MANAGEMENT REPORT AND FINANCIAL STATEMENTS

SÜDZUCKER AG

DATED 28 FEBRUARY 2019 (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,

As you know, the supervisory board's duties focus primarily on discussing and analyzing business issues and ultimately making essential decisions about the company and its future. Among the topics discussed are regularly some particularly salient ones that will permanently affect the company's development or – and this is where the supervisory board's accountability becomes crystal clear – that directly impact the people associated with the company. One such topic arose in fiscal 2018/19: the restructuring plan for the sugar segment. The supervisory and ex-ecutive boards were compelled to re-evaluate the planned strategy for the sugar segment after it became apparent that the general market conditions and environment – contrary to original expectations – had permanently worsened. After diligent analysis and review, the supervisory board finally concurred with the executive board's recommendation to cut production capacity and instead of serving the total market, focusing on the EU market. In recognition of our responsibility toward the company, we were forced to make a decision that directly impacts employees and beet farmers. The plan of action aims to sustainably improve the company's cost and results structure.

On all other matters as well, the supervisory board continued to work with the executive board on the basis of mutual trust and in the spirit of a results-oriented team in fiscal 2018/19. Important strategic decisions were made after in depth discussion and action taken on the basis of the conclusions. 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 four ordinary meetings and one extraordinary meeting in fiscal 2018/19. The supervisory board approved all of the executive board's decisions after a thorough review and discussions during the meeting.

The supervisory board made no decisions by written procedure in fiscal 2018/19.

The meeting regarding the balance sheet on **16 May 2018** dealt mainly with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated 28 February 2018. The auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) reported on the material findings and results of the audit, which included the accounting-system-related internal control systems. The supervisory board followed the executive board’s proposal for the appropriation of retained earnings and approved the supervisory board report. The supervisory board made preparations for the 2018 annual general meeting and adopted the agenda and proposed resolutions. Aside from that, the supervisory board presented its choice for the auditor to shareholders at the annual general meeting based on the recommendations of the audit committee. The supervisory board dealt with the regular agenda item of compliance. The supervisory board approved budget amendments. The appointment of executive board member Mr. Marihart was extended by a further two years.

At its meeting on **18 July 2019** – the day before the annual general meeting – the supervisory board approved the investment plans for 2019/20, the long-term investment programs and investment amendments. The CFO presented the mid-term plan. The supervisory board approved the acquisition of CustomPack Ltd by PortionPack Europe and a property sale in Poland. The supervisory board commissioned accounting firm PwC to audit the non-financial declaration for fiscal 2018/19. Mr. Kölbl’s appointment to the executive board was extended by a further five years.

At the **15 November 2018** meeting, the CFO presented the updated results projection for 2018/19. As always during the November meeting, the supervisory board focused on corporate governance. The supervisory board also conducted its annual test of effectiveness and ratified declaration of compliance for 2018. The supervisory board also approved a long-term bank loan, investment amendments and an AGRANA acquisition project.

At the **30 January 2019** meeting, the CFO presented the updated results projection for 2018/19. The main topics at the meeting were: the responsibility of corporate bodies in connection with the 2014 antitrust fine and various strategies for the sugar segment previously presented by the executive board. The executive board was not present at this meeting. The supervisory board also approved investment amendments and a property project. The board approved the regular adjustment of the executive board’s remuneration.

At the extraordinary meeting on **25 February 2019**, the CFO presented an update on the projected results. The meeting was called to focus on a restructuring plan for the sugar segment. The subject was discussed in depth and the executive board provided comprehensive answers to all questions. The supervisory board finally approved the restructuring program for the sugar segment.

One member was excused at the meeting of 16 May 2018 but participated in the decision via a written vote. Two members were excused at the extraordinary meeting of 25 February 2019. One absentee member participated in the decision via a written vote. 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 of the consolidated financial statements 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 **chairman's committee** convened seven times in fiscal 2018/19 – prior to the meetings on 16 May 2018, on 18 July 2018, on 9 October 2018, on 30 January 2019, on 25 February 2019, as well as on 7 and 15 November 2018. The topics discussed at the meetings were executive board personnel planning, the responsibility of corporate bodies, executive remuneration and the strategy for the sugar segment.

The **audit committee** convened five times during the fiscal year, in three meetings and two telephone conferences.

At its 8 May 2018 meeting and in the presence of the external auditors PwC 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 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 supervisory board also dealt with the subject compliance. At the meeting on 18 July 2018 the audit committee discussed the auditor's quotation for the audit assignment and awarded – subject to election of the auditor at the annual general meeting on 19 July 2018 – the audit assignment for the annual audit and the audit of the non-financial declaration (Limited Assurance). In the 9 October 2018 audit committee meeting, the auditors dealt with monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal audit system, as instructed by the supervisory board. Another agenda item was the discussion of the half-year financial report.

In telephone conferences on 10 July 2018 and 8 January 2019, the audit committee discussed the Q1 and Q3 2018/19 quarterly statements with the executive board. In a telephone conference on 10 July 2018, the audit committee also presented to the supervisory board its recommendation regarding PwC's audit of the non-financial statement (Limited Assurance).

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

The **agricultural committee** convened on 15 November 2018. Südzucker AG's agricultural division presented its report and provided information about the Kirschgartshausen experimental farm. Research topics surrounding beet cultivation were also 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 2018/19. 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 15 November 2018, 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 8 January 2019, the executive board, external auditor, chairman of the supervisory board and audit committee sat for the regular fraud and corruption risks review meeting. The topics presented and discussed included the assessment of business risks and measures to limit the risks arising from fraud and corruption.

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 2018 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.

Conflicts of interest

Prior to the extraordinary meeting of 25 February 2019 regarding the restructuring plan for the sugar segment, one member of the supervisory board acknowledged a conflict of interest and thus neither took part in the meeting nor submitted a written vote. Otherwise, the supervisory board was not advised in fiscal 2018/19 of any conflict of interest on the part of any of its members, nor of members of the executive board, especially one that could arise as a result of a consultation or 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 2018/19, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2018/19 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.

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 there are no grounds for the measures referred to the report or a significantly different assessment than that of the executive board.

The documents to be audited and the PwC audit reports were sent to each supervisory board member in a timely manner. Representatives of the auditors PwC participated in the audit committee's 7 May 2019 meeting and in the supervisory board's financial review meeting of 15 May 2019 and provided a detailed report on the proceedings and result of the 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 PwC 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 15 May 2019, 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 27 March 2019 regarding the distribution of a dividend in the amount of € 0.20 per share.

Personnel

Supervisory board personnel changes were as follows:

Mr. Günter Link, chairman of the works council of the Südzucker AG Ochsenfurt factory, retired on 1 May 2018 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 in 2017. On 31 October 2018, Dr. Melanie Frerichs, divisional officer of the Food, Beverages and Catering Union in Germany resigned from the supervisory board for professional reasons. The Mannheim registration court appointed Ms. Sabine Möller, divisional officer of the Food, Beverages and Catering Union as her successor. Mr. Franz-Rudolf Vogel, chairman of Südzucker AG's central works council and member of the supervisory board chairman's committee, retired on 31 December 2018. He is succeeded by Mr. Frank Sachse, chairman of the works council of Südzucker AG's Zeitz factory. He was chosen during the 2017 elections for employee representatives for the supervisory board as a replacement candidate for Mr. Vogel.

Mr. Ralf Hentzschel, independent farmer from Panschwitz-Kuckau, resigned from the supervisory board on 13 March 2019. On 12 April 2019, the registration court appointed Mr. Walter Manz as his successor, effective until the end of the annual general meeting on 18 July 2019.

The supervisory board elected the following successors in the committees: Mr. Ulrich Gruber to replace Mr. Günther Link on the agricultural committee and Mr. Franz-Rudolf Vogel on the audit committee, as well as Mr. Rolf Wiederhold to replace Mr. Franz-Rudolf Vogel on the chairman's committee, the mediation committee and the social committee.

The supervisory board sincerely thanks retiring members Dr. Frerichs, Mr. Hentzschel, Mr. Link and Mr. Vogel for their dedicated commitment to the benefit of the company.

Together with the executive board, the members of the supervisory board would like to pay their respect to those active and former employees and 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, 15 May 2019

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 company. The consolidated financial statements include the parent company – Südzucker AG – and 156 (158) 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 83 "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 ten divisions that manage the day-to-day operational businesses. The CropEnergies segment is managed as an independent corporate entity.

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

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

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

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 foodgrade 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 inhouse 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. Main key indicator on segment level is the operating result as well as only on group level the return on capital employed (ROCE).

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

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

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

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 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.

Südzucker's BENEO, Freiberger and fruit preparations divisions conduct business internationally. The sugar, starch, starch saccharification products, bioethanol and PortionPack businesses focus on Europe.

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 and sustainably boost shareholder value without compromising our ecological and social responsibilities.

This is why we have adjusted our sugar segment strategy. Given the continuing difficult market environment with production volumes increasing around the world, together with extremely low prices, we want to shift our focus in future to cost-effective delivery to customers throughout Europe and continued to grow our market share in this region. In other words, exporting noteworthy sugar volumes to the rest of the world from our European facilities will in future be of secondary importance to Südzucker. This also means we have to adjust the company's production and administrative organizations. Accordingly, we plan to close five factories in order to reduce our sugar production capacities and at the same time fully load the remaining plants. We will intensify other cost cutting measures along the entire value chain.

Our group strategy continues to apply for all segments.

We focus on global megatrends The global megatrends – expanding world population and rising incomes – continuously increase demand for food and animal feed, as well as renewable energy. Trends toward alternative and functional food ingredients as well as convenience products are also strengthening. 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.

WE AIM TO GROW MARKET SHARE IN OUR BUSINESS SECTORS We want to have a leading position and/or expand in our target market sectors. Our aim here is to be number one or a strong number two. To achieve this, we depend on both acquisitions and organic growth.

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. For example, we work on refining carbohydrates and ethanol into biochemicals (→research and development).

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

Here we focus especially on enhancing multipurpose sites, where we produce products for different segments. For example, we recently inaugurated a new plant to refine plant-based proteins at our factory in Wanze, Belgium. The new facility is tied into the existing sugar and ethanol factories. This conserves natural resources, cuts costs and contributes to business success.

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

TARGETED VALUE-ORIENTED INVESTMENTS We will strengthen all of our divisions in order to secure future growth. The company's annual investment budget is used for replacing worn-out or obsolete equipment, expanding capacities and purchasing new equipment that extracts greater value from products; for example, a betaine crystallization plant, or the step-by-step production expansions for the various BENEO Group product categories. In addition, we will continue to press ahead with our internationalization strategy by continually evaluating acquisition opportunities.

SUSTAINABILITY IS INTEGRAL PART OF OUR CORPORATE STRATEGY Corporate management is committed to conducting business sustainably, whereby the key principle is to handle all of our resources carefully. No business is worth endangering the partnership with 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 everchanging conditions (→Employees).

Our strengths

We execute our corporate strategy based on our strengths:

diversified corporate structure, product portfolio, markets and employees

competent large-scale processing of agricultural materials in various business sectors – 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, who embody our know-how, our experience and our innovation capability in production, distribution, sales and marketing and logistics

practice **sustainability**, especially by using resource-friendly production methods and fully utilizing agricultural materials to the greatest extent possible.

Our guiding principles

- 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

Our employees at work around the world bring their diverse experience, skills, personalities and cultures to the table at Südzucker. Our employees' expertise and diversity in practice make 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 promotes teamwork and inspirstion. We treat our employees fairly and respectfully.

Südzucker AG employed an average of 2,635 (2,610) persons during the financial year.

AGE STRUCTURE AND LENGTH OF SERVICE The company's age structure continues to be relatively balanced. However, the upward adjustment of the legal age limit will in future be reflected in a higher percentage of older employees. Our apprenticeship and training programs attract young people to the company.

The average length of service within the group is almost unchanged from last year at over ten years and demonstrates the allegiance of our employees to their company.

Employee developement/Training and continuing education

Südzucker 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 as well as foreign language courses and information sessions on IT security.

The company has launched a learning management system throughout the group, which enables employees to individually choose when to take advantage of a large part of the courses that were previously offered only at fixed times in the operations. At the same time, the system fulfills legal requirements; for example, with respect to safety topics and data protection requirements.

Südzucker Group takes advantage of modern opportunities in its work areas. The Group-wide establishment of a "Digi Unit" will create a platform for the development of know-how in the field of digitization as well as the introduction and evaluation of ideas. Increasingly, routine processes are being standardized through digital transformation, improving the value of the work done. What the teams require to succeed is to use agile working methods that quickly result in solution oriented prototypes and ultimately to their use in day-to-day business.

CAREER TRAINING Südzucker Group's apprenticeship program is a key building block toward securing its own skilled workforce for the long term. Südzucker Group had 423 (416) apprentices as of 28 February 2019. On average for the fiscal year, 264 apprentices were enrolled in the dual system in various professions at Südzucker AG, Freiberger Group and AGRANA in Germany. The apprenticeship systems in Austria, Slovakia, France, Brazil and Belgium are comparable to the one in Germany. The remaining apprentices are enrolled in the various local programs provided in Algeria, Argentina, Great Britain, Mexico, Morocco and Poland.

Thank you from the executive board

The executive board thanks all Südzucker Group employees for their hard work, commitment and dependability in these challenging times. We thank the employee representatives for their ongoing cooperation and constructive teamwork.

Research and development

The main purpose of our Group-wide and transnational 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. The objectives are the energy efficiency of the production processes and to improve the product quality. 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 functional ingredients and starch derivatives.

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

149 (144) employees are responsible for tasks in the area of research, development and technological services at Südzucker AG; the total expenditure in 2018/19 for research, development and technological services was €'000 20,628 (20,387)

Raw material security

The objective of agricultural research is to ensure suitable agricultural raw material yield and quality within a framework of sustainable production. Presently the focus is on finding substitutes for the chemical plant protection agents that will be banned.

PLANT PROTECTION Increasing resistance of weeds, pathogens and pests to pesticides and herbicides, combined with a steady reduction in available chemical plant protection substances, require that we rethink plant protection. We use the latest technologies – from highly sensitive sensors to self-driving vehicles with pinpoint dosing accuracy – to provide farmers with new ways to optimize plant protection. A concrete example is a newly developed computer forecasting model, which provides important information that can be used to precisely combat specific leaf diseases.

The current top priority is to develop a monitoring system for timely detection of virus transmitting aphids so that we can notify farmers, because in some countries – including Germany – there will be no emergency exemptions that will permit continued use of neonicotinoids for sugar beet seeds.

A scientific study has been undertaken to conduct the basic research required to effectively combat the bacterial disease SBR (Syndrom Basses Richesses/sugar beet disease) transmitted by cicadas.

R&D is also working on registering an important agent to combat weeds in chicory cultures in alliance with the agent owner.

VARIETALS The bans on countless agents for plant protection substances, together with extreme weather conditions, are making varietals with effective characteristics such as resistance to disease and pests and higher tolerance to stresses caused by heat or drought more and more important.

BOOSTING SUGAR AND INULIN CONTENT The research for the project that aims to improve sugar transport within the sugar beet and thereby boost sugar content has been completed. Field trials will now be conducted to prove production feasibility. Research has started on inhibiting inulin reducing enzymes in chicory.

IMPROVED LONG-TERM STORAGE Long campaigns present significant challenges to storing raw materials (e.g., sugar beets in the fields) while minimizing sugar loss and without compromising quality. The department continues to examine the extent to which antagonistic microorganisms can reduce the propagation of rot-inducing fungi in order to improve the health of beet piles. We are also experimenting with using lime to maintain beet quality during storage and are currently developing solutions based on innovative sensor technology to monitor the status of the sugar beet piles in the field.

BIOSTIMULANTS Biostimulants are used to keep plants healthy. We are currently conducting a series of tests to determine the effectiveness of various biostimulants on parameters such as the yield and quality of sugar beets. These tests are being conducted both on annual crops and crops that are traditionally rotated.

RAW MATERIALS FOR STARCH The department continues to analyze the influence of the stage of maturity of various types of grain on the characteristics of the starch that is produced from them. Researchers harvest the respective raw material at various stages of maturity, then process it on a laboratory scale and extensively analyze the characteristics of the starch produced.

Wheats with a high amylopectin concentration are a new raw material for making starch. The application related characteristics of these starches have already been compared with starch produced from waxy corn. These new wheat varietals are now being cultivated and harvested in order to be able to examine their agricultural properties.

Processing technology

R&D continuously works on improving production processes so that the **sugar factories** can reliably conduct long campaigns and minimize outages.

The total yield of the production processes and the quality of the end products are primarily driven by the initial process steps. In this vein, R&D was able to develop and establish new processes that improve extraction yield and minimize the formation of undesirable byproducts, enhance product quality and thereby also fulfill the requirements of stricter legislative specifications related to product quality. An improved juice purification process for low quality beets was also developed. The residual materials can be used as inputs for biogas plants.

The department optimized the **functional carbohydrate** processes used to produce Palatinose™- and isomalt. The fructan and rice starch processes are also being examined. The focus is not only on improving product quality, but also evaluating the use of new technologies.

We aim to use as wide a range of raw materials as possible for efficient fermentation at our **bioethanol production plants**, which is why evaluating new enzymes and yeasts continues to be a top priority. Currently we are preparing production tests for a new, non-genetically modified yeast.

We continue to conduct studies and investigations into the use of various waste materials for fermentation. In conjunction with these assessments, the department continues to examine concepts with materials containing lignocellulose – so-called 2G concepts.

Various concepts are being tested and innovative automation solutions applied to determine if primary energy demand at the factories can be reduced.

A process to reduce microorganisms on the surface of harvested fruit was successfully tested for the **fruit preparations** division. Large scale implementation is planned for the beginning of the upcoming processing season. Fruits treated in this manner can be more gently processed and are considered to have a better aroma, taste, appearance and color than conventionally processed fruits.

AGRANA is working with a major dairy on a large-scale alternative process to sterilize fruits, which is expected to significantly improve the fruits' organoleptic properties. Initial pilot trials were conducted in conjunction with a production feasibility study.

The department was able to further optimize an existing process for improving fruit textures. Possible applications were identified in cooperation with the fruit factories.

In a joint project with the technical university of Vienna, researchers were able to for the first time quantify the shear forces of certain production components on fruit preparations and from the measurements, identify optimization measures.

Innovative aroma concepts for **fruit juice concentrates** were further enhanced. A wide range of products for a multitude of beverage applications has been developed using highly concentrated fruit essences and composite flavors.

Recipes and application concepts

R&D continues to focus on developing new recipes for fondant and Compri Sugar for the **sugar and specialty sugar products** division. New jam sugar types, organic beet sugar and new sugar cubes were launched in the retail markets of various countries.

Researchers developed additional **functional food ingredient** application concepts, often by working hand-in-hand with customers. Nutritional scientific research and experimental studies to support statements regarding the beneficial effects of Palatinose™, inulin and oligofructose are ongoing, as dietary benefit claims for these products are essential to their sales and marketing. Several positive assessments classified as health claims by the European authority for food safety (EFSA) confirm the health enhancement properties of BENEO products.

Additional recipes were developed for using **Palatinose™** in beverages, baked goods, dairy products and sweets. These products are marketed with the help of nutritional health claims such as their sustained energy release and improved blood glucose management properties.

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

Rice starch and rice flour are primarily used for clean label products. The range of applications is broad, spanning from soups and sauces to baked goods, meats and baby food products.

Rice starch, a fine-grained product, can also enhance the desired whiteness of coatings or glazing in many foods, as well as replace titanium dioxide. New concepts were developed for this application.

R&D is testing the addition of hydrophobic substances to **galenIQ™** for tablet manufacturing. The studies look at how tablet making processes, dissolution and disintegration time properties and formulae for minitablets change in the presence of galenIQ™.

There is strong demand for **plant-based proteins** from the rapidly growing vegetarian and vegan food market, which is why research is being conducted on upcycling secondary streams that contain proteins. These can be found in many of Südzucker Group's production processes.

For example, under the auspices of an EU project called PROMINENT, research is being conducted on extracting functional proteins from the secondary streams of bioethanol production processes. Together with European partners from industry and science, Südzucker has for the first time been able to isolate functional proteins and apply them to food applications.

Further development continued on using gluten, a byproduct of the ethanol production process, as a substitute for meat. The recipes developed in a pilot plant were successfully transferred to the newly installed system in Wanze, Belgium for larger scale production.

Development work on applications for using **starch in foods** continues to focus on the vegan, natural, organic and clean label market trends. Among other things, the vegan egg substitute Agenovum® was further enhanced and a gluten-free variety introduced to the market.

For **industrial starch products**, innovation is being driven by the demand for sustainability. For example, researchers have developed preservative free products to meet the market demand for green solutions. The manufacturing process has also been altered so that modified starches can be produced more efficiently and using fewer resources.

The focus in the adhesives area is on the substitution of petroleum-based adhesives. By appropriately modifying the starch, researchers were able to identify new production methods that do not negatively impact quality, thereby meeting the market demand for greater sustainability.

New starch products for dry shampoos and a new type of hydrophobic compound were developed for the cosmetics division. The latest products developed can also be used in new applications as a substitute for silicon and synthetics.

Research was conducted on and basic recipes established for new reduced sugar concepts for **fruit preparations** with natural and artificial sweeteners for use in dairy products.

New products and processes

SUGAR Südzucker is cooperating with an Israeli startup called **DouxMatok**, which has an innovative, patented process for manufacturing a sugar that enhances the sensitivity of taste buds when registering sweetness. Manufacturers, especially those that make chocolate, pastries, cereals and sugary products, can use this type of sugar to create new formulae with an improved nutritional profile without compromising taste. Final product solutions and associated large-scale industrial production processes are being jointly developed under the terms of the cooperative agreement.

Researchers developed an organic food for bees based on inverted organic sugar syrup, which was subsequently introduced to market. The new **BioVitabee™** product exhibits optimum carbohydrate distribution. Bees enjoy eating it and it can be stably stored.

STARCH A newly developed potato fiber, **AgenaFiber™**, was tested as a fiber enrichment ingredient in various foods such as baked goods. Researchers established the technological advantages, such as improved water absorption and humidification, as well as providing new basic recipes.

R&D developed a new bioplastic called **AGENACOMP®** consisting of 50 % thermoplastic starch and a biodegradable polyester. It is 100 % biodegradable in household composts and represents a major step forward in reducing microplastics in the environment. It complies with legislative food contact requirements, and can thus be used for packaging fruits and vegetables.

ORGANIC CHEMICALS Several research projects, so-called "power to X" initiatives, were launched to explore recycling carbon dioxide in combination with using electricity from renewable sources to produce hydrogen. Depending on the microorganisms or catalytic systems used, these processes generate chemical recyclable materials that can either be recycled to produce energy, used as a fuel additive or as an organic chemical raw material.

Researchers developed a laboratory-scale cultivation process for a microorganism that utilizes CO2 generated in the bioethanol fermentation process, binds the CO2 and delivers intermediate chemical products. The organic chemicals produced in this manner can serve as sustainable alternatives to petrochemical products.

Implementation of a power to gas concept using CO2 fermentation is being analyzed as part of a project sponsored by BMBF (the Federal Ministry of Education and Research). The focus is on converting CO2 to methane, determining the technical prerequisites and evaluating the effectiveness of integrating such processes into a bioethanol production location.

In another power-to-X joint project, researchers are examining the production of so-called "green methanol". Here too, scientists are evaluating the economics taking into consideration the location-specific parameters of a bioethanol production plant.

In another project, R&D is developing a fermentation process to produce polyhydroxyalkanoates from secondary sugar production streams. In cooperation with universities and industrial partners, researchers were able to extract a bioplastic and produce a pilot product.

BIOETHANOL AS A CHEMICAL RAW MATERIAL

With respect to sustainability, the focus continues to be on extracting C2 building blocks from bioethanol for use as a raw material in the chemical industry. In a joint project with TU Darmstadt, researchers are further optimizing the chemical-catalytic processes and evaluating the economics using a suitable model.

Furthermore researchers are looking at ways to produce C4 building blocks from bioethanol. The department is working with an engineering company to test a process in which the product can be isolated using direct synthesis.

Business report

General and industry-specific business conditions

WORLD SUGAR MARKET Last summer, German market analyst F. O. Licht was still forecasting a production surplus for the current 2018/19 sugar marketing year; however, in its revised forecast released in April 2019, F. O. Licht stated that the world sugar market for the 2018/19 marketing year was balanced. The agency forecasts a slight deficit of 1.5 million tonnes for the 2019/20 sugar marketing year.

In fiscal 2018/19, the world market price for white sugar ranged between 250 €/t (April 2018) and 340 €/t (October 2018). At the end of the reporting period, the world market price for white sugar was 305 €/t. The global deficit expected for the 2019/20 sugar marketing year has thus not yet translated into higher prices.

Global sugar balance

Million of tonnes	2019/20e	2018/19	2017/18	2016/17	2015/16
Opening stocks	**76.9**	**77.1**	**68.9**	**71.4**	**80.7**
Production	187.0	186.9	194.3	179.6	174.0
Consumption	-187.7	-185.6	-183.6	-180.5	-179.9
Corrections	-0.8	-1.5	-2.5	-1.6	-3.4
Ending stocks	**75.4**	**76.9**	**77.1**	**68.9**	**71.4**
In % of consumption	40.2	41.4	42.0	38.2	39.7

Source: F.O. Licht, 3rd world sugar balance estimate as of April 2019.

EU SUGAR MARKET The 2017/18 sugar marketing year just ended was the first following the elimination of sugar quota regulations and minimum sugar beet prices. As a result of a larger cultivation area and above average yields, the EU produced (including isoglucose) 21.9 million tonnes of sugar. While imports declined, the EU's exports climbed to 3.4 million tonnes for the first time since 2006.

On the other hand, production in SMY 2018/19 shrinked significantly facing a stable acreage. The drought in the large beet regions caused below average yields. The EU Commission's April 2019 estimate forecasts that production will shrink (including isoglucose) 3.9 million tonnes to 18.1 (21.9) million tonnes. It expects that imports will remain largely stable, while exports and inventories will decline significantly.

In October 2017, the beginning of the 2017/18 sugar marketing year now ended, the EU price for sugar (food and non-food) initially fell from about 500 €/t for bulk sugar ex-factory to 420 €/t and slipped to under 350 € per tonne during the subsequent months. The price has fallen further since the beginning of the 2018/19 sugar marketing year. In February 2019, sugar was trading at 314 €/t, almost unchanged from the historic low of 312 €/t recorded in January 2019, notwithstanding the significant price difference between deficit and surplus regions.

SUGAR MARKETS Over 80 % of the total sugar volume is destined for the processing food industry. Just under 65 % is purchased by three key customer segments: chocolate, baked goods and beverages. In Western Europe the volume of sugar purchased by the processing industries declined 2.5 % between 2012 and 2017. This trend to reduce the percentage of sugar used by the processing industry will continue and presumably accelerate. Lower sugar consumption has also been observed in the retail food/food service industries for several years. Sharp competition in the processing industry and retail food/food service industries has been evident since elimination of the sugar market regulations.

BYPRODUCT MARKETS Molasses and molasses pulp pellet production was down worldwide in 2018/19. The total molasses production level is expected to be 65 (69) million tonnes. EU production levels were also lower at 3.5 (4.0) million tonnes. Global production of beet pulp pellets is estimated at 16.2 (17.0) million tonnes (dried beet pulp equivalent). Forty percent of the total, about 7.5 (8.2) million tonnes, will be produced in the EU.

The demand for byproducts containing sugar continues to expand, driven by excellent demand from the animal feed industry and steady demand from the fermentation and alcohol industries.

Legal and political environment

EU SUGAR MARKET INTERNATIONAL COMPETITIVE POSITION The EU has one of the world's least regulated sugar markets. In contrast to other major sugar producing countries, sugar exports are not subsidized. As a result, the EU is not able to compete fairly in the world sugar market. The EU Commission does not take strong enough action against unfair competition, such as additional import concessions or imports that circumvent country of origin rules.

COUPLED DIRECT PAYMENTS IN THE EUROPEAN DOMESTIC SUGAR MARKET Significant unfair competitive practices have also occurred within the European domestic sugar market of late. The reason is coupled premiums, which have also been permitted for sugar beets since 2015. It is standard practice in Finland, Greece, Italy, Croatia, Lithuania, Poland, Romania, Slovakia, Spain, Czech Republic and Hungary; that is, in eleven of nineteen EU beet cultivating countries, which is equivalent to just under one-third of the EU's cultivation area. These payments are made to sugar beet farmers without regional differentiation and thwart the objectives of the reforms of the sugar market regulations, which were intended to promote competitive structures. The coupled direct payments to sugar beet farmers in weaker regions are made at the expense of the more competitive cultivation areas, in which Südzucker conducts most of its business.

STATUTORY RESTRICTIONS AND BANS AFFECTING PLANT PROTECTION IN THE EU The use of many chemical agents used to protect plants is threatened by application restrictions or bans in the EU. At the same time, fewer and fewer new agents are being brought to market. Among other things, this is due to the strictest specifications in the world, as well as rising costs for developing and obtaining approval for new agents. The existing ban on neonicotinoide (neonics) for beet seeds and the potential ban on glyphosate especially have consequences for sugar beet cultivation in the EU.

In Germany, the neonics ban must already be implemented starting in 2019. On the other hand, thirteen of nineteen EU countries have approved the use of neonics for 2019 under the terms of emergency permits. This situation results in further unfair competition at the expense of countries without emergency approvals. Eliminating the use of these agents can have a serious negative impact on yields for the beet farmers affected by the bans; furthermore, it threatens the supply of raw materials to the destination sugar factories. The reason for this is that the ban was implemented without giving researchers and businesses time to develop suitable alternatives. As a result, beet farmers will have to rely on less sustainable and more costly alternatives, which represents a step backwards in regard to plant protection and contradicts the objectives of sustainable plant cultivation. This decision will result in higher costs and the use of less effective alternative plant protection agents, which will threaten the business viability of beet cultivation in regions that rigorously enforce the ban.

In sugar beet farming, glysophate is used in the mulch crop, a tilling method that eliminates the need to plow the fields. Sugar beet seeds are sown directly into the remains of the mulch crop after it has been harvested or into the intermediate crop that has been planted as a green manure. This method ensures that the soil structure remains fundamentally intact and that nutrients remain in the soil, reduces soil erosion and largely eliminates disturbance of soil organisms. Any intermediate crops or weeds that do not freeze must be treated with glysophate prior to sugar beet seeding. A glysophate ban would require a return to more frequent plowing. At the end of November 2017, the EU countries approved the use of glysophate for a further five years. In Germany, glysophate is permitted until the end of 2022. But as part of the coalition agreement, the government has approved a step-by-step withdrawal.

WTO NEGOTIATIONS Overall, the WTO process is in a crisis as a result of increasing national protectionist positions taken by key trading nations. At the present time, it is therefore unlikely that the so-called Doha round WTO-II negotiations, which have been ongoing since 2001 and whose primary objective is to improve the trade perspective of developing countries, will be concluded at any time in the near future.

FREE TRADE AGREEMENTS After being endorsed by the EU Parliament, the free trade agreement with Japan will come into force effective 1 February 2019. Accordingly, Japan has granted the EU an import quota of 3,650 tonnes of sugar per annum and the EU will eliminate tariffs on sugar imports. Japan is currently a net importer of sugar. EU sugary product exporters will be the main beneficiaries of lower Japanese tariffs for processed sugar.

In April 2018, Mexico and the EU reached an agreement in principle on free trade, a draft of which has now been published. The EU has agreed to a gradually rising import quota of 30,000 tonnes of raw sugar for refining per annum at preferential tariff rates effective the third year after the agreement comes into force. The draft agreement must now be endorsed by the EU committees. The EU Commission expects that the agreement could become effective in 2020.

In parallel with the ongoing WTO discussions, the EU is negotiating with the various nations and communities, such as the MERCOSUR member states 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 Great Britain and continental Europe's sugar industries: The EU export about 0.5 million tonnes of sugar to Great Britain annually and import about 0.2 million tonnes of sugar from Great Britain. The European sugar industry's aim for the future is to have balanced market access to the British market. The existing market access obligations of the EU under the terms of its free trade agreements (e.g., Central America) and WTO obligations (CXL imports/AKP-LDC imports) after Brexit were fairly distributed between the remaining EU countries and Great Britain on the basis of past trade flows. Because Great Britain has the largest European sugar cane refinery, very strict rules of origin will be necessary for future trade agreements between the EU and Great Britain.

EU AGRICULTURAL POLICIES AS OF 2021 On 1 June 2018, the EU Commission released its recommendations for EU agricultural policy for 2021 to 2027, supplemental to the budget recommendations presented in May 2018 for the EU budget after 2020. The recommendations can be expected to reduce government direct payments to farmers, which would further increase pressure on the agricultural sector to adapt. In addition, agricultural policy is expected to be more nationally focused going forward. This trend, which undermines the principle of a common market for agricultural products and sugar, contains the risk that EU nations will implement new policies leading to unfair competition.

Beet harvest and campaign chronology

Südzucker AG's cultivation area in Germany increased by 2% in 2018 over the previous year.

The main sowing period began after Easter between the 3rd and 8th of April. Planting went quickly thanks to good weather and was largely completed by 21 April, which was one to two weeks later than last year.

It was hot and unusually dry from June to September, especially in the eastern and southwestern cultivation areas. Beet inventories varied greatly depending on the region due to rare regional showers and varying soil characteristics. The unusually warm weather led to the first fungal diseases as early as the beginning of June. Lice infestations increased in some regions by the middle of August with isolated cases of Cixiidae. Moth infestations also spread throughout inventories in all areas.

The dry spells in the summer and fall in vast parts of our cultivation areas resulted in low harvest volumes with significantly different yields. The two factories in Southern Bavaria were the only plants to achieve mostly average yields thanks to increased rainfall. However, the dry conditions had a very positive impact on the sugar content. The sugar yield in all Südzucker AG areas was significantly below average at 12.9 (16.0) t/ha.

Due to the expected harvest results the two factories in Southern Bavaria already began processing on 14 September. Operations at the remaining factories in Germany started by the end of September. As in previous years, organic beets were processed prior to conventional beets at the Warburg factory from 17 to 26 September.

Harvesting at the beginning of the campaign was much better than expected thanks to dry soils. The weather had a positive effect on loading and transport. Sugar factories in Germany completed processing around Christmas until early/mid January. The campaign lasted 108 (135) days.

Business performance

Price levels continued to be very low throughout Europe in the 2018/19 financial year, primarily due to the large production volumes from the 2017 campaign. Drought and the resulting poor 2018 harvest in the EU additionally weighed on result development. In terms of results, we cannot at all be satisfied with the past financial year. The restructuring plan approved by the supervisory board on 25 February 2019 will help Südzucker focus on limiting the impact of price volatility and increase the economic success of the company. This includes the planned closure of five sugar factories with an average annual sugar production of 700,000 tonnes in order to align capacities more closely to the needs of the European market. The Brottewitz and Warburg sugar factories in Germany will be closed following the 2019 campaign. The restructuring plan's effect on key figures for the financial year is especially apparent in the items personnel expenses and depreciation.

Revenue and operating profit

(in € millions)	2018/19	2017/18
Revenues	1,465.9	1,607.4
Change in work in progress and finished goods and internal costs capitalized	-92.2	5.2
Other operating income	44.3	73.6
Cost of materials	-942.8	-1,133.8
Personnel expenses	-258.5	-227.0
Depreciation of intangible assets and fixed assets	-78.4	-62.5
Other operating expenses	-250.4	-253.7
Operating profit (HGB)	**-112.1**	**9.2**
Investment income/expense	133.8	171.4
Depreciation of financial assets and marktetable securities	-7.1	0.0
Interest income/expense	-11.4	-32.6
Income from ordinary activities	**3.2**	**148.0**

Revenues rose in fiscal 2018/19 by € 141.5 million or 8.8% from € 1,607.4 million to € 1,465.9 million. This is primarily due to the weakening of prices since October 2017 and again in October 2018.

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. Last year included one-time income from the reimbursement of production levies, insurance settlements and a merger gain.

Also included is income from the reversal of a special item that included a reserve fund of € 1.1 (2.5) million.

The decrease in **material expenditures** by € 191.0 million to € 942.8 (1,133.8) million resulted from the lower beet- energy- and other material costs due to lower production in the 2018 campaign.

Personnel expenses increased by € 31.5 million to € 258.5 (227.0) million. This is attributable to the lower actuarial interest rate for pension obligations and provisions for a termination benefit plan as part of the scheduled closing of the factories in Brottewitz and Warburg.

Depreciation was higher than last year, posting at € 78.4 (62.5) million. Write-downs of € 13.1 (0.0) million relate primarily to the planned factory closures in Brottewitz und Warburg (€ 9.6 million) as well as the acquired goodwill from export activities (€ 3.3 million).

Other operating expenses remained with € 250.4 (253.7) million on the previous year's level.

Operating result (HGB) deteriorated by € 121.3 million compared to the previous year, but at € -112.1 (9.2) million and was substantially below our long-term expectations.

Income from investments posted at € 133.8 (171.4) million, which was below the previous year.

Depreciation of financial assets and marketable securities of € 7.1 (0.0) million was necessary due to devaluations of marketable securities to lower market prices.

The **net interest result** improved by € 21.2 million to € -11.4 (-32.6) million. Included in the net interest result are expenses from the unwinding of the discount for pensions, other provisions and long-term liabilities totaling € 19.6 (20.2) million.

The **income from ordinary activities** decreased by € 144.8 million to € 3.2 (148.0) million.

(in € millions)	2018/19	2017/18
Income from ordinary activities	**3.2**	**148.0**
Taxes on income	-65.3	52.2
Profit after taxes/Net earnings for the year	**68.5**	**95.8**
Profit brought forward from the previous year	0.0	0.1
Allocations revenue reserves	-27.6	-4.0
Net earnings available for distribution	**40.9**	**91.9**

Taxes on income in the current financial year total € +65.3 (-52.2) million. Tax risks for past years did not materialize after the completion of an external tax audit, thus resulting in a reversal of tax provisions.

Net earnings were thus € 68.5 (95.8) million.

The **allocation to revenue reserves** in the fiscal year was 27.6 (€4.0 million last year). With the profit carried forward last year of € 0.0 (0.1) million, the **net earnings available for distribution** € 40.9 (91.9) million.

Investments and Financing

Investments in property, plant and equipment and intangible assets totalled € 69.3 (73.9) 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 19	28 Feb 18
Securities	-163.5	-170.7
Cash and cash equivalents	-5.7	-62.8
Receivables as part of group financing	-449.0	-546.3
Bonds	230.0	0.0
Financial liabilities to banks	252.9	146.8
Liabilities as part of group financing	814.8	1,265.4
Net financial debt	**679.5**	**632.4**

Net **financial debt** increased from € 632.4 million in the prior year to € 679.5 million as at 28 February 2019. This is due in part to the payment of a raw materials premium to beet suppliers. Operating cash flow posted at € 114.2 (141.9). million. Investments in financial assets totaled € 0.1 million (€ 0.1 million last year). Distributions for the previous year amounted to € 91.9 million.

Südzucker has the following outstanding bonds as at 28 February 2019:

	Coupon	Volume (€)	ISIN	Stock exchange listing
Hybrid bond 2015 Perceptual NC 10	3-Month- EU-RIBOR +310 BP	700 million	XS0222524372	Luxembourg (official market)
Bond 2016/2023	1,25 %	700 million	XS1524573752	Luxembourg (official market)
Bond 2017/2025	1,00 %	700 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 € 230.0 (0.0) million as at 28 February 2019.

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 19	28 Feb 18
Intangible assets	12.4	13.3
Property, plant and equipment	511.2	521.1
Financial assets	2,764.7	2,765.0
Fixed assets	**3,288.3**	**3,299.4**
Inventories	416.9	467.4
Receivables and other assets	726.6	957.6
Securities	163.5	170.7
Cash and cash equivalents	5.7	62.8
Current assets	**1,312.7**	**1,658.5**
Accrued and deferred items	**0.7**	**0.9**
	4,601.7	**4,958.8**

Südzucker AG's **total assets** decreased as at 28 February 2019 to € 4,601.7 (4,958.8) million.

Fixed assets totalled € 3,288.3 (3,299.4) million, € 11.1 million lower than last year because of the described extraordinary depreciations.

The addition of **inventories** to € 416.9 (467.4) million resulted from the lower sugar production volume of the 2018/19 campaign.

Receivables and other assets of € 726.6 (957.6) million were comparable to last year. Allocations of intragroup loans to affiliated companies and trade receivables fell sharply compared to last year. Other assets totaling € 38.8 (97.1) million were lower, largely due to reimbursements of tax claims.

LIABILITIES AND SHAREHOLDERS' EQUITY

(in € millions)	28 Feb 19	28 Feb 18
Shareholders' equity	2,160.1	2,183.5
Special items with an equity portion	29.1	30.2
Provisions for pensions and similar obligations	585.2	533.6
Other provisions	314.1	417.4
Liabilities	1,513.2	1,794.1
	4,601.7	**4,958.8**

Equity decreased to € 2,160.1 (2,183.5) million compared to last year. The equity ratio was 46.9 % (44.0 %). 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 114.3 % (124.3 %).

Pension provisions rose by € 51.6 million to € 585.2 (533.6) 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. This decrease mainly relates to tax provisions.

Financial liabilities decreased by € 280.9 million from € 1,794.1 million to € 1,513.2 million. This corresponds with allocations of intragroup loans to affiliated companies.

Current and projected business performance

As anticipated in last year's outlook, the negative sugar price development resulted in negative revenue growth and a clearly negative operating result.

One-time effects and restructuring expenses ultimately led to an extremely negative operating result of € -112.1 million.

Contrary to the forecast, income from investments is lower than last year. The expectation of an improved net interest result has been confirmed.

Tax risks for past years did not materialize after the completion of an external tax audit. This resulted in a gain from the reversal of tax provisions.

Overall, because of these effects, the company was unable to achieve the net earnings forecast of at least that of the previous year for the 2018/19 financial year.

Outlook

For the 2019/20 financial year we expect a significant decline in revenues attributable to volume factors as a result of the drought-related poor harvest in the 2018 campaign. We anticipate a slight improvement in revenues from October 2019 starting with the new marketing year 2019/20 as a result of price increases.

Due to declining revenues and higher production costs, we expect the operating result to moderately deteriorate in fiscal year 2019/20.

This decline in the operating result will be reflected in a moderate decline in the results for the year.

Risks and opportunities report

Risk management

RISKS AND OPPORTUNITIES POLICY 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.

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.

PURPOSE OF 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 supervisory board also examines the effectiveness of the risk management system as part of its executive board monitoring responsibility.

RISK MANAGEMENT ORGANIZATION The operating units (divisions and the CropEnergies segment) and the central departments are responsible as risk managers for identifying and assessing opportunities and risks as well as for risk management in their areas of responsibility. 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 operating units in which operating results are materially affected by market price volatility. Market price risks resulting from commodity and selling prices, as well as currency exchange and interest-rate risks are also countered by selectively using derivatives. The executive board has defined the acceptable instruments 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 underlaying transactions and entered into with banks that have a high credit rating or on futures exchanges.

All relevant operating entities and group functions submit regular reports and documentation on operative, financial and strategic risks to the risk management and risk committees, and in accordance with the value-oriented management and planning system. All those responsible for managing risk thereby regularly evaluate and document all material corporate risks. In addition, ad hoc reports of any new risks or changes to the risk structure must immediately be submitted to the executive board. The risk management committee maintains a risk inventory by compiling the individual risks in a group-wide risk registry. It also aggregates the group-wide risks and identifies any potential existential threats.

INTERNAL AUDIT The internal group auditors are a process-independent entity that monitors the parent company and the group companies. The department reports directly to the chairman of the executive board. It systematically and precisely assesses the effectiveness of the risk management system, control methods, management and monitoring processes on the basis of independent, objective auditing and consultation, focusing on continuously improving them and the underlying business processes.

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.

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.

	Occurrence 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, changes to the legal and political framework as well as structural changes in the target markets 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 strucural 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	medium	medium
Personnel risks	medium	medium
Creditworthiness and default risks	medium	medium
Risk of integrating acquired companies	medium	high
Other operating risks	medium	high
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 revised renewable energy directive for the period after 2020 came into force on 24 December 2018. The EU member states must implement the new directive in national law by 30 June 2021. The share of renewable energies in the EU should rise to at least 32 % in all sectors by 2030, with a specific target of at least 14% for the transport sector. Renewable fuels made from normal crops can contribute up to 1 % above the level reached in 2020, to a maximum of 7 %. The share of fuels from waste and recycled materials must increase from 0.2 % in 2022 to at least 3.5 % starting in 2030. Furthermore, these fuels, along with electricity from renewable sources in road traffic, can be applied to the transport target multiple times. Differentiating blend ratio targets according to production technologies and/or raw materials can postpone demand, which could weigh on the bioethanol business.

For example, for bioethanol, restricting or promoting the use of various raw materials used for the production of bioethanol, regulating the use of cultivation regions and changing the existing legal subsidies for renewable energies in some EU countries can result in additional opportunities or risks. In addition, changing the certification framework relevant to the production of bioethanol can impact the competitiveness of the ethanol Südzucker Group produces.

Additional risks could also arise if additional duty-free import quotas are granted under the terms of new bilateral free trade agreements or if the level of EU tariff protection is lowered. 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. Both changes to the political framework directly impacting Südzucker Group's business and changes that have an indirect impact play a role here. For example, this includes higher subsidies internationally for sugar production in key producer nations (e.g., India), but also within the European framework, the renationalization of EU agricultural policy; e.g., subsidies for the cultivation of sugar beets. Both lead to unfair competitive conditions for the producers in various countries around the world or within the European zone and can therefore impact Südzucker Group's competitiveness.

Great Britain's exit from the European Union (BREXIT) can add risk to Südzucker Group’s business activities. At the present time, the risk is hard to assess. Negotiations regarding the exit conditions were initially sluggish, but Great Britain and the EU were able to reach agreement on 25 November 2018 on a structured exit of Great Britain from the EU. However, this agreement will not come into force until it is passed by a majority in the British House of Commons. This has not happened to date. A British exit from the EU without an agreement could result in an economic recession and make trading with continental Europe more difficult if both sides apply import tariffs.

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. If economic growth were to be weaker than forecast, demand for the products produced could fall short of expectations. However, the impact on the core business – the production of food and feed – is usually limited due to the importance of the products for human nutrition. 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.

Operational risks

RISKS ARISING FROM THE AVAILABILITY OF RAW MATERIALS In fiscal 2018/19, Südzucker Group processed 36 million tonnes of agricultural raw materials grown on more than 1,000,000 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. A ban on the use of certain plant protection substances (for example, neonicotinoides) could result in reduced availability of agricultural raw materials. The associated risks result from more frequent and intense extreme weather events, such as sustained drought, flooding, storms and hail.

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

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, weeds on beet yield and statutory restrictions on plant protection.

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 again possible in the future. The price volatility of global markets is 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 use of the raw sugar refining capacities at the Buzău/Romania and Brčko/Bosnia-Herzegovina sites is managed in accordance with the sales opportunities in the EU and the achievable gross margins.

For producing bioethanol agricultural raw materials containing carbohydrates, such as grain and sugar syrup, are required. Price fluctuations on global agricultural markets directly impact raw material costs.

To assess the risk of producing bioethanol, we calculate raw material costs minus sales revenues from food and animal feed (according to net raw material costs). Because grain price fluctuations mainly go hand-in-hand with an equivalent price change for food and animal feed containing protein, we are able to partly offset higher raw material costs with increased sales revenues from these products.

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

Raw material costs are also of key importance to starch production. Here too, the strategy is to use physical supply contracts or hedging transactions to cover the planned requirements as well as possible. 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, the 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. In division fruit juice concentrates, raw material, production and distribution risks are managed transregionally.

The price of energy and raw materials are key input cost factors, especially for the production of sugar, starch, inulin and bioethanol. Price fluctuations directly impact production costs. This applies not only to the energy sources themselves, but also to CO_2 certificates that must be purchased if free allocations do not cover operating requirements.

The free-of-charge CO_2 certificates allocated in conjunction with the third trading period in the EU from 2013 to 2020 will not cover Südzucker Group's consumption. Südzucker's present sugar, starch, inulin and bioethanol production processes meet current EU directives for carbon leakage, and accordingly, a limited number of CO_2 certificates will be allocated free of charge. We are currently not expecting our carbon leakage status to be canceled. For the upcoming four trading periods from 2021 to 2030, a significant reduction in the allocation of free-of-charge CO_2 certificates must be expected, even with an unchanged carbon leakage status. Given the required data collection throughout the EU for emitters included in the EU emissions trading scheme and the number of free allocations in each EU country derived from this data, the total free allocations for Südzucker Group after 2021 is hard to predict. During the current fourth trading period, uncertainty is also expected surrounding free allocations for future years, since activity data will then also be considered in the assessment of eligibility for free allocations. The volume of current and future expected free allocations throughout the EU will have a direct impact on the development of CO_2 certificate prices.

Südzucker Group mitigates energy price risks by designing some its production plants to be capable of utilizing diverse energy sources in line with the particular circumstances in order to minimize costs. In addition, investments to improve the energy efficiency of the production plants throughout the group are an ongoing priority. The company has a forward-looking procurement policy and utilizes long-term supply contracts or derivatives to price hedge some of the fuels used during the campaign.

On 31 January 2019, the German "Growth, Structural Change and Employment (WSB)" commission – also known as the Kohlekommission (coal commission) – presented its final report to the federal government. The report is a building block for implementing the goals of the Paris climate conference. It contains policy recommendations surrounding decarbonization of Germany's energy sector, especially ending coal-fired generation, hopefully by the year 2035, but no later than 2038. Implementation of the climate goals for the industrial sector are relevant to Südzucker Group's business activities, specifically production, in the European Union; Implementation of the climate goals in the "road traffic/mobility" sector impact its bioethanol sales volume. The EU is leaving it to the discretion of member states to decide the future energy source mix that will be permitted in the industrial sector. For example, the draft of the German climate protection law (KSG) dated 26 February 2019 stipulates linearly declining emissions allowances for 2021-30. Of the sugar factories to be shut down as announced, four have coal-fired burners. Long-term risks remain for the remaining locations, depending on how long fossil fuels will be permitted or available and at what price.

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. If the expected moderate growth in world sugar consumption is not achieved, price pressure on the world market can be expected to increase

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. These risks are managed by adjusting the wording and expiry date of its sales contracts and to the extent possible, using derivative instruments, as well as flexibly operating its bioethanol plant in Wilton, Great Britain, depending on the market situation and the associated costs and earnings.

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

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

In the special products segment, foreign exchange risks arise in the BENEO division from US dollar sales revenues for which the underlying production costs are mostly incurred in euros and Chilean pesos. Freiberger 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 a sophisticated computer system, which is increasingly exposed to information security risks from internal and external sources. We apply appropriate processes and programs to protect the availability, confidentiality and integrity of our data, data processing systems and other business related information. The processes and programs rely on relevant standards, and are operated and continuously updated by qualified internal and external experts. To facilitate these efforts, Südzucker Group continues to standardize the information systems and processes it uses.

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. This risk increased due to the financial crisis and we limit it 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 ACQUIRED COMPANIES Südzucker Group buys companies in order to expand its business activities. 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 in addition 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 The company can be exposed to other operating risks in the production and investment areas, logistics as well as research and development. We strive to avoid unplanned factory shutdowns – especially during the campaigns – by conducting comprehensive maintenance programs and continually upgrading our plants. We mitigate investment risks, such as technical faults or cost and schedule overruns, by employing experienced project managers and controllers.

Any restructuring programs that have been announced can result in many different types of additional expenses. Risks associated with restructuring can impact the relevant business and production processes.

The availability of suitable transportation means for timely delivery of raw materials and finished products is also subject to fluctuation. For example, in summer and fall of 2018, the water level on the Rhine river reached historic lows due to an extended period of drought. This led to limited availability and loading capacity for river barges, as well as higher costs.

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 (EU-GDPR) came into force in fiscal 2017/18. It has provided 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.

RISKS ARISING FROM ANTITRUST LAW There is a general 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 2018/19 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 in 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 and have progressed to different degrees in various German district courts. The hearing of evidence in all of these court proceedings is costly and lengthy. Even the oldest (that began in summer 2014) proceedings have not yet been completed. To date no decisions have thus been taken regarding the cases.

As outlined in last year's annual reports, 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 of the Federal Competition Authority groundless and dispute the claims submitted by the antitrust authorities based on the evidence presented at the hearings that have been held to date, mainly 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.

FRAUD AND CORRUPTION RISKS Fraud and corruption risks can arise when Südzucker Group employees or managers break laws, contravene internal regulations or fail to comply with regulatory standards recognized by Südzucker. Persons outside the company may also commit fraud using forged identities to initiate payments or deliveries. The affected Südzucker company may suffer a loss of assets and image. The company follows up on all reports of malpractice or attempted fraud. The compliance program and the compliance organization were further enhanced in fiscal 2018/19. The management culture focus on transparency and corporate principles of compliance 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.

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

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

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

RISK OF RATING DOWNGRADE The rating agencies Moody's and Standard & Poor's assess Südzucker's creditworthiness. Südzucker is committed to maintain a stable investment-grade rating. A downgrade in the assigned rating could negatively impact the group's cost of capital for future financing needs In April 2019, the rating agencies announced that they would review whether the ratings have to be downgraded.

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 with regard to medium-term earnings expectations.

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 focuses on the best beet cultivation areas in Europe, which gives it an excellent competitive position in the EU. Südzucker can further strengthen this attractive market position thanks to its sustainability oriented production plants, quality and customer focused product development and service. The company is also able to benefit from logistics advantages arising from its networked production locations in Europe's core markets and its proximity to industrial customers. Further market opportunities can occur in the non-food markets; for example, organic chemicals.

There are also opportunities from the continuously increasing sugar yield per hectare observed over the long term in its beet cultivation regions. The yield increase for sugar beets has been greater than for comparable alternative crops, including sugar cane. If this trend continues, the competitiveness of sugar beet cultivation will continue to improve. The central research department, together with the engineering and investment projects to improve the company's production processes, are other important contributors to cost leadership. Digitalization projects in the production and administration areas can open the door to potential performance and efficiency improvements.

Special products segment

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

The BENEO 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. BENEO 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 this 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. Opportunities arise for PortionPack Europe in the expansion of its position in the European market by growing internally and externally, responding flexibly to customer demands and continuously working on product innovations.

Starch focuses on high-value-added specialty products. The focus on innovative, customer-oriented products with accompanying applications consultation, ongoing product development and continuous cost optimization promises growth potential. 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. 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 implementation of the renewable energy directive by EU member states result in further growth, also for renewable energies in the transportation sector.

As one of Europe's leading bioethanol producers, with adequate plant flexibility and capacity, CropEnergies is well positioned to meet the associated increased demand.

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.

Summary presentation of risk and opportunity situation

The key influencing factors for the future development of Südzucker Group are the prices for the input agricultural materials and the sugar, bioethanol and starch products produced from them. Sugar, bioethanol and starch prices are volatile and are sensitive to international changes in supply and demand. The company has limited ability to control the key factors that drive these changes; for example, farmers' crop choice and sales decisions, government agricultural programs and policies, global inventories, weather and harvest conditions, climate policies and blend ratio targets for renewable raw materials and demand for and supply of competing raw materials and substitutes. Rising energy prices and restrictions on the availability of certain energy sources can weigh on production costs and the competitiveness of sugar, bioethanol and starch.

Competition in the European Union's sugar production sector has intensified. Necessary capacity adjustments in non-competitive EU countries are being hindered by national subsidies for the cultivation of sugar beets. Südzucker plans to close five sugar factories with a total capacity of 700 thousand tonnes per year and continuously works to improve its cost structures. The BENEO and Freiberger divisions and the fruit segment contribute significantly to stabilizing Südzucker Group's risk and opportunity profile. The CropEnergies segment's risk after 2020 has declined since last year as a result of the adoption of the renewable energy directive and the opportunities for further market growth have increased.

The group's overall risk position has risen significantly since last year. Nevertheless, currently there are still no apparent existential risks that threaten the organization.

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

ESSENTIALS The aim of the risk management system in the accounting process is the identification, evaluation and management of risks, which are offset by the publication of a standards-based annual group report. Südzucker AG's accounting-related internal control system aims therefore 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 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.

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.

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 Marihart, Limberg, Austria, is also a member of Südzucker AG's executive board and the CFO of Südzucker AG, Mr. Thomas Kölbl, Speyer, Germany, is also a member of the executive board of AGRANA Beteiligungs-AG.

Südzucker AG's executive board members are also either members or chairs of the supervisory boards of Südzucker Group's major subsidiaries.

SUPERVISORY BOARD The supervisory board supervises and advises the executive board in its management of the company. It is involved in strategy and planning, as well as all issues of material importance to the company. For important business processes, such as budgeting and strategic planning, acquisitions and divestments, the company’s articles of incorporation and the rules of procedure of the executive board stipulate that decisions are subject to approval by the supervisory board. The chair of the supervisory board coordinates the supervisory board's work, chairs the meetings and speaks on behalf of the panel to the outside world.

The executive board submits comprehensive, timely reports regarding planning, business developments and the group's positioning to the supervisory board – in writing and at regular meetings. Risk management and compliance are additional key reporting topics. If necessary, extraordinary meetings are held with the supervisory board to discuss important issues. The supervisory board has established rules of procedure for its work, which are in force as per the version dated 16 November 2017. The shareholder representatives and employee representatives always meet separately to prepare the supervisory board meetings.

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

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

- 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 status of the supervisory board diversity policy 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. In the meantime, there have been four changes in the supervisory board, three on the employee side and one on the shareholder representatives side. The board has the opinion that it has had currently 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 not to define a diversity policy for the composition of the executive board with respect to aspects such as age, gender, education or professional background at this time.

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

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

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

Every shareholder who meets the general requirements for participating and exercising voting rights and who registered by the due date is entitled to participate in the annual general meeting. Shareholders who are unable to attend personally have the option of exercising their voting rights by proxy through a financial institution, a shareholder association, Südzucker AG appointees who are bound by the directives of the shareholders or by some other authorized representative of their choice. Shareholders also have the option of submitting their vote in advance of the general meeting via Südzucker AG’s website 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 groupwide, 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.

2018 Declaration of Compliance

In the 2018 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 In April 2018, an electronic whistleblower system was added to Südzucker AG's compliance system, which gives employees and third parties the opportunity to securely report any potential compliance infringements within the company. Since it was technically implemented during the current 2018 declaration period, nonconformance with respect to item 4.1.3 clause 3 is reported as a precautionary measure.

The complete version of the mutual 2018 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 German Stock Corporation Act 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 % 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 former 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 are appropriately supported by Südzucker. Another information seminar regarding corporate governance topics presented by an external legal expert is planned for fiscal 2019/20.

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 (23) “Total compensation of the executive board and supervisory board and former executive board and supervisory board members” 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 2018/19, 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 governance and code of conduct

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

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

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. Amongst others, they are responsible for training and investigation of compliance events. In fiscal 2018/19, about 6,000 employees were trained throughout the group in seminars, information events and with the help of e-learning on topics such as antitrust laws, corruption and bribery prevention, data protection and IT security. This covers about 85 % 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 2018/19 just ended.

KEY COMPLIANCE TOPICS 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 2019, 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 58.2 % 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 68.5 % 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 19 July 2018, 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 (current version as of 19 July 2018) 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 BUY-BACK 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 million. In the event of a change of control, each member of the bank consortium would under certain conditions have the right to terminate the line of credit and its share of the outstanding loans, and demand immediate repayment of same, including interest. Other than that, there are no material agreements pursuant to articles 289a, paragraph 1, clause 1, item 8 and 315a, paragraph 1, clause 1, item 8 of the German Commercial Code that would be affected by a change of control resulting from a takeover offer. Compensation agreements with members of the executive board or in favor of employees that would come into effect in the event of a change of control do not exist either.

Details regarding the executive and supervisory boards' compensation are outlined in the section “compensation report" section of the corporate governance report, which forms part of this 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 recom-mend a dividend of € 0.20 (0.45) per share to the annual general meeting on 18 July 2019. With dividend-bearing capital of € 204.2 (204.2) million, this represents a total dividend pay-out of € 40.8 (91.9) million. The dividend is scheduled to be paid on 23 July 2019.

Concluding declaration regarding the dependent company report pursuant to secion 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 2019

ASSETS

(€ '000)	Notes	28 February 2019	28 February 2018
Intangible assets		12,405	13,317
Property, plant and equipment		511,243	521,088
Financial assets		2,764,718	2,765,038
Fixed assets	1	**3,288,366**	**3,299,443**
Inventories	2	416,829	467,356
Receivables and other assets	3	726,580	957,599
Securities	4	163,544	170,656
Cash and cash equivalents		5,730	62,846
Current assets		**1,312,683**	**1,658,457**
Accrued and deferred items	5	**650**	**921**
		4,601,699	**4,958,821**

LIABILITIES AND SHAREHOLDERS' EQUITY

(€ '000)	Notes	28 February 2019	28 February 2018
Subscribed capital		204,183	204,183
Capital reserve		1,620,579	1,620,579
Revenue reserves		294,378	266,778
Net earnings available for distribution		40,923	91,914
Shareholders' equity	6	**2,160,063**	**2,183,454**
Special items with an equity portion	7	**29,062**	**30,170**
Provisions for pensions and similar obligations	8	585,213	533,575
Other provisions	9	314,039	417,386
Provisions		**899,252**	**950,962**
Liabilities	10	**1,513,322**	**1,794,235**
		4,601,699	**4,958,821**

Income statement 1 March 2018 to 28 February 2019

(€ '000)	Notes	1 March 2018–28 February 2019	1 March 2017–28 February 2018
Revenues	12	1,465,944	1,607,432
Change in work in progress and finished goods and internal costs capitalized	13	–92,295	5,214
Other operating income	14	44,336	73,622
Cost of materials	15	–942,788	–1,133,828
Personnel expenses	16	–258,447	–226,968
Depreciation of intangible assets and fixed assets		–78,369	–62,540
Other operating expenses	17	–250,395	–253,686
Investment income/expense	18	133,751	171,424
Depreciation of financial assets and marktetable securities	19	–7,108	0
Interest income/expense	20	–11,413	–32,624
Taxes on income	21	65,275	–52,190
Profit after taxes/Net earnings for the year		**68,491**	**95,856**
Profit brought forward from the previous year		32	58
Allocations revenue reserves		–27,600	–4,000
Net earnings available for distribution		**40,923**	**91,914**

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 (imparity 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 (imparity 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. Depreciable movable assets under fixed assets acquired or produced after 1 March 2018 whose acquisition or production costs do not exceed € 800 are fully depreciated in the year of acquisition. There will no longer be a compound item for this after 1 March 2018.

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 to15 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.

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.

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 2018 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 1.00 (1.00) percent. An actuarial interest rate of 3.12 (3.61) percent was used as a basis for the discount rate for pension obligations as at 28 February 2019.

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 0.77 (1.50) % and 2.27 (2.72) % 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)	Acquired concessions, industrial property rights, licences	Goodwill	Intangible assets
Acquisition or production cost			
As of 1 March 2018	58,097	4,300	**62,397**
Addition	5,586	0	**5,586**
Disposal	–887	–4,300	**–5,187**
Transfer	1,702	0	**1,702**
As of 28 February 2019	**64,498**	**0**	**64,498**
Accumulated depreciation			
As of 1 March 2018	48,471	609	**49,080**
Annual depreciation	4,488	3,691	**8,179**
thereof extraordinary	*8*	*3,261*	***3,269***
Disposal	–866	–4,300	**–5,166**
As of 28 February 2019	**52,093**	**0**	**52,093**
Net book value			
28 February 2018	**9,626**	**3,691**	**13,317**
28 February 2019	**12,405**	**0**	**12,405**

In recent years Südzucker has established an organizational structure for the marketing of large quantities of sugar outside of Europe. The approved restructuring plan aims to better align production capacities to the needs of the European market. Against this background, the goodwill of the acquired export activities in Belgium had to be written down.

Property, plant and equipment

(€ '000)	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Advances paid and construction in progress	Property, plant and equipment
Acquisition or production cost					
As of 1 March 2018	469,070	1,363,081	130,673	17,369	**1,980,193**
Addition	7,528	37,525	8,150	10,494	**63,697**
Disposal	-3,217	-17,375	-5,815	0	**-26,407**
Transfer	4,185	10,574	513	-16,974	**-1,702**
As of 28 February 2019	**477,566**	**1,393,805**	**133,521**	**10,889**	**2,015,781**
Accumulated depreciation					
As of 1 March 2018	255,185	1,105,700	98,220	0	**1,459,105**
Annual depreciation	13,752	47,130	9,308	0	**70,190**
thereof extraordinary	*4,256*	*5,534*	*24*	*0*	***9,814***
Disposal	-2,479	-17,044	-5,234	0	**-24,757**
As of 28 February 2019	**266,458**	**1,135,786**	**102,294**	**0**	**1,504,538**
Net book value					
28 February 2018	**213,885**	**257,381**	**32,453**	**17,369**	**521,088**
28 February 2019	**211,108**	**258,019**	**31,227**	**10,889**	**511,243**

The write-downs primarily concern the scheduled factory closures in Brottewitz and Warburg as part of the restructuring plan.

Financial assets

(€ '000)	Shares in affiliated companies	Participations	Other loans	Financial assets
Acquisition or production cost				
As of 1 March 2018	3,550,177	80	442	**3,550,699**
Addition	0	51	0	**51**
Disposal	0	-4	-367	**-371**
As of 28 February 2019	**3,550,177**	**127**	**75**	**3,550,379**
Accumulated depreciation				
As of 1 March 2018	785,661	0	0	**785,661**
As of 28 February 2019	**785,661**	**0**	**0**	**785,661**
Net book value				
28 February 2018	**2,764,516**	**80**	**442**	**2,765,038**
28 February 2019	**2,764,516**	**127**	**75**	**2,764,718**

(2) Inventories

(€ '000)	28 February 2019	28 February 2018
Raw materials and supplies	59,039	55,397
Work in progress	67,260	99,972
Finished goods, merchandise	244,527	311,987
Advance payments for inventories	46,003	0
	416,829	**467,356**

The decrease in **finished goods** as at 28 February 2019 is attributable to lower production costs and to lower sugar stocks than in the previous year. Some finished goods had to be written down due to unexpected lower sales proceeds. The advance payments relate to the raw materials premium and were paid in June 2018 for the conclusion of sugar beet delivery contracts for the 2019 campaign.

(3) Receivables and other assets

(€ '000)	28 February 2019	28 February 2018
Trade receivables	137,880	169,670
thereof with remaining term of more than 1 year	*0*	*0*
Receivables owed by affiliated companies	549,606	680,827
thereof with remaining term of more than 1 year	*96,875*	*129,871*
Receivables owed by companies in which participations are held	330	10,028
Other assets	38,764	97,074
	726,580	**957,599**

Individual impairments of €’000 5,174 (12,334) have been made for **trade receivables** totalling €’000 137,880 (169,670).

Receivables from affiliated companies comprise financial receivables from group loans in the amount of €’000 99,871 (164,871), trade receivables of €’000 63,504 (82,959) and other receivables in the amount of €’000 386,231 (432,997), which relate to short-term group financing of subsidiaries (Cash-Pool) of subsidiaries.

Other assets totalling €’000 38,764 (97,074) at the effective date included receivables from VAT receivables and energy tax and insurance reimbursement claims. Positive market values and securities related to sugar and wheat derivatives amounting to € 7,069 (2,436) thousand resulted from the centralized export activity and the securing of raw materials for the starch factory in Zeitz. Last year this item included receivables in the amount of € (29,261) thousand from the reimbursement of production levies from previous years. CO^2 certificates acquired during the reporting year are also included.

(5) Securities

(€ '000)	28 February 2019	28 February 2018
Shares in affiliated companies	13,920	16,200
Other securities	149,624	154,456
	163,544	**170,656**

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

A write-down to account for lower stock market prices was necessary in the financial year.

(6) Accrued and deferred items

This item primarily includes accrued interest expense.

(7) Shareholders' equity

Changes in equity

(€ '000)	1 March 2018	Divided for 2018/19	Net earnings for the year	28 February 2019
Subscribed capital	0			0
Capital reserve	0			0
Revenue reserves	47,600		27,600	75,200
Net earnings available for distribution	-10,652	91,882	40,891	-61,643
	36,948	**91,882**	**68,491**	**13,557**

As of 28 February 2019, 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.

The revenue reserves comprise other retained earnings pursuant to section 266 para. 3 A III No. 4 of the German Stock Corporation Act (AktG).

As at 28 February 2019, 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.

(8) Special untaxed reserves

Special untaxed reserves included only impairment losses for tax purposes.

(9) 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 €'000 587,519 (535,868) is offset against the pension fund assets (funding sources) in the amount of €'000 2,306 (2,293). 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 86,834.

(10) Other provisions

(€ '000)	28 February 2019	28 February 2018
Tax provisions	32,751	141,788
Provisions for litigation risks and risk precautions	162,512	163,560
Other provisions	118,776	112,038
	314,039	**417,386**

Tax risks for past years did not materialize after the completion of an external tax audit, thus resulting in a reversal of tax provisions.

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 totaling € 13,922 thousand were created as part of the restructuring plan.

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.

(11) Liabilities

	28 February 2019			28 February 2018		
(€ '000)	Total	< 1 year	> 1 year	Total	< 1 year	> 1 year
Bonds and debt securities	230,012	230,012	0	0	0	0
Liabilities to banks	252,929	120,822	132,107	146,826	26,997	119,829
Trade payables	109,450	109,450	0	201,640	201,640	0
Liabilities to affiliated companies	837,315	285,515	551,800	1,343,138	293,238	1,049,900
thereof trade payables	*22,451*	*22,451*	*0*	*77,692*	*77,692*	*0*
Liabilities to companies with which there is a participating interest	8	8	0	81	81	0
Other liabilities	83,608	83,608	0	102,550	102,550	0
thereof for taxes	*4,711*	*4,711*	*0*	*4,857*	*4,857*	*0*
thereof for social security	*7,721*	*7,721*	*0*	*7,659*	*7,659*	*0*
	1,513,322	**829,415**	**683,907**	**1,794,235**	**624,506**	**1,169,729**

Liabilities to banks amount to €'000 252,929 (146,826), of which €'000 (9,425) have a remaining term of over five years.

Obligations to beet growers of €'000 36,616 (115,140) are reported under **trade payables.** The decline from the fact. The decline is due to lower beet processing and lower beet prices compared to last year.

To measure liabilities, the beet price was set using the contractual formula, which derives the price from the 2018/19 campaign sugar price.

Liabilities to affiliated companies totalling €'000 837,315 (1,343,138) primarily concern borrowing from bonds issued through Südzucker International Finance B.V., Oud-Beijerland/Netherlands, and through Tiense Suikerraffinaderij Services g.c.v., Bruxelles/Belgium.

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

All liabilities are unsecured.

(12) Contingent liabilities, other financial commitments and derivative financial instruments

Of the future liabilities from lease agreements € 16.3 (15.9) million is due within one year, € 33.6 (39.7) million in more than one year – with € 9.9 (10.0) million due in more than five years; € 0.2 (0.2) million relates to affiliated companies and is due within one year. Other financial commitments from open orders totaled € 25.9 (27.9) 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 € 800.0 million (€ 1,200.0 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 BENEO Orafti 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 0.0 (0.0) million from the credit line. Due to the financial situation of the companies, utilization of the guarantees issued is not currently anticipated.

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 (-0.2) 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 2019, there were open sugar futures contracts to hedge sugar sales with world market price based price adjustments. The positive market value amounts to € +2.0 (+31.5) million; the negative market value is € -3.6 (-9.9) million. Positive and negative market values of € +0.3 (+3.0) and € -3.3 (-0.5) 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 2019, open wheat futures were concluded for deliveries in the 2019/20 financial year and the market value totaled € -0.5 (-0.3) 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

(13) Sales

(€ '000)	2018/19	2017/18
Classification according to activities		
Own production	938,400	1,109,735
thereof sugar	*757,360*	*938,098*
thereof other revenue	*181,040*	*171,637*
Revenues from services	179,642	166,776
Merchandise revenue	347,902	330,921
thereof sugar	*257,725*	*134,032*
thereof by products	*56,320*	*45,762*
	1,465,944	**1,607,432**
Classification according to geographical markets		
Germany	845,843	914,541
EU	342,595	401,798
Others	277,505	291,093
	1,465,944	**1,607,432**

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

(€ '000)	2018/19	2017/18
Change in finished goods and work in progress	-95,747	2,431
Internal costs capitalized	3,452	2,783
	-92,295	**5,214**

(15) Other operating income

Other operating income includes income from prior periods totalling €’000 18,299 (29,191). 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 5,379 (3,350). Last year included € 11,708 thousand from the reimbursement of production levies from previous years.

Other operating income included income from the release of special untaxed reserves in the amount of €’000 1,137 (2,522) and income from insurance settlements for damage claims.

(16) Cost of materials

(€ '000)	2018/19	2017/18
Cost of raw materials and consumables and merchandise	751,660	962,307
Cost of purchased services	191,128	171,521
	942,788	**1,133,828**

(17) Personnel expenses

(€ '000)	2018/19	2017/18
Wages and salaries	172,258	165,973
Social contributions and expenses for retirement and other benefits	86,189	60,995
thereof retirement benefits	*56,517*	*32,129*
– Service cost	*9,972*	*9,284*
– Parameter adjustments, among others	*46,545*	*22,845*
	258,447	**226,968**

Average number of employees during the year		
Industrial employees	1,284	1,269
Salaried employees	1,144	1,129
Apprentices	207	212
	2,635	**2,610**

The personnel expenses increased due to setting up provisions for a termination benefit plan as part of the scheduled closing of the factories in Brottewitz and Warburg.

(18) Other operating expenses

Other operating expenses include expenses from prior periods totalling €'000 504 (909). Also included are expenses from currency translation totalling €'000 788 (5,635).

(19) Investment income/expense

(€ '000)	2018/19	2017/18
Income from profit transfer agreements	74,126	123,912
Income from investments	73,143	47,563
thereof from affiliated companies	*73,143*	*47,563*
thereof from other investments	*0*	*0*
Expenses from transfer of losses	–13,518	–51
	133,751	**171,424**

(20) Interest income/expense

(€ '000)	2018/19	2017/18
Expenses / Income from other long-term financial investments and loans	39	38
Other interest and similar income	24,789	15,318
thereof from affiliated companies	*4,044*	*7,340*
Interest and similar expenses	-36,241	-47,980
thereof from discounting	*-19,628*	*-20,173*
thereof from affiliated companies	*-10,729*	*-23,269*
	-11,413	**-32,624**

Expenses from the unwinding of the discount for long-term obligations totaling € 19,628 (20,173) thousand are recognized in the interest result in the year under review. This is primarily attributable to the unwinding of the discount for provisions for pensions and similar obligations totaling € 18,870 (19,565) thousand and/or non-current provisions for personnel expenses and liabilities totaling € 758 (608) thousand, which are netted against income from the fair value measurement of plan assets of € 2,306 (2,293) thousand.

(21) Depreciation of financial assets and marketable securities

Depreciation of financial assets and marketable securities was necessary due to devaluations of marketable securities to lower market prices.

(22) Taxes on income

Taxes on income comprise tax expense from the current financial year and tax income from previous years. Tax risks for past years did not materialize after the completion of an external tax audit; this resulted in tax income in the 2018/19 financial year of € 65,322 thousand from the reversal of provisions.

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

(23) Research and development expenses

Research and development expenses totalled €'000 20,628 (20,387) and were completely recognized in the income statement.

(24) 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 2018/19 financial year amounted to € 2.9 (million (€ 2.9 million). The variable component makes up 35 percent (37 percent) of their remuneration in cash, and depends on the dividend to be approved by the annual general meeting. Provisions for pensions of € 25.7 million relate to former members of Südzucker AG's executive board and their dependents. Pension payments to former members of Südzucker AG's executive board and their dependents amounted to € 2.3 million (€ 2.3 million). Total remuneration paid to Südzucker AG's supervisory board for all activities was € 1.6 million (€ 1.6 million) in the 2018/19 financial year. The remuneration systems for the executive board and supervisory board are discussed under "Remuneration" in the Südzucker group management report.

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

Südzucker AG knows of two direct equity investments in the company that exceed 10 %: SZVG owns 58.2 % 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 68.5 % of total share capital, according to the German Securities Trading Act.

(26) 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.

(27) Consolidated financial statements

As the parent company of Südzucker Group, Südzucker AG has prepared consolidated financial statements as at 28 February 2019 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.

(28) 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 83ff in these notes to the financial statements. Disclosures are presented in compliance with section 313 (2) and section 285 No. 11 HGB

(29) 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, Austria
- AGRANA Zucker, Stärke und Frucht Holding AG, Wien, (2. deputy Chairman)
- Freiberger Holding GmbH, Berlin
- Raffinerie Tirlemontoise S.A., Bruxelles, Belgium
- Saint Louis Sucre S.A.S., Paris, France
- 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 Bank International AG, Wien, Austria (Chairman)
- Raiffeisenlandesbank Niederösterreich-Wien AG, Wien, Austria (Chairman)
- STRABAG SE, Villach, Austria (deputy Chairman)

Thomas Bernhard*, Wunstorf
Union Secretary of the Food and Catering Union

Memberships in comparable German and foreign supervisory committees
- Dussmann Stiftung & Co. KGaA, Berlin

* *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

Ulrich Gruber, Plattling (since 01 May 2018)
Deputy Chairman of the supervisory board chairman of the general works council of Südzucker AG

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)
- KURIER Beteiligungs-AG, 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 (until 13 March 2019)
Chairman of the Association of Sächisch-Thüringische Zuckerrübenanbauer e.V.

Memberships in comparable German and foreign supervisory committees
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (Chairman)

Georg Koch, Wabern
Chairman of the board of the Association of Zuckerrübenanbauer Kassel e.V.

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

Walter Manz, Dexheim (since 12 April 2019)
Chairman of the board of the Association of Hessisch-Pfälzischen Zuckerrübenanbauer e.V.

Julia Merkel, Wiesbaden
Boardmember of the R+V Versicherung AG

Memberships in comparable German and foreign supervisory committees
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart

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*

Sabine Möller*, Hamburg (since 31 October 2018)
Divisional officer of the Food and Catering Union

Angela Nguyen*, Biederitz
Deputy Chairman of the central works council of the Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG

Ulrike Rösch*, Bellheim
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 am Main
- LAND-DATA GmbH, Visselhövede (Chairman)
- Landwirtschaftliche Rentenbank, Frankfurt am Main (Chairman)
- LBV-Unternehmensberatungsdienste GmbH, Stuttgart Main (Chairman)
- Messe Berlin GmbH, Berlin

Frank Sachse*, Zeitz (since 01 January 2019)
Chairman of the works council at the Zeitz factory of Südzucker AG

Nadine Seidemann*, Donauwörth
Deputy Chairman of the works council at the Rain factory of Südzucker AG

Dr. Stefan Streng, Uffenheim
Chairmen of the board of the Association of Fränkische Zuckerrübenbauer e.V.

Wolfgang Vogl*, Bernried
Manager of the Plattling and Rain factories of Südzucker AG

Memberships in comparable German and foreign supervisory committees

- BGD Bodengesundheitsdienst GmbH, Mannheim

Rolf Wiederhold*, Wabern
Chairman of the general works council of Südzucker AG

* *Employee representatives*

Excecutive 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., Bruxelles, Belgium
- Saint Louis Sucre S.A.S., Paris, France
- Südzucker Polska S.A., Wrocław, Polen (deputy Chairman)
- Z & S Zucker und Stärke Holding AG, Wien, Austria (deputy Chairman)

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

Memberships in other domestic, statutory supervisory boards
- Ekosem-Agrar AG, Walldorf

Group mandates
- AGRANA Beteiligungs-AG, Wien, Austria
- BGD Bodengesundheitsdienst GmbH, Mannheim (Chairman)
- Freiberger Holding GmbH, Berlin
- Raffinerie Tirlemontoise S.A., Bruxelles, Belgium
- Saint Louis Sucre S.A.S., Paris, France (Chairman)
- Südzucker Moldova S.R.L., Chişinău, Moldova (Chairman)
- Südzucker Polska S.A., Wrocław, Poland (Chairman)
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim

Thomas Kölbl, Speyer
(Appointed until 31 May 2024)

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., Bruxelles, Belgium
- Saint Louis Sucre S.A.S., Paris, France
- Südzucker Polska S.A., Wrocław, Poland
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (Chairman)

Dipl. Ing. Johann Marihart, Limberg, Austria
(Appointed until 28 February 2021)

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, Austria
- Freiberger Holding GmbH, Berlin
- Österreichische Rübensamenzucht Gesellschaft m.b.H., Wien, Austria (Chairman)
- Raffinerie Tirlemontoise S.A., Bruxelles, Belgium (Chairman)
- Saint Louis Sucre S.A.S., Paris, France

(30) Fees for services by the company´s external auditors

The following expenses were incurred in the 2018/19 financial year for services provided by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftprüfungsgesellschaft:

(€ '000)	2018/19	2017/18
Auditing services	470	449
Other assurance services	81	123
Tax advisory services	23	94
Other services	0	0
	574	**666**

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 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.

(31) 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 15 November 2018. It is available on the Internet via our website at: www.suedzucker.de/en/Investor-Relations/Corporate-Governance/).

(32) Proposed appropriation of earnings

Net earnings available for distribution of Südzucker AG amount to €'000 40,923 (91,914). It will be proposed to the annual general meeting that a dividend of € 0.20 (0.45) per share be distributed and be appropriated as follows:

(in €)	2018/19
Distribution of a dividend of € 0.20 per share on 204,183,292 shares	40,836,658.40
Profit carried forward	86,665.71
Net earnings available for distribution	**40,923,324.11**

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 € 0.20 per qualifying share – to have the corresponding higher remaining value carried forward.

The dividend is to be paid on 23 July 2019.

List of shareholdings

	Shortcut	Location	Country	Direct Sharehol-der	(%)	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	2.07	0.44	
				SZV	0.06			
Sudzucker Ibérica, S.L.U.		Barcelona	Spain	SZH	100.00	1.97	1.09	
SÜDZUCKER DO BRASIL S/A - IMPORTAÇÃO E EX PORTAÇÃO		São Paulo	Brazil	SZH	100.00	0.36	0.08	
				SZAG	0.00			
Südzucker United Kingdom Limited		West Lothian	Great Britain	SZH	100.00	1.39	1.06	
S.Z.I.L. LTD		Kfar Saba	Israel	SZH	100.00	1.58	1.42	
Sugar Belgium								
Raffinerie Tirlemontoise S.A.	RT	Bruxelles	Belgium	SZH	99.41	876.95	-249.62	
Nougat Chabert & Guillot SA	NC&G	Montélimar	France	SOGELAF	99.75	4.43	-0.70	1)
S.C.I. DU MARINET		Montélimar	France	SOGELAF	99.75			1)
				NC&G	0.25			
Rafti B.V.		Wijchen	Netherlands	TSNH	100.00	8.96	0.66	
S.O.G.E.L.A.F. SARL	SOGELAF	Paris	France	RT	100.00	22.52	-0.07	
Tiense Suikerraffinaderij Nederland Holding B.V.	TSNH	Wijchen	Netherlands	RT	100.00	2.27	0.33	
Tiense Suikerraffinaderij Services g.c.v.		Bruxelles	Belgium	RT	100.00	150.41	12.35	
				AGS	0.00			
Sugar France								
Saint Louis Sucre S.A.S.	SLS	Paris	France	SZH	99.96	251.25	-144.64	
Sugar Poland								
Südzucker Polska S.A.	SZPL	Wrocław	Poland	SZH	99.59	336.15	-9.96	
"POLTERRA" Sp. z o.o.		Wrocław	Poland	SZPL	100.00	0.87	0.01	
Przedsiebiorstwo Rolne "KLOS" Sp. z o.o.		Wrocław	Poland	SZPLN	100.00	0.31	0.00	
Südzucker Polska Nieruchomosci Sp. z o.o.	SZPLN	Wrocław	Poland	SZPL	100.00	-1.35	0.66	
Division AGRANA sugar								
Sugar Austria								
AGRANA Zucker GmbH	AZ	Wien	Austria	AB	98.91	321.31	9.50	
				AMV	1.09			
AGRANA ZHG Zucker Handels GmbH		Wien	Austria	AZ	100.00	0.66	-0.01	
Österreichische Rübensamenzucht Gesellschaft m.b.H.		Wien	Austria	AZ	86.00	2.05	1.17	4)
Sugar Romania								
AGRANA AGRO S.r.l.		Roman	Romania	AGR	99.00	0.04	-0.05	
				AZ	1.00			
AGRANA BUZĂU S.r.l.		Buzău	Romania	AGR	99.00	0.28	-0.35	
				AZ	1.00			
AGRANA TANDAREI S.r.l.		Tandarei	Romania	AGR	99.00	0.79	-0.01	
				AZ	1.00			
AGRANA Romania S.R.L.	AR	Bukarest	Romania	AZ	100.00	4.96	-4.71	

* *Profit and loss transfer agreement*

** *Profit and loss transfer agreement/Exemption pursuant § 264 Abs. 3 HGB at the level of CropEnergies AG*

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 form the calender year*
5) *Exemption pursuant § 264 (3) HGB*
6) *Exemption pursuant § 264b HGB*

	Shortcut	Location	Country	Direct Sharehol-der	(%)	Equity € million	Earnings after tax € million	
Sugar Slovakia								
Slovenské Cukrovary s.r.o.		Sered	Slovakia	AZ	100.00	16.26	-7.59	
Sugar Czech Repubic								
Moravskoslezské Cukrovary A.S.		Hrušovany	Czech Republic	AZ	100.00	44.52	-11.15	
Sugar Hungary								
AGRANA Magyarország Értékesitési Kft.	AME	Budapest	Hungary	MCeF	99.70	4.94	-0.19	
				AZ	0.30			
Biogáz Fejlesztő Kft.		Kaposvár	Hungary	AME	100.00	1.87	0.50	
Koronás Irodaház Szolgáltató Korlátolt Felelősségű Társaság		Budapest	Hungary	MCeF	100.00	1.38	0.03	
Magyar Cukorgyártó és Forgalmazó Zrt.	MCeF	Budapest	Hungary	AZ	87.60	70.22	-8.46	
Sugar Bulgaria								
AGRANA Trading EOOD		Sofia	Bulgaria	AZ	100.00	0.40	-1.47	
Sugar Bosnia								
AGRANA BIH Holding GmbH	ABIH	Wien	Austria	AZ	75.00	11.30	-0.01	
				SZH	25.00			
AGRANA d.o.o.		Brčko	Bosnia-Herze-govina	ABIH	100.00	0.08	-0.01	
AGRANA Holding/other								
AGRANA Beteiligungs-Aktiengesellschaft	AB	Wien	Austria	Z&S	78.34	745.89	56.79	
				SZAG	2.74			
AGRANA Group-Services GmbH	AGS	Wien	Austria	AB	100.00	4.84	1.12	
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	AMV	Wien	Austria	AB	100.00	10.48	0.84	
AGRANA Research & Innovation Center GmbH		Wien	Austria	AB	100.00	4.34	0.36	
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.		Wien	Austria	AB	66.67	8.21	0.57	
Division sugar Moldava								
Südzucker Moldova S.R.L.	SZM	Chişinău	Moldova	SZH	99.97	45.97	-4.02	
Agro Credit S.R.L.		Drochia	Moldova	SZH	100.00	0.26	-0.01	
Agro-SZM S.R.L.		Drochia	Moldova	SZM	100.00	9.47	0.83	
MAZRUS-AGRO S.R.L.		Donduseni	Moldova	SZM	100.00	-0.29	-0.01	
Division agriculture								
Loberaue Agrar GmbH	LOB	Rackwitz	Germany	SZAG	100.00	17.51	1.13	
Rackwitzer Biogas GmbH		Rackwitz	Germany	LOB	100.00	0.03	0.00	
Terra Sömmerda GmbH		Sömmerda	Germany	SZVW	100.00	8.46	-0.19	
Wolteritzer Agrar GmbH		Rackwitz	Germany	LOB	100.00	0.16	0.00	
Zschortauer Agrar GmbH		Rackwitz	Germany	LOB	100.00	0.03	0.00	
Zschortauer Futtermittel GmbH		Rackwitz	Germany	LOB	74.00	5.30	0.21	
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	530.49	48.89	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	18.43	1.18	
Südzucker Tiefkühl-Holding GmbH	SZTK	Ochsenfurt	Germany	SZAG	100.00	559.08	*	
Südzucker Versicherungs-Vermittlungs-GmbH		Mannheim	Germany	SZAG	51.00	1.55	1.50	

* *Profit and loss transfer agreement*

** *Profit and loss transfer agreement/Exemption pursuant § 264 Abs. 3 HGB at the level of CropEnergies AG*

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 form the calender year*

5) *Exemption pursuant § 264 (3) HGB*

6) *Exemption pursuant § 264b HGB*

	Shortcut	Location	Country	Direct Sharehol-der	(%)	Equity € million	Earnings after tax € million	
Südzucker Verwaltungs GmbH	SZVW	Mannheim	Germany	SZAG	100.00	10.03	*	5)
Special products segment								
Division Beneo								
BENEO GmbH	B	Mannheim	Germany	SZAG	100.00	180.48	*	5)
BENEO Asia Pacific Pte. Ltd.		Singapore	Singapore	BP	100.00	1.70	0.14	
BENEO Iberica S.L. Unipersonal		Barcelona	Spain	BO	100.00	0.15	0.01	
BENEO Inc.		Parsippany	USA	BP	100.00	17.58	1.88	
BENEO India Private Limited		New Delhi	India	BP	99.99	0.04	0.10	
				B	0.01			
BENEO Latinoamerica Coordenaçao Regional Ltda.		São Paulo	Brazil	BO	100.00	0.35	0.10	
				BP	0.00			
BENEO-Orafti S.A.	BO	Oreye	Belgium	BR	100.00	315.20	13.51	
				B	0.00			
BENEO-Palatinit GmbH	BP	Mannheim	Germany	B	85.00	23.58	*	5)
				SZAG	15.00			
BENEO-Remy N.V.	BR	Wijgmaal (Leuven)	Belgium	B	100.00	246.59	4.93	1)
				BP	0.00			
Orafti Chile S.A.		Pemuco	Chile	BO	99.99	171.67	1.41	
				BP	0.01			
REMY ITALIA S.P.A.		Confienza (PV)	Italy	BR	66.70	0.69	0.02	
Veniremy N.V.		Wijgmaal (Leu-ven)	Belgium	BR	100.00	6.63	0.24	1)
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.		Braintree	USA	RF	100.00	22.70	1.75	
Favorit Lebensmittel-Vertriebs GmbH		Berlin	Germany	FLM	100.00	0.10	0.01	
Feinschmecker Eiscreme und Tiefkühlkost GmbH		Berlin	Germany	FH	100.00	0.15	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	-0.32	1.31	
Freiberger GmbH		Berlin	Germany	FLG KG	100.00	0.06	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	51.58	*	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	1.36	0.45	
				FF	1.00			
Freiberger UK Ltd.		Spalding	Great Britain	FLM	100.00	7.55	7.19	
Freiberger USA Inc.	FLU	Parsippany	USA	FLM	100.00	142.86	-2.14	
HASA GmbH		Burg	Germany	FLG KG	100.00	10.03	*	5)
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.		Oberhofen	Austria	FLM	100.00	12.21	4.86	
Richelieu Foods Inc.	RF	Braintree	USA	RH	100.00	175.48	-9.00	
Richelieu Group LLC		Braintree	USA	RF	100.00	86.29	-7.52	
Richelieu Holdco Inc.	RH	Braintree	USA	FLU	100.00	0.00	0.00	
Sandhof Limited	SL	Westhoughton	Great Britain	FLM	100.00	36.44	13.94	
Stateside Foods Ltd.		Westhoughton	Great Britain	SL	100.00	23.20	5.64	
Willow Foods LLC		Delaware	USA	RF	100.00	181.00	11.84	

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6) *Exemption pursuant § 264b HGB*

	Shortcut	Location	Country	Direct Sharehol-der	(%)	Equity € million	Earnings after tax € million
Division PortionPack Europe							
PortionPack Europe Holding B.V.	PPEH	Oud-Beijerland	Netherlands	SZAG	100.00	23.46	0.94
CustomPack Ltd		Telford / Shrop-shire	Great Britain	SSL	100.00	4.51	-0.14
Elite Portion Pack Belgium NV		Herentals	Belgium	PPEH	100.00	0.46	0.37
				PPH	0.00		
Hellma Gastronomicky Servis Praha spol. s.r.o.		Praha	Czech Republic	PPEH	100.00	6.00	0.79
Hellma Gastronomie-Service GmbH		Nürnberg	Germany	PPEH	100.00	4.44	* 5)
Hellma Lebensmittel-Verpackungs-Gesellschaft m.b.H		Wien	Austria	PPEH	100.00	0.73	0.17
PortionPack Holland B.V.	PPH	Oud-Beijerland	Netherlands	PPEH	100.00	4.44	1.63
SAES The Portion Company, S.L.		La Llagosta (Barcelona)	Spain	PPEH	100.00	0.65	0.20
Single Source Limited	SSL	Telford / Shrop-shire	Great Britain	PPEH	100.00	10.41	0.67
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	13.85	1.97
Division starch							
AGRANA Stärke GmbH	AS	Wien	Austria	AB	98.91	331.13	42.45
				AMV	1.09		
S.C. A.G.F.D. Tandarei S.r.l.		Tandarei	Romania	AS	100.00	3.45	0.66
CropEnergies segment							
CropEnergies AG	CEAG	Mannheim	Germany	SZAG	69.19	441.64	20.28
Biowanze S.A.		Bruxelles	Belgium	CEAG	100.00	241.56	33.02
				CEB	0.00		
Compagnie Financière de l'Artois SA	CF	Loon-Plage	France	CEAG	100.00	19.26	1.46
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	0.03	-0.02
Ensus UK Limited		Yarm	Great Britain	CEBet	100.00	76.14	-26.84
RYSSEN ALCOOLS SAS	RYS	Loon-Plage	France	CF	100.00	9.97	2.99
Ryssen Chile SpA		Lampa, Santiago de Chile	Chile	RYS	100.00	0.52	0.07
Fruit segment							
Division fruit preparations (AGRANA Fruit)							
AGRANA Fruit S.A.S.	AF	Mitry-Mory	France	FA	100.00	181.01	15.41
AGRANA Fruit Algeria Holding GmbH	AFAH	Wien	Austria	AIV&A	55.00	4.86	-0.64
AGRANA Fruit Argentina S.A.		Buenos Aires	Argentina	AF	91.76	19.21	-0.48
				AFSS	8.24		
AGRANA Fruit Australia Pty Ltd.	AF Aus	Sydney	Australia	AF	100.00	20.50	2.70
AGRANA Fruit Austria GmbH	AFA	Gleisdorf	Austria	AF	99.98	25.44	3.84
				AIV&A	0.02		
AGRANA Fruit Brasil Indústria, Comércio, Importacao e Exportacao Ltda.		Cabreúva	Brazil	AF	99.99	11.02	1.44
				AFA	0.01		
AGRANA Fruit Dachang Co., Ltd.		Dachang	China	AF	75.00	27.62	5.71
				AFK	25.00		
AGRANA Fruit Fiji Pty Ltd.		Sigatoka	Fiji	AF	100.00	-0.96	-1.25
				AF Aus	0.00		
AGRANA Fruit France S.A.S.		Mitry-Mory	France	AF	100.00	20.95	1.50
AGRANA Fruit Germany GmbH		Konstanz	Germany	AF	100.00	14.84	2.84

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	Shortcut	Location	Country	Direct Sharehol-der	(%)	Equity € million	Earnings after tax € million
AGRANA FRUIT INDIA PRIVATE LIMITED		New Delhi	India	AF	99.99	0.23	-1.14
				AFSG	0.01		
AGRANA Fruit Istanbul Gida Sanayi ve Ticaret A.S.		Istanbul	Turkey	AF	100.00	5.76	1.40
AGRANA Fruit (Jiangsu) Company Limited		Xinbei Zone/ Changzhou	China	AF	100.00	12.19	-0.44
AGRANA Fruit Korea Co. Ltd.	AFK	Seoul	South Korea	AF	100.00	15.29	2.04
AGRANA Fruit Latinoamerica S. de R.L. de C.V.		Michoacan	Mexico	AF	99.99	17.01	3.38
				AFSG	0.01		
AGRANA Fruit Luka TOV		Vinnitsa	Ukraine	AF	99.97	2.04	-0.80
AGRANA Fruit Management Australia Pty Limited		Sydney	Australia	AF Aus	100.00	0.22	0.00
AGRANA Fruit México, S.A. de C.V.		Michoacan	Mexico	AFUS	100.00	17.35	1.53
AGRANA Fruit Polska SP z.o.o.		Ostroleka	Poland	AF	100.00	14.15	1.84
AGRANA Fruit Services GmbH	AFSG	Wien	Austria	AF	100.00	13.99	2.80
AGRANA Fruit Services S.A.S.	AFSS	Mitry-Mory	France	AF	100.00	0.10	-0.11
AGRANA Fruit South Africa (Proprietary) Ltd.		Johannesburg	South Africa	AF	100.00	2.15	-0.87
AGRANA Fruit Ukraine TOV		Vinnitsa	Ukraine	AF	99.80	19.76	5.58
AGRANA Fruit US, Inc.	AFUS	Brecksville	USA	AF	100.00	71.06	3.83
AGRANA Nile Fruits Processing SAE		Qalyoubia	Egypt	AF	51.00	6.09	0.40
Dirafrost FFI N. V.	DFFI	Lummen	Belgium	AF	100.00	0.88	-0.48
Dirafrost Maroc SARL		Laouamra	Morocco	DFFI	100.00	2.37	0.63
Financière Atys S.A.S.	FA	Mitry-Mory	France	AIV&A	100.00	129.53	14.81
o.o.o. AGRANA Fruit Moscow Region		Serpuchov	Russia	AF	100.00	28.59	7.56
SPA AGRANA Fruit Algeria		Akbou	Algeria	AFAH	48.97	7.53	0.42 3)
Yube d.o.o.		Požega	Serbia	DFFI	100.00	1.20	0.09
Division fruit juice concentrates (AUSTRIA JUICE)							
AUSTRIA JUICE GmbH	AJU	Allhartsberg	Austria	AIV&A	50.01	60.84	11.00
AGRANA JUICE (XIANYANG) CO., LTD		Xianyang City	China	AJU	100.00	12.37	-0.70
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Germany	AJU	100.00	-1.65	-0.14
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100.00	1.23	0.00
AUSTRIA JUICE Hungary Kft.		Vásárosnamény	Hungary	AJU	100.00	17.94	1.49
AUSTRIA JUICE Poland Sp. z.o.o		Chelm	Poland	AJU	100.00	44.77	3.38
AUSTRIA JUICE Romania S.r.l.		Vaslui	Romania	AJU	100.00	2.37	0.15
AUSTRIA JUICE Ukraine TOV		Vinnitsa	Ukraine	AJU	100.00	4.43	0.71
Fruit other							
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	AIV&A	Wien	Austria	AB	98.91	268.73	11.60
				AMV	1.09		
II. Joint ventures							
Sugar segment							
Division business unit sugar							
Südzucker and sales companies							
Maxi S.r.l.		Bolzano	Italy	SZH	50.00	5.87	4.67 4)
Division AGRANA sugar							
Sugar Bosnia							
"AGRAGOLD" d.o.o.		Brčko	Bosnia-Herze-govina	ASB	100.00	2.53	0.28
AGRAGOLD d.o.o.		Zagreb	Croatia	ASB	100.00	1.29	0.04
AGRAGOLD dooel Skopje		Skopje	North-Mace-donia	ASB	100.00	0.17	-0.15
AGRAGOLD trgovina d.o.o.		Ljubljana	Slovenia	ASB	100.00	5.23	0.11
AGRANA Studen Sugar Trading GmbH		Wien	Austria	ABIH	50.00	1.88	-2.32

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	Shortcut	Location	Country	Direct Sharehol-der	(%)	Equity € million	Earnings after tax € million	
AGRANA-STUDEN Albania sh.p.k.		Tirane	Albania	ASB	100.00	0.09	-0.23	
AGRANA-STUDEN Beteiligungs GmbH	ASB	Wien	Austria	ABIH	50.00	21.22	0.15	
AGRANA-STUDEN Kosovo L.L.C.		Prishtina	Kosovo	ASB	100.00	0.14	-0.01	4)
Company for trade and services AGRANA-STUDEN Serbia d.o.o. Beograd		Beograd	Serbia	ASB	100.00	0.18	-0.21	
STUDEN-AGRANA Rafinerija Secera d.o.o.		Brčko	Bosnia-Herze-govina	ASB	100.00	0.75	-5.46	
Sugar other								
ED&F Man Holdings Limited		London	Great Britain	SZH	34.55	739.58	7.63	4)
Special products segment								
Division PortionPack Europe								
Collaborative Packing Solutions [Pty] Ltd		Johannesburg	South Africa	PPEH	40.00	1.66	0.95	
Division starch								
GreenPower Services Kft.		Szabadegyháza	Hungary	HK	100.00	0.02	0.00	
HUNGRANA Keményitö- és Isocukorgyártó és For-galmazó Kft.	HK	Szabadegyháza	Hungary	AS	50.00	119.63	32.53	
CropEnergies segment								
CT Biocarbonic GmbH		Zeitz	Germany	CEBet	50.00	3.07	0.19	
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	North-Mace-donia	AZ	100.00	0.01	0.00	4)
Sugar other								
Açúcar e Álcool do Sul Participações Ltda.		São Paulo	Brazil	SZH	100.00	0.03	0.00	4)
				AIH	0.00			
Arbeitsgemeinschaft für Versuchswesen und Beratung im Zuckerrübenanbau Zeitz GmbH		Kretzschau	Germany	SZAG	80.00	0.05	0.01	
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	0.00	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	-0.01	
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	0.09	0.00	4)
AGRANA Amidi srl		Sterzing (BZ)	Italy	AS	100.00	0.02	0.01	
Joint ventures								
Sugar segment								
Sugar other								
Liquid Feed Europe Holding B.V.	LFEH	Oud-Beijerland	Netherlands	SZH	50.00	1.30	-0.02	
Liquid Feed France S.A.S.		Cagny	France	LFEH	100.00	1.33	-0.11	

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	Shortcut	Location	Country	Direct Sharehol-der	(%)	Equity € million	Earnings after tax € million	
Associated companies								
Sugar segment								
Division business unit sugar								
Sugar Belgium								
Food Port N.V.		Tienen	Belgium	RT	35.71	2.08	-0.04	2) 4)
Sugar France								
Sucrerie et Distillerie de Souppes-Ouvré Fils S.A.		Paris	France	SLS	44.50	34.94	-7.25	4)
Sugar other								
Felix Koch Offenbach Couleur und Karamel GmbH		Offenbach	Germany	SZH	25.10	7.78	1.24	2) 4)
Maritime Investment Holdings Pte. Ltd	MIH	Singapore	Singapore	SZH	25.00	8.60	0.70	4)
Division agriculture								
Zschortauer-Glesiener Rübenrode GmbH		Schkeuditz	Germany	LOB	45.83	0.33	–	4)
Special products segment								
Division Beneo								
INVITA Australia PTE Ltd		Balgowlah	Australia	BP	35.00	5.21	0.98	4)
Other participations > 20 %								
Sugar segment								
Division business unit sugar								
Sugar France								
GARDEL S.A.		Le Moule	France	SLS	24.28	50.73	0.04	4)
Division AGRANA sugar								
Sugar Hungary								
Cukoripari Egyesülés		Budapest	Hungary	MCeF	44.27	0.13	0.00	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, 24 April 2019

THE EXCECUTIVE 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 2019, and the statement of profit and loss for the financial year from 1 March 2018 to 28 February 2019, 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 2018 to 28 February 2019, we have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

- 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 2019 and of its financial performance for the financial year from 1 March 2018 to 28 February 2019 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 2018 to 28 February 2019. 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:

❶ Measurement of shares in affiliated companies

❷ Provisions for litigation and risk provisioning

❸ Restructuring plan

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

Hereinafter we present the key audit matters:

❶ 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.

❷ Provisions for litigation and risk provisioning

① In the annual financial statements of Südzucker AG provisions for litigations and risk provisioning amounting to EUR 162.5 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.

❸ Restructuring plan

① In financial year 2018/19, the Executive Board of Südzucker AG reassessed the sugar market environment and modified its strategic alignment with changed production and administrative structures. This is to be achieved, based on a restructuring plan, by ceasing operations at two sugar factories in Germany in 2020, among other measures.

In Südzucker AG’s annual financial statements, intangible fixed assets and tangible fixed assets amounting to EUR 523.6 million in total (11.4% of total assets) are reported. Intangible and tangible fixed assets are carried at cost less depreciation, amortization and write-downs, if any. Whether a write-down is necessary depends on the intended purpose, in the case of an intended ceasing of operations particularly on the intention of non-permanent use. In connection with the restructuring plan, in financial year 2018/19 write-downs on tangible fixed assets at the two sugar factories in Germany were recognized at an amount of EUR 9.6 million.

Based on the restructuring plan, the production capacities will again place greater focus on the European market while export activities will be scaled back. This results in an impairment loss on goodwill on the activities acquired in previous years in the Sugar export segment in Belgium amounting to EUR 3.3 million in total.

In accordance with § 249 Abs. 1 Satz 1 HGB, provisions must be recognized for uncertain liabilities. A provision must be recognized if an external obligation has arisen legally or if the occurrence of an economically caused external obligation can be seriously expected and a claim is expected to arise on the basis of that obligation. In the course of the strategic realignment, the corporate bodies responsible for approving the change in operations had adopted a restructuring plan by the balance sheet date. The Company therefore expensed EUR 13.9 million in provisions for restructuring, which are reported in the annual financial statements under the “Other provisions” balance sheet item.

The calculation of the impairment loss and the recognition and amount of the restructuring provision are highly dependent on the estimates and assumptions made by the executive directors with respect to the future expectations of the sugar market and therefore subject to material uncertainties. Against this background and due to the complex nature of the valuations performed, these matters were of particular significance in the context of our audit.

② To obtain a better understanding of the restructuring plan, we inspected the minutes of Executive Board and Supervisory Board meetings and assessed the corresponding resolutions. As part of our audit of intangible and tangible fixed assets, we assessed among other things the processes and controls established by Südzucker AG for its asset management, which were established to ensure compliance with the relevant accounting requirements in accordance with German commercial law. Furthermore, as part of our audit we also reviewed and assessed the methodology for calculating impairments in respect of tangible fixed assets. Taking into account the relevant measurement requirements, we assessed the appropriateness of the calculation of impairment amounts with the assumptions made by the executive directors, in particular by reconciling these with other previously carried out factory closures. With the knowledge that the impairment losses entail a large degree of estimate uncertainty, we examined the calculation in detail.

With respect to the recognized restructuring provision, in our audit we assessed the existence of individual recognition criteria. Then, with the knowledge that estimated values result in an increased risk of material misstatements within the annual financial statements and that the management's measurement decisions have a direct effect on the Company's profit or loss, we also assessed the appropriateness of the measurement of the restructuring provision. To that end, we obtained and evaluated relevant evidence from the executive directors of the Company and the employees nominated by them. To the extent the amounts of the provisions were calculated on the basis of historical data from previous restructuring measures, we assessed the appropriate use of the historical data. In addition, we conducted interviews with the executive directors and the employees of responsible departments of the Company in order to gain an understanding of the assumptions underlying the respective estimates.

We were able to satisfy ourselves that the estimates and assumptions made by the executive directors are appropriate overall for appropriately measuring the intangible and tangible fixed assets as well as the recognition and measurement of provisions for restructuring.

③ The Company's disclosures relating to assets and to the restructuring provision are contained in sections "Accounting Policies", “Assets” and "Other provisions" of the notes.

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 and § 315d 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 REGULATIORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 19 July 2018. We were engaged by the supervisory board on 19 July 2018. 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, 24 April 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad
German public auditor

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.

Contacts

Investor Relations

Nikolai Baltruschat
investor.relations@suedzucker.de
Phone: +49 621 421-240

Financial press

Dr. Dominik Risser
public.relations@suedzucker.de
Phone: +49 621 421-428

Südzucker on the internet

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

www.suedzucker.de

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Südzucker AG
Maximilianstraße 10
68165 Mannheim
Phone: +49 621 421-0