of euros (€ '000) or millions of euros (€ million). The previous year's numbers are generally put in parentheses in the notes.

Accounting policies

Transactions in foreign currencies are recognized at the historical exchange rate at the time of initial recognition.

Long-term foreign currency receivables are recognized at the asking price when the claim arises or at the lower fair value on the basis of the average spot exchange rate on the financial reporting date (impairment principle). **Short-term foreign currency receivables** (remaining term of one year or less) and cash or other current assets denominated in foreign currencies are translated at the average spot exchange rate at the balance sheet date.

Long-term foreign currency liabilities are measured at the bid price when the liability arises or at the higher closing rate on the basis of the average spot exchange rate on the financial reporting date (impairment principle). **Short-term foreign currency liabilities** (remaining term of one year or less) are translated at the average spot exchange rate at the balance sheet date.

Exchange gains or losses from different average spot exchange rates between the transaction date and the balance sheet date are reported under other operating income or expense.

Fixed assets

Intangible assets and fixed assets are measured at acquisition or production cost less depreciation and write-downs. In addition to the wear and tear of the fixed assets, production costs for internally-constructed equipment also include the production material, labor costs, and appropriate components of the overheads required.

Items subject to depreciation according to requirements of German commercial law are depreciated using the declining-balance or straight-line method.

Intangible assets are depreciated using the straight-line method.

The useful life of goodwill was determined by the economically expected useful life and is based in particular on the useful life gained through the acquisition of 'know-how' (employees, processes, etc.).

Fixed assets acquired on or after 1 January 2001 were offset at a rate of maximum 20 percent when depreciated using the declining-balance method. Fixed assets acquired on or after 1 January 2006 to 31 December 2007 were offset pursuant to tax provisions at a rate of maximum 30 percent when depreciated using the declining-balance method.

Fixed assets acquired after 31 December 2008 were offset at a rate of maximum 25 percent when depreciated using the declining-balance method. The transition from the declining-balance to the straight-line method takes place at the date at which the remaining carrying amount distributed in equal annual amounts over the remaining useful life leads to higher depreciation rates.

The straight-line method was used exclusively for fixed assets acquired or produced on or after 1 March 2010. Südzucker AG exercises the option of using the reduced carrying amount (Beibehaltungswahlrecht) pursuant to note 67 (4) sentence 1 of the Introductory Act to the German Commercial Code (EGHGB).

Independently usable movable items of fixed assets subject to depreciation are fully depreciated in the year of initial recognition if their acquisition or production costs do not exceed € 250 (until 31 December 2017 € 150). Depreciable movable assets under fixed assets acquired or produced after 31 December 2007 whose acquisition or production costs are greater than € 250 (until 31 December 2017 € 150) but do not exceed € 1,000 were combined into compound items. Compound items are depreciated at the same rate over a period of five years.

Depreciation of fixed assets and of intangible assets is based on the following useful lives:

Intangible assets	2 to 9 years
Goodwill	10 years
Buildings	10 to 50 years
Technical equipment and machinery	5 to 15 years
Factory and office equipment	3 to 10 years

Shares in affiliated companies and the participations are measured at acquisition cost or the lower fair value. Borrowings are recognized at their nominal amount.

Long-term financial investments are measured at acquisition cost, if applicable, less depreciation of the respective lower fair value at the end of the financial year.

Lower fair values of fixed assets are accounted for with write-downs if continued impairment is expected. Write-downs are reversed if the reasons for the write-downs no longer exist.

Current assets

Materials and other supplies are measured according to the principles of valuation on a separate or standard value basis at acquisition costs with due respect for the lower-of-cost-or-market principle. Merchandise is measured at acquisition cost with due respect for the lower-of-cost-or-market principle. Appropriate valuation reductions are made each time realizability is limited.

Finished goods and work in progress are measured in accordance with notes 253 to 256 HGB at production costs or at the recoverable net proceeds derived from the sale price with due respect for the principle of loss-free evaluation. The FIFO method is used in the measurement of finished goods. Valuation reductions are made if inventory risk arises from extended storage duration or reduced realizability.

The depreciation of the fixed assets in use (wear and tear), the directly attributable material and production costs and the appropriate components of the necessary material and production overheads are considered when determining production costs for sugar. Interest expense is not included.

Short-term financial investments are reported at acquisition cost, less depreciation of the respective lower quoted or market price at the end of the financial year.

Receivables and other assets are measured either at nominal value with due respect for the lower-of-cost-or-market principle or at discounted value. Individual allowances are made in the estimated amount of default risk for doubtful receivables. General credit risk is accounted for with general allowances.

CO₂ emission certificates allocated free of charge are capitalized with an acquisition value of zero; certificates acquired for a fee are recognized at their acquisition cost. Provisions are recognized in the amount of the acquisition cost for the certificates if CO₂ emissions exceed the allocated certificates.

Cash and cash equivalents are recognized at their nominal value.

Prepaid expenses

Expenses paid prior to the balance sheet date are classified as an asset and recorded as prepaid expenses insofar as they represent expenses for a particular period after the reporting date.

Subscribed capital

Subscribed capital is recognized at nominal value.

The book value of the treasury stock acquired is deducted on the face of the balance sheet from the item “subscribed capital” in the preceding column. The difference between the book value and the acquisition costs for the treasury shares is offset against the available retained earnings. Acquisition-related costs are recognized as an expense for the fiscal year.

Special untaxed reserves

Special untaxed reserves for differences from increased depreciation permissible according to tax law and special depreciation as well as regular depreciation on a straight-line or declining balance basis were recognized until 28 February 2010.

Südzucker AG exercises the option of using the reduced carrying amount (continuation option) pursuant to note 67 (3) s. 1 of the Introductory Act to the German Commercial Code (EGHGB).

Provisions

Provisions for **pensions and similar obligations** are determined on the basis of biometric probabilities (Heubeck 2005 G actuarial tables) using the projected unit credit method. The wage and pension inflation parameters were adjusted as follows on the basis of current wage and pension inflation and medium-term projections: The future salary and income threshold increase rates were as in the previous year set at 2.50 (2.50) percent, of an income threshold trend (“Beitragsbemessungsgrenze”) of 2.50 (2.50) percent, the future pension increase rate at 1.50 (1.50) percent and the average employee turnover rate at 1.0 (1.0) percent. An actuarial interest rate of 3.61 (3.97) percent was used as a basis for the discount rate for pension obligations as at 28 February 2018.

This corresponds to the average market interest rate from the past ten financial years determined by Deutsche Bundesbank for an assumed time to maturity of 15 years. Changes to the discount rate that affect net income and fair value changes to fund assets are shown in the financial results. The asset value of the liability insurance is recognized for reinsured obligations from deferred compensation.

Provisions for pensions and similar obligations are offset with existing fund assets (pension liability) which were recognized at fair value. The fair value of fund assets is the actuarial asset value of the liability insurance, which corresponds to the historic acquisition costs.

For the measurement of **provisions for partial retirement** (“Altersteilzeit”), increases are treated as “payments with compensation character” according to the rules outlined in the latest applicable version of IDW RS HFA 3. The discount rate for provisions for part-time early retirement credits is 1.50 (1.90) % and 2.72 (3.16) % for anniversary claims. The salary trend corresponds to that of the provisions for pensions and similar obligations.

Other provisions are recognized for **contingent liabilities** and **imminent losses** from pending business transactions. Provisions are also recognized for maintenance expenses that have been put off and are made up for within three months of the following financial year. Other provisions are measured in the

amount of the settlement value required according to reasonable commercial assessment that also includes price and cost increases. Provisions with a remaining term of more than one year are discounted corresponding to their remaining term with the relevant average market interest rate.

Liabilities

All liabilities are reported using their settlement value.

Deferred tax

Deferred tax is measured for temporary differences between legal commercial and tax valuations of assets, liabilities and accrued and deferred items. Interest carry forwards and tax loss carry forwards are also considered in addition to temporary accounting differences.

Deferred tax is calculated on the basis of the combined income tax rate of 29.1 percent currently applicable for the Südzucker AG tax group. The combined income tax rate comprises the German corporate income tax (Körperschaftsteuer), the trade tax on income (Gewerbesteuer) and the solidarity tax (Solidaritätszuschlag).

If applicable, a resulting tax burden is recognized in the balance sheet as a deferred tax liability. If deferred tax assets are greater than deferred tax liabilities the option of not recognizing any deferred tax assets is exercised. In the financial year under review deferred tax assets were greater and thus not recognized.

Research and development expenses

The option of capitalizing development expenses is not exercised.

Research expenses are recognized directly in the income statement as expenses that cannot be capitalized.

Creation of valuation units for hedging instruments

Accounting for valuation units is based on the principle that comparable risks from a hedged item are offset economically by opposite changes in value or cash flows from a hedge. Unrealized gains and losses are therefore not considered in the scope and for the period in which opposite changes or cash flows from a hedged item and hedge offset each other.

Hedging instruments are considered a valuation unit with the hedged item if the requirement for the creation of valuation units is met. When disclosing the market values the amount is applied which would flow to or from Südzucker AG assuming the hedge were reversed at the balance sheet date. As hedge transactions only comprise normal market tradable financial instruments, the market value is derived from quoted prices on exchanges without offsetting any possible value changes relating to the underlying transaction being hedged.

Net unrealized losses are recognized as an expense provision for valuation units if changes in the value of the hedged item and hedging instrument relating to the hedged risk result from offsetting.

As a general rule, the effective portions of the valuation units are accounted for using the net hedge presentation method. The gross hedge presentation method is used for hedging of commercial transactions.

Notes to the balance sheet

(1) Fixed assets

Intangible assets

(€ '000)	Concessions, industrial pro- perty rights, licences	Goodwill	Intangible assets
Acquisition or production cost			
As of 1 March 2017	116,915	4,300	121,215
Addition	3,812	0	3,812
Disposal	-63,166	0	-63,166
Transfer	536	0	536
As of 28 February 2018	58,097	4,300	62,397
Accumulated depreciation			
As of 1 March 2017	107,325	179	107,504
Annual depreciation	4,310	430	4,740
Disposal	-63,164	0	-63,164
As of 28 February 2018	48,471	609	49,080
Net book value			
28 February 2017	9,590	4,121	13,711
28 February 2018	9,626	3,691	13,317

Property, plant and equipment

(€ '000)	Land and buildings	Technical equip- ment and ma- chinery	Other plant, factory and office equipment	Advances paid and construc- tion in progress	Property, plant and equipment
Acquisition or production cost					
As of 1 March 2017	449,993	1,341,435	125,982	15,030	1,932,440
Addition	10,978	35,226	9,178	14,682	70,064
Disposal	-3,696	-13,224	-4,807	-48	-21,775
Transfer	11,795	-356	320	-12,295	-536
As of 28 February 2018	469,070	1,363,081	130,673	17,369	1,980,193
Accumulated depreciation					
As of 1 March 2017	245,993	1,079,478	93,555	0	1,419,026
Annual depreciation	10,026	38,953	8,821	0	57,800
<i>thereof extraordinary</i>	<i>286</i>	<i>909</i>	<i>0</i>	<i>0</i>	<i>1,195</i>
Disposal	-834	-12,731	-4,156	0	-17,721
Transfer	0	0	0	0	0
As of 28 February 2018	255,185	1,105,700	98,220	0	1,459,105
Net book value					
28 February 2017	204,000	261,957	32,427	15,030	513,414
28 February 2018	213,885	257,381	32,453	17,369	521,088

Financial assets

(€ '000)	Shares in affiliated companies	Participations	Other loans	Financial assets
Acquisition or production cost				
As of 1 March 2017	3,577,200	80	568	3,577,848
Disposal	-27,023	0	-126	-27,149
As of 28 February 2018	3,550,177	80	442	3,550,699
Accumulated depreciation				
As of 1 March 2017	785,967	0	0	785,967
Disposal	-306	0	0	-306
As of 28 February 2018	785,661	0	0	785,661
Net book value				
28 February 2017	2,791,233	80	568	2,791,881
28 February 2018	2,764,516	80	442	2,765,038

The disposal under interests in **affiliated companies** relates to the integration of Südprojekt Silo und Logistik GmbH & Co. KG into Südzucker AG.

(2) Inventories

(€ '000)	28 February 2018	28 February 2017
Raw materials and supplies	55,397	51,809
Work in progress	99,972	116,700
Finished goods, merchandise	311,987	286,778
	467,356	455,287

The increase in **finished goods** as at 28 February 2018 is attributable to higher sugar stocks than in the previous year. Some finished goods had to be written down due to unexpected lower sales proceeds.

(3) Receivables and other assets

(€ '000)	28 February 2018	28 February 2017
Trade receivables	169,670	99,497
<i>thereof with remaining term of more than 1 year</i>	<i>0</i>	<i>274</i>
Receivables owed by affiliated companies	680,827	804,763
<i>thereof with remaining term of more than 1 year</i>	<i>129,871</i>	<i>141,713</i>
Receivables owed by companies in which participations are held	10,028	81
Other assets	97,074	60,868
	957,599	965,209

Individual impairments of €'000 12,334 (10,656) have been made for **trade receivables** totalling €'000 169,670 (99,497).

Receivables from affiliated companies comprise financial receivables from group loans in the amount of €'000 164,871 (280,175), trade receivables of €'000 82,959 (53,288) and other receivables in the amount of €'000 432,997 (471,300), which relate to short-term group financing of subsidiaries (Cash-Pool) of subsidiaries.

Other assets totalling €'000 97,074 (60,868) at the effective date included receivables in the amount of €'000 29,261 (0) from the reimbursement of production levies from previous years. Also recognized here are the VAT receivables and energy tax reimbursement claims. Positive market values from sugar derivatives of €'000 20,695 (755) resulted from the centralized export activities.

(4) Securities

(€ '000)	28 February 2018	28 February 2017
Shares in affiliated companies	16,200	16,200
Other securities	154,456	155,006
	170,656	171,206

Shares in affiliated companies include the shares of AGRANA Beteiligungs AG, Wien, Austria.

(5) Accrued and deferred items

This item primarily includes accrued interest expense.

(6) Shareholders' equity

Changes in equity

(€ '000)	1 March 2017	Divided for Net earnings		28. Februar 2018
		2017/18	for the year	
Subscribed capital	204,183			204,183
Capital reserve	1,620,579			1,620,579
Revenue reserves	262,778		4,000	266,778
Net earnings available for distribution	91,940	91,882	91,856	91,914
	2,179,480	91,882	95,856	2,183,454

As of 28 February 2018, the **subscribed capital** is valued at € 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. The company had no treasury shares as of the period end.

As at 28 February 2018, the freely available reserves plus profit carried forward exceed the total amount of the amounts subject to a distribution restriction. Thus there is no distribution restriction in relation to the net earnings of the financial year. Südzucker AG did not exercise any accounting options that trigger a distribution restriction. Südzucker AG did not exercise any accounting options that trigger a distribution restriction.

(7) Special items with an equity portion

Special untaxed reserves included only impairment losses for tax purposes.

(8) Provisions for pensions and similar obligations

Current obligations for pensions and benefits are reported under provisions for pensions and similar obligations. The amount required to fund provisions for pensions and similar obligations in the amount of €'000 535,868 (507,615) is offset against the pension fund assets (funding sources) in the amount of €'000 2,293 (2,464). The fair value of fund assets is the actuarial asset value of insurance policies, which corresponds to the historic acquisition costs.

The difference between the recognized provisions in accordance with the corresponding average market interest rate derived from the previous ten financial years and the recognized provisions in accordance with the corresponding average market interest rate from the previous seven financial years pursuant to section 253 (6) HGB is €'000 79,028.

(9) Other provisions

(€ '000)	28 February 2018	28 February 2017
Tax provisions	141,788	89,519
Provisions for litigation risks and risk precautions	163,560	153,797
Other provisions	112,038	99,328
	253,826	188,847

Tax provisions include additions from income tax expenses für the current fiscal year and for periods not yet completed for tax audit purposes.

The provisions for litigation risks and risk precautions are for lawsuits related to market regulation procedures, operational contract procedures and antitrust risks, including fines and damage claims.

Other provisions comprise obligations for personnel expenses, expenses for exporting beet soil and recultivation of sludge lagoons and/or earth-moving operations for soil preparation and improvement and risk precautions.

Provisions were also recognized for maintenance expenses that were put off in the financial year under review and will be made up for within three months of the following financial year.

The provision for part-time early retirement was recognized for such agreements already concluded prior to and those already committed as of the balance sheet date. It includes top-up contributions and accumulated settlement amounts accrued up to the balance sheet date.

(10) Liabilities

(€ '000)	28 February 2018			28 February 2017		
	Total	< 1 year	> 1 year	Total	< 1 year	> 1 year
Liabilities to banks	146,826	26,997	119,829	208,648	61,822	146,826
Trade payables	201,640	201,640	0	254,375	254,375	0
Liabilities to affiliated companies	1,343,138	293,238	1,049,900	1,283,958	247,158	1,036,800
<i>thereof trade payables</i>	<i>77,692</i>	<i>77,692</i>	<i>0</i>	<i>18,266</i>	<i>18,266</i>	<i>0</i>
Liabilities to companies with which there is a participating interest	81	81	0	0	0	0
Other liabilities	102,550	102,550	0	110,084	110,084	0
<i>thereof for taxes</i>	<i>4,857</i>	<i>4,857</i>	<i>0</i>	<i>5,357</i>	<i>5,357</i>	<i>0</i>
<i>thereof for social security</i>	<i>7,659</i>	<i>7,659</i>	<i>0</i>	<i>8,452</i>	<i>8,452</i>	<i>0</i>
	1,794,235	624,506	1,169,729	1,857,065	673,439	1,183,626

Liabilities to banks amount to €'000 146,826 (208,648), of which €'000 (36,663) have a remaining term of over five years.

Obligations to beet growers of €'000 115,140 (205,252) are reported under **trade payables**. The decline stems from the fact that advance payments to the balance sheet date were significantly higher because they are no longer based solely on quota beets, but on the total beet volume.

To measure liabilities, the beet price was set using the contractual formula, which derives the price from the 2017/18 campaign sugar price.

Liabilities to affiliated companies totalling €'000 1,343,138 (1,283,958) primarily concern borrowing from bonds issued through Südzucker International Finance B.V., Oud-Beijerland / Netherlands.

Other liabilities primarily include liabilities to insurance institutions, tax liabilities and liabilities from payroll accounting.

All liabilities are unsecured.

(11) **Contingent liabilities, other financial commitments and derivative financial instruments**

Of the future liabilities from lease agreements € 15.9 (9.5) million is due within one year, € 39.7 (37.0) million in more than one year – with € 10.0 (12.8) million due in more than five years; € 0.2 (0.5) million relates to affiliated companies and is due within one year. Other financial commitments from open orders totaled € 27.9 (11.9) million as of the balance sheet date.

For bonds issued by Südzucker Finance B.V. in favor of the creditors, Südzucker AG issued guarantees totaling € 1,200.0 million (€ 700.0 million) and, in the case of the subordinate hybrid bond, a subordinated guarantee totaling € 700.0 million (€ 700.0 million). A further guarantee was issued in favor of the creditors of BENEORafti Chile S.A. for a maximum credit line of USD 25.0 (25.0) million; as of the balance sheet date the company had accessed USD 3.4 million from the credit line. Due to the financial situation of the companies, utilization of the guarantees issued is not currently anticipated.

Südzucker AG is jointly and severally liable for credit taken out by Rackwitzer Biogas GmbH in the (original) amount of € 10 million, as of the balance sheet date the company had accessed € 4.7 (5.4) million from the credit line. Utilization is unlikely due to the financial situation of Rackwitzer Biogas GmbH.

Besides the other financial commitments and contingent liabilities presented, there are no off-balance-sheet transactions that would be of importance for the financial position of the company.

For a loan in the amount of GBP 12.5 million to a subsidiary, Südzucker AG entered into a currency swap to hedge the currency risk associated with interest payments and loan repayment. The hedged item (loan granted in a foreign currency) and the hedging instrument (cross currency swap) are considered a micro-hedge because together they meet the requirements for hedging a single asset. Accordingly, no depreciation of the GBP receivable is taken due to currency fluctuations and no provision is recognized in the event of a negative market value of the hedging instrument. Cross-currency swaps had a negative market value of € 0.2 (0.5) million on the balance sheet date, which reflects the risk level of the valuation units hedged on the closing date. The maturity dates of the hedging instrument are 21 October 2021 and 27 March 2019.

Price guarantees were concluded for sugar sales contracts with world market price-based price determination using sugar futures contracts and forex forwards. The hedged item (sugar sales contracts) and the hedging instruments (sugar futures and forex forwards) are considered a single valuation unit (micro hedge) because the requirements for the creation of valuation units are met. Accordingly, no provision is recognized in the case of a negative market value for the hedging instruments (net hedge presentation method).

On 28 February 2018, there were open sugar futures contracts to hedge sugar sales with world market price based price adjustments. The positive market value amounts to € +31.7 (+26.5) million; the negative market value is € -9.9 (-17.9) million. Positive and negative market values of € +3.0 (+1.7) and € -0.5 (-14.8) million, respectively, exist for the associated forex forwards.

Südzucker uses longer-term supply contracts and derivative hedging instruments (wheat futures) to hedge raw material prices for the wheat starch plant in Zeitz. Considered here are the future demand for raw materials or the corresponding framework contracts as the hedged item together with the hedging instruments as the valuation unit (micro hedge) because the requirements for the creation of valuation units are met. Accordingly, no provision is recognized in the case of a negative market value for the hedging instruments (Einfrierungsmethode). As at 28 February 2018, open wheat futures were concluded for deliveries in the 2017/18 financial year and the market value totaled € -0,3 (+0.2) million.

The compliance of these parameters is reviewed prospectively, and the effectiveness of the hedge is assessed regularly as part of the risk management system. The effectiveness test determined that the significant value-determining parameters (critical terms) such as nominal amounts, currency, beginning, maturity, etc. of the hedged item and hedge are compliant in each case, which is why it can be assumed that the opposite cash flows will completely offset each other in the future.

Notes to the income statement

(12) Sales

(€ '000)	2017/18	2016/17
Classification according to activities		
Own production	1,109,735	943,416
<i>thereof sugar</i>	938,098	780,054
<i>thereof other revenue</i>	171,637	163,362
Revenues from services	166,776	161,496
Merchandise revenue	330,921	173,698
<i>thereof sugar</i>	134,032	86,681
<i>thereof by products</i>	45,762	39,290
	1,607,432	1,278,610
Classification according to geographical markets		
Germany	914,541	784,960
EU	401,798	420,986
Others	291,093	72,664
	1,607,432	1,278,610

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

(€ '000)	2017/18	2016/17
Change in finished goods and work in progress	2,431	50,605
Internal costs capitalized	2,783	4,129
	5,214	54,734

(14) Other operating income

Other operating income includes income from prior periods totalling €'000 29,191 (4,302). These are mainly the result of repayment of production levies from previous years totaling €'000 11.708 (0), accounting profits and the reversal of provisions. Also included is income from currency translation totalling €'000 3,350 (118).

In accordance with section 285 No. 31 of the HGB (German Commercial Code), a one-time gain of €'000 10.956 million was posted due to the integration of Südprojekt Silo und Logistik GmbH & Co. KG.

Other operating income included income from the release of special untaxed reserves in the amount of €'000 2,522 (1,334) and income from Insurance settlements for damage claims.

(15) Cost of materials

(€ '000)	2017/18	2016/17
Cost of raw materials and consumables and merchandise	962,307	845,758
Cost of purchased services	171,521	142,331
	1,133,828	988,089

(16) Personnel expenses

(€ '000)	2017/18	2016/17
Wages and salaries	165,973	155,693
Social contributions and expenses for retirement and other benefits	60,995	62,412
<i>thereof retirement benefits</i>	32,129	35,477
- Service cost	9,284	8,746
- Parameter adjustments, among others	22,845	26,731
	226,968	218,105

Average number of employees during the year

Industrial employees	1,269	1,201
Salaried employees	1,129	1,102
Apprentices	212	198
	2,610	2,501

(17) Other operating expenses

Other operating expenses include expenses from prior periods totalling €'000 909 (900). Also included are expenses from currency translation totalling €'000 5,635 (3,705).

(18) Investment income/expense

(€ '000)	2017/18	2016/17
Income from profit transfer agreements	123,912	170,790
Income from investments	47,563	39,188
<i>thereof from affiliated companies</i>	47,563	39,188
<i>thereof from other investments</i>	0	0
Expenses from transfer of losses	-51	-22
	171,424	209,956

(19) Interest income/expense

(€ '000)	2017/18	2016/17
Expenses / Income from other long-term financial investments and loans	38	2,575
Other interest and similar income	15,318	16,349
<i>thereof from affiliated companies</i>	<i>7,340</i>	<i>7,645</i>
Interest and similar expenses	-47,980	-49,998
<i>thereof from discounting</i>	<i>-20,173</i>	<i>-20,632</i>
<i>thereof from affiliated companies</i>	<i>-23,269</i>	<i>-25,082</i>
	-32,624	-31,074

Expense from the unwinding of the discount for long-term obligations totaling € 20,632 (21,124) thousand is recognized in the interest result in the year under review. This primarily results from the unwinding of the discount for provisions for pensions and similar obligations totaling € 19,940 (20,209) thousand and/or non-current provisions for personnel expenses and liabilities totaling € 692 (915) thousand, which are netted against income from the fair value measurement of plan assets of € 2,464 (2,666) thousand.

(20) Taxes on income

Taxes on income comprise tax expense from the current financial year and tax income from previous years.

Deferred tax is measured for temporary differences between legal commercial and tax valuations of assets and provisions and accruals.

A backlog of deferred tax assets results for the Südzucker AG consolidated tax group for the fiscal year. This is due primarily to temporary differences between legal commercial and tax valuations for pensions, part-time early retirement and anniversaries, as well as other provisions.

Südzucker AG does not exercise the option of recognizing the deferred tax asset backlog.

The deferred tax assets were determined on the basis of a combined income tax rate of 29.1 %, comprising corporate income tax, reunification tax and trade tax.

Other disclosures**(21) Research and development expenses**

Research and development expenses totalled €'000 20,387 (20,245) and were completely recognized in the income statement.

(22) Total compensation of the executive board and supervisory board and former executive board and supervisory board members

The total compensation granted to members of the executive board by Südzucker AG in the 2017/18 financial year amounted to € 2.9 million (€ 2.6 million). The variable component makes up 37 percent (31 percent) of their remuneration in cash, and depends on the dividend to be approved by the annual general meeting. Provisions for pensions of € 28.5 million (€ 33.1 million) relate to former members of Südzucker AG's executive board and their dependents. Pension payments to former members of Südzucker AG's executive board and their dependents amounted to € 2.3 million (€ 2.6 million). Total remuneration paid to Südzucker AG's supervisory board for all activities was € 1.6 million (€ 1.6 million) in the 2017/18 financial year. The remuneration systems for the executive board and supervisory board are discussed under "Remuneration" in the Südzucker group management report.

(23) Disclosures pursuant to section 160 (1) No. 8 AktG

There are no security transactions subject to disclosure for the 2017/18 financial year.

(24) Events after the balance sheet

There were no significant changes to the economic environment or to the situation in our industry after the close of the fiscal year. There are also no other special events for Südzucker AG that would require reporting.

(25) Consolidated financial statements

As the parent company of Südzucker Group, Südzucker AG has prepared consolidated financial statements as at 28 February 2018 according to the International Financial Reporting Standards (IFRS) as adopted by the EU. These are provided to the operator of the Federal Gazette (Bundesanzeiger) for publication.

(26) Shareholdings

Both equity and the annual results of German participations are disclosed uniformly according to the German Commercial Code (HGB). If a profit and loss transfer agreement exists with the relevant participation, the annual results are disclosed as zero. The list of shareholdings is found on pages 76ff in these notes to the financial statements. Disclosures are presented in compliance with section 313 (2) and section 285 No. 11 HGB

(27) Supervisory board and executive board**SUPERVISORY BOARD****Dr. Hans-Jörg Gebhard, Eppingen****Chairman**

Chairman of the executive board of the Association of Süddeutscher Zuckerrübenanbauer e. V.

Memberships in other domestic, statutory supervisory boards

- CropEnergies AG, Mannheim
- GoodMills Deutschland GmbH, Hamburg

Memberships in comparable German and foreign supervisory committees

- AGRANA Beteiligungs-AG, Wien, Österreich
- AGRANA Zucker, Stärke und Frucht Holding AG, Wien, Austria (2. Deputy Chairman)
- Freiburger Holding GmbH, Berlin
- Raffinerie Tirlemontoise S.A., Brüssel, Belgien
- Saint Louis Sucre S.A.S., Paris, Frankreich
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (Chairman)
- Vereinigte Hagelversicherung VVaG, Gießen
- Z & S Zucker und Stärke Holding AG, Wien, Austria

Franz-Josef Möllenberg*, Rellingen**1. Deputy Chairman**

Former Chairman of the Food and Catering Union

Memberships in other domestic, statutory supervisory boards

- CropEnergies AG, Mannheim

Erwin Hameseder, Mühldorf, Austria**2. Deputy Chairman**

Chairman of Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H.

Memberships in comparable German and foreign supervisory committees

- RWA Raiffeisen Ware Austria AG, Wien, Austria
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Wien, Austria
- UNIQA Versicherungen AG, Wien, Austria (2. Deputy Chairman)

Group mandates

- AGRANA Beteiligungs-AG, Wien, Austria (Chairman)
- KURIER Redaktionsgesellschaft m.b.H, Wien, Austria (Chairman)
- KURIER Zeitungsverlag und Druckerei Gesellschaft m.b.H, Wien, Austria (Chairman)
- Leipnik-Lundenburger Invest Beteiligungs-AG, Wien, Austria
- Mediaprint Zeitungs- und Zeitschriften GmbH & Co. KG, Wien, Austria (Chairman)
- Raiffeisen Bank International AG, Wien, Austria (1. Deputy Chairman)
- Raiffeisen Zentralbank Österreich AG, Wien, Austria (Chairman)
- Raiffeisenlandesbank Niederösterreich-Wien AG, Wien, Austria (Chairman)
- STRABAG SE, Villach, Austria (Deputy Chairman)

Thomas Bernhard*, Wunstorf

(since 20 July 2017)

Union Secretary of the Food and Catering Union

Memberships in comparable German and foreign supervisory committees

- Dussmann AG & Co. KG aA, Berlin

Dr. Jochen Fenner, Gelchsheim

(until 20 July 2017)

Chairman of the board of the SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG and Chairman of the board of the Association of Fränkische Zuckerrübenbauer e.V.

Dr. Melanie Frerichs*, Hamburg

(since 20 July 2017)

Divisional officer of the Food and Catering Union

* Employee representatives

Helmut Friedl, Egling a. d. Paar

Chairman of the Association of Bayerische Zuckerrübenanbauer e. V.

Memberships in comparable German and foreign supervisory committees

- BMG Donau–Lech eG, Mering
- AGRANA Beteiligungs–AG, Wien, Austria
- AGRANA Zucker, Stärke und Frucht Holding AG, Wien, Austria
- Z & S Zucker und Stärke Holding AG, Wien, Austria

Yüksel Gediagac*, Berlin

(until 20 July 2017)

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

Veronika Haslinger, Wien, Austria

Managing director of Raiffeisen–Holding Niederösterreich–Wien reg.Gen.m.b.H.

Memberships in comparable German and foreign supervisory committees

- Süddeutsche Zuckerrübenverwertungs–Genossenschaft eG, Stuttgart

Group mandates in the group of Raiffeisen–Holding Niederösterreich–Wien reg.Gen.m.b.H.

- KURIER Beteiligungs–Aktiengesellschaft, Wien, Austria (Chairman)
- Mediaprint Zeitungs– und Zeitschriftenverlag Gesellschaft m.b.H., Wien, Austria
- NÖM AG, Baden, Austria
- Österreichische Rundfunksender GmbH, Wien, Austria
- Raiffeisen Informatik GmbH, Wien, Austria

Ralf Hentzschel, Panschwitz–Kuckau

Chairman of the Association of Sächsisch–Thüringische Zuckerrübenanbauer e.V.

Memberships in comparable German and foreign supervisory committees

- Süddeutsche Zuckerrübenverwertungs–Genossenschaft eG, Stuttgart (Deputy Chairman)

Wolfgang Kirsch, Königstein

(until 20 July 2017)

Chairman of the executive board of DZ Bank AG

Georg Koch, Wabern

Chairman of the board of the Association of Zuckerrübenanbauer Kassel e.V. and Deputy Chairman of the board of Süddeutsche Zuckerrübenverwertungs–Genossenschaft eG

Susanne Kunschert, Stuttgart

Managing director of Pilz GmbH & Co. KG

Memberships in comparable German and foreign supervisory committees

- Karlsruher Institut für Technologie, Karlsruhe
- Süddeutsche Zuckerrübenverwertungs–Genossenschaft eG, Stuttgart

Günther Link*, Oberickelsheim

Chairman of the works council at the Ochsenfurt factory of Südzucker AG

Bernd Maiweg*, Aarbergen

(until 20 July 2017)

Divisional officer of the Food and Catering Union

Julia Merkel, Wiesbaden

(since 20 July 2017)

Boardmember of the R+V Versicherung AG

Group mandates in the group of R+V Versicherung AG

- KRAVAG–ALLGEMEINE Versicherungs–AG, Hamburg
- KRAVAG–SACH Versicherung des Deutschen Kraftverkehrs VaG, Hamburg
- R+V Pensionskasse AG, Wiesbaden

* Employee representatives

Angela Nguyen*, Biederitz

(since 20 July 2017)

Deputy Chairman of the central works council of the Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG

Ulrike Rösch*, Bellheim

(since 20 July 2017)

Deputy Chairman of the works council of the Mannheim head office of Südzucker AG

Joachim Rukwied, Eberstadt

Chairman of the German Farmers Association

Memberships in other domestic, statutory supervisory boards

- BAYWA AG, München
- R+V Versicherung AG, Wiesbaden

Memberships in comparable German and foreign supervisory committees

- Buchstelle Landesbauernverband Baden-Württemberg GmbH, Stuttgart (Chairman)
- Kreditanstalt für Wiederaufbau, Frankfurt/Main
- LAND-DATA GmbH, Visselhövede (Chairman)
- Landwirtschaftliche Rentenbank, Frankfurt/Main (Chairman)
- LBV-Unternehmensberatungsdienste GmbH, Stuttgart (Chairman)
- Messe Berlin GmbH, Berlin

Ronny Schreiber*, Einhausen

(until 20 July 2017)

Chairman of the works council of the Mannheim head office of Südzucker AG

Petra Schwalbe*, Berlin

(until 20 July 2017)

State area chairman of the Food and Catering Union

Nadine Seidemann*, Donauwörth

Member of the works council at the Rain factory of Südzucker AG

Dr. Stefan Streng, Uffenheim

(since 20 July 2017)

Chairmen of the board of the Association of Fränkische Zuckerrübenbauer e.V.

Franz-Rudolf Vogel*, Worms

Chairman of the central works council Südzucker AG

Wolfgang Vogl*, Bernried

Manager of the Plattling and Rain factories of Südzucker AG

Group mandates

- BGD Bodengesundheitsdienst GmbH, Mannheim

Rolf Wiederhold*, Wabern

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

* Employee representatives

EXECUTIVE BOARD

Dr. Wolfgang Heer (Chairman), Ludwigshafen am Rhein (Appointed until 28 February 2021)

Group mandates

- AGRANA Beteiligungs-AG, Wien, Austria (1. Deputy Chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG, Wien, Austria (Chairman)
- CropEnergies AG, Mannheim
- ED&F MAN Holdings Limited, London, Great Britain
- Freiberger Holding GmbH, Berlin (Chairman)
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands
- Raffinerie Tirlemontoise S.A., Brüssel, Belgium
- Saint Louis Sucre S.A.S., Paris, France
- Südzucker Polska S.A., Wroclaw, Polen (Deputy Chairman)
- Z & S Zucker und Stärke Holding AG, Wien, Austria (Deputy Chairman)

Dr. Thomas Kirchberg, Ochsenfurt (Appointed until 31 August 2022)

Group mandates

- AGRANA Beteiligungs-AG, Wien, Austria
- BGD Bodengesundheitsdienst GmbH, Mannheim (Chairman)
- Freiberger Holding GmbH, Berlin
- Raffinerie Tirlemontoise S.A., Brüssel, Belgium
- Saint Louis Sucre S.A.S., Paris, France (Chairman)
- Südzucker Moldova S.A., Chisinau, Moldova (Chairman)
- Südzucker Polska S.A., Wroclaw, Poland (Chairman)
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim

Thomas Kölbl, Speyer (Appointed until 31 May 2019)

Memberships in other domestic, statutory supervisory boards

- K+S Aktiengesellschaft, Kassel

Group mandates

- AGRANA Stärke GmbH, Wien, Austria
- AGRANA Zucker GmbH, Wien, Austria
- CropEnergies AG, Mannheim (Deputy Chairman)
- ED&F MAN Holdings Limited, London/Great Britain
- Freiberger Holding GmbH, Berlin
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands (Chairman)
- Raffinerie Tirlemontoise S.A., Brüssel, Belgium
- Saint Louis Sucre S.A.S., Paris, France
- Südzucker Polska S.A., Wroclaw, Poland
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (Chairman)

Dipl. Ing. Johann Marihart, Limberg, Austria (Appointed until 31 January 2019)

Memberships in comparable German and foreign supervisory committees

- BBG Bundesbeschaffungsges. m. b. H., Wien, Austria
- Österreichische Forschungsförderungsgesellschaft mbH, Wien, Austria (Deputy Chairman)
- Ottakringer Getränke AG, Wien, Austria
- Spanische Hofreitschule – Bundesgestüt Piber, Wien, Austria (Chairman)
- tecnet equity NÖ Technologiebeteiligungs-Invest GmbH, St. Pölten, Austria
- TÜV Austria Holding AG, Wien, Austria (Chairman)

Group mandates

- AGRANA Research & Innovation Center GmbH, Wien, Austria (Chairman)
- AGRANA Stärke GmbH, Wien, Austria (Chairman)
- AGRANA Zucker GmbH, Wien, Austria (Chairman)
- AUSTRIA JUICE GmbH, Allhartsberg, Österreich
- Freiberger Holding GmbH, Berlin
- Österreichische Rübensamenzucht Gesellschaft m.b.H., Wien, Austria (Chairman)
- Raffinerie Tirlemontoise S.A., Brüssel, Belgium (Chairman)
- Saint Louis Sucre S.A.S., Paris, France

(28) Fees for services by the company's external auditors

The following expenses were incurred in the 2017/18 financial year for services provided by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft:

(€ '000)	2017/18	2016/17
Auditing services	449	509
Other assurance services	123	137
Tax advisory services	94	117
Other services	0	24
	666	787

The auditing services include expenses relate to auditing the consolidated financial statements and Südzucker AG's legally prescribed year-end closing. The fees for other auditing services comprise mainly provision of a comfort letter as well as other attestations that are not part of the year-end closing. The fees for tax consultation relate primarily to fees for project related consulting services.

(29) Declaration of compliance per note 161 AktG

The executive board and supervisory board issued the declaration of compliance relating to the German Corporate Governance Code in accordance with note 161 of the German Stock Corporation Act (AktG) on 16 November 2017. It is available on the Internet via our website at: www.suedzucker.de/en/Investor-Relations/Corporate-Governance/.

(30) Proposed appropriation of earnings

Net earnings available for distribution of Südzucker AG amount to €'000 91,914 (91,940). It will be proposed to the annual general meeting that a dividend of € 0.45 (0.45) per share be distributed and be appropriated as follows:

(in €)	2017/18
Distribution of a dividend of € 0.45 per share on 204,183,292 shares	91,882,481.40
Profit carried forward	32,001.62
Net earnings available for distribution	91,914,483.02

If on the day of the annual general meeting treasury shares exist, the resolution proposal will be modified – in the event of a distribution of € 0.45 per qualifying share – to have the corresponding higher remaining value carried forward.

The dividend is to be paid on 24 July 2018.

List of shareholdings

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million
I. Affiliated companies							
Sugar segment							
Division business unit sugar							
Südzucker and sales companies							
Südzucker AG	SZAG	Mannheim	Germany				
Sudzucker Hellas E.P.E.		Agios Dimitrios	Greece	SZH	99.94	1.98	0.43
				SZV	0.06		
Sudzucker Ibérica, S.L.U.		Barcelona	Spain	SZH	100.00	1.15	0.25
SÜDZUCKER DO BRASIL S/A - IMPORTAÇÃO E EXPORTAÇÃO		São Paulo	Brazil	SZH	100.00	0.31	0.01
				SZAG	0.00		
Südzucker United Kingdom Limited		West Lothian	Great Britain	SZH	100.00	0.51	0.74
S.Z.I.L. LTD		Kfar Saba	Israel	SZH	100.00	0.12	-0.23
Sugar Belgium							
Raffinerie Tirlemontoise S.A.	RT	Bruxelles	Belgium	SZH	99.41	1,127.10	33.16
Nougat Chabert & Guillot SA	NC&G	Montélimar	France	SOGELAF	99.75	5.13	0.69
S.C.I. DU MARINET		Montélimar	France	SOGELAF	99.75		
				NC&G	0.25		
Rafti B.V.		Wijchen	Netherlands	TSNH	100.00	9.69	0.69
Raftir Nederland Beheer B.V.		Groningen	Netherlands	RT	100.00	6.90	-0.06
S.O.G.E.L.A.F. SARL	SOGELAF	Paris	France	RT	100.00	22.60	-0.04
Tiense Suikerraffinaderij Nederland Holding B.V.	TSNH	Wijchen	Netherlands	RT	100.00	2.85	2.11
Tiense Suikerraffinaderij Services g.c.v.		Bruxelles	Belgium	RT	100.00	1,006.06	7.32
				AGS	0.00		
Sugar France							
Saint Louis Sucre S.A.S.	SLS	Paris	France	RT	99.80	93.81	-20.70
Société Française d'Organisation et de Participations "S.F.O.P."		Paris	France	SLS	100.00	15.83	-0.01
Sugar Poland							
Südzucker Polska S.A.	SZPL	Wrocław	Poland	SZH	99.59	398.25	38.25
"POLTERRA" Sp. z o.o.		Wrocław	Poland	SZPL	100.00	0.88	0.01
Przedsiębiorstwo Rolne "KLOS" Sp. z o.o.		Wrocław	Poland	SZPLN	100.00	0.32	0.01
Südzucker Polska Nieruchomosci Sp. z o.o.	SZPLN	Wrocław	Poland	SZPL	100.00	-2.09	0.69
Division AGRANA sugar							
Sugar Austria							
AGRANA Zucker GmbH	AZ	Wien	Austria	AB	98.91	338.69	36.76
				AMV	1.09		
AGRANA ZHG Zucker Handels GmbH		Wien	Austria	AZ	100.00	0.66	0.06
Sugar Romania							
AGRANA AGRO S.r.l.		Roman	Romania	AGR	99.00	0.08	-0.03
				AZ	1.00		
AGRANA BUZĂU S.r.l.		Buzău	Romania	AGR	99.00	0.63	-0.05
				AZ	1.00		
AGRANA TANDAREI S.r.l.		Tandarei	Romania	AGR	99.00	0.81	0.06
				AZ	1.00		

* Profit and loss transfer agreement

1) Disclosures for Subgroup / Group consolidated financial statements

2) Disclosures for the last applicable financial closing

3) Voting majority

4) Statement of equity/net earnings based on a period of accounting differing from the calendar year

5) Exemption pursuant § 264 (3) HGB

6) Exemption pursuant § 264b HGB

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million	
S.C. AGRANA Romania S.A.	AGR	Bukarest	Romania	AZ	98.64	9.85	12.93	
				AIV&A	0.04			
Sugar Slovakia								
Slovenské Cukrovary s.r.o.		Sered	Slovakia	AZ	100.00	37.35	3.50	
Sugar Czech Republic								
Moravskoslezské Cukrovary A.S.		Hrušovany	Czech Republic	AZ	100.00	69.87	6.31	
Sugar Hungary								
AGRANA Magyarország Értékesítési Kft.	AME	Budapest	Hungary	MCeF	99.70	5.16	-0.03	
				AZ	0.30			
Biogáz Fejlesztő Kft.		Kaposvár	Hungary	AME	100.00	1.37	0.59	
Koronás Irodaház Szolgáltató Korlátolt Felelősségű Társaság		Budapest	Hungary	MCeF	100.00	1.36	0.10	
Magyar Cukorgyártó és Forgalmazó Zrt.	MCeF	Budapest	Hungary	AZ	87.60	80.72	3.14	
Sugar Bulgaria								
AGRANA Trading EOOD		Sofia	Bulgaria	AZ	100.00	1.87	-0.87	
Sugar Bosnia								
AGRANA BIH Holding GmbH	ABIH	Wien	Austria	AZ	75.00	11.31	-0.01	
				SZH	25.00			
AGRANA d.o.o.		Brčko	Bosnia-Herzegovina	ABIH	100.00	0.09	-0.01	
AGRANA Holding/other								
AGRANA Beteiligungs-Aktiengesellschaft	AB	Wien	Austria	Z&S	78.34	762.57	69.88	
				SZAG	2.74			
AGRANA Group-Services GmbH	AGS	Wien	Austria	AB	100.00	4.27	1.77	
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	AMV	Wien	Austria	AB	100.00	9.64	0.84	
AGRANA Research & Innovation Center GmbH		Wien	Austria	AB	100.00	3.98	0.38	
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.		Wien	Austria	AB	66.67	7.99	0.36	
Division sugar Moldova								
Südzucker Moldova S.A.	SZM	Chişinău	Moldova	SZH	99.97	48.23	0.03	
Agro Credit S.R.L.		Drochia	Moldova	SZH	100.00	0.03	0.01	
Agro-SZM S.R.L.		Drochia	Moldova	SZM	100.00	8.20	1.38	
Division agriculture								
Agrar und Umwelt AG Loberaue	A&U	Rackwitz	Germany	SZAG	100.00	31.38	2.95	
Rackwitzer Biogas GmbH		Rackwitz	Germany	A&U	100.00	0.03	0.00	
Terra Sömmerda GmbH		Sömmerda	Germany	SZVW	100.00	8.65	0.71	
Wolteritzer Agrar GmbH		Rackwitz	Germany	A&U	100.00	0.16	0.00	
Zschortauer Agrar GmbH		Rackwitz	Germany	A&U	100.00	0.03	0.00	
Zschortauer Futtermittel GmbH		Rackwitz	Germany	A&U	74.00	5.23	0.31	
Sugar other								
AHG Agrar-Holding GmbH		Mannheim	Germany	SZAG	100.00	0.03	*	5)
AGRANA Zucker, Stärke und Frucht Holding AG	AZS	Wien	Austria	SZAG	50.00	536.62	55.02	1)
								3)
Z & S Zucker und Stärke Holding AG	Z&S	Wien	Austria	AZS	100.00			1)
AIH Agrar-Industrie-Holding GmbH	AIH	Mannheim	Germany	SZAG	100.00	0.24	0.00	4)
BGD Bodengesundheitsdienst GmbH		Mannheim	Germany	SZAG	100.00	0.03	*	
Sächsisch-Thüringische Zuckerfabriken Verwaltungsgesellschaft mbH		Mannheim	Germany	SZAG	100.00	0.03	0.00	
Südzucker Holding GmbH	SZH	Mannheim	Germany	SZAG	100.00	715.77	*	5)
Südzucker International Finance B.V.		Oud-Beijerland	Netherlands	SZAG	100.00	18.25	1.28	
Südzucker Tiefkühl-Holding GmbH	SZTK	Ochsenfurt	Germany	SZAG	100.00	559.08	*	

* Profit and loss transfer agreement

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4) Statement of equity/net earnings based on a period of accounting differing from the calendar year

5) Exemption pursuant § 264 (3) HGB

6) Exemption pursuant § 264b HGB

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million	
Südzucker Versicherungs-Vermittlungs-GmbH		Mannheim	Germany	SZAG	51.00	1.48	1.42	
Südzucker Verwaltungs GmbH	SZVW	Mannheim	Germany	SZAG	100.00	10.03	*	5)
Special products segment								
Division Beneo								
BENE0 GmbH	B	Mannheim	Germany	SZAG	100.00	180.48	*	5)
BENE0 Asia Pacific Pte. Ltd.		Singapore	Singapore	BP	100.00	1.56	0.16	
BENE0 Iberica S.L. Unipersonal		Barcelona	Spain	BO	100.00	0.13	0.01	
BENE0 Inc.		Parsippany	USA	BP	100.00	14.64	1.64	
BENE0 India Private Limited		New Delhi	India	BP	99.99	-0.06	-0.07	
				B	0.01			
BENE0 Latinoamerica Coordenação Regional Ltda.		Vila Olímpia, São Paulo	Brazil	BO	100.00	0.27	0.11	
				BP	0.00			
BENE0-Orafti S.A.	BO	Oreye	Belgium	BR	100.00	304.04	30.28	
				B	0.00			
BENE0-Palatinit GmbH	BP	Mannheim	Germany	B	85.00	23.58	*	5)
				SZAG	15.00			
BENE0-Remy N.V.	BR	Wijgmaal (Leuven)	Belgium	B	100.00	241.66	5.96	1)
				BP	0.00			
Veniremy N.V.		Wijgmaal (Leuven)	Belgium	BR	100.00	6.39	0.27	1)
Orafti Chile S.A.		Pemuco	Chile	BO	99.99	173.97	2.63	
				BP	0.01			
REMY ITALIA S.P.A.		Confianza (PV)	Italy	BR	66.70	0.67	0.03	
Division Freiberger								
Freiberger Holding GmbH	FH	Berlin	Germany	SZTK	90.00	122.35	*	5)
				SZAG	10.00			
Alberto Lebensmittel GmbH		Berlin	Germany	FLG KG	100.00	0.03	0.00	
Crestar Crusts Inc.		Delaware	USA	RF	100.00	19.55	0.62	
Favorit Lebensmittel-Vertriebs GmbH		Berlin	Germany	FLM	100.00	0.09	0.01	
Feinschmecker Eiscreme und Tiefkühlkost GmbH		Berlin	Germany	FH	100.00	0.14	0.01	
Feinschmecker Feinkost GmbH	FF	Berlin	Germany	FLM	100.00	0.09	0.00	
Freiberger France S.A.R.L.		St. Didier au Mont d'Or	France	FLM	100.00	-1.63	0.05	
Freiberger GmbH		Berlin	Germany	FLG KG	100.00	0.05	0.00	
Freiberger Lebensmittel GmbH	FLM	Berlin	Germany	FLG KG	100.00	212.87	*	5)
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	FLG KG	Berlin	Germany	FH	100.00	52.06	*	6)
Freiberger Osterweddingen GmbH & Co. KG		Sülzetal	Germany	FLG KG	100.00	0.00	*	6)
Freiberger Polska Sp.z o.o.		Warszawa	Poland	FLM	99.00	0.94	0.23	
				FF	1.00			
Freiberger UK Ltd.		Spalding	Great Britain	FLM	100.00	3.36	3.23	
Freiberger USA Inc.	FLU	Parsippany	USA	FLM	100.00	149.27	-4.68	
HASA GmbH		Burg	Germany	FLG KG	100.00	9.47	1.68	
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.		Oberhofen	Austria	FLM	100.00	9.49	2.08	
Richelieu Foods Inc.	RF	Delaware	USA	RH	100.00	347.37	31.66	
Richelieu Group LLC		Delaware	USA	RF	100.00	-81.85	-3.33	
Richelieu Holdco Inc.	RH	Delaware	USA	FLU	100.00	0.00	0.00	
Sandhof Limited	SL	Westhoughton	Great Britain	FLM	100.00	35.40	15.05	

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4) Statement of equity/net earnings based on a period of accounting differing from the calendar year

5) Exemption pursuant § 264 (3) HGB

6) Exemption pursuant § 264b HGB

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million
Stateside Foods Ltd.		Westhoughton	Great Britain	SL	100.00	22.79	6.30
Willow Foods LLC		Delaware	USA	RF	100.00	157.86	2.94
Division PortionPack Europe							
PortionPack Europe Holding B.V.	PPEH	Oud-Beijerland	Netherlands	SZAG	100.00	34.47	1.99
Elite Portion Pack Belgium NV		Herentals	Belgium	PPEH	100.00	0.29	0.20
				PPH	0.00		
Hellma Gastronomicky Servis Praha spol. s.r.o.		Praha	Czech Republic	PPEH	100.00	5.25	0.80
Hellma Gastronomie-Service GmbH		Nürnberg	Germany	PPEH	100.00	4.44	*
Hellma Lebensmittel-Verpackungs-Gesellschaft m.b.H		Wien	Austria	PPEH	100.00	0.74	0.18
PortionPack Holland B.V.	PPH	Oud-Beijerland	Netherlands	PPEH	100.00	3.32	2.54
SAES The Portion Company, S.L.		La Llagosta (Barcelona)	Spain	PPEH	100.00	0.46	0.13
Single Source Limited	SSL	Telford / Shropshire	Great Britain	PPEH	100.00	3.82	0.43
Central Legal Funding Limited	CLF	Telford / Shropshire	Great Britain	SSL	75.00		
Santeau Limited		Telford / Shropshire	Great Britain	CLF	100.00		
Van Oordt Drukkerij B.V.		Oud-Beijerland	Netherlands	VOP	100.00	0.15	0.00
Van Oordt Landgraaf B.V.		Landgraaf	Netherlands	PPH	100.00	2.36	0.00
Van Oordt the portion company B.V.	VOP	Oud-Beijerland	Netherlands	PPH	100.00	13.88	2.10
Division starch							
AGRANA Stärke GmbH	AS	Wien	Austria	AB	98.91	338.16	61.97
				AMV	1.09		
S.C. A.G.F.D. Tandarei S.r.l.		Tandarei	Romania	AS	100.00	2.85	-0.20
CropEnergies segment							
CropEnergies AG	CEAG	Mannheim	Germany	SZAG	69.19	443.17	37.38
Biowanze S.A.		Bruxelles	Belgium	CEAG	100.00	247.13	28.24
				CEB	0.00		
Compagnie Financière de l'Artois SA	CF	Loon-Plage	France	CEAG	100.00	19.67	1.87
CropEnergies Beteiligungs GmbH	CEBet	Mannheim	Germany	CEAG	100.00	152.07	*
CropEnergies Bioethanol GmbH	CEB	Zeitz	Germany	CEBet	85.00	72.44	*
				CEAG	15.00		
CropEnergies Inc.		Houston	USA	CEBet	100.00	0.05	-0.02
Ensus UK Limited		Yarm	Great Britain	CEBet	100.00	55.51	5.15
RYSSEN ALCOOLS SAS	RYS	Loon-Plage	France	CF	100.00	8.36	0.87
Ryssen Chile SpA		Lampa, Santiago de Chile	Chile	RYS	100.00	0.46	0.11
Fruit segment							
Division fruit preparations (AGRANA Fruit)							
AGRANA Fruit S.A.S.	AF	Mitry-Mory	France	FA	100.00	125.48	19.26
AGRANA Fruit Argentina S.A.		Buenos Aires	Argentina	AF	84.82	1.75	-0.53
				AFSS	15.17		
AGRANA Fruit Australia Pty Ltd.	AF Aus	Sydney	Australia	AF	100.00	20.10	2.15

* Profit and loss transfer agreement

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	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million	
AGRANA Fruit Management Australia Pty Limited		Sydney	Australia	AF Aus	100.00	0.23	0.00	1)
AGRANA Fruit Austria GmbH	AFA	Gleisdorf	Austria	AF AIV&A	99.98 0.02	23.54	4.53	
AGRANA Fruit Brasil Indústria, Comércio, Importação e Exportação Ltda.		São Paulo	Brazil	AFB AF	99.90 0.10	10.47	3.07	
AGRANA Fruit Brasil Participações Ltda.	AFB	São Paulo	Brazil	AF AFA	99.99 0.01	6.76	0.00	
AGRANA Fruit Dachang Co., Ltd.		Dachang	China	AF AFK	75.00 25.00	26.69	5.78	
AGRANA Fruit Fiji Pty Ltd.		Sigatoka	Fiji	AF	100.00	0.29	-0.36	
AGRANA Fruit France S.A.S.		Mitry-Mory	France	AF	100.00	20.07	1.50	
AGRANA Fruit Germany GmbH		Konstanz	Germany	AF	100.00	13.63	2.21	
AGRANA FRUIT INDIA PRIVATE LIMITED		New Delhi	India	AF AFSG	99.99 0.01	1.40	-0.84	
AGRANA Fruit Istanbul Gıda Sanayi ve Ticaret A.Ş.		Istanbul	Turkey	AF	100.00	5.73	1.54	
AGRANA Fruit (Jiangsu) Company Limited		Changzhou, Jiangsu Province	China	AF	100.00	8.59	-0.21	4)
AGRANA Fruit Korea Co. Ltd.	AFK	Seoul	South Korea	AF	100.00	14.16	1.67	
AGRANA Fruit Latinoamérica S. de R.L. de C.V.		Michoacan	Mexico	AF AFSG	99.99 0.01	14.23	2.41	
AGRANA Fruit Luka TOV		Vinnitsa	Ukraine	AF	99.97	2.67	0.50	
AGRANA Fruit México, S.A. de C.V.		Michoacan	Mexico	AFUS	100.00	14.86	3.61	
AGRANA Fruit Polska SP z.o.o.		Ostroleka	Poland	AF	100.00	13.53	1.75	
AGRANA Fruit Services GmbH	AFSG	Wien	Austria	AF	100.00	12.21	1.88	
AGRANA Fruit Services S.A.S.	AFSS	Mitry-Mory	France	AF	100.00	0.21	0.06	
AGRANA Fruit South Africa (Proprietary) Ltd.		Johannesburg	South Africa	AF	100.00	2.30	-1.29	
AGRANA Fruit Ukraine TOV		Vinnitsa	Ukraine	AF	99.80	15.84	4.28	
AGRANA Fruit US, Inc.	AFUS	Brecksville	USA	AF	100.00	63.81	0.56	
AGRANA Nile Fruits Processing SAE		Qalyoubia	Egypt	AF	51.00	5.72	1.41	
Dirafrost FFI N. V.	DFFI	Lummen	Belgium	AF	100.00	1.37	-0.34	
Dirafrost Maroc SARL		Laouamra	Morocco	DFFI	100.00	2.91	-0.01	
Financière Atys S.A.S.	FA	Mitry-Mory	France	AIV&A	100.00	127.21	18.41	
Main Process S.A.		Buenos Aires	Argentina	Sud AF AFSS	95.00 4.75 0.25	16.13	0.85	
o.o.o. AGRANA Fruit Moscow Region		Serpuchov	Russia	AF	100.00	29.23	8.08	
Sudinver S.A.	Sud	Buenos Aires	Argentina	AF AFSS	95.00 5.00	3.93	-0.03	
Yube d.o.o.		Požžega	Serbia	DFFI	100.00	1.11	-0.10	
Division fruit juice concentrates (AUSTRIA JUICE)								
AUSTRIA JUICE GmbH	AJU	Allhartsberg	Austria	AIV&A	50.01	51.18	1.31	
AGRANA JUICE (XIANYANG) CO., LTD		Xianyang City	China	AJU	100.00	12.92	1.38	
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Germany	AJU	100.00	-1.80	-0.08	
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100.00	1.23	0.00	
AUSTRIA JUICE Hungary Kft.		Vásárosnamény	Hungary	AJU	100.00	16.63	0.71	
AUSTRIA JUICE Poland Sp. z.o.o		Chelm	Poland	AJU	100.00	44.75	1.75	
AUSTRIA JUICE Romania S.r.l.		Vaslui	Romania	AJU	100.00	2.27	0.00	
AUSTRIA JUICE Ukraine TOV		Vinnitsa	Ukraine	AJU	100.00	3.43	0.09	
Fruit other								
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	AIV&A	Wien	Austria	AB AMV	98.91 1.09	257.14	16.85	

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Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million	
II. Joint ventures / associated companies							
Sugar segment							
Division business unit sugar							
Südzucker and sales companies							
Maxi S.r.l.	Bolzano	Italy	SZH	50.00	5.07	3.20	4)
Division AGRANA sugar							
Sugar Bosnia							
"AGRAGOLD" d.o.o.	Brčko	Bosnia-Herzegovina	ASB	100.00	2.25	0.06	
AGRAGOLD d.o.o.	Zagreb	Croatia	ASB	100.00	1.25	0.09	
AGRAGOLD dooel Skopje	Skopje	Macedonia	ASB	100.00	0.32	0.07	
AGRAGOLD trgovina d.o.o.	Ljubljana	Slovenia	ASB	100.00	5.11	0.30	
AGRANA Studen Sugar Trading GmbH	Wien	Austria	ABIH	50.00	4.39	-1.90	
AGRANA-STUDEN Albania sh.p.k.	Tirane	Albania	ASB	100.00	0.30	0.05	
AGRANA-STUDEN Beteiligungs GmbH	ASB Wien	Austria	ABIH	50.00	21.07	1.02	
AGRANA-STUDEN Kosovo L.L.C.	Prishtina	Kosovo	ASB	100.00	0.15	0.05	4)
Company for trade and services AGRANA-STUDEN Serbia d.o.o. Beograd	Beograd	Serbia	ASB	100.00	0.39	0.01	4)
STUDEN-AGRANA Rafinerija Secera d.o.o.	Brčko	Bosnia-Herzegovina	ASB	100.00	6.22	-1.87	
Sugar other							
ED&F MAN Holdings Limited	London	Great Britain	SZH	34.74	695.76	-156.20	4)
Special products segment							
Division PortionPack Europe							
Collaborative Packing Solutions [Pty] Ltd	Johannesburg	South Africa	PPEH	40.00	0.80	0.22	
Division starch							
GreenPower E85 Kft	Szabadegyháza	Hungary	HK	100.00	0.79	0.03	
HUNGRANA Keményítő- és Isocukorgyártó és Forgalmazó Kft.	HK Szabadegyháza	Hungary	AS	50.00	112.42	59.17	
HungranaTrans Kft.	Szabadegyháza	Hungary	HK	100.00	4.96	1.77	
CropEnergies segment							
CT Biocarbonic GmbH	Zeitz	Germany	CEBet	50.00	2.87	-0.40	
III. Companies of minor importance and other investments > 20 %							
Affiliated companies							
Sugar segment							
Division AGRANA sugar							
Sugar Bosnia							
AGRANA Croatia d.o.o.	Zagreb	Croatia	AZ	100.00	0.01	0.00	
AGRANA Makedonija DOOEL Skopje	Skopje	Macedonia	AZ	100.00	0.00	0.00	4)
AGRANA Holding/other							
Österreichische Rübensamenzucht Gesellschaft m.b.H.	Wien	Austria	AZ	86.00	2.10	0.19	4)
Sugar other							
Acucar e Alcool do Sul Participacoes Ltda.	São Paulo	Brazil	SZH	100.00	0.04	0.00	4)
			AIH	0.00			
Arbeitsgemeinschaft für Versuchswesen und Beratung im Zuckerrübenanbau Zeitz GmbH	Kretzschau	Germany	SZAG	80.00	0.04	0.00	

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	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million	
Sächsisch-Thüringische Zuckerfabriken GmbH & Co. KG		Mannheim	Germany	SZAG	100.00	0.02	0.00	
Südprojekt Immobilienverwaltungsgesellschaft mbH		Mannheim	Germany	SZAG	100.00	0.25	0.01	4)
Südtrans GmbH		Mannheim	Germany	SZAG	100.00	0.10	0.00	4)
Südzucker Beteiligungs GmbH		Mannheim	Germany	SZAG	100.00	0.02	0.00	4)
Südzucker International GmbH		Ochsenfurt	Germany	SZH	100.00	0.03	0.00	
Südzucker Reise-Service GmbH		Mannheim	Germany	SZAG	100.00	1.19	0.00	
Südzucker Verkauf GmbH	SZV	Mannheim	Germany	SZH	100.00	0.03	0.00	
Special products segment								
Division starch								
AGRANA Skrob s.r.o. v likvidaci		Hrušovany	Czech Republic	AS	100.00	0.08	0.00	4)
AGRANA Amidi srl		Sterzing (BZ)	Italy	AS	100.00	0.02	0.01	
Joint ventures / associated companies								
Sugar segment								
Division business unit sugar								
Sugar Belgium								
Food Port N.V.		Tienen	Belgium	RT	35.71	2.15	-0.10	2) 4)
Division AGRANA sugar								
Sugar Bosnia								
SCO STUDEN & CO. BRASIL EXPORTACAO E IMPORTACAO LTDA.		São Paulo	Brazil	ASB	100.00	-0.02	0.00	4)
Sugar France								
Sucrerie et Distillerie de Souppes-Ouvré Fils S.A.		Paris	France	SLS	44.50	45.65	3.60	4)
Sugar other								
Felix Koch Offenbach Couleur und Karamel GmbH		Offenbach	Germany	SZH	25.10	7.54	1.15	2) 4)
Liquid Feed Europe Holding B.V.		Oud-Beijerland	Netherlands	SZH	50.00	n/a	n/a	
Maritime Investment Holdings Pte. Ltd	MIH	Singapore	Singapore	SZH	25.00	7.74	-1.07	4)
Special products segment								
Division Beneo								
INVITA Australia PTE Ltd		Balgowlah	Australia	BP	35.00	4.83	0.89	4)
Other participations > 20 %								
Sugar segment								
Division business unit sugar								
Sugar France								
GARDEL S.A.		Le Moule	France	SLS	24.28	51.55	1.53	4)
Division AGRANA sugar								
Sugar Hungary								
Cukoripari Egyesülés		Budapest	Hungary	MCeF	44.27	0.13	-0.01	4)

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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 assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Mannheim, 23 April 2018

THE EXECUTIVE BOARD



Dr. Wolfgang Heer
(Chairman)



Dr. Thomas Kirchberg



Thomas Kölbl



Johann Marihart

INDEPENDENT AUDITOR'S REPORT

To Südzucker AG, Mannheim

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Südzucker AG, Mannheim, which comprise the balance sheet as at 28 February 2018, and the statement of profit and loss for the financial year from 1 March 2017 to 28 February 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Südzucker AG [for the financial year from 1 March 2017 to 28 February 2018]. We have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 28 February 2018 and of its financial performance for the financial year from 1 March 2017 to 28 February 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 March 2017 to 28 February 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Measurement of shares in affiliated companies equity investments
- ② Hedging of sugar sales
- ③ Provisions for litigation and risk precautions

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

- ① Measurement of shares in affiliated companies
 - ① In the Company's annual financial statements shares in affiliated companies amounting to EUR 2,764.5 million are reported under the "Financial assets" balance sheet item. Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The market price of the respective financial investment – if available – is used for the purpose of determining the fair value. In addition, the fair values of the material equity investments are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial investment. On the basis of the values determined and supplementary documentation, no write-downs were required for the financial year. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities, and financial performance, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of the valuation, among other things. In particular, we assessed whether the fair values of the material equity investments had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies.

③ The Company's disclosures on financial investments are contained in the sections "Accounting policies" and "Fixed assets" of the notes to the financial statements.

② Hedging of sugar sales

① With the abolition of the quota regime and the lifting of export restrictions as at October 1, 2017, sugar prices are increasingly being determined by trends in global market prices. Accordingly, the use of derivatives to hedge sugar prices also continued to gain in importance in the financial year. At an organizational level, the Südzucker Group has met these requirements on a centralized basis by combining the respective Group activities in Südzucker AG's Global Markets department. The use of derivative financial instruments is governed by a Group policy on managing operating price risk. As at the balance sheet date, sugar derivatives with a positive market value of EUR 31.5 million and a negative market value of EUR -9.9 million were used to hedge price risk arising from sugar sales based on global market prices, and are included in valuation units. As at the balance sheet date, currency forwards were also used to hedge the currency risk associated with these sugar sales. They are also included in valuation units and had a positive market value of EUR 3.0 million and a negative market value of EUR -0.5 million. This leads to the consequence that, due to the application of the net hedge presentation method, changes in the values or cash flows of the derivative financial instruments over the term of the hedging relationship are not reflected in the annual financial statements, as far as the hedging relationship is effective. It was not necessary to recognize a provision for onerous contracts with respect to the hedging relationships. Due to the lifting of export restrictions in the current financial year and the associated increase in transactions, and the extensive accounting and reporting requirements, this matter was of particular significance in the context of our audit.

② As part of our audit and with the assistance of our internal specialists from Corporate Treasury Solutions, we examined the processes relating to the hedging of sugar sales, including the changes made to processes and organization in the financial year and the strategic developments in risk management, and assessed the appropriateness of these. We evaluated both the strategic, operational and procedural development of sugar price management, as well as the accounting recognition of sugar hedges, based on the documentation prepared by Südzucker AG and the contracts available. In addition, we assessed the accounting documents provided to us for their consistency with the requirements of German commercial law. This included the conditions for recognizing valuation units, including the corresponding effectiveness tests. We also assessed the completeness and correctness of the amounts and disclosures in the notes to the financial statements. We

were able to satisfy ourselves that the conditions for recognizing valuation units are sufficiently substantiated and documented.

③ The Company's disclosures on (derivative) financial instruments and the recognition of valuation units are contained in the section "Contingent liabilities, other financial commitments and derivative financial instruments" of the notes to the annual financial statements.

③ Provisions for litigation and risk provisioning

① In the annual financial statements of Südzucker AG provisions for litigations and risk provisioning amounting to EUR 163.6 million are reported under the "Other provisions" balance sheet item. These concern litigation under market regulation proceedings, proceedings relating to operational contractual relationships, and antitrust law risks, including fines and damages. The risk assessment to be carried out on developments in litigation and the appraisal of whether or not an existing legal dispute requires a provision to be recognized to cover the risk, and if so, in what amount the current obligation must be measured, is influenced to a high extent by estimates and assumptions on the part of the executive directors. Against this background, this matter is of particular significance from our point of view.

② As part of our audit we assessed the process established by the Company for ensuring that a legal dispute is reported, its outcome is assessed, and the dispute is accounted for. This assessment also included a substantive evaluation of the material legal risks. With the knowledge that estimated values result in an increased risk of accounting misstatements and that the executive directors' recognition and measurement decisions have a direct effect on net profit for the year, we evaluated the appropriateness of the carrying amounts, including by comparing these with historical data, examining the consistent application of the calculation model and inspecting the underlying documents. Furthermore, we also hold regular meetings with the Company's legal department in order to receive updates on current developments and the reasons for the corresponding estimates. The development of material legal disputes, including the executive directors' estimates on their potential outcomes, is provided to us by the Company in writing. As at the balance sheet date, we also obtained external legal confirmations that support the executive directors' assessments. We were able to examine the estimates made by the executive directors in respect of recognizing and measuring the provisions for litigation and the associated risk provisioning in the annual financial statements. We consider the estimates made by the executive directors to be appropriate.

③ The Company's disclosures on provisions for litigation and risk provisioning are contained in the section "Other provisions" of the notes to the annual financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate governance pursuant to § 289f HGB included in section "Corporate management and – responsibility" of the management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (except for the remuneration report)
- the non-financial statement pursuant to §289b Abs. 1 HGB included in section "Non-financial statement" of the management report

The other information comprises further the remaining parts of the finance report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements,

and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 20 July 2017. We were engaged by the supervisory board on 20 July 2017. We have been the auditor of Südzucker AG, Mannheim, without interruption since the financial year 2003/2004.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Michael Conrad.

Frankfurt am Main, 23 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft



Michael Conrad
(German Public Auditor)



ppa. Christina Pöpperl
(German Public Auditor)

FORWARD-LOOKING STATEMENTS / FORECASTS

This annual report contains forward looking statements based on assumptions and estimates made by the executive board of Südzucker AG. Although the executive board may be convinced that these assumptions and estimates are reasonable, future actual developments and future actual results may vary considerably from the assumptions and estimates due to many external and internal factors. For example, matters to be mentioned in this connection include pending negotiations relating to the world trade agreement (WTA), changes to the overall economic situation, changes to EU sugar policies, consumer behaviour and state food and energy policies. Südzucker AG assumes no responsibility and accepts no liability that future developments and future actual results achieved will be the same as the assumptions and estimates included in this annual report.

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Südzucker on the internet

More detailed information about Südzucker Group is available at the company's website:

www.suedzucker.de

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