

MANAGEMENT REPORT AND FINANCIAL STATEMENTS

SÜDZUCKER AG

DATED 29 FEBRUARY 2020 (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,

In fiscal 2019/20 just ended, the supervisory board again exhaustively debated all issues that were tabled, particularly in regard to the way forward for the sugar segment. The decision was made to continue implementing the factory and administration restructuring measures prepared jointly with the executive board in February 2019 and to further develop the strategy to make the sugar segment more resilient. To support and continue with the initiative – especially as relates to reducing administrative costs – the board awarded a consultancy contract in August 2019 that began forthwith. It is gratifying to see that in a sugar market environment impaired by political intervention, the special products, CropEnergies and fruit segments' long-term diversification strategy again proved very stabilizing for the group overall last fiscal year.

In its meeting on 29 January 2020, the supervisory board appointed Dr. Niels Pörksen as the new chairman of the executive board as of 1 March 2020 to replace predecessor Dr. Wolfgang Heer, who resigned effective 29 January 2020. Together with the other members of the executive board, he will continue to actively shape and successfully implement the far-reaching sugar segment transformation process launched at the beginning of 2019. The goal remains unchanged; namely, to systematically enhance the sugar segment's potential in order to make the core sugar business more resilient toward external influences in future.

The supervisory board continued to work on the basis of mutual trust and in the spirit of a results-oriented team with the executive board in fiscal 2019/20. In doing so, the supervisory board concentrated on the tasks for which it is 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 the risk management and compliance topics.

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. In addition, since the outbreak of the Corona pandemic, the supervisory board was regularly informed by the executive board about developments, the measures taken and the situation of the company.

Supervisory board meetings and decisions

The supervisory board met with the executive board at four ordinary meetings and one extraordinary meeting in fiscal 2019/20. Furthermore, the supervisory board made two decisions by written procedure. The supervisory board approved all of the executive board's decisions after a thorough review and discussions.

The meeting regarding the balance sheet on **15 May 2019** dealt mainly with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated 28 February 2019. The CFO presented the 2018/19 consolidated financial statements, outlined the individual financial statements and dealt with the dependent company report. The auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) then reported on the material findings and results of the audit, which included the accounting-system-related internal control systems. The board followed the executive board's proposal for the appropriation of retained earnings and approved the supervisory board report. The board made preparations for the 2019 annual general meeting and adopted the agenda and proposed resolutions. Aside from that, the board presented its choice for the auditor to shareholders at the annual general meeting based on the recommendations of the audit committee. The board dealt with the regular agenda item of compliance. The supervisory board approved finance projects of Südzucker AG, AGRANA and Austria Juice.

At its meeting on **17 July 2019** – the day before the annual general meeting – the supervisory board approved the investment plans for 2020/21, the long-term investment programs of Südzucker Group as well as investment amendments. The CFO presented the mid-term plan. Personnel matters were also discussed.

The supervisory board approved at its meeting on **13 September 2019** an AGRANA finance project and on **26 September 2019** a PortionPack Europe acquisition project both by written procedure.

At the **14 November 2019** meeting, the CFO presented the updated results projection for 2019/20. The supervisory board focused on the participation in ED&F Man. As always during the November meeting, the supervisory board addressed the issue of corporate governance and also conducted its annual test of effectiveness

and ratified declaration of compliance for 2019. The supervisory board approved investment amendments of Südzucker Group, an investment project of PortionPack Europe, two AGRANA participation projects and a property transaction of Südzucker AG. In addition, succession planning for the executive board was discussed in detail.

At the extraordinary meeting on **29 January 2020**, the supervisory board reviewed personnel matters relating to the executive board. In order to implement succession planning for the executive board, the resignation of the chairman of the executive board, Dr. Wolfgang Heer, on 29 January 2020, was accepted and it was decided to terminate his contract of employment as an executive board member. Dr. Niels Pörksen was appointed as the new CEO with effect from 1 March 2020 until 28 February 2023. Dr. Thomas Kirchberg (COO) was appointed as labor director with effect from 29 January 2020.

At the meeting on **30 January 2020**, the CFO commented the updated results projections for 2019/20. The ED&F Man stake and the cost savings program were presented and discussed. The meeting focused on the fruit segment. Investment amendments were also approved. Changes to the rules of procedure for the supervisory board and the executive board were resolved in the corporate governance section, in line with the implementation of the shareholders' rights guidelines (ARUG II). Personnel matters were also discussed.

Attendances

Veronika Haslinger was excused at the meeting of 15 May 2019 but 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 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 six times in fiscal 2019/20 – prior to the supervisory board meetings on 15 May 2019, on 17 July 2019 and on 14 November 2019, as well as on 29 July 2019 (telephone conference), on 6 September 2019 and on 17 October 2019. The meetings dealt with succession planning for the executive board and the sugar segment strategy.

Mr Hameseder was absent from the meeting of the executive committee on 6 September 2019, for which he was excused. Otherwise, all members were either present or participated via telephone at the audit committee meetings and telephone conferences.

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

At its **7 May 2019** 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 ad-

dition, 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 auditor of the consolidated financial statements and as auditor of the non-financial statement (limited assurance) for the financial year. The board also dealt with the subject compliance.

At the meeting on **18 July 2019** – following the annual general meeting – the audit committee discussed the auditor's quotation for the audit assignment and awarded the audit assignment for the annual audit and the audit of the non-financial declaration (Limited Assurance).

In the **8 October 2019** 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 **9 July 2019** and **10 January 2020**, the audit committee discussed the Q1 and Q3 2019/20 quarterly statements with the executive board.

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

The **agricultural committee** convened on **30 January 2020**. Südzucker AG's agricultural division presented its report and the committee provided information about challenges for future crop protection and property acquisition by non-agricultural investors.

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

The **mediation committee** had no reason to convene in fiscal year 2019/20. 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 questionnaire was assessed in the meeting on 14 November 2019, at which time the results were discussed and improvement recommendations made. The aim is to continuously improve the work of the supervisory board and its committees.

Compliance

On 10 January 2020, 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 2019 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

The supervisory board was not advised in fiscal 2019/20 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 2019/20, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2019/20 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 in 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 by telephone in the audit committee's 7 May 2020 meeting and in the supervisory board's financial review meeting of 13 May 2020 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 13 May 2020, 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 22 April 2020 regarding the distribution of a dividend in the amount of € 0.20 per share.

Personnel

There were the following personnel changes in the **supervisory board**:

As reported in the previous year, Mr. Ralf Hentzschel, independent farmer in Panschwitz-Kuckau, Germany, resigned from the supervisory board on 13 March 2019. On 12 April 2019, the registration court initially appointed Mr. Walter

Manz, independent farmer in Dexheim, Germany, as his successor. He was then elected at the annual general meeting on 18 July 2019.

There were the following personnel changes in the **executive board**:

Dr. Wolfgang Heer resigned as chairman of the executive board in agreement with the supervisory board on 29 January 2020. Dr. Niels Pörksen was appointed as the new Chief Executive Officer (CEO) with effect from 1 March 2020. Dr. Thomas Kirchberg (COO) was appointed as labor director with effect from 29 January 2020.

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, 13 May 2020

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 152 (156) 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 81 "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 corresponding operational businesses. The AGRANA sugar, starch, fruit preparations and fruit juice concentrates divisions are managed as an independent, exchange-listed company, as is the CropEnergies segment. In the sugar segment, the sugar division management is in charge of the regions Belgium, Germany, France and Poland.

Corporate departments of Südzucker AG with group functions perform tasks and functions for several segments or divisions or for the entire Südzucker Group. Other subtasks are bundled in shared finance centers and research activities at several research centers.

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. The executive board members jointly manage the sugar and special products segments, whereas specific executive board members are responsible for the CropEnergies and fruit segments. Individual executive board members bear sole responsibility for the executive board decisions related to the divisions and group functions assigned to them. 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 func-

tions 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. Südzucker's clear strategy is to confirm its investment grade rating. 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 as well as fuel and neutral ethanol, then distributes and sells the products.

Südzucker Group produces sugar and specialty sugar products, functional food ingredients, frozen and chilled pizzas, starch saccharification products, portion-pack articles, ethanol, animal feed, as well as fruit preparations and fruit juice concentrates. These activities are allocated to four segments.

Südzucker operates worldwide with its BENEOL and Freiburger divisions and the fruit segment. The sugar, starch, starch saccharification products and ethanol 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, knowledge, personalities and cultures to Südzucker and thus make our company successful.

STRATEGY

We are a reliable producer and supplier of high-quality food, animal feed and ethanol, which we produce on a large scale from various agricultural raw materials. We focus on our customers' requirements and supply them with safe and innovative products.

Our aim is to grow profitably, meet our ecological and social obligations and sustainably boost shareholder value,

We constantly improve the organizations' processes so that we can continue to meet these objectives in future. All divisions are managed as self-directed entities and among other things, are responsible for revenues, operating result and ROCE. Our employees are completely integrated into the various organizational change processes and fully support the evolution. At the group level, we will focus even more strongly on sustainability, climate protection and energy use.

WE FOCUS ON GLOBAL MEGATRENDS Megatrends such as globalization, health and sustainability lead to a rising demand for high-quality food and animal feed. Trends toward using functional food ingredients as well as personal diet preferences and convenience products are also increasing. Global logistics and increased mobility are driving up demand for renewable energies. Südzucker Group's four segments conduct business in sectors that will benefit from these megatrends, both in the medium and long term. We thus continue to align our business segments with these trends

OUR CUSTOMERS CAN COUNT ON US AS A RELIABLE PARTNER We offer our customers the products they are looking for – reliably and safely. We meet changing customer requirements with innovations

WE AIM TO GROW MARKET SHARE We want to have a leading position and/or expand in our target market sectors. To reach this objective, we depend on both acquisitions and organic growth. We achieve this by investing in capacity expansions; e.g. at BENEOL and for starch. The current cost savings measures in the sugar segment will also strengthen our position over the long term.

WE HAVE A DIVERSIFIED PORTFOLIO 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 want to utilize synergies throughout the entire value added chain by encouraging all of our segments to collaborate. The positive results can be seen especially at the multipurpose sites.

WE FOCUS ON OUR CORE COMPETENCIES We focus on our core competencies: large-scale conversion of agricultural materials and the associated logistics and marketing of our products. We continually develop our expertise in order to fully exploit all product streams and boost value added. We optimize synergies at our multipurpose sites (→research and development).

WE HAVE A SOLID GROUP SOLID FINANCING STRATEGY Our goal is to strengthen Südzucker Group's sustainable cash flow capacity and maintain strong relationships with shareholders. Our investment-grade rating ensures we have access to international capital markets and banks so that the divisions can continue to grow.

WE INVEST STRATEGICALLY AND FOCUS ON VALUE We will further strengthen all of our divisions in order to secure future growth. The main focus is on investments that cut energy consumption and expand capacities. We strive to boost the value added of our products. Examples include the betaine crystallization system and the step-

by-step expansion of the production systems in the various BENEOL Group categories.

WE CONSIDER SUSTAINABILITY TO BE A FIXED AND LIVING COMPONENT OF OUR CORPORATE STRATEGY Corporate management is committed to conducting business sustainably, whereby the key principle is to handle all of our resources carefully. We focus especially on the medium to long-term reduction of greenhouse gas emissions through energy saving initiatives and substitution of energy sources, as well as promotion of biodiversity.

WE SUPPORT AND FOSTER OUR EMPLOYEES Well educated and motivated employees embody our know-how, our experience and our innovation capacity in production, distribution, sales and marketing and logistics. Our personnel policies are designed to ensure that our employees support the company's strategy and enable them to work successfully amid ever-changing conditions. We provide safe work conditions and a healthy work environment (→Employees).

OUR GROUP STRATEGY SETS THE FRAMEWORK ACCORDING TO WHICH THE SEGMENTS OPERATE

We have established strategies for our segments and divisions in consideration of the demands of their respective markets. They are based on our corporate objectives and group strategy and are as follows:

Sugar segment

- focus on European customers
- strengthen market and competitive position through cost savings in production, logistics and administration
- market oriented organization
- optimum utilization of our multipurpose production network and our logistics network to reliably supply customers with high-quality products
- high loading of production capacities through long campaigns
- maintain our strong relationships with farmers

Special products segment

- BENEIO**
- work closely with our customers to take advantage of the rising consumer interest in plant-based ingredients with positive technological functionality and nutritional and physiological characteristics
 - continue to expand our market position on the basis of the existing product portfolio as well as innovative concepts
 - invest in capacity expansions and projects to improve cost and energy efficiency

Freiberger

- differentiate from competitors: product focus is on quality, sustainability and innovation
- further strengthen European market position by enhancing customer relationships, innovations and targeted investments
- take advantage of market growth in the United States and strengthen market position through further investments

Starch

- focus on highly refined specialty products
- expand customer relationships using innovative products and application consulting

- further strengthen leading position in organic starches and GMO-free starches categories

PortionPack

- expand market leadership position for portion packs in the European out-of-home consumption sector and seize market opportunities outside Europe
- innovation leadership: develop new product concepts in the "portion solutions" area
- further improve cost efficiency across the entire value chain

CropEnergies segment

- seize market opportunities arising from growing efforts to reduce greenhouse gas emissions and the associated increased demand
- optimize loading, raw material use, cost structure and energy efficiency of production sites
- expand logistics infrastructure
- diversify product portfolio
- strengthen R&D activities, develop solutions for challenges surrounding climate change

Fruit segment

- customer and market focused global growth
- improve factory efficiencies
- secure and strengthen market position through organic growth as well as acquisitions and acquiring stakes in other companies

Fruit preparations

- expand presence globally, follow international customers into new markets and grow faster than the market

Fruit juice concentrates

- Boost fruit juice concentrates volumes to the beverage industry and further expand the pure juice, fruit wine, aromas and beverage bases business areas

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 fairly and respectfully.

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 inspiration. We treat our employees fairly and respectfully.

Südzucker AG employed an average of 2,639 (2,635) 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.

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

Personnel development continues to play an increasingly important role given various challenges such as the so-called "war for talents" and digitalization.

Südzucker continues to offer conventional physically attended continuing education courses such as seminars or coaching. The newly introduced Südzucker Group Campus is a digital platform that offers courses on soft skills and methodology, foreign languages and IT tools. Other

courses such as product training and functional processes are to be transferred to this platform.

The Südzucker Group Campus also provides regular, seamlessly documented mandatory training, as well as ensuring adherence to all legal and other code requirements (work safety, data security, hygiene, etc.).

Südzucker offers trainee programs and junior management development programs at regular intervals to support employees in their personal and career development. The new futurework@Südzucker initiative aims to align personnel growth programs such as junior management development and talent management with Südzucker Group's strategic plans. In addition, futurework@Südzucker is designed to help meet the challenges of the changed working world, such as digitalization, a better balance between career and family and internationalization. Some of the programs included here are making it easier to work off site, introducing new digital collaboration tools or working in international project groups.

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 376 (423) apprentices as of 29 February 2020. This was mainly due to the closure of sugar factories in Germany and France after the 2019 campaign. In total, 218 apprentices were enrolled in the dual system in various professions at Südzucker AG, Freiburger Group and AGRANA in Germany as of 29 February 2020. In Algeria, France, Austria and Slovakia, around 125 people are trained according to a system compa-

able to one in Germany. The remaining apprentices are enrolled in the various local programs provided in Mexico, Morocco and the United Kingdom.

Research and development

Social and political demands are having an increasing impact on Südzucker Group's business activities. The company conducts extensive research and development throughout all steps of the value added process, from cultivation of raw materials through process technology and end products, to keep up with these demands.

Our tasks and objectives are as follows:

- safeguard and/or boost the yield and quality of agricultural materials under sustainable production conditions
- ensure energy efficient processing operations
- ensure continuous product quality improvement
- evaluate new raw materials and product concepts using innovative technologies or based on other promising raw materials, in order to expand the company's product portfolio and develop new business sectors
- apply for patents, especially in the functional ingredients and starch derivatives category.

The research and development department executes the associated projects groupwide and across international boundaries depending on the task at hand in order to improve our competitiveness. We augment our internal activities by cooperating with external research entities, other companies and government institutions or universities, sometimes under the auspices of publicly subsidized projects.

We invest heavily in our research centers' infrastructure to ensure that our research and development activities remain successful in the future. Noteworthy initiatives include expansion of technical schools, installation of additional process

systems and construction of ultramodern laboratories, all of which enable us to produce innovative products under certifiable conditions, as well as sharpen our focus on new Südzucker Group development and application fields.

149 (149) employees are responsible for tasks in the area of research, development and technological services at Südzucker AG; the total expenditure in 2019/20 for research, development and technological services was €'000 21,782 (20,628)

RAW MATERIAL SECURITY

PLANT PROTECTION Sustainable cultivation of our agricultural materials includes combating weeds, diseases and pests. Increasing restrictions on approved substances and changing laws require us to continuously renew and innovate our approach to research in this area.

The focus in the sugar cultivation category is on testing various machines and robots that can substitute for or supplement chemical weed control. These devices remove weeds mechanically or by applying high voltage.

Südzucker has been successfully using a leaf disease monitoring system for fifteen years. Selected locations are regularly observed and when a certain threshold for a specific disease is reached or exceeded, Südzucker informs the farmers in the region so that they can apply plant protection agents in a very targeted manner. This threshold-based monitoring method was also successfully transferred to pest control. This allows the company to stay within the rules of integrated plant protection for both diseases and pests. Plant protection agents are only used when absolutely necessary.

One area of focus is on research into a bacterial disease called SBR (Syndrome Basses Richesses, low sugar content syndrome), which is transmitted by cicadas and threatens profitable cultivation of sugar beets in the affected regions. One of the research projects aims to activate the plants' own defense mechanisms. Another is investigating ways to encourage antagonists to naturally regulate animal pests.

VARIETALS All crops are facing challenges due to growing resistance of pathogens and pests, as well as extreme weather conditions. Suitable newly developed sugar beet varieties are being field tested for performance in all of Südzucker Group's cultivation areas. The aim is to be able to recommend to farmers the best suited beet type for their particular region. New, more resistant varieties should make it possible to reduce the need for plant protection substances to a certain extent without serious negative yield impact.

One topic of discussion both nationally and at the EU level is whether new technologies such as CRISPR/CAS can be classified as a classic breeding method in order to make faster progress. Südzucker would welcome such a step.

LONG-TERM STORAGE AND BIO-STIMULANTS

The various test programs on long-term sugar beet storage that have been ongoing for many years are almost complete. Applying milk of lime shows promise in reducing sugar losses. The results will be analyzed over the course of this year and subsequently evaluated. A decision on further progress will then be made on this basis.

Tests on soil improvement preparations and bio-stimulants have demonstrated that results are rarely reproducible. No clear, statistically supported impact on yield and quality can be determined.

RAW MATERIALS WITH SPECIAL CHARACTERISTICS

Demand for food that is nutritional and healthy is increasing. Food producers are therefore faced with meeting higher standards for their agricultural products. Südzucker is conducting research for the cultivation of various crops with the aim of identifying raw materials with special and possibly health enhancing characteristics

RAW MATERIALS FOR STARCH The market for specialty starches is a growth market. This is why we are intensively conducting research on new corn and wheat varieties as well as alternative starch substances.

There is a rising trend to use corn as a raw material for starch. We are investigating how suitable newly bred waxy corn varieties are for processing and extracting waxy corn starches at the starch factory.

Wheat varieties with a high concentration of amylopectin are also a new, interesting raw material for starch products – especially for use in food production. R&D successfully continued cultivation experiments with the new wheat varieties.

PROCESSING TECHNOLOGY

Improving sugar factory production processes is an ongoing task. The focus here is on reducing energy consumption, boosting overall production process yield and improving end product quality. Another major research project focused on beet pellet pressing. The potential optimizations found are being applied in the field. Researchers also established innovative processing methods for the organic sugar production process, which is now operating smoothly.

The department optimized selected **functional carbohydrate** process steps in the Palatinose™- and isomalt making process, which enable higher yield and better crystal quality. Researchers also investigated new technologies for producing functional carbohydrates. Product and process stability were optimized for the fructan and rice starch production processes.

The focus at the **ethanol production plants** is on continuous process optimization. This includes especially cutting primary energy consumption. To do so, we are investigating various concepts and implementing innovative automation solutions for use at the production plants.

In another project we are looking at optimizing the fermentation processes. We are testing new market-ready yeasts and enzymes to boost ethanol yield. Improving the quality of protein-rich animal feed is another important area of research.

Studies and investigations into using various recyclable substances as raw materials for ethanol production – so-called 2G concepts – continued. As part of these evaluations we are also investigating the use of materials containing lignocellulose.

New technologies to reduce microorganisms at the surface of harvested fruits were implemented on a large scale for the **fruit preparations** division. 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.

The trend in the food industry is toward greater naturalness and freshness, which is why we have various research projects looking into how to as gently as possible improve the shelf life of fruits and fruit preparations. The aim is to improve the sensory characteristics while at the same time guaranteeing the longest possible shelf life.

We tested various packaging materials in conjunction with high-pressure treatment for packaging fruits. Initial feedback indicates our customers are very interested in this concept.

A new process was developed for strawberries that aims to maintain the integrity and firmness of the fruits throughout the entire production process, right up to the finished product. Consumers have assessed this characteristic as positive.

To meet the trend toward naturalness we are looking at ways to avoid the use of stabilizers and reduce sugar content in the finished fruit preparations.

RECIPES AND APPLICATION CONCEPTS

Recipes and application concepts research and development activities are focused especially on current trends in the food industry, such as the presently rapidly expanding meatless or vegan product segment, consumer preferences for clean label products and reduced fat and sugar in processed food. We are working intensively on new technologies, new raw materials and innovative product solutions to cater to these trends and meet the demands of modern, health-oriented consumers.

Work on developing new comprisugar varieties continues in the **sugar and specialty sugar products** division. Research is also being conducted on new packaging concepts for our retail trade products. The focus here is on materials with special barrier properties.

Researchers developed additional special product concepts for **functional food ingredients**, often by working hand-in-hand with customers. Claims supporting nutritional and physiological benefits are essential to marketing these products, which is why we continued to conduct intensive nutritional research on Palatinose™, inulin and oligofructose. The studies focused on improved blood glucose management, metabolic regulation and bowel health.

Researchers developed new recipes for the use of **Palatinose™** in beverages, baked goods, dairy products and sweets and brought them to market.

New recipes for using **inulin and oligofructose** in baked goods and dairy products were especially important. These enable us to serve customers who want to make claims about high dietary fiber content and reduced sugar or fat in their end products.

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 whiteness of coatings or glazing in many foods, as well as replace titanium dioxide. New concepts were developed for this application and successfully implemented together with customers.

Successful tests on **galenIQ™** demonstrated that it can be used in tablet manufacturing when hydrophobic substances are added or in combination with prebiotics. Another new product concept is delivering the dosage as a chewing gum lozenge. The active ingredient is integrated into the lozenge coating, making it well-suited for oral application.

There is strong demand for **plant-based proteins** from the rapidly growing vegetarian and vegan food market, which is why research is being con-

ducted on upcycling secondary streams that contain proteins. These can be found in many of Südzucker Group's production processes.

The EU project called PROMINENT is conducting research on extracting functional proteins from the secondary streams of the ethanol production process. Researchers were able to isolate initial functional proteins and successfully use them for food applications.

Vegan meat alternatives based on wheat proteins, also extracted as a byproduct when producing ethanol, are now being made on a production scale. We are using a pilot plant center extruder to develop and optimize various recipes for specific application fields as part of a comprehensive research program. We have also been able to continuously expand the portfolio of meat substitute products by combining with other plant proteins.

The expertise of various scientific disciplines is being merged in the **food starches** product group. The aim is to develop innovative products in the fields of clean label alternatives to chemically modified starches, developing and identifying the properties of products for fiber enrichment as well as targeted fat substitutes for food. We continuously optimize and enhance existing products and their production processes in parallel with these other activities.

We aim to create processes to produce new starch products sustainably and efficiently for the **technical starches** sector. We are able to produce modified starches with low specific energy input by using resource conserving technologies, such as reactive extrusion. We are producing functional starches for the adhesives sector that not only replace petroleum based synthetic products, but have very impressive application characteristics and optimal adhesion in practice.

NEW PRODUCTS AND PROCESSES

SUGAR Südzucker is cooperating with a company that has an innovative, patented process for manufacturing a sugar that enhances the sensitivity of taste buds when registering sweetness and therefore offers new possibilities for reformulating products. At the present time we are developing applications and working on large-scale implementation.

Betain is produced from molasses, a sugar production byproduct. It has a wide variety of applications; for example, for use in animal feed, food supplements, sports drinks, and even cosmetics. R&D has now developed and patented a new dry betain product based on the previously launched liquid betain product ActiBeet® L to supplement the product portfolio.

In a subsidized research project, researchers are using **extracted sugar beet pellets** to produce organically based insulation materials. We have successfully manufactured initial prototype insulation boards from extracted sugar beet pellets. The insulation boards are an interesting alternative to insulation board made of hemp, since it takes more energy to unlock hemp fibers. Using sugar beet pellets for this process step would therefore be more cost-effective.

FRUIT PREPARATIONS The market for vegan food is growing steadily, so it is increasingly important to replace animal proteins with plant-based alternatives. We are developing fruit preparations highly enriched with select plant-based proteins to serve this growth market. Initial product concepts have been presented to customers.

STARCH We are aiming to boost the starch concentration in biodegradable plastics to 100 %. In a recently completed dissertation we were able to demonstrate that starch concentration can be boosted by functionalizing the thermoplastic starch, which in turn has a very positive impact on rapid decomposition in household composts. We were also able to develop a more transparent

biodegradable film by using the appropriate starch characteristic. The films can be used for tote bags or fruit and vegetable bags. We were also able to produce biologically degradable fibers that can potentially replace polypropylene fibers by suitably combining thermoplastic starches with polyesters in a melt spinning process.

ORGANIC CHEMICALS Here too, Südzucker's goal is to boost value added in the secondary production streams in conjunction with climate protection. New projects were launched to explore recycling carbon dioxide in combination with hydrogen, which is produced using electricity from renewable sources. Among other things, this leads to reusable materials that can be applied as a fuel additive or platform chemical in bio-based plastics depending on the process.

The "ZeroCarb FP" project sponsored by the Federal Ministry of Education and Research (BMBF) made progress on using CO₂ from the ethanol fermentation process as an input material. A cultivation process for a microorganism that utilizes CO₂ to deliver intermediate chemical products was developed in the laboratory and a pilot plant is now being designed to prove the technical feasibility. The sustainable bio-based chemicals extracted in this manner are to be used as petrochemical product substitutes.

A consortium is analyzing implementation of a power to gas concept under the auspices of a BMBF project – also using CO₂ from fermentation. The focus is on optimizing biotechnological conversion of CO₂ into methane. A pilot plant was developed and started up to provide data that will enable implementation concepts to be designed.

Another joint venture sponsored by the Federal Ministry of Economics and Technology, the Power-to-X project, aims to produce so-called "green methanol" is forging ahead with the aim of achieving economic viability in consideration of site-specific parameters.

R&D is also continuing to focus on producing C2 building blocks from ethanol. We are working with business and science community partners to find ways to use it as an input material for industrial applications.

Business report

General and industry-specific business conditions

WORLD SUGAR MARKET In its April 2020 estimate of the world sugar balance for fiscal 2019/20 (1 October – 30 September), market analyst F.O. Licht now projects an only slightly lower production deficit of about 9.6 million tonnes, despite adverse effects of the COVID-19 pandemic and crude oil market turmoil. Reduced global sugar production, especially in India and Thailand, despite rising production in Brazil particularly, is offset by only marginally increased world sugar consumption overall. This will lead to a decline in high inventory levels, with the ratio of inventories to consumption reaching its lowest since 2010/11. Despite increased global sugar production of about 9 million tonnes, F.O. Licht expects marketing year 2020/21 to be another deficit year as world sugar consumption rises slightly. Inventories are expected to fall another 1.6 million tonnes, leading to another decline in the already low ratio of inventories to consumption.

The world market price for white sugar for fiscal 2019/20 ranged between about 260 €/t and roughly 410 €/t, and closed at 361 €/t at the end of the reporting period. The aforementioned sugar balance expectations of a large deficit for 2019/20 have been reflected in the rising world market prices since the beginning of 2020. Since February 2020, the anticipated economic downturn caused by the COVID-19 pandemic has triggered a collapse in crude oil prices and the currencies of emerging countries like Brazil. Both factors have exerted enormous temporary pressure on the world market price of sugar, causing it to drop to about 310 €/t within just a few weeks, despite continuing excellent fundamental data.

Global sugar balance

Million of tonnes	2020/21e	2019/20	2018/19	2017/18	2016/17
Opening stocks	69.3	78.9	78.6	69.1	7.1
Production	184.7	175.9	184.8	194.2	179.6
Consumption	-185.5	-183.8	-183.2	-182.6	-180.3
Corrections	-0.8	-1.7	-1.3	-2.1	62.7
Ending stocks	67.7	69.3	78.9	78.6	69.1
In % of consumption	36.5	37.7	43.1	43.0	38.3

Source: F.O. Licht, world sugar balance estimate as of April 2020.

EU SUGAR MARKET. Production for the previous 2018/19 sugar marketing year was down 3.7 million tonnes to 18.2 (21.9) million tonnes due to dry weather, below consumption of 19.1 (19.6) million tonnes.

For the current 2019/20 sugar marketing year, the EU Commission expects below average sugar yields and sugar production (including isoglucose) of only 17.9 (18.2) million tonnes, driven by a 6 % smaller beet cultivation area and another dry summer in 2019. Since production levels will once again be lower than consumption, imports will be required to meet EU market demand. Accordingly, EU sugar inventories will be very low at the end of the current sugar marketing year.

The EU price for sugar (food and non-food) declined further in October 2018 and in sugar marketing year 2018/19, ranged between 312 and 328 €/t of bulk sugar ex-factory. The most recent price of 370 €/t was published in February 2020. But there are significant regional price differences across the deficit and surplus regions within the EU. The numbers published in the EU Commission's price reports are expected to rise throughout the rest of sugar marketing year 2019/20. In April 2020, some spot prices in Europe were significantly above 400 €/t.

SUGAR MARKETS The sugar processing industry's three largest customer segments are the beverage, dairy and baked goods sectors. They represent about 55 % of total sugar processing industry demand in Western Europe, and as much as 65 % in Eastern Europe. Almost all producers are striving to reduce sugar use. This is particularly evident in the saturated markets of Western Europe, where sugar use between 2013 and 2018 alone was down 3 %. The soft drinks market decline of 14 % was particularly sharp. It is our view that the processing industry's tendency to reduce the percentage of sugar used will continue. Between 2016 and 2019, overall retail sugar volumes fell 2.8 % annually in Germany, 3.4 % in Poland, 3.8 % in France and 3.5 % in Belgium. In addition to reduced sugar consumption, the sugar

market is experiencing predatory competition due to low world market prices brought on by the elimination of key EU sugar market regulations

BYPRODUCT MARKETS Global molasses production in 2019/20 is expected to be lower at 61 (65) million tonnes, and is also expected to decline to 3.43 (3.47) million tonnes in the EU. Global production of beet pulp pellets is estimated at 15.7 (15.4) million tonnes (dried beet pulp equivalent). About 45 % of the total amount – 7.3 (6.9) million tonnes (dried beet pulp equivalent) – comes from the EU.

According to the EU mixed feed industry's umbrella organization, 2019 mixed feed production is expected to be almost the same as in 2018. The market remained stable at 5.03 (5.21) million tonnes despite a slight consumption decline, thanks to a 150,000 tonne reduction in EU molasses imports.

Legal and political environment

WORLD MARKET/WTO The Indian government exported about 4 million tonnes of highly subsidized sugar in sugar marketing year 2018/19. Australia, Brazil and Guatemala filed legal complaints. The WTO Dispute Settlement Body sat on 15 August 2019 and set up panels to rule on complaints about this practice. The EU Commission and twelve other WTO members are only participating as third parties. Australia, Brazil and Guatemala now have the opportunity to demonstrate that India did in fact fail to meet its WTO agreement obligations. The panel is expected to report back between March and June 2020. However, the United States' current blockade of the Dispute Settlement Body could cause delays. Meanwhile, India has released a further 875 million US dollars in subsidies on exports of about 6 million tonnes of sugar for 2019/20

FREE TRADE AGREEMENTS The EU is negotiating potential free trade agreements with various countries, such as Australia, and/or trade blocs. 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.

On 28 June 2019 the MERCOSUR nations and the EU Commission reached an agreement in principle on a new free trade deal. Under the terms of this agreement in principle, the EU will reduce import duties on over half of the existing CXL import quota – 180,000 tonnes – from 98 €/t to zero. The EU Commission has also granted Paraguay a new import quota of 10,000 tonnes of organic sugar per annum. The agreement still has to be ratified by the European Parliament and the member states. Whether they will do so is currently doubtful, especially given the current controversial discussions within the EU.

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. The EU Commission does not take strong enough action against this unfair competition and additional import concessions or imports that circumvent country of origin rules.

CONTINUED COUPLED DIRECT PAYMENTS IN THE EUROPEAN DOMESTIC SUGAR MARKET Coupled premiums for sugar beets continue to be paid in 11 of 19 EU countries that cultivate beets, without any regional differentiation. As a result, unfair competitive practices continue to exist within the domestic European sugar market, disadvantaging competitive cultivating regions. These coupled subsidies for sugar beets shall continue to be paid in the new funding period in accordance with a Commission recommendation.

EU AGRICULTURAL POLICY REFORM Agreement on reforming the EU's Common agricultural policies for the period from 2021 to 2027 is now not expected until at least the second half of 2020. The new regulations will therefore not come into force before 2022. Current proposals could reduce direct payments from the EU to farmers and at the same time result in much more nationally driven agricultural policies. This trend harbors the risk of encouraging increased competition-distorting national measures such as the coupled direct payments. The European Parliament's agricultural committee is calling for crisis management tools for sugar to be strengthened; for example reintroduction of interventions for sugar.

STATUTORY RESTRICTIONS AND BANS AFFECTING PLANT PROTECTION IN THE EU

In the EU, the ingredients of chemical plant protection substances must be reviewed regularly and registered. The registration criteria have become stricter, so we expect that a number of substances will in future no longer be approved.

The latest example is desmedipham, an ingredient in many herbicides. As it currently stands, the use of herbicides containing this ingredient will no longer be permitted effective 1 July 2020. This will eliminate an important sugar beet cultivation weed control tool. Other active ingredients are also being analyzed.

The situation with neonicotinoids remains unchanged. Special approvals for continued use are still in effect in many EU countries. In Germany, the ban already came into force in cultivation year 2019, so that farmers have to spray the entire sugar beet area from one to several times in order to protect them from insects and viral leaf diseases.

Farmers continually face additional new challenges; for example, the federal government's insect protection program stipulates further restrictions – including complete prohibition – on the use of plant protection substances in certain protected areas.

Over all, this leads to considerable distortions in the competitiveness of sugar beet producing EU member states and puts into question the economic viability of beet cultivation in some regions.

BREXIT We are now in a transition phase until 31 December 2020 following the exit of the United Kingdom (UK) from the EU on 31 January 2020, during which time a new free trade agreement with the EU is to be negotiated. Existing trade rules will be in effect until that time. The UK has in the past been an important buyer of sugar, importing between 300,000 and 400,000 tonnes of

sugar annually from continental Europe. It is unclear whether a free trade agreement will be finalized by the end of December 2020. Although an extension of the transition phase is possible, it is already contested today. If a free trade agreement cannot be reached by the end of the transition phase, we assume it will become harder for European white sugar producers to access the British market.

Beet harvest and campaign chronology

Südzucker AG's area under cultivation in Germany was reduced by 5 % in 2019 compared to the previous year.

The first beet pills were already sown at the end of February under ideal conditions in the catchment areas of the Offstein and Offenau plants. At the beginning of March, the sowing was interrupted by urgently needed rainfall for about two weeks. The main sowing period started around 20 March and was completed without major interruptions by the beginning of April, a good two weeks earlier than in the previous year.

From mid-June to the end of July it was sometimes very hot and, above all, unusually dry, especially in the eastern and south-western growing areas. Rare regional showers as well as different soil characteristics led to inhomogeneous and regionally very different beet stands. Until the end of September, with the exception of the growing areas around Rain and Plattling, precipitation was too low everywhere. Cercospora infestation increased particularly in southern Bavaria. The reed-glass wing cicada again flew more frequently in Baden-Württemberg.

The growth conditions in the summer were reflected in corresponding, significantly different earnings expectations. Only in the two plants in southern Bavaria were slightly above-average yields expected thanks to higher rainfall. An average sugar yield of 13.4 (12.9) t/ha was achieved in Südzucker AG's entire catchment area.

Due to the expected harvest results, the two southern Bavarian plants already started processing on 10 September. By the end of September, all remaining plants in Germany were then commissioned. As in previous years, organic beet was processed before conventional beet at the Warburg plant from September 12 to 23 and for the first time at Rain am Lech from September 10 to 14.

At the beginning of the campaign, clearing was not possible on all sites due to severe drought. After widespread rainfall at the end of September/beginning of October, clearing had to be paused in many places. There was a shortage of grubbing-up supplies, but it was possible to secure supplies to the plants. The rainfall continued throughout the entire campaign, causing the deductions to increase over the course of the campaign and the sugar content to fall further and further. After an average of 116 (108) processing days, the campaign ended at the end of January as the last at Südzucker's Wabern plant.



Business performance

The 2019/20 financial year was still characterised by very low price levels throughout the EU. The increase in EU market prices since the beginning of the 2019/20 sugar marketing year had no impact on earnings. We can therefore again not be satisfied with the operating profit for the past financial year. In Germany, the sugar factories in Brottewitz and Warburg ceased operations after the 2019 campaign. The associated cost savings will only be reflected in the figures for the 2020/21 financial year.

REVENUE AND OPERATING PROFIT

(in € millions)	2019/20	2018/19
Revenues	1,264.1	1,465.9
Change in work in progress and finished goods and internal costs capitalized	55.4	-92.2
Other operating income	48.0	44.3
Cost of materials	-951.8	-942.8
Personnel expenses	-255.9	-258.5
Depreciation of intangible assets and fixed assets	-67.0	-78.4
Other operating expenses	-228.0	-250.4
Operating profit (HGB)	-135.2	-112.1
Investment income/expense	199.2	133.8
Depreciation of financial assets and marketable securities	0.0	-7.1
Interest income/expense	-17.9	-11.4
Income from ordinary activities	46.1	3.2

Revenues decreased in fiscal 2019/20 by € 201.8 million or 13.8% from € 1,465.9 million to € 1,264.1 million. This is due in particular to the disposal-related decline in export business and the further drop in price levels in the 2018/19 sugar marketing year.

Other operating income in the amount of € 48.0 (44.3) million includes € 27.0 (18.3) million in income from prior periods. These result mainly from book profits and the release of provisions.

Also included is income from the reversal of a special item that included a reserve fund of € 0.6 (1.1) million.

The increase in **material expenditures** by € 9.0 million to € 951.8 (942.8) million resulted from the higher beet costs. This was offset by the decline in expenses for sugar as a commodity due to the decline in exports.

Personnel expenses increased by € 2.6 million to € 255.9 (258.5) million. In addition to ongoing wage and salary increases, this was also due to rising pension expenses as a result of the lower discount rate for pension obligations. The previous year's figure included costs for a social plan in connection with the closure of the Brottewitz and Warburg plants.

Depreciation was higher than last year, posting at € 67.0 (78.4) million. Write-downs of € 0.5 (13.1) million relate in prior year primarily to the factory closures in Brottewitz und Warburg (€ 9.6 million) as well as the acquired goodwill from export activities (€ 3.3 million).

Other operating expenses of € 228.0 (250.4) million were down on the previous year at € 22.4 million due to lower selling expenses – in connection with the discontinuation of export business.

Operating result (HGB) deteriorated by € 23.1 million compared to the previous year and was with € -135.2 (-112.1) million substantially below our long-term expectations.

Income from investments posted at € 199.2 (133.8) million, which was above the previous year.

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

The **net interest result** improved by € 6.5 million to € -17.9 (-11.4) million. Included in the net interest result are expenses from the unwinding of the discount for pensions, other provisions and long-term liabilities totaling € 18.3 (19.6) million.

The **income from ordinary activities** increased by € 42.9 million to € 46.1 (3.2) million.

profit carried forward last year of € 0.1 (0.0) million, the **net earnings available for distribution** € 47.3 (40.9) million.

(in € millions)	2019/20	2018/19
Income from ordinary activities	46.1	3.2
Taxes on income	1.1	65.3
Profit after taxes/Net earnings for the year	47.2	68.5
Profit brought forward from the previous year	0.1	0.0
Allocations revenue reserves	0.0	-27.6
Net earnings available for distribution	47.3	40.9

Taxes on income in the current financial year total € +1.1 (+65.3) million. In the previous year, tax provisions had to be reversed due to a completed external tax audit.

Net earnings were thus € 47.2 (68.5) million.

The **allocation to revenue reserves** in the fiscal year was 0.0 (€ 27.6 million last year). With the

INVESTMENTS AND FINANCING

Investments in property, plant and equipment and intangible assets totalled € 50.2 (69.3) million in the financial year. The investments focused on environmental, replacement and optimization measures in the sugar factories.

Net financial debt

(in € millions)	29 Feb 20	28 Feb 19
Securities	-165.8	-163.5
Cash and cash equivalents	-13.4	-5.7
Receivables as part of group financing	-374.7	-449.0
Bonds	330.0	230.0
Financial liabilities to banks	238.1	252.9
Liabilities as part of group financing	719.4	814.8
Net financial debt	733.6	679.5

Net **financial debt** increased from € 679.5 million in the prior year to € 733.6 million as at 29 February 2020. Cash flow from operating activities fell to € 36.9 (114.1) million, which is attributable in particular to higher working capital requirements as a result of higher sugar production and increased advance payments to beet suppliers. Investments in financial assets totaled € 0.0 million (€ 0.0 million last year). Distributions for the previous year amounted to € 40.8 (91.9) million.

Südzucker has the following outstanding bonds as at 29 February 2020:

	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 %	300 million	XS1524573752	Luxembourg (official market)
Bond 2017/2025	1,00 %	500 million	XS1724873275	Luxembourg (official market)

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

A commercial paper (CP) program with a volume of € 600 million is also available for seasonal campaign financing. This program was utilized in the amount of € 330.0 (230.0) million as at 29 February 2020.

The seasonal liquidity requirements are also secured by the € 600 million syndicated credit line concluded through July 2024.

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

BALANCE-SHEET

ASSETS		
(in € millions)	29 Feb 20	28 Feb 19
Intangible assets	12.3	12.4
Property, plant and equipment	492.6	511.2
Financial assets	2,764.6	2,764.7
Fixed assets	3,269.5	3,288.3
Inventories	485.6	416.9
Receivables and other assets	663.4	726.6
Securities	165.8	163.5
Cash and cash equivalents	13.4	5.7
Current assets	1,328.2	1,312.7
Accrued and deferred items	2.5	0.7
	4,600.2	4,601.7

Südzucker AG's **total assets** as of 29 February 2020 remained at the previous year's level of € 4,600.2 (4,601.7) million.

Fixed assets totalled € 3,269.5 (3,288.3) million, € 18.8 million lower than last year because of the described extraordinary depreciations.

The increase in **inventories** to € 485.6 (416.9) million is attributable to the higher valuation of finished goods for the 2019/20 campaign compared to the previous year.

Receivables and other assets of € 663.4 (726.6) 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 € 45.2 (38.8) million were higher, largely due to reimbursements of tax claims.

LIABILITIES AND SHAREHOLDERS' EQUITY

(in € millions)	29 Feb 20	28 Feb 19
Shareholders' equity	2,166.4	2,160.1
Special items with an equity portion	28.4	29.1
Provisions for pensions and similar obligations	637.2	585.2
Other provisions	273.6	314.1
Liabilities	1,494.6	1,513.2
	4,600.2	4,601.7

Equity increased to € 2,166.4 (2,160.1) million. The equity ratio was 47.1 % (46.9 %). 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 110.2 % (114.3 %).

Pension provisions rose by € 52 million to € 637.2 (585.2) million, largely due to the adjustment of the discount rate to 2.64 (3.12)% and the consideration of salary and pension adjustments.

The other provisions item consists of taxes, personnel expenses, litigation risks and recultivation obligations. This decrease relates to all provision areas.

Financial liabilities decreased by € 18.6 million from € 1,513.2 million to € 1,494.6 million. This corresponds with allocations of intragroup loans to affiliated companies.

CURRENT AND PROJECTED BUSINESS PERFORMANCE

As expected in last year's forecast report, there was a negative sales trend due to volume factors. The improvement in the price level from October 2019 did not occur as strongly as expected. At € (135.2) million, this resulted in an operating result that was worse than forecast.

At 199.2, the earnings contributions from investments were significantly higher than expected.

As a result, the annual result was moderately reduced as expected.

Outlook

This forecast is subject to the economic and financial impact and the duration of the temporary exceptional situation related to the Covid-19 pandemic which was not foreseeable at the time of writing this report in April 2020.

With a further decline in sales volumes as a result of the below-average harvest in 2019 and the plant closures after the 2019 campaign, we expect a moderate increase in sales revenues for fiscal year 2020/21 with higher revenues. The operating result for the first half of the year will continue to be marked by losses. For the 2020/21 sugar marketing year, which will begin in October 2020, we expect rising revenues in a stable market environment. In addition, the first material cost savings from the restructuring plan will materialize, so we are planning a significant improvement in operating profit for the full financial year. Assuming that net interest income remains unchanged and that earnings contributions from investments will again be significant, we also expect a significant increase in net income.

Whether and to what extent the effects of the Covid-19 pandemic will affect our expectations for the sugar marketing year 2020/21 cannot be predicted at present.

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 underlying 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.

Summary of risk and opportunity situation

The outbreak of coronavirus in China and the steady propagation globally of COVID-19 have led to massive interventions in public life – particularly in Europe – with a significant impact on economies and societies. Südzucker Group's risk situation has significantly increased as a result. The financial ramifications and the duration of the exceptional situation are unforeseeable at present.

The price trends for the input agricultural raw materials and the sugar, ethanol and starch products made from them have a significant influence on the future development of the Südzucker Group. Key factors that drive these changes, such as the ongoing coronavirus crises, government agricultural programs and policies, global inventories, weather and harvest conditions, climate policy for CO2 reduction and blending targets for renewable raw materials, and the demand for and supply of competing raw materials and substitutes, can only be affected by the company to a limited extent in the short term. Reduction measures in major EU consuming countries are important for the demand for sugar.

Long-term competitiveness is ensured by measures to optimize the cost structure. These include concentrating beet cultivation on high-yielding areas close to the factory and continuously improving production, logistics and administrative processes.

Competition in the European Union's sugar production sector is high. Necessary capacity adjustments in non-competitive EU countries are being hindered by national subsidies for the cultivation of sugar beets.

The BENEQ, Freiburger and Starch divisions and the fruit segment contribute significantly to stabilizing Südzucker Group's risk and opportunity profile. The focus of climate policy on renewable

energies has increased the long-term opportunities for additional market growth in the CropEnergies segment

The Group's overall risk position is significantly increased due to the uncertainties arising from the ongoing development of the coronavirus crisis. Nevertheless, currently there are still no apparent existential risks that threaten the organization.

SUMMARY OF SHORT TERM OPPORTUNITIES AND RISKS

The persons responsible for risk management quantify identified short-term risks and opportunities according to the dimensions of probability of occurrence and financial impact in the event of their occurrence. Subsequently, they are aggregated into risk factors using statistical methods.

The following section describes the main opportunity and risk factors for Südzucker and outlines their significance, considering the potential financial impact and likelihood of their occurrence on the results of the 2020/21 financial year.

	Occurrence probability	Financial impact (€)
low	○○●	<5 million
medium	○●●	5–20 million
high	●●●	>20 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.

Opportunities and risks	Occurrence probability in 2020/21	
	Risks	Opportunities
Environment and sector		
Market and competition	○●●	●○○
Risks of changes in legal and political environment	○●●	●○○
Company-specific opportunities and risks		
Raw materials	●●●	●●○
Production and investments	○●●	●○○
Price volatility of products	●●●	●●●
Information technology	○●●	●○○
Acquisition / Restructuring	○○●	●○○
Legal risks	○●●	●○○
Fraud and corruption risks	○●●	○○○
Financial		
Exchange rate fluctuation risks	○●●	●●○
Other financial Opportunities and risks	●●●	●●●

Corona virus crisis

The outbreak of corona virus in China and the steady propagation globally of COVID-19 have led to massive interventions in public life – particularly in Europe – with a significant impact on the economy and society. Südzucker Group, a producer of food and animal feed and manufacturer of ethanol – the primary component of fuels and disinfectants – is classified as part of critical infrastructure.

Südzucker Group companies have production and sales locations on all continents and are therefore impacted worldwide. Due to the tightly interwoven global economy and the international collaboration of our employees, the effects of this pandemic impact our companies even when they occur in other parts of the world.

We expect the pandemic to increase sick leave statistics both at our production sites and in administration. Measures to contain the spread of the virus such as home quarantines further disrupt our operating processes, which cannot always be addressed with strategies such as working from a home office. Cancellation of trade shows and travel restrictions are especially challenging for our sales and marketing departments.

It is not yet possible for anyone to realistically predict the depth and duration of the impact on the economy triggered by the pandemic. The decline in employment and fear of a recession will dampen private consumption and will impact Südzucker's target markets, even though it may be to a limited degree. The increased self-sufficiency of private households since the beginning of the crisis has boosted consumer demand for household sugar and pizza. Restricted mobility on the other hand has reduced demand and led to lower fuel prices, also for ethanol.

Political measures such as border closures and reduced availability of transportation means will negatively impact raw material and production logistics supply chains. Together with other effects of the epidemic, this can disrupt production processes and even necessitate factory closures. Initially, sugar production will be little affected since the campaign and processing of raw materials for the current sugar marketing year are largely completed and this year's processing will not start until September.

The drastic decline in raw material prices caused by the crisis has exerted direct pressure on the price of ethanol and the world market price of sugar. How long this situation will last and to what extent it will impact the EU sugar market cannot be foreseen at this point in time.

Financial market volatility has increased. Even though Südzucker's non-current financing is largely secured, the company will not be able to completely avoid any rise in interest rates related to current financing.

The financial ramifications and the duration of the exceptional situation are unforeseeable at present. It is thus not possible to measure the potential financial impact.

Environment and sector

MARKET AND COMPETITION In the EU sugar market, necessary capacity adjustments in non-competitive EU regions will continue to be obstructed by nationally coupled premiums for sugar beet cultivation. Moreover, competition is also affected by differences in the approval practice for plant protection products. Changes in this area cannot be expected in the short term.

CHANGES IN LEGAL AND POLITICAL CONDITIONS

The companies of the Südzucker Group operate worldwide and thus also in regions suffering from unstable political conditions. As a result, there may also be short-term negative effects from social or political conflicts in these countries.

The UK's exit from the EU was completed on 31 January 2020. The UK imported about 300,000 to 400,000 tonnes of sugar annually under the trade conditions as part of the EU, primarily from the main continental European producer countries. The extent to which the negotiations on a trade agreement with the EU will entail risks for Südzucker Group's business activities is currently difficult to predict.

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

However, changes in the political framework can also create opportunities. For example, we consider the adoption of E10 in the context of climate policy to be an opportunity for a further increase in demand for ethanol in a growing number of European countries.

Company-specific opportunities and risks

RAW MATERIALS In fiscal 2019/20, Südzucker Group processed 35 (36) million tonnes of agricultural raw materials grown on more than 1,000,000 hectares of land. In addition to 28 (29) million tonnes of 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 broad diversification of the cultivation regions – to procurement risks. These relate mainly to above-normal fluctuations of harvest yields, due primarily to extreme weather conditions (climate change), as well as pests and diseases that attack the company's crops.

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

In addition to the procurement risks, agricultural raw materials are subject to price fluctuations that are driven primarily by fundamental global and regional market data such as availability, demand and inventories.

The price Südzucker Group pays for beets is partly aligned with its realized sugar sales revenues during a particular sugar marketing year. Other factors, such as the return on beet cultivation in comparison to growing other crops and the beet prices paid in relation to competitors, are also taken into consideration when setting beet prices. The latter applies particularly in regions with overlapping farming areas.

For producing ethanol 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 ethanol, we calculate raw material costs minus sales revenues from food and animal feed (according to net raw material costs). Because changes in the grain market environment generally also have an impact on the market environment for food and animal feed containing protein, we are able to partly offset higher raw material costs with increased sales revenues from these products. Our business policy in ethanol production will 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.

PRODUCTION AND INVESTMENTS 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 through comprehensive investment project planning and project controlling.

The price of energy and raw materials are key input cost factors, especially for the production of sugar, starch, inulin and ethanol. Price fluctuations directly impact production costs. This applies not only to the energy sources themselves, but also to CO₂ certificates that must be purchased if free allocations do not cover operating

requirements. 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. This reduces the impact of price fluctuations on our results.

In addition, investments to improve the energy efficiency of the production plants throughout the group are an ongoing priority.

The availability of suitable transportation means for timely delivery of raw materials and finished products is also subject to fluctuation. For example, particularly high or low water levels, especially on the Rhine, can result in limited availability and loading capacity of inland waterway vessels and thus higher logistics costs.

Serious safety standards violation incidents for food and other products could impact on consumer health, damage Südzucker's reputation and reduce the volumes of our products. Our ambition 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.

PRODUCT PRICES The sugar segment is exposed to opportunities and 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. In the event that the deficit on the world sugar market increases or decreases more than expected, global market prices may fall or rise. The world market price trend also influences the sugar price level in the EU. Since many sales contracts are signed for one year at a fixed price, short-term market price changes have only a limited or delayed impact on earnings.

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.

Ethanol prices in Europe 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. In order to reduce the impact of price fluctuations on earnings, these risks are controlled by structuring sales contracts, derivative instruments and the flexibly operating of its ethanol plant in Wilton, Great Britain, depending on the market situation and the associated costs and earnings.

INFORMATION TECHNOLOGY 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 business-related information and data processing systems. The processes and programs rely on relevant standards, and are operated, monitored and continuously updated by qualified internal and external experts. In view of this, the information systems and processes within the Südzucker Group will be further unified and standardized.

ACQUISITIONS/RESTRUCTURING 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. Restructuring measures entail the risk that additional expenses of any kind may be incurred over and above the expected costs or that the expected savings may not be achieved. The implementation of restructuring measures in production and administration involves risks that may also affect the business and production processes in question. For example, strikes can cause higher production and logistics costs if beets have to be processed in neighboring factories.

Südzucker Group in addition owns shares in joint ventures and associated companies and has other shareholdings as well. These companies are subject to the business environment specific to their respective activities. With a minority interest, the possibility of integrating these companies is limited and the effects of restructuring measures such as the share of ED&F Man Holdings Limited, consolidated at equity, are only possible to a limited extent. In the case of ED&F Man's strategic realignment, there are risks associated with the planned sale of industrial interests such as the Mexican sugar joint venture Azucar Grupo Saenz. These could impact the preparation of a sale package, as well as the financial, time related or approval aspects.

LEGAL RISKS 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.

Südzucker analyzed the obligations and risks contained in the EU general data protection regulation and implemented the organizational steps in order to guarantee the protection and security of personal data, especially of its employees, customers, suppliers and other business partners.

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.

Südzucker is continuously pursuing antitrust compliance measures, in particular by conducting audits and in the area of internal reporting. Training courses and audits to prevent antitrust law violations are conducted at regular intervals.

Since closure of the German antitrust proceedings in February 2014, customers were 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.

The claim filed by the Austrian Federal Competition Authority in 2010 for setting a fine for suspected anticompetitive agreements against Südzucker AG and AGRANA Zucker GmbH, Vienna, Austria, was rejected by the Vienna Cartel Court in its decision of 15 May 2019. The Federal Competition Authority has appealed against this decision; no judgment has yet been issued.

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. Training courses were held 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 developed and made available to employees.

Financial

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.

EXCHANGE RATE FLUCTUATIONS Financial impacts of exchange rate fluctuations are mainly due to intra-group financing of subsidiaries in currencies other than the local currency. In the US, the UK, Mexico and Eastern Europe, Südzucker Group finances some subsidiaries through intragroup loans denominated in euro. To a lesser extent, Group companies in the eurozone also provide financing to subsidiaries in their differing national currencies.

OTHER FINANCIAL OPPORTUNITIES AND RISKS Südzucker Group is exposed to a limited extent to the impact of 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.

Employees in the Südzucker Group are granted benefits under defined contribution or defined benefit plans. Company pension obligations are primarily covered by corresponding provisions in the balance sheet and partially by outsourced pension assets. Only defined contribution plans are now offered to limit the risks of changing capital market conditions.

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.

The group is exposed to credit risk (default and credit risks) and liquidity risk. The Südzucker Group is also exposed in many ways to market price risk. In operations, this primarily relates to commodity price risk from sugar and ethanol sales, energy, grain and corn purchases as well as currency risk associated with sales and procurement. Similar price risk exists in the financial

area from interest rate and exchange rate risks. The investment securities that are exposed to a price risk are immaterial in Südzucker Group. The following credit risk management, liquidity management and price risk management strategies have been implemented throughout the group to manage these risks.

SUMMARY OF MEDIUM TO LONG-TERM OPPORTUNITIES AND RISKS

CHANGES IN THE LEGAL AND POLITICAL ENVIRONMENT From today's perspective, the differing national regulatory conditions for sugar production within the EU harbor the medium to long-term risk that despite existing excess capacity in the European sugar market, there will be no market shakeout that will eliminate inefficient competitors.

Internationally, free trade agreements between the EU and other nations are becoming increasingly important. Additional free trade agreements, especially the MERCOSUR trade agreement, and the elimination of import duties harbor the medium to long-term risk that additional volumes of sugar, fuel-grade ethanol and alcohol will be imported to the EU.

There is also the risk that subsidized sugar production, especially in a number of Asian countries, will continue and prevent a sustainable recovery of world market sugar prices.

Climate targets and associated government policies to reduce CO₂ present an opportunity for significant market growth for renewable energies in the transportation sector. This will potentially result in additional sales of fuel-grade ethanol, especially if further market penetration of E10 succeeds and E20 can be launched. On the other hand, the government focus on e-mobility harbors the long-term risk for declining volumes of fuel-grade ethanol.

Regulatory changes in the energy sector, such as carbon taxation, energy taxes and the promotion and/or elimination of specific energy sources bears the risk of increasing production costs and higher investment requirements.

CLIMATE CHANGE AND SUSTAINABILITY Risks associated with securing the long-term supply of raw materials occur due to extreme weather events, such as lengthy droughts, flooding, storms and hail, all of which can become more frequent and intense, and lead to above-average harvest yield fluctuations. Processing agricultural raw materials is a core component of the value-added process in all of our segments, so climate related harvest failures result in reduced production volumes and rising raw material costs. These risks are addressed to the greatest extent possible by appropriate cultivation planning and targeted cultivation consultation and research.

As part of our sustainability management program, we evaluate opportunities and risks associated with the primary impact of our activities, especially on the environment. For example, energy use, emissions, water and waste are continuously monitored, and we regularly investigate potential savings and substitutions.

Südzucker is an energy intensive industrial refiner, especially its sugar and CropEnergies segments, as well as BENEOL and starch divisions, and thus most of the production plants in these segments are subject to the EU emissions trading system. This is why the company has always dealt intensively with potential regulatory (transitory)

risks in the area of energy legislation. Government interventions related to the fight against climate change at the EU level (EU Green Deal) and the national level of the countries in which Südzucker operates aimed at meeting the Paris Climate Protection Agreement and the United Nations Climate Convention targets mean that the company can expect potential restrictions on the use or intensification of fossil energy sources in the coming years. Südzucker will take these risks into account as part of its strategy to achieve wide-ranging climate neutrality.

DEMAND GROWTH AND TREND TOWARDS SUSTAINABLE CONSUMPTION

The increasing global demand for agricultural materials, sustainably produced food and animal feed, as well as renewable energies, offer long-term growth opportunities for Südzucker. These are driven primarily by the growing world population, rising prosperity and living standards in many countries and the trend toward preference for high quality food.

Government policies as well as the public health debate and media mind-set influence sugar consumption. Sugar is often unilaterally declared the cause of obesity and diseases such as diabetes, dental cavities and subsequent illnesses. Südzucker strives to bring rationality to the debate by presenting the true interrelationships between sugar consumption, a balanced diet and a healthy lifestyle. We expect overall sugar volume to shrink in the EU in the medium to long term. At the same time, the development, production and marketing of alternative sweeteners provide new sales opportunities for Südzucker.

EMPLOYEES The recruitment and long-term retention of skilled employees is an increasing challenge due to demographic developments. Particularly in the IT, technology and natural sciences sectors, there is a risk of not being able to adequately fill vacancies again, or only with delay. 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 advanced and continuing education courses, trainee programs, measures to promote health and the reconciliation of work and private life and job opportunities. 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. 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, 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.

INNOVATIONS Innovations create additional market and sales opportunities. In addition, innovations in production processes provide opportunities to improve cost structure and working conditions. Digitalization projects in the production and administration areas can open the door to potential performance and efficiency improvements.

Südzucker's internal research and development competence and broad production expertise are important competitive advantages. We will continue to apply them to developing new products, as evidenced by countless cooperative initiatives with customers and the work we do with partners on projects such as bio-based plastics and the betaine plant in Tulln, Austria.

Improving the extraction of materials from secondary streams also provides new marketing opportunities. These materials can be used for example to produce high-quality food supplements and animal feed. Using agricultural materials to produce bio-based chemicals offers diversification opportunities in the non-food sector. Südzucker Group participates in the long-term trend toward healthier eating by developing new products in the functional food category.

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 Gover-

nance 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 supervisory board has provided the executive board with rules of procedure, which are in force as per the version dated 30 January 2020.

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 30 January 2020 and published on the website of Südzucker AG (www.suedzucker.de/en/investor-relations/corporate-governance/aufsichtsrat). The share-

holder 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 The supervisory board has prepared a diversity concept for Südzucker AG's executive board that summarizes factors such as the age, gender, education and career as well as internationality of the company's employees. The aim is to select an executive board composition that guarantees that the board will be fully able to discharge its duties. The executive and supervisory boards work together to ensure long-range succession planning for board members. Every effort is made to select executive board members from candidates who have progressed within the company. The following criteria are especially important for systematic management development and long-term succession planning:

- Early identification of suitable candidates from different disciplines, professional and personal experience, internationality and gender
- Systematic development of managers by assigning ever greater responsibilities
- Demonstrable strategic and operative creative drive and leadership skills
- Proven role model approach toward implementing our corporate values

Key to the appointment of a Südzucker AG executive board member is ultimately an appraisal of their professional and personal qualifications. The supervisory board primarily focuses on candidates' personal suitability, their professional skills and experience, their integrity and independence, as well as their motivation and capabilities to ensure that they can responsibly fulfill their duties at the company.

Accordingly, as per a resolution passed on 14 November 2019 regarding the composition of the

executive board – in consideration of the sector, the size of the company and the share of international business activity – Südzucker AG's supervisory board aims to meet the following objectives:

- **Number:** Given the size of the company and the current organizational and responsibility structure at Südzucker Group, it is recommended that Südzucker AG have at least four executive board members. The supervisory board can appoint a chairperson or speaker from this panel.
- **Age:** An executive board member should hold office no longer than the end of the fiscal year in which he or she reaches the age of sixty-five.
- **Gender:** The supervisory board prioritizes qualifications rather than gender when selecting candidates. In its meeting of 17 May 2017, the board decided to extend the target quota for female executive board members of zero % until 16 May 2022.
- **Education and career:** The educational and career background of members of Südzucker AG's executive board should satisfy the required competencies of general executive board duties, as well as of the member's specific portfolio assignment. These competencies could have been acquired by completing a university degree, some other occupational training or by some other means.
- **Internationality:** It is recommended that the executive board have at least one member with international experience or specialized knowledge in one of the company's key non-German markets.

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 group-wide, company-specific reporting and control systems to detect, evaluate and manage these risks. The executive board regularly keeps the supervisory board abreast of existing risks and how they evolve. The audit committee deals mainly with monitoring the accounting process and the annual audit of the financial statements. It also reviews and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing process. Details regarding risk management are outlined in the risk report.

Corporate governance report

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

in a timely manner. The corporate governance report published here by Südzucker AG complies with legal requirements and the German Corporate Governance Code rules.

Good corporate governance is a given at Südzucker and has been practiced since many years. The company's policies are consistent with

the recommendations of the Code and compliance is a key executive board and supervisory board responsibility.

In our opinion, the current version of the Code dated 16 December 2019, published on 20 March 2020, is 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.

The 2019 declaration of compliance is based on the version of the Code dated 7 February 2017. We comply with the recommendations of the code with the exception of the items outlined in the declaration of compliance.

2019 DECLARATION OF COMPLIANCE

In the 2019 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:

The paragraph on item 4.1.3 (compliance, whistleblower system) has been deleted, as the implementation of this recommendation has taken place with the introduction of an electronic whistleblower system in April 2018.

The complete version of the mutual 2019 declaration of compliance by the executive board and supervisory board – as well as the declaration of compliance for prior years – is posted on Südzucker AG's website www.suedzucker.de/en/investor-relations/corporate-governance/declarations-of-compliance.

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 2020/21.

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 2019/20, 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 – MANAGEMENT SYSTEM

Compliance is embedded in Südzucker's corporate mission and documented in a compliance management system (CMS).

Südzucker's CMS contains all rules and measures required to guarantee that everyone at the company knows they must conduct themselves in accordance with the law and to recognize associated risks. It specifies responsibilities, training and reporting paths and is based on the seven principles of the IDW (Germany's Institute of Public Auditors) Prüfungsstandards 980 "Prüfung von Compliance-Management-Systemen" [*IDW audit standard 980 "compliance management system auditing"*].

COMPLIANCE CULTURE At Südzucker, practicing compliance is the responsibility of the executive board, as well as the managers of all the group departments, divisions and subsidiaries or companies in which Südzucker Group holds a stake. Through their actions and communications, the executive board and managers create an environment that clarifies the importance of compliance within the company ('set the tone from the top').

COMPLIANCE OBJECTIVES The aim of CMS at Südzucker is to guarantee that the company and its employees conduct themselves in accordance with applicable laws, that non-compliance risks are recognized early and that such risks are prevented through appropriate countermeasures. Any violations shall be tracked and communicated to the responsible parties.

COMPLIANCE RISKS Compliance risks arise when there is any kind of non-conformance with laws

and regulations. The main focus at Südzucker is in the areas of antitrust laws, corruption and bribery prevention, capital market/reporting obligations and data security.

COMPLIANCE PROGRAM Südzucker's compliance program contains all of the steps required to achieve the aforementioned objectives. Among other things, it comprises establishing appropriate guidelines, internal safeguards to maintain capital market reporting and documentation obligations and using a software solution to guarantee third-party compliance.

All of the company's divisions conduct regular training on compliance topics. In January 2020, the e-learning program covering antitrust law, corruption and bribery prevention, data security and capital market compliance was expanded. All employees are required to complete the course. In fiscal 2019/20 approximately 6,300 employees were trained throughout the company, representing about 92 % of the target group (salaried employees including management).

COMPLIANCE ORGANIZATION A groupwide compliance structure with clearly defined reporting paths for all operating companies and key departments forms the core of Südzucker's compliance organization. All reports of potential violations are tracked. In addition to being informed of specific cases, the executive board periodically meets with Südzucker AG's compliance officer to receive updates. The executive board in turn regularly reports to the supervisory board and Südzucker AG's audit committee regarding compliance issues.

COMPLIANCE COMMUNICATION All employees were informed about Südzucker's code of conduct on Südzucker's website at www.suedzucker.de/en/company/profile/code-of-conduct and about corporate compliance principles at

relations/corporate-governance/compliance. Posters are put up at the company sites to sensitize employees to compliance principles during their day-to-day activities. Suspicious conduct can also be reported using anonymous whistleblower systems.

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 29 February 2020, 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

COMPLIANCE MONITORING AND DEVELOPMENT

Südzucker's internal audit department carries out scheduled and ad hoc audits and monitors adherence to all rules and regulations. All elements of CMS are critically analyzed on the basis of lessons learned from these audits and from reported non-compliance cases and further enhanced as necessary.

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 58.3% 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 68.6% of total share capital, according to the German Securities Trading Act.

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

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

APPOINTMENT AND DISMISSAL OF EXECUTIVE BOARD MEMBERS

Executive board members are appointed and dismissed by the supervisory board in accordance with articles 84 and 85 of the German Stock Corporation Act (AktG) and article 31 of the German Codetermination Act (MitbestG). In accordance with article 5, item 2 of Südzucker AG's articles of incorporation in the current version dated 18 July 2019, 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 18 July 2019) 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 17 July 2024 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 2019). 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 2019 has not been utilized to date.

Shareholders at the 18 July 2019 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 17 July 2024 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 18 July 2019. To date, the board has not exercised the right granted 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.

Separate non-financial reporting section 289b (3) 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.

The non-financial group declaration in the group management report and the results of the audit form part of Südzucker AG's 2019/20 annual report. They are also accessible at Südzucker's website at www.suedzucker.de/en/investor-relations/publikationen/finanzberichte#2019/20

Recommendation on appropriation of profits

The executive and supervisory boards will recommend a dividend of € 0.20 (0.20) per share to the annual general meeting on 16 July 2020. With dividend-bearing capital of € 204.2 (204.2) million, this represents a total dividend pay-out of € 40.8 (40.8) million. The dividend is expected to be paid on 21 July 2020.

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

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

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

FINANCIAL STATEMENTS

Balance sheet as of 29 February 2020

ASSETS

(€ '000)	Notes	29 February 2020	28 February 2019
Intangible assets		12,267	12,405
Property, plant and equipment		492,643	511,243
Financial assets		2,764,574	2,764,718
Fixed assets	1	3,269,484	3,288,366
Inventories	2	485,564	416,829
Receivables and other assets	3	663,350	726,580
Securities	4	165,829	163,544
Cash and cash equivalents		13,375	5,730
Current assets		1,328,118	1,312,683
Accrued and deferred items	5	2,620	650
		4,600,222	4,601,699

LIABILITIES AND SHAREHOLDERS' EQUITY

(€ '000)	Notes	29 February 2020	28 February 2019
Subscribed capital		204,183	204,183
Capital reserve		1,620,579	1,620,579
Revenue reserves		294,378	294,378
Net earnings available for distribution		47,252	40,923
Shareholders' equity	6	2,166,392	2,160,063
Special items with an equity portion	7	28,431	29,062
Provisions for pensions and similar obligations	8	637,205	585,213
Other provisions	9	273,589	314,039
Provisions		910,794	899,252
Liabilities	10	1,494,605	1,513,322
		4,600,222	4,601,699

Income statement 1 March 2019 to 29 February 2020

(€ '000)	Notes	1 March 2019– 29 February 2020	1 March 2018– 28 February 2019
Revenues	12	1,264,157	1,465,944
Change in work in progress and finished goods and internal costs capitalized	13	55,460	-92,295
Other operating income	14	48,042	44,336
Cost of materials	15	-951,822	-942,788
Personnel expenses	16	-255,861	-258,447
Depreciation of intangible assets and fixed assets		-67,034	-78,369
Other operating expenses	17	-228,128	-250,395
Investment income/expense	18	199,183	133,751
Depreciation of financial assets and marketable securities	19	0	-7,108
Interest income/expense	20	-17,868	-11,413
Taxes on income	21	1,036	65,275
Profit after taxes/Net earnings for the year		47,165	68,491
Profit brought forward from the previous year		87	32
Allocations revenue reserves		0	-27,600
Net earnings available for distribution		47,252	40,923

Notes to the financial statements

Application of German GAAP (HGB)

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

The income statement has been prepared using the nature of expense method. Certain items in the balance sheet and income statement have been combined in order to improve the clarity of presentation. These items are shown separately and described in the notes to the financial statements.

The financial statements have been prepared in euros. Unless otherwise indicated, all amounts are disclosed in thousands of euros (€ '000) or millions of euros (€ million). The previous year's numbers are generally put in parentheses in the notes.

Accounting policies

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

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

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

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

Fixed assets

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

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

Intangible assets are depreciated using the straight-line method.

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 to 15 years
Factory and office equipment	3 to 10 years

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

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.

Advance payments for inventories are recognized at their nominal value.

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.

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.

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 2.64 (3.12) percent was used as a basis for the discount rate for pension obligations as at 29 February 2020.

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 0.55 (0.77) % and 1.91 (2.27) % 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	Intangible assets
Acquisition or production cost		
As of 1 March 2019	64,498	64,498
Addition	3,227	3,227
Disposal	-1,540	-1,540
Transfer	1,480	1,480
As of 29 February 2020	67,665	67,665
Accumulated depreciation		
As of 1 March 2019	52,093	52,093
Annual depreciation	4,788	4,788
<i>thereof extraordinary</i>	<i>0</i>	<i>0</i>
Disposal	-1,483	-1,483
As of 29 February 2020	55,398	55,398
Net book value		
28 February 2019	12,405	12,405
29 February 2020	12,267	12,267

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 2019	477,566	1,393,805	133,521	10,889	2,015,781
Addition	5,012	20,960	8,864	12,090	46,926
Disposal	-3,254	-9,172	-5,008	-9	-17,443
Transfer	963	5,741	798	-8,985	-1,483
As of 29 February 2020	480,287	1,411,334	138,175	13,985	2,043,781
Accumulated depreciation					
As of 1 March 2019	266,458	1,135,786	102,294	0	1,504,538
Annual depreciation	9,758	43,291	9,197	0	62,246
<i>thereof extraordinary</i>	482	0	0	0	482
Disposal	-2,560	-8,538	-4,548	0	-15,646
As of 29 February 2020	273,656	1,170,539	106,943	0	1,551,138
Net book value					
28 February 2019	211,108	258,019	31,227	10,889	511,243
29 February 2020	206,631	240,795	31,232	13,985	492,643

Financial assets

(€ '000)	Shares in affiliated companies	Participations	Other loans	Financial assets
Acquisition or production cost				
As of 1 March 2019	3,550,177	127	75	3,550,379
Addition	0	2	10	12
Disposal	-128	0	-28	-156
As of 29 February 2020	3,550,049	129	57	3,550,235
Accumulated depreciation				
As of 1 March 2019	785,661	0	0	785,661
Annual depreciation	0	0	0	0
Disposal	0	0	0	0
As of 29 February 2020	785,661	0	0	785,661
Net book value				
28 February 2019	2,764,516	127	75	2,764,718
29 February 2020	2,764,388	129	57	2,764,574

(2) Inventories

(€ '000)	29 February 2020	28 February 2019
Raw materials and supplies	43,431	59,039
Work in progress	79,769	67,260
Finished goods, merchandise	290,954	244,527
Advance payments for inventories	71,410	46,003
	485,564	416,829

The decrease in **finished goods** as at 29 February 2020 is attributable 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 2019 for the conclusion of sugar beet delivery contracts for the 2020 campaign.

(3) Receivables and other assets

(€ '000)	29 February 2020	28 February 2019
Trade receivables	144,414	137,880
Receivables owed by affiliated companies	473,592	549,606
<i>thereof with remaining term of more than 1 year</i>	<i>11,409</i>	<i>96,875</i>
Receivables owed by companies in which participations are held	194	330
Other assets	45,150	38,764
	663,350	726,580

Individual impairments of €'000 2,364 (5,174) have been made for **trade receivables** totalling €'000 144,414 (137,880).

Receivables from affiliated companies comprise financial receivables from group loans in the amount of €'000 11,409 (99,871), trade receivables of €'000 63,236 (63,504) and other receivables in the amount of €'000 398,947 (386,231), which relate to short-term group financing of subsidiaries (Cash-Pool) of subsidiaries.

Other assets totalling €'000 45,150 (38,764) 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 € 4,314 (7,069) thousand resulted from the centralized export activity and the securing of raw materials for the starch factory in Zeitz. CO² certificates acquired during the reporting year are also included.

(4) Securities

(€ '000)	29 February 2020	28 February 2019
Shares in affiliated companies	14,048	13,920
Other securities	151,781	149,624
	165,829	163,544

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

(5) Accrued and deferred items

This item primarily includes accrued interest expense.

(6) Shareholders' equity**Changes in equity**

(€ '000)	1 March 2019	Divided for 2019/20	Net earnings for the year	29 February 2020
Subscribed capital	204,183			204,183
Capital reserve	1,620,579			1,620,579
Revenue reserves	294,378			294,378
Net earnings available for distribution	40,923	40,836	47,165	47,252
	2,160,063	40,836	47,165	2,166,392

As of 29 February 2020, 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 29 February 2020, the freely available reserves plus profit carried forward exceed the total amount of the amounts subject to a distribution restriction. Thus there is no distribution restriction in relation to the net earnings of the financial year. Südzucker AG did not exercise any accounting options that trigger a distribution restriction. Südzucker AG did not exercise any accounting options that trigger a distribution restriction.

(7) Special untaxed reserves

Special untaxed reserves included only impairment losses for tax purposes.

(8) Provisions for pensions and similar obligations

Current obligations for pensions and benefits are reported under provisions for pensions and similar obligations. The amount required to fund provisions for pensions and similar obligations in the amount of €'000 639,544 (587,519) is offset against the pension fund assets (funding sources) in the amount of €'000 2,339 (2,306). 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 83,662.

(9) Other provisions

(€ '000)	29 February 2020	28 February 2019
Tax provisions	21,861	32,751
Provisions for litigation risks and risk precautions	145,160	162,512
Other provisions	106,568	118,776
	273,589	314,039

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. Their decrease is due to the use of the provision created in the previous year 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.

(10) Liabilities

(€ '000)	29 February 2020			28 February 2019		
	Total	< 1 year	> 1 year	Total	< 1 year	> 1 year
Bonds and debt securities	329,964	329,964	0	230,012	230,012	0
Liabilities to banks	238,107	133,722	104,385	252,929	120,822	132,107
Trade payables	107,505	107,505	0	109,450	109,450	0
Liabilities to affiliated companies	736,529	265,629	470,900	837,315	285,515	551,800
<i>thereof trade payables</i>	<i>17,133</i>	<i>17,133</i>	<i>0</i>	<i>22,451</i>	<i>22,451</i>	<i>0</i>
Liabilities to companies with which there is a participating interest	22	22	0	8	8	0
Other liabilities	82,478	82,478	0	83,608	83,608	0
<i>thereof for taxes</i>	<i>5,335</i>	<i>5,335</i>	<i>0</i>	<i>4,711</i>	<i>4,711</i>	<i>0</i>
<i>thereof for social security</i>	<i>7,716</i>	<i>7,716</i>	<i>0</i>	<i>7,721</i>	<i>7,721</i>	<i>0</i>
	1,494,605	919,320	575,285	1,513,322	829,415	683,907

Liabilities to banks amount to €'000 238,107 (252,929), of which €'000 (46,525) have a remaining term of over five years.

Obligations to beet growers of €'000 37,259 (36,616) are reported under **trade payables**.

To measure liabilities, the beet price was set using the contractual formula, which derives the price from the 2019/20 campaign sugar price.

Liabilities to affiliated companies totalling €'000 736,529 (837,315) 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.

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

Of the future liabilities from lease agreements € 14.6 (16.3) million is due within one year, € 30.6 (33.6) million in more than one year – with € 7.1 (9.9) million due in more than five years; € 0.1 (0.2) million relates to affiliated companies and is due within one year. Other financial commitments from open orders totaled € 29.1 (25.9) 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 (€ 800.0 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 BENEÓ Orafiti Chile S.A. for a maximum credit line of USD 35.0 (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 10.0 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 € -0.4 (-0.2) million on the balance sheet date, which reflects the risk level of the valuation units hedged on the closing date. The maturity date of the hedging instrument is 21 October 2021.

Price guarantees were concluded for sugar sales contracts in the volume of tonnes 181,054 (346,882) 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 29 February 2020, there were open sugar futures contracts to hedge sugar sales with world market price based price adjustments. The positive market value amounts to € +5.3 (+2.0) million; the negative market value is € -1.6 (-3.6) million. Positive and negative market values of € +0.8 (+0.3) and € -1.2 (-3.3) million, respectively, exist for the associated forex forwards. Acquired sugar options with a volume of 200,597 (51,969) tonnes had positive market values of € +1.4 (0.0) million as of 29 February 2020.

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 29 February 2020, open wheat futures in the volume of tonnes 30,500 (60,750) were concluded for deliveries in the 2020/21 financial year and the market value totaled € 0.0 (-0.5) million.

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

Notes to the income statement

(12) Sales

(€ '000)	2019/20	2018/19
Classification according to activities		
Own production	854,469	938,400
<i>thereof sugar</i>	<i>674,096</i>	<i>757,360</i>
<i>thereof other revenue</i>	<i>180,373</i>	<i>181,040</i>
Revenues from services	172,182	179,642
Merchandise revenue	237,506	347,902
<i>thereof sugar</i>	<i>163,074</i>	<i>257,725</i>
<i>thereof by products</i>	<i>43,204</i>	<i>56,320</i>
	1,264,157	1,465,944
Classification according to geographical markets		
Germany	787,435	845,843
EU (incl. Geat Britain)	376,236	342,595
Others	100,486	277,505
	1,264,157	1,465,944

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

(€ '000)	2019/20	2018/19
Change in finished goods and work in progress	52,134	-95,747
Internal costs capitalized	3,326	3,452
	55,460	-92,295

(14) Other operating income

Other operating income includes income from prior periods totalling €'000 27,033 (18,299). 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 2,432 (5,379).

Other operating income included income from the release of special untaxed reserves in the amount of €'000 631 (1,137) and income from insurance settlements for damage claims.

(15) Cost of materials

(€ '000)	2019/20	2018/19
Cost of raw materials and consumables and merchandise	767,363	751,660
Cost of purchased services	184,459	191,128
	951,822	942,788

(16) Personnel expenses

(€ '000)	2019/20	2018/19
Wages and salaries	164,575	172,258
Social contributions and expenses for retirement and other benefits	91,286	86,189
<i>thereof retirement benefits</i>	<i>59,285</i>	<i>56,517</i>
– <i>Service cost</i>	<i>16,463</i>	<i>9,972</i>
– <i>Parameter adjustments, among others</i>	<i>42,822</i>	<i>46,545</i>
	255,861	258,447
Average number of employees during the year		
Industrial employees	1,298	1,284
Salaried employees	1,142	1,144
Apprentices	199	207
	2,639	2,635

Expenses for wages and salaries decreased due to the absence of expenses in the context of the formation of provisions in connection with the plant closures in Brottewitz and Warburg.

(17) Other operating expenses

Other operating expenses include expenses from prior periods from losses from the disposal of fixed assets totalling €'000 698 (504). Also included are expenses from currency translation totalling €'000 989 (788).

(18) Investment income/expense

(€ '000)	2019/20	2018/19
Income from profit transfer agreements	161,066	74,126
Income from investments	38,136	73,143
<i>thereof from affiliated companies</i>	37,003	73,143
<i>thereof from other investments</i>	1,133	0
Expenses from transfer of losses	-19	-13,518
	199,183	133,751

(19) Interest income/expense

(€ '000)	2019/20	2018/19
Expenses / Income from other long-term financial investments and loans	2,165	39
Other interest and similar income	10,653	24,789
<i>thereof from affiliated companies</i>	2,746	4,044
Interest and similar expenses	-30,686	-36,241
<i>thereof from discounting</i>	-18,269	-19,628
<i>thereof from affiliated companies</i>	-8,108	-10,729
	-17,868	-11,413

Expenses from the unwinding of the discount for long-term obligations totaling € 18,269 (19,628) 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 € 17,834 (18,870) thousand and/or non-current provisions for personnel expenses and liabilities totaling € 435 (758) thousand, which are netted against income of € 115 (58) thousand from the fair value measurement of plan assets of € 2,339 (2,306) thousand.

The income from other long-term financial investments and loans is essentially a write-up on current securities.

(20) Depreciation of financial assets and marketable securities

No write-down to the lower stock market price was necessary in the financial year under review; in the previous year this was the case in the amount of € 7,108 thousand.

(21) 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**(22) Research and development expenses**

Research and development expenses totalled €'000 21,782 (20,628) and were completely recognized in the income statement.

(23) 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 2019/20 financial year amounted to € 2.8 (million) (€ 2.9 million). The variable component makes up 29 percent (35 percent) of their remuneration in cash, and depends on the dividend to be approved by the annual general meeting. Provisions for pensions of € 41.8 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 2019/20 financial year. The remuneration systems for the executive board and supervisory board are discussed under "Remuneration" in the Südzucker group management report.

(24) 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 58.3 % 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 68.6 % of total share capital, according to the German Securities Trading Act.

(25) Events after the balance sheet

The World Health Organization (WHO) declared the global outbreak of the COVID-19 illness caused by the coronavirus to be a pandemic on 11 March 2020. This put in concrete terms the higher probability of a potential impact on the course of our future business. Operating business activities were not significantly restricted until preparation of the annual financial statements on 22 April 2020. However, due to the dynamic development it is not possible to estimate the future financial impact.

(26) Consolidated financial statements

As the parent company of Südzucker Group, Südzucker AG has prepared consolidated financial statements as at 29 February 2020 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.

(27) 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 81ff in these notes to the financial statements. Disclosures are presented in compliance with section 313 (2) and section 285 No. 11 HGB.

(28) 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

Memberships in comparable German and foreign supervisory committees

- AGRANA Beteiligungs-AG, Wien, Austria (1. deputy Chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG, Wien, Austria (2. deputy Chairman)
- Freiburger Holding GmbH, Berlin
- Raffinerie Tirlemontoise S.A., Bruxelles, Belgium (until 25 February 2020)
- 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 (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

Deputy Chairman of the supervisory board chairman of the general works council of Südzucker AG

Veronika Haslinger, Wien, Austria

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

- Süddeutsche Zuckerrübenverwertungs–Genossenschaft eG, Stuttgart

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

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

Ralf Hentzschel, Panschwitz–Kuckau

(until 13 March 2019)

Chairman of the board of the Association of Sächsisch–Thüringischer 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. and deputy Chairman of the board of the Association of Zuckerrübenverwertungs–Genossenschaft eG

Susanne Kunschert, Stuttgart

Managing director of Pilz GmbH & Co. KG

Memberships in comparable German and foreign supervisory committees

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

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

Sabine Möller*, Hamburg

Divisional officer of the Food and Catering Union

Angela Nguyen*, Biederitz

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

* Employee representatives

Ulrike Rösch*, Bellheim

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

Rolf Wiederhold*, Wabern

Chairman of the general works council 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

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

* *Employee representatives*

Executive board

Dr. Niels Pörksen (Chairman), Limburgerhof

(since 1 March 2020)

(Appointed until 28 February 2023)

Group mandates

- ED&F Man Holdings Limited, London, United Kingdom (since 1 March 2020)
- Freiburger Holding GmbH, Berlin (since 3 March 2020)
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands (since 3 March 2020)

Dr. Wolfgang Heer, Ludwigshafen am Rhein

(until 29 January 2020)

Group mandates

- AGRANA Beteiligungs-AG, Wien, Austria (1. deputy Chairman until 29 January 2020)
- AGRANA Zucker, Stärke und Frucht Holding AG, Wien, Austria (Chairman until 29 January 2020)
- CropEnergies AG, Mannheim (until 29 January 2020)
- ED&F Man Holdings Limited, London, United Kingdom (until 29 January 2020)
- Freiburger Holding GmbH, Berlin (Chairman until 29 January 2020)
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands (until 29 January 2020)
- Raffinerie Tirlemontoise S.A., Bruxelles, Belgium (until 29 January 2020)
- Saint Louis Sucre S.A.S., Paris, France (until 31 July 2019)
- Südzucker Polska S.A., Wrocław, Poland (deputy Chairman until 29 January 2020)
- Z & S Zucker und Stärke Holding AG, Wien, Austria (deputy Chairman until 29 January 2020)

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 until 21 April 2020)
- CropEnergies AG, Mannheim (since 16 March 2020)
- Freiburger Holding GmbH, Berlin, (Chairman)
- Raffinerie Tirlemontoise S.A., Bruxelles, Belgium (until 25 February 2020)
- Saint Louis Sucre S.A.S., Paris, France (Chairman until 31 July 2019)
- Südzucker Polska S.A., Wrocław, Poland (deputy Chairman until 29 January 2020)
- Südzucker Moldova S.R.L., Chişinău, Moldova (Chairman until 8 April 2020)
- 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, United Kingdom
- Freiburger Holding GmbH, Berlin
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands (Chairman)
- Raffinerie Tirlemontoise S.A., Bruxelles, Belgium (until 25 February 2020)
- Saint Louis Sucre S.A.S., Paris, France (until 31 July 2019)
- Südzucker Polska S.A., Wrocław, Poland (until 29 January 2020)

- 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 – Lipizzanergestüt 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
- Freiburger Holding GmbH, Berlin
- Österreichische Rübensamenzucht Gesellschaft m.b.H., Wien, Austria (Chairman)
- Raffinerie Tirlemontoise S.A., Bruxelles, Belgium (Chairman until 25 February 2020)
- Saint Louis Sucre S.A.S., Paris, France (until 31 July 2019)

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

The following expenses were incurred in the 2019/20 financial year for services provided by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft:

(€ '000)	2019/20	2018/19
Auditing services	481	470
Other assurance services	59	81
Tax advisory services	16	23
Other services	0	0
	556	574

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 confirmation services essentially include various other certification services outside of the annual audit. The fees for tax consultation relate primarily to fees for project related consulting services.

(30) 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 14 November 2019. It is available on the Internet via our website at:

www.suedzucker.de/en/Investor-Relations/Corporate-Governance/.

(31) Proposed appropriation of earnings

Net earnings available for distribution of Südzucker AG amount to €'000 47,252 (40,923). It will be proposed to the annual general meeting that a dividend of € 0.20 (0.20) per share be distributed and be appropriated as follows:

(in €)	2019/20
Distribution of a dividend of € 0.20 per share on 204,183,292 shares	40,836,658.40
Profit carried forward	6,415,315.49
Net earnings available for distribution	47,251,973.89

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 probably to be paid on 21 July 2020.

List of shareholdings

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million
I. Affiliated companies							
Sugar segment							
Division business unit sugar							
Südzucker and sales companies							
Südzucker AG	SZAG	Mannheim	Germany				
Südzucker Hellas E.P.E.		Agios Dimitrios	Greece	SZH SZV	99.94 0.06	1.8	0.24
Südzucker Ibérica, S.L.U.		Barcelona	Spain	SZH	100.00	1.8	0.89
Südzucker United Kingdom Limited		Edinburgh	United Kingdom	SZH	100.00	1.0	0.64
S.Z.I.L. LTD		Kfar Saba	Israel	SZH	100.00	1.7	1.14
Sugar Belgium							
Raffinerie Tirlemontoise S.A.	RT	Tienen	Belgium	SZH	99.41	1003.7	89.30
Nougat Chabert & Guillot SA	NC&G	Montélimar	France	SOGELAF	99.75	3.3	-1.10
S.C.I. DU MARINET		Montélimar	France	SOGELAF NC&G	99.75 0.25		
Rafti B.V.		Wijchen	Netherlands	TSNH	100.00	8.6	0.51
S.O.G.E.L.A.F. SARL	SOGELAF	Paris	France	RT	100.00	5.2	-5.38
Tiense Suikerraffinaderij Nederland Holding B.V.	TSNH	Wijchen	Netherlands	RT	100.00	2.3	0.58
Tiense Suikerraffinaderij Services g.c.v.		Bruxelles	Belgium	RT	100.00	22.9	2.46
Sugar France							
Saint Louis Sucre S.A.S.	SLS	Paris	France	SZH	99.96	124.3	-125.10
Sugar Poland							
Südzucker Polska S.A.	SZPL	Wrocław	Poland	SZH	99.59	333.1	11.37
"POLTERRA" Sp. z o.o.		Wrocław	Poland	SZPL	100.00	0.9	0.01
Przedsiębiorstwo Rolne "KLOS" Sp. z o.o.		Wrocław	Poland	SZPLN	100.00	0.3	0.00
Südzucker Polska Nieruchomosci Sp. z o.o.	SZPLN	Wrocław	Poland	SZPL	100.00	-1.6	-0.30
Division AGRANA sugar							
Agrana Sugar Sales							
AGRANA Sales & Marketing GmbH	ASM	Wien	Austria	AB	100.00	157.4	-16.87
Sugar Austria							
AGRANA Zucker GmbH	AZ	Wien	Austria	AB ASM	98.91 1.09	142.8	1.61
AGRANA ZHG Zucker Handels GmbH		Wien	Austria	ASM	100.00	0.6	-0.04
Österreichische Rübensamenzucht Gesellschaft m.b.H.		Wien	Austria	ASM	86.00	1.7	-0.31
Sugar Romania							
AGRANA AGRO S.r.l.		Roman	Romania	AR AZ	99.00 1.00	0.1	0.01
AGRANA BUZĂU S.r.l.		Buzău	Romania	AR AZ	99.00 1.00	-2.5	-2.77
AGRANA Romania S.R.L.	AR	Bukarest	Romania	ASM	100.00	1.7	-3.28
AGRANA TANDAREI S.r.l.		Tandarei	Romania	AR AZ	99.00 1.00	0.8	0.00
Sugar Slovakia							
Slovenské Cukrovary s.r.o.		Sered	Slovakia	ASM	100.00	17.3	1.03
Sugar Czech Republic							

* 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 from the calendar year

5) Exemption pursuant § 264 (3) HGB

6) Exemption pursuant § 264b HGB

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million
Moravskoslezské Cukrovary A.S.		Hrušovany	Czech Republic	ASM	100.00	33.5	2.35
Sugar Hungary							
AGRANA Magyarország Értékesítési Kft.	AME	Budapest	Hungary	MCeF AZ	99.70 0.30	2.6	-2.17
Biogáz Fejlesztő Kft.		Kaposvár	Hungary	AME	100.00	1.9	0.10
Koronás Irodaház Szolgáltató Korlátolt Felelősségű Társaság		Budapest	Hungary	MCeF	100.00	1.3	0.03
Magyar Cukorgyártó és Forgalmazó Zrt.	MCeF	Budapest	Hungary	ASM	87.61	64.9	-1.39
Sugar Bulgaria							
AGRANA Trading EOOD		Sofia	Bulgaria	ASM	100.00	1.6	1.21
Sugar Bosnia							
AGRANA BIH Holding GmbH	ABIH	Wien	Austria	ASM SZH	75.00 25.00	11.2	-0.06
AGRANA d.o.o.		Brčko	Bosnia-Herzegovina	ABIH	100.00	0.1	-0.01
AGRANA Holding/other							
AGRANA Beteiligungs-Aktiengesellschaft	AB	Wien	Austria	Z&S SZAG	78.34 2.74	748.3	66.82
AGRANA Group-Services GmbH		Wien	Austria	AB	100.00	5.6	1.13
AGRANA Research & Innovation Center GmbH		Wien	Austria	AB	100.00	5.1	0.82
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.		Wien	Austria	AB	66.67	8.8	1.16
Division sugar Moldova							
Südzucker Moldova S.R.L.	SZM	Chişinău	Moldova	SZH	99.97	42.5	-3.61
Agro Credit S.R.L.		Drochia	Moldova	SZH	100.00	0.3	0.06
Agro-SZM S.R.L.		Drochia	Moldova	SZM	100.00	9.7	0.54
Division agriculture							
Loberaue Agrar GmbH	LOB	Rackwitz	Germany	SZAG	100.00	18.3	0.76
Rackwitzer Biogas GmbH		Rackwitz	Germany	LOB	100.00	0.0	0.00
Terra Sömmerda GmbH		Sömmerda	Germany	SZVW	100.00	8.3	-0.15
Wolteritzer Agrar GmbH		Rackwitz	Germany	LOB	100.00	0.2	0.00
Zschortauer Agrar GmbH		Rackwitz	Germany	LOB	100.00	0.0	0.00
Zschortauer Futtermittel GmbH		Rackwitz	Germany	LOB	74.00	5.4	0.33
Sugar other							
AHG Agrar-Holding GmbH		Mannheim	Germany	SZAG	100.00	0.0	* 5)
AGRANA Zucker, Stärke und Frucht Holding AG	AZS	Wien	Austria	SZAG	50.00	519.2	37.62 1) 3)
Z & S Zucker und Stärke Holding AG	Z&S	Wien	Austria	AZS	100.00		1)
AIH Agrar-Industrie-Holding GmbH		Mannheim	Germany	SZAG	100.00	0.2	0.00 4)
BGD Bodengesundheitsdienst GmbH		Mannheim	Germany	SZAG	100.00	0.0	* 5)
Südzucker Holding GmbH	SZH	Mannheim	Germany	SZAG	100.00	715.8	* 5)
Südzucker International Finance B.V.		Oud-Beijerland	Netherlands	SZAG	100.00	18.5	1.03
Südzucker Tiefkühl-Holding GmbH	SZTK	Ochsenfurt	Germany	SZAG	100.00	559.1	* 5)
Südzucker Versicherungs-Vermittlungs-GmbH		Mannheim	Germany	SZAG	51.00	1.8	1.71 2)
Südzucker Verwaltungs GmbH	SZVW	Mannheim	Germany	SZAG	100.00	10.0	* 5)
Special products segment							
Division Beneo							
BENEO GmbH	B	Mannheim	Germany	SZAG	100.00	180.5	* 5)
BENEO Asia Pacific Pte. Ltd.		Singapore	Singapore	BP	100.00	1.9	0.16
BENEO Iberica S.L. Unipersonal		Barcelona	Spain	BO	100.00	0.2	0.02
BENEO Inc.		Parsippany	USA	BP	100.00	20.5	2.16
BENEO India Private Limited		New Delhi	India	BP	99.99	0.2	0.14

* 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 from the calendar year

5) Exemption pursuant § 264 (3) HGB

6) Exemption pursuant § 264b HGB

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million
				B		0.01	
BENEO Latinoamerica Coordenação Regional Ltda.		São Paulo	Brazil	BO	100.00	0.2	-0.08
BENEO-Orafti S.A.	BO	Oreye	Belgium	BR	100.00	292.8	16.02
BENEO-Palatinit GmbH	BP	Mannheim	Germany	B	85.00	23.6	*
				SZAG	15.00		5)
BENEO-Remy N.V.	BR	Wijgmaal (Leuven)	Belgium	B	100.00	254.9	41.95
Orafti Chile S.A.		Pemuco	Chile	BO	99.99	140.4	2.15
				BP	0.01		
REMY ITALIA S.P.A.		Confianza (PV)	Italy	BR	66.70	0.7	0.02
Veniremy N.V.		Wijgmaal (Leuven)	Belgium	BR	100.00	6.9	0.22
Division Freiberger							
Freiberger Holding GmbH	FH	Berlin	Germany	SZTK	90.00	122.4	*
				SZAG	10.00		5)
Alberto Lebensmittel GmbH		Berlin	Germany	FLG KG	100.00	0.0	0.00
Crestar Crusts Inc.		Braintree	USA	RF	100.00	24.4	0.74
Favorit Lebensmittel-Vertriebs GmbH		Berlin	Germany	FIB	100.00	0.1	0.01
Feinschmecker Eiscreme und Tiefkühlkost GmbH		Berlin	Germany	FH	100.00	0.2	0.01
Feinschmecker Feinkost GmbH	FF	Berlin	Germany	FIB	100.00	0.1	0.00
Freiberger France S.A.R.L.		St. Didier au Mont d'Or	France	FIB	100.00	0.6	0.90
Freiberger GmbH		Berlin	Germany	FLG KG	100.00	0.1	0.00
Freiberger Internationale Beteiligungs GmbH	FIB	Berlin	Germany	FLG KG	100.00	212.9	*
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	FLG KG	Berlin	Germany	FH	100.00	51.6	*
Freiberger Osterweddingen GmbH & Co. KG		Sülzetal	Germany	FLG KG	100.00	0.0	*
Freiberger Polska Sp.z o.o.		Warszawa	Poland	FIB	99.00	1.8	0.48
				FF	1.00		
Freiberger UK Ltd.		Spalding	United Kingdom	FIB	100.00	4.9	4.62
Freiberger USA Inc.	FLU	Parsippany	USA	FIB	100.00	138.4	-1.80
HASA GmbH		Burg	Germany	FLG KG	100.00	14.9	*
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.		Oberhofen	Austria	FIB	100.00	11.0	3.75
Richelieu Foods Inc.	RF	Braintree	USA	RH	100.00	179.8	-1.06
Richelieu Group LLC		Braintree	USA	RF	100.00	78.1	-11.50
Richelieu Holdco Inc.	RH	Braintree	USA	FLU	100.00	0.0	0.00
Sandhof Limited	SL	Westhoughton	United Kingdom	FIB	100.00	36.0	12.70
Stateside Foods Ltd.		Westhoughton	United Kingdom	SL	100.00	19.4	1.21
Willow Foods LLC		Braintree	USA	RF	100.00	199.2	10.83
Division starch							
AGRANA Stärke GmbH	AS	Wien	Austria	AB	98.91	341.0	60.43
				ASM	1.09		
S.C. A.G.F.D. Tandarei S.r.l.		Tandarei	Romania	AS	100.00	4.2	0.77
Division PortionPack Europe							
PortionPack Europe Holding B.V.	PPEH	Oud-Beijerland	Netherlands	SZAG	100.00	25.3	1.80
Collaborative Packing Solutions [Pty] Ltd		Johannesburg	South Africa	PPEH	75.00	2.1	0.58
Portion Solutions Limited	PSL	Telford / Shropshire	United Kingdom	PPEH	100.00	11.0	1.00

* 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 from the calendar year

5) Exemption pursuant § 264 (3) HGB

6) Exemption pursuant § 264b HGB

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million
CustomPack Ltd		Telford / Shropshire	United Kingdom	PSL	100.00		
Elite Portion Pack Belgium NV		Herentals	Belgium	PPEH	100.00	0.2	0.12
				PPH	0.00		
Hellma Gastronomicky Servis Praha spol. s.r.o.		Praha	Czech Republic	PPEH	100.00	6.6	0.54
Hellma Gastronomie-Service GmbH		Nürnberg	Germany	PPEH	100.00	4.4	*
Hellma Lebensmittel-Verpackungs-Gesellschaft m.b.H		Wien	Austria	PPEH	100.00	0.7	0.16
PortionPack Holland B.V.	PPH	Oud-Beijerland	Netherlands	PPEH	100.00	5.5	1.88
SAES The Portion Company, S.L.		La Llagosta (Barcelona)	Spain	PPEH	100.00	0.7	0.06
Van Oordt Drukkerij B.V.		Oud-Beijerland	Netherlands	VOP	100.00	0.2	0.00
Van Oordt Landgraaf B.V.		Landgraaf	Netherlands	PPH	100.00	2.4	0.00
Van Oordt the portion company B.V.	VOP	Oud-Beijerland	Netherlands	PPH	100.00	14.2	2.20
CropEnergies segment							
CropEnergies AG	CEAG	Mannheim	Germany	SZAG	69.19	484.4	55.89
Biowanze S.A.		Bruxelles	Belgium	CEAG	100.00	238.9	41.74
Compagnie Financière de l'Artois SAS	CF	Loon-Plage	France	CEAG	100.00	20.5	2.69
CropEnergies Beteiligungs GmbH	CEBet	Mannheim	Germany	CEAG	100.00	152.1	**
CropEnergies Bioethanol GmbH		Zeitz	Germany	CEBet	85.00	72.4	**
				CEAG	15.00		
Ensus UK Limited		Yarm	United Kingdom	CEBet	100.00	97.0	21.26
RYSEN ALCOOLS SAS	RYS	Loon-Plage	France	CF	100.00	9.6	2.19
Ryssen Chile SpA		Lampa, Santiago de Chile	Chile	RYS	100.00	0.3	-0.15
Fruit segment							
Division fruit preparations (AGRANA Fruit)							
AGRANA Fruit S.A.S.	AF	Mitry-Mory	France	FA	100.00	131.6	-34.79
AGRANA Fruit Algeria Holding GmbH	AFAH	Wien	Austria	AIV&A	55.00	5.0	0.17
AGRANA Fruit Argentina S.A.		Buenos Aires	Argentina	AF	91.76	26.8	-0.76
				AFSS	8.24		
AGRANA Fruit Australia Pty Ltd.	AF Aus	Sydney	Australia	AF	100.00	20.4	2.81
AGRANA Fruit Austria GmbH	AFA	Gleisdorf	Austria	AF	99.98	24.0	2.04
				AIV&A	0.02		
AGRANA Fruit Brasil Indústria, Comércio, Importação e Exportação Ltda.		São Paulo - Cabreúva	Brazil	AF	99.99	8.7	0.47
				AFA	0.01		
AGRANA Fruit Dachang Co., Ltd.		Dachang	China	AF	75.00	28.0	4.37
				AFK	25.00		
AGRANA Fruit France S.A.S.		Mitry-Mory	France	AF	100.00	19.5	-0.57
AGRANA Fruit Germany GmbH		Konstanz	Germany	AF	100.00	14.4	2.18
AGRANA FRUIT INDIA PRIVATE LIMITED		Pune	India	AF	99.99	1.2	-1.58
				AFSG	0.01		
AGRANA Fruit Istanbul Gıda Sanayi ve Ticaret A.S.		Istanbul	Turkey	AF	100.00	5.8	1.20
AGRANA Fruit (Jiangsu) Company Limited		Xinbei Zone/Changzhou	China	AF	100.00	11.2	-0.88
AGRANA Fruit Korea Co. Ltd.	AFK	Seoul	South Korea	AF	100.00	15.2	1.81
AGRANA Fruit Latinoamerica S. de R.L. de C.V.		Michoacan	Mexico	AF	99.99	18.6	2.81
				AFSG	0.01		
AGRANA Fruit Luka TOV		Vinnitsa	Ukraine	AF	99.97	1.6	-0.37

* Profit and loss transfer agreement

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2) Disclosures for the last applicable financial closing

3) Voting majority

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

5) Exemption pursuant § 264 (3) HGB

6) Exemption pursuant § 264b HGB

	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million
AGRANA Fruit Management Australia Pty Limited		Sydney	Australia	AF Aus	100.00	0.3	0.13
AGRANA Fruit México, S.A. de C.V.		Michoacan	Mexico	AFUS	100.00	16.7	-0.59
AGRANA Fruit Polska SP z.o.o.		Ostroleka	Poland	AF	100.00	14.2	0.93
AGRANA Fruit Services GmbH	AFSG	Wien	Austria	AF	100.00	15.9	2.94
AGRANA Fruit Services S.A.S.	AFSS	Mitry-Mory	France	AF	100.00	-2.6	-3.09
AGRANA Fruit South Africa (Proprietary) Ltd.		Johannesburg	South Africa	AF	100.00	1.2	-0.85
AGRANA Fruit Ukraine TOV		Vinnitsa	Ukraine	AF	99.80	23.4	2.94
AGRANA Fruit US, Inc.	AFUS	Brecksville	USA	AF	100.00	74.3	1.96
AGRANA Nile Fruits Processing SAE		Qalyoubia	Egypt	AF	51.00	5.7	-0.96
Dírafrost FFI N. V.	DFFI	Lummen	Belgium	AF	100.00	1.0	0.07
Dírafrost Maroc SARL		Larach	Morocco	DFFI	100.00	1.3	-0.14
Financière Atys S.A.S.	FA	Mitry-Mory	France	AIV&A	100.00	131.4	14.37
o.o.o. AGRANA Fruit Moscow Region		Serpuchov	Russia	AF	100.00	29.4	7.50
SPA AGRANA Fruit Algeria		Akbou	Algeria	AFAH	48.97	7.5	0.56
Yube d.o.o.		Požǎega	Serbia	DFFI	100.00	0.1	-1.08
Division fruit juice concentrates (AUSTRIA JUICE)							
AUSTRIA JUICE GmbH	AJU	Allhartsberg	Austria	AIV&A	50.01	65.4	4.69
AGRANA JUICE (XIANYANG) CO., LTD		Xianyang City	China	AJU	100.00	12.1	-0.22
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Germany	AJU	100.00	-1.8	0.15
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100.00	1.2	0.00
AUSTRIA JUICE Hungary Kft.		Vásárosna-mény	Hungary	AJU	100.00	17.9	1.10
AUSTRIA JUICE Poland Sp. z.o.o		Chelm	Poland	AJU	100.00	44.0	3.02
AUSTRIA JUICE Romania S.r.l.		Vaslui	Romania	AJU	100.00	2.6	0.30
AUSTRIA JUICE Ukraine TOV		Vinnitsa	Ukraine	AJU	100.00	5.9	0.76
Frucht Übrige							
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	AIV&A	Wien	Austria	AB ASM	98.91 1.09	279.9	11.18

II. Joint ventures / associated companies

Sugar segment

Division business unit sugar

Südzucker and sales companies

Maxi S.r.l.		Bolzano	Italy	SZH	50.00	5.1	3.91
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Division AGRANA sugar

Agrana Betain

Beta Pura GmbH		Wien	Austria	ASM	50.00	15.4	-0.63
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Sugar Bosnia

"AGRAGOLD" d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00	2.7	0.21
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AGRAGOLD d.o.o.		Zagreb	Croatia	ASB	100.00	1.4	0.06
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AGRAGOLD dool Skopje		Skopje	North-Macedonia	ASB	100.00	0.3	0.17
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AGRAGOLD trgovina d.o.o.		Ljubljana	Slovenia	ASB	100.00	5.3	0.10
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AGRANA Studen Sugar Trading GmbH		Wien	Austria	ABIH	50.00	3.8	0.94
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AGRANA-STUDEN Albania sh.p.k.		Tirane	Albania	ASB	100.00	0.3	0.21
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AGRANA-STUDEN Beteiligungs GmbH	ASB	Wien	Austria	ABIH	50.00	21.3	0.05
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AGRANA-STUDEN Kosovo L.L.C.		Prishtina	Kosovo	ASB	100.00	0.4	0.26
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Company for trade and services AGRANA-STUDEN Serbia d.o.o. Beograd		Beograd	Serbia	ASB	100.00	0.1	-0.07
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STUDEN-AGRANA Rafinerija Secera d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00	0.3	-0.47
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Sugar other

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	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million	
ED&F Man Holdings Limited	EDFM	London	United Kingdom	SZH	34.37	483.3	-208.31	4)
Special products segment								
Division starch								
GreenPower Services Kft.		Szabade- gyháza	Hungary	HK	100.00	0.0	0.00	
HUNGRANA Keményítő- és Isocukorgyártó és Forgalmazó Kft.	HK	Szabade- gyháza	Hungary	AS	50.00	115.9	32.68	
CropEnergies segment								
CT Biocarbonic GmbH		Zeitz	Germany	CEBet	50.00	3.3	0.20	
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	0.0	0.00	2)
Sugar other								
Açúcar e Álcool do Sul Participações Ltda.		São Paulo	Brazil	SZH AIH	100.00 0.00	0.0	0.00	4)
Arbeitsgemeinschaft für Versuchswesen und Beratung im Zuckerrübenanbau Zeitz GmbH		Kretzschau	Germany	SZAG	80.00	0.1	0.00	
Südtrans GmbH		Mannheim	Germany	SZAG	100.00	0.1	0.00	4)
Südzucker International GmbH		Ochsenfurt	Germany	SZH	100.00	0.0	0.00	
Südzucker Reise-Service GmbH		Mannheim	Germany	SZAG	100.00	0.0	-0.02	
Südzucker Verkauf GmbH	SZV	Mannheim	Germany	SZH	100.00	0.0	0.00	
Special products segment								
Division starch								
AGRANA Amidi srl		Sterzing (BZ)	Italy	AS	100.00	0.0	0.01	
Joint ventures								
Sugar segment								
Sugar other								
Liquid Feed Europe Holding B.V.	LFEH	Oud-Beijerland	Netherlands	SZH	50.00	1.3	-0.02	2)
Liquid Feed France S.A.S.		Cagny	France	LFEH	100.00	1.3	-0.11	2)
Associated companies								
Sugar segment								
Division business unit sugar								
Sugar Belgium								
Food Port N.V.		Tienen	Belgium	RT	35.71	2.0	-0.09	2) 4)
Sugar France								
Sucrerie et Distillerie de Souppes-Ouvré Fils S.A.		Paris	France	SLS	44.50	24.3	-10.95	4)
Sugar other								
Felix Koch Offenbach Couleur und Karamel GmbH		Offenbach	Germany	SZH	25.10	7.4	1.64	2) 4)
Maritime Investment Holdings Pte. Ltd		Singapore	Singapore	SZH	25.00	4.6	-4.38	4)
Division agriculture								
Zschortauer-Glesiener Rübenrode GmbH		Schkeuditz	Germany	LOB	45.83	0.3	0.15	2)
Special products segment								
Division Beneo								

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	Shortcut	Location	Country	Direct Shareholder	%	Equity € million	Earnings after tax € million		
INVITA Australia PTE Ltd		Balgowlah	Australia	BP		35.00	5.1	0.42	4)
Division PortionPack Europe									
Collaborative Blending Solutions Proprietary Limited		Johannesburg	South Africa	CoSo		49.00	NaN	0.00	
Other participations > 20 %									
Sugar segment									
Division business unit sugar									
Sugar France									
GARDEL S.A.		Le Moule	France	SLS		24.28	53.8	4.26	4)
S.C.I.C.A ROYE DESHYDRATATION S.A.		Roye	France	SLS		20.21	5.5	0.11	4)
Division AGRANA sugar									
Sugar Hungary									
Cukoripari Egyesülés		Budapest	Hungary	MCeF		44.27	0.1	0.01	4)

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RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Mannheim, 22 April 2020

THE EXECUTIVE BOARD



Dr. Niels Pörksen
(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 29 February 2020, and the statement of profit and loss for the financial year from 1 March 2019 to 29 February 2020, 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 2019 to 29 February 2020, 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 29 February 2020 and of its financial performance for the financial year from 1 March 2019 to 29 February 2020 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:

- ① Measurement of shares in affiliated companies
- ② Provisions for litigation and risk provisioning

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

Hereinafter we present the key audit matters:

- ① Measurement of shares in affiliated companies
- ① In the Company's annual financial statements shares in affiliated companies amounting to EUR 2,764.4 million are reported under the "Financial assets" balance sheet item. Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The market price of the respective financial investment – if available – is used for the purpose of determining the fair value. In addition, the fair values of the material equity investments are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the individually determined cost of capital for the relevant financial investment. On the basis of the values determined and supplementary documentation, no write-downs were required for the financial year. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities, and financial performance, this matter was of particular significance in the context of our audit.

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

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

② Provisions for litigation and risk provisioning

① In the annual financial statements of Südzucker AG provisions for litigations and risk provisioning amounting to EUR 145.5 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.

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 separate non-financial report pursuant to §289b Abs. 3 HGB

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

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

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

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

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

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

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

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

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

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

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

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

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

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 18 July 2019. We were engaged by the supervisory board on 18 July 2019. 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, 22 April 2020

**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.

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Südzucker on the internet

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

www.suedzucker.de

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