Annual Report 2018/19

Südzucker AG

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Annual Report 2018/19

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1 March 2018 – 28 February 2019
published on 16 May 2019

On this report

The annual report is also available in German. This translation is provided for convenience only and should not be relied upon exclusively. The German version of the annual report is definitive and takes precedence over this translation. The annual report (in German and English) and the Südzucker AG financial statements can be downloaded in PDF format from Südzucker's website at www.suedzucker.de.

Südzucker AG's fiscal year is not aligned with the calendar year. It covers the period from 1 March to 28/29 February. The numbers in parenthesis in the report represent the corresponding prior year's figures or item. Numbers and percentages stated are subject to differences due to rounding.

Financial calendar

Q1 – Quarterly statement 1st quarter 2019/20	11 July 2019
Annual general meeting Fiscal 2018/19	18 July 2019
Q2 – Half year financial report 1st half year 2019/20	10 October 2019
Q3 – Quarterly statement 1st to 3rd quarter 2019/20	14 January 2020
Press and analysts' conference Fiscal 2019/20	14 May 2020
Q1 – Quarterly statement 1st quarter 2020/21	9 July 2020
Annual general meeting Fiscal 2019/20	16 July 2020

Published by:
Südzucker AG
Maximilianstraße 10
68165 Mannheim

Südzucker Group
Company profile

"We are a reliable producer of high quality food and animal feed as well as bioethanol, all of which we produce for our customers in our large-scale factories from a wide variety of agricultural raw materials.

Our aim is to grow profitably without compromising our ecological and social responsibilities as well as to sustainably boost shareholder value."

Südzucker is a multinational corporation whose sugar, special products and fruit segments are key food industry players, while its CropEnergies segment is the EU's leading bioethanol producer.

In the traditional sugar business, the group is currently operating 29 sugar factories and two refineries in Europe. The special products segment conducts business in high-growth dynamic markets consisting of the functional food ingredients for food and animal feed (BENEO) division, as well as chilled / frozen products (Freiberger), portion packs (PortionPack Europe) and starch divisions. CropEnergies is the leading producer of sustainably produced bioethanol in Europe, with business locations in Germany, Belgium, France and Great Britain. The group's fruit segment operates internationally, is the world market leader for fruit preparations and is a leading supplier of fruit juice concentrates in Europe.

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

Key Figures

		2018/19	2017/18	2016/17	2015/16	2014/15
Revenues and earnings						
Revenues	€ million	6,754	6,983	6,476	6,387	6,778
EBITDA	€ million	353	758	709	518	453
EBITDA margin	%	5.2	10.8	10.9	8.1	6.7
Operating result	€ million	27	445	426	241	181
Operating margin	%	0.4	6.4	6.6	3.8	2.7
Net earnings	€ million	−805	318	312	181	74
Cash flow and investments						
Cash flow	€ million	377	693	634	480	389
Investments in fixed assets [1]	€ million	379	361	329	371	386
Investments in financial assets / acquisitions	€ million	15	432	164	0	1
Total investments	€ million	394	793	493	371	387
Performance						
Fixed assets [1]	€ million	3,221	3,260	2,972	2,869	2,832
Goodwill	€ million	730	1,390	1,191	1,145	1,145
Working capital	€ million	2,008	1,888	1,737	1,665	1,787
Capital employed	€ million	6,072	6,650	6,012	5,791	5,877
Return on capital employed	%	0.4	6.7	7.1	4.2	3.1
Capital structure						
Total assets	€ million	8,188	9,334	8,736	8,133	8,474
Shareholders' equity	€ million	4,018	5,024	4,888	4,473	4,461
Net financial debt	€ million	1,129	843	413	555	593
Net financial debt to cash flow ratio		3.0	1.2	0.7	1.2	1.5
Equity ratio	%	49.1	53.8	56.0	55.0	52.6
Net financial debt as % of equity (gearing)	%	28.1	16.8	8.4	12.4	13.3
Shares						
Market capitalization	€ million	2,625	3,014	4,921	3,834	2,782
Total shares issued as of 28/29 February	Millions of shares	204.2	204.2	204.2	204.2	204.2
Closing price on 28/29 February	€	12.86	14.76	24.10	13.88	13.63
Earnings per share	€	−4.14	1.00	1.05	0.53	0.10
Dividend per share [2]	€	0.20	0.45	0.45	0.30	0.25
Yield as of 28/29 February	%	1.6	3.0	1.9	2.2	1.8
Employees		**19,219**	**18,515**	**16,908**	**16,486**	**17,231**

[1] Including intangible assets.
[2] 2018/19: Proposal.

TABLE 001

Revenues by segment

€ million	2018/19	2017/18	+/− in %
Sugar	2,588	3,017	−14.2
Special products	2,294	1,997	14.9
CropEnergies	693	808	−14.2
Fruit	1,179	1,161	1.5
Group total	**6,754**	**6,983**	**−3.3**

TABLE 002

Operating result by segment

€ million	2018/19	2017/18	+/− in %
Sugar	−239	139	–
Special products	156	158	−1.1
CropEnergies	33	72	−54.3
Fruit	77	76	2.2
Group total	**27**	**445**	**−93.9**

TABLE 003

Südzucker Group

→ P. 51

€ **6,754** [6,983] million CONSOLIDATED GROUP REVENUES

€ **27** [445] million GROUP CONSOLIDATED OPERATING RESULT

€ **377** [693] million CASHFLOW

€ **394** [793] million INVESTMENTS, thereof

€ **379** [361] million INVESTMENTS IN FIXED ASSETS

0.4 [6.7] % ROCE

€ **6.1** [6.6] billion CAPITAL EMPLOYED

€ **1,129** [843] million NET FINANCIAL DEBT

19,219 EMPLOYEES

OUTLOOK 2019/20

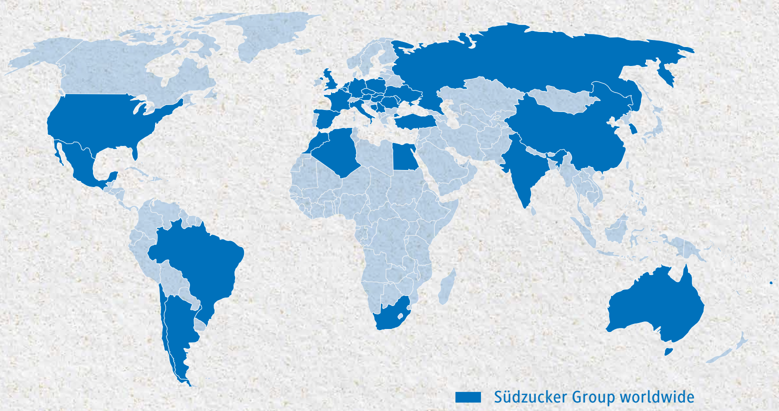
€ **6.7** to **7.0** billion CONSOLIDATED GROUP REVENUES expected

€ **0** to **100** million GROUP CONSOLIDATED OPERATING RESULT expected

CAPITAL EMPLOYED expected to rise; ROCE up to 1.5 %

LOCATIONS

over **100** PRODUCTION LOCATIONS in 33 countries



Sugar segment

→ P. 59

€ **2,588** [3,017] million REVENUES

€ **–239** [139] million OPERATING RESULT

€ **2,653** [3,299] million CAPITAL EMPLOYED

–9.0 [4.2] % ROCE

EUROPEAN MARKET LEADER

29.3 million tonnes BEETS PROCESSED

4.7 million tonnes SUGAR PRODUCED (incl. raw sugar refining)

29 SUGAR FACTORIES

9 Germany
2 Belgium
4 France
5 Poland
2 Moldova
2 Austria
1 Romania
1 Slovakia
2 Czech Republic
1 Hungary

2 REFINERIES

1 Bosnia-Herzegovina
1 Romania

Special products segment

→ P. 67

€ **2,294** [1,997] million
REVENUES

€ **156** [158] million
OPERATING RESULT

€ **2,133** [2,055] million
CAPITAL EMPLOYED

7.3 [7.7] %
ROCE

Functional ingredients for food, animal feed, non-food and pharmaceuticals

Frozen and chilled pizza as well as frozen pasta dishes and snacks

Portion packs

Starch for food and non-food sectors as well as bioethanol

28
PRODUCTION LOCATIONS

6 Germany
2 Belgium
4 Great Britain
1 Italy
2 Netherlands
4 Austria
1 Romania
1 Spain
1 Czech Republic
1 Chile
5 United States

CropEnergies segment

→ P. 72

€ **693** [808] million
REVENUES

€ **33** [72] million
OPERATING RESULT

€ **456** [452] million
CAPITAL EMPLOYED

7.2 [15.9] %
ROCE

Leading European manufacturer of sustainably produced bioethanol, predominantly for the fuel sector

ANNUAL PRODUCTION CAPACITY:

1.2 million m^3
BIOETHANOL

Factory for production of food carbon dioxide

4
PRODUCTION LOCATIONS

1 Germany
1 Belgium
1 France
1 Great Britain

Fruit segment

→ P. 77

€ **1,179** [1,161] million
REVENUES

€ **77** [76] million
OPERATING RESULT

€ **830** [844] million
CAPITAL EMPLOYED

9.3 [9.0] %
ROCE

World market leader in fruit preparations for international food companies (e.g. dairy, ice cream and baked goods industries) and leading producer of fruit juice concentrates in Europe

43
PRODUCTION LOCATIONS

2 Austria
2 Germany
2 France
7 Poland
1 Romania
1 Russia
1 Serbia
1 Turkey
3 Ukraine
5 Hungary
1 Egypt
1 Algeria
1 Argentina
1 Australia
1 Brazil
3 China
1 Fiji
1 India
1 Morocco
1 Mexico
1 South Africa
1 South Korea
4 United States

Südzucker Group's vast range of business activities provides a wealth of surprising stories and rich contrasts. We took a look around and selected a few examples that may even come as a surprise to Südzucker experts …

Unusual **comparisons** from **our company ...**

… can tell **fascinating stories.**

COMMERCIAL REGISTER ENTRY

0042

In 1926, Süddeutsche Zucker-Aktiengesellschaft, the predecessor to Südzucker AG, became one of the first companies in Mannheim to be entered into the commercial register – making it a pioneer.

FOUNDING YEAR

1926

The year Südzucker AG's direct predecessor, Süddeutsche Zucker-Aktiengesellschaft, was founded

NUMBER OF EMPLOYEES

Headcount

20,000

4.7 million t

204,183,292 shares

at a nominal value of € 1 each

>100

in 33 countries

Many facts and figures from the world of Südzucker that may seem somewhat sober at first actually paint a fascinating picture when you look at them together. In the right context, they provide an opportunity to explore surprising and exciting parallels and comparisons.

Today, the commercial register has grown to well over

700,000

entries. Our subsidiary CropEnergies, for example, is number 700 509 in the register.

1926

A year of many other great births – such as Queen Elizabeth II.

200

employees on average work at each of our roughly 100 production locations. In fact, three employees work at the biogas plant in Rackwitz and around 650 at our largest site in Offstein.

SUGAR PRODUCTION 2018/19

926 km

would be the length of a freight train carrying this amount of sugar in 1-kilogram Südzucker packages – the distance between Mannheim, Germany, and Marseille, France.

NUMBER OF SHARES 2018/19

408 km

would be the height of the corresponding stack of € 1 coins – the distance from the earth to the International Space Station.

PRODUCTION LOCATIONS 2018/19

This means that Südzucker produces in almost every sixth country in the world.

It’s amazing what a **single mouse** can do.

Turn to
p. 23

To our **shareholders**

MANNHEIM, 24 APRIL 2019

Dear Shareholders,

One topic above all dominated the agenda last fiscal year; namely, global and European sugar market developments and their impact on our sugar segment.

Ever since the EU made the political decision to allow key European sugar market regulations to expire at the end of September 2017, we have been creating the preconditions that will allow the sugar segment to meet the challenges ahead. Among these were steps to improve capacity utilization, such as extending campaign durations, and the strategy to export higher sugar volumes to regions outside Europe. Even back then it was already clear that global market volume and price fluctuations would have a greater impact on the European sugar market than before. But the degree to which global and European market volumes would expand and prices plummet was unforeseeable. Neither was it possible to predict that sugar prices would remain so far below the 350 €/t mark for so long – a price level at which we do not believe sugar can be sustainably and economically produced.

Although we have achieved much through the cost-cutting and efficiency programs implemented to date, the market distortions have overwhelmed the expected paybacks. The causes of these developments are manifold. For example, key producers such as India and Pakistan vastly expanded their sugar production volumes and are exporting their subsidized products globally. Political interventions are not only distorting the global markets, but also those of the EU. For instance, eleven EU member states have implemented coupled beet farming premiums, which is totally inconsistent with the principle of a common European sugar market. A further inconsistency is the way various nations are handling the approval and use of plant protection products in the EU. In short, we are operating in a market in which unfair competitive practices are rampant.

Sugar segment reports operating loss and restructuring plan

The dire consequences can be seen in the numbers for fiscal 2018/19. Although the sugar segment's revenues dropped "only" 14 % to € 2.6 billion, the segment reported an operating loss of € 239 million, all of which was generated in the second half of the fiscal year, as the historically low price in the EU was reflected in contracts with sugar buyers in sugar marketing year 2018/19.

The situation demanded a reassessment of the general operating framework and an adaptation of the strategy for the sugar segment. In future, the segment will focus more on producing sugar to meet European needs, while continuing to maximize capacity utilization at its sugar factories. As a result, annual production will be cut by about 700,000 tonnes of sugar and factories will be closed. The impacted plants include two in Germany – Brottewitz and Warburg – two at the French subsidiary Saint Louis Sucre – Cagny and Eppeville – and one factory at the Polish subsidiary Südzucker Polska – Strzyżów. The administrative organizations of the respective subsidiaries and of Südzucker AG will also be restructured. These steps will generate total future cost savings of as much as € 100 million annually – depending on the global market price of sugar.

The decision, which we discussed in detail with the supervisory board, was not an easy one to make, especially after we, our employees and beet farmers had proven during the record 2017 campaign that all of the steps we had taken to adjust our beet farming, sugar production, logistics and sales and marketing for the market situation after expiry of the sugar quotas, had passed the test.

But the ongoing difficult situation has forced us to take drastic steps. We are well aware that closing factories will especially impact our beet farmers and employees. Nevertheless, we are firmly convinced that the right time to make a decision about structural adjustments had come, and that further waiting would have been irresponsible and not in the interests of the company as a whole.

Special products segment growth satisfactory

The special products segment's growth continued to be largely stable. Driven by additional volumes in the American pizza market after the acquisition of Richelieu Foods Inc., the local market leader, the segment's overall revenue was up 15 % to € 2.3 billion. But the higher revenues are not reflected in the segment's result of € 156 million as much as we had hoped. This is in part due to the record results posted for the two previous years, and due to the collapse of sugar prices, which flowed through to some of the special products segment's product categories. We continue to execute our strategic plan for the special products segment, in which we bundle our functional food ingredients, frozen pizza, starch and PortionPack divisions. We added these extra pillars to the group very early so that we would not have to rely entirely on the sugar business. We are presently reaping the benefits of this strategy.

Positive political signals for CropEnergies

In contrast to the situation in the sugar segment, there were positive policy signals in Europe for the CropEnergies segment. The updated Renewable Energy Directive that came into force in December 2018 gives sustainably produced renewable fuels an opportunity to contribute to climate protection. It stipulates that the share of renewable energies in the transport sector shall rise to 14 %, which in turn translates into future rising demand for fuels made from crops, like those produced by CropEnergies.

One advantage the business unit has compared to the sugar segment is that it can adjust production capacities to suit demand and sales revenues relatively quickly. We took advantage of that flexibility and temporarily suspended operations at the British factory in Wilton. Nevertheless, wide short-term ethanol price fluctuations and slightly higher raw material prices left their mark: Segment revenues came in at € 693 million, but at € 33 million, the operating result was half the previous year's.

Fruit segment continues to expand globally

After a weak start in fiscal 2018/19, the fruit segment was able to report better results in the second half. Revenues of € 1.2 billion and an operating result of € 77 million were slightly higher than the year prior. The strategy to follow large customers in their growth markets again paid off last fiscal year. Two success factors play a key role here. The first is to build a global presence. AGRANA Fruit has already made significant progress with its fruit preparations production business. In July 2018, the company added new locations when it acquired a 49 % stake in Elafruits in Algeria, and in March 2019 it commissioned a second factory in China. This brings the total number of AGRANA fruit production plants to 28 sites in 21 countries. AUSTRIA JUICE is also marketing its products worldwide. The second success factor is being able to offer customers innovative solutions, thereby directly meeting consumer demand trends.

Recommended dividend: € 0.20

Although individual group segments have reported excellent growth, the difficult group development phase we are expecting is now unfortunately also clearly reflected in the financial numbers for the fiscal year 2018/19 just ended. The high sugar segment losses have had a sharp impact, the outcome of which is a consolidated group operating result of only € 27 million on consolidated group revenues of € 6.8 billion. The aforementioned restructuring plan included a review of the recoverability of sugar segment goodwill, which led to a valuation readjustment of around € 670 million. The group will also incur further restructuring expenses of about € 140 million, of which about € 110 million relate to revaluation of fixed assets.

In spite of all this, we have decided to recommend a dividend payment of € 0.20 (0.45) per share, corresponding to a distribution of € 41 million. This is being done to maintain our dividend policy of focusing on continuity and sustainable results growth. We and the supervisory board will present this recommendation at the annual general meeting where you, dear shareholders, can vote on our proposal.

At this juncture, we want to thank you, our shareholders, for your loyalty toward Südzucker during these difficult times. Your trust motivates us. Nevertheless, you of course want to know where the journey with Südzucker will lead you. We cannot yet give you any truly satisfactory predictions for the sugar segment. We are in the midst of the difficult transition phase we previously announced and which we expect to last at least two years, as we have always clearly communicated. It is also because this fundamental readjustment phase of the sugar market will take several years. We continue to work on stabilizing, strengthening and further developing the sugar segment. The announced restructuring plan is a key component of our strategy.

Our projects to enhance value added depth, such as producing liquid animal feed or meat substitutes made from proteins, will also contribute positively. For instance, we want to extract natural crystalline betaine, which can be used in animal feed, food supplements, sports drinks and cosmetics, from sugar beet molasses. An innovative bioplastic binder made from starch, which is 100 % degradable in household compost, is designed to meet the societal trend toward avoiding plastics.

Sugar segment weighs on group outlook

The forecast for the current 2019/20 fiscal year is being made against a backdrop of very volatile sugar and ethanol markets. We currently foresee consolidated group revenues of € 6.7 to 7.0 billion and a consolidated group operating result ranging between € 0 and 100 million.

The restructuring plan for the sugar segment will not have an immediate impact. This is partly because we have just started to execute the plan, and in part because the sugar market's response will be delayed. Prices will not recover in the first half of the fiscal year, but we are expecting sales revenues for the 2019/20 sugar marketing year to improve. The extent to which world or EU market developments will thwart our efforts remains to be seen at this point in time. Given this situation, we expect another operating loss of € –200 to –300 million. The special products and fruit segments will reliably contribute to the consolidated group result, as they did in fiscal 2018/19. We expect both segments to report stronger results. CropEnergies is caught between grain market developments and the ups and downs of ethanol prices. This is why the range for operating result expectations is so wide at € 20 to 70 million.

We are guiding Südzucker through turbulent times, which will have a profound impact on many of the people associated with the company. But now more than ever, we are relying on your total commitment and trust, so that we can implement the planned changes. We thank our reliable and committed employees for the work they did for "their" Südzucker last year under very difficult circumstances. If all do their part, we will also persevere during another difficult sugar segment phase and once again be able to look reliably into the future. And we thank you, our shareholders, for your loyalty.

Yours truly,

Südzucker AG
Executive Board

DR. WOLFGANG HEER
CHAIRMAN

DR. THOMAS KIRCHBERG

THOMAS KÖLBL

JOHANN MARIHART

EXECUTIVE BOARD [1]

Dr. Wolfgang Heer

Ludwigshafen am Rhein, Germany
Chairman

Initial appointment: 1 March 2008
Chairman since 20 November 2012
Term ends: 28 February 2021

Born in 1956. Enrolled at the University of Karlsruhe, Germany in 1978 to study industrial engineering. Began his career at the headquarters of Süddeutsche Zucker-Aktiengesellschaft in Mannheim, Germany in 1987. Appointed as a founding member of the management board of Südzucker GmbH, Zeitz, Germany in 1991. Named head of Südzucker AG corporate business administration department in 1995. Chairman of Freiberger Lebensmittel GmbH in Berlin, Germany since 1997. Speaker of Südzucker AG's executive board from 2009 to 2012 and CEO since 2012.

Portfolios

- Sales
- Strategy
- Public relations
- Compliance
- Human resources
- Organization / IT
- Audit
- Quality management
- Convenience Food / Functional Food

Dr. Thomas Kirchberg

Ochsenfurt, Germany

Initial appointment: 1 September 2007
Term ends: 31 August 2022

Born in 1960. Enrolled in agricultural studies in Göttingen, Germany. Joined Südzucker AG in Ochsenfurt, Germany in 1989. Appointed acting manager of the central region in 1991 and manager in 1995. Appointed chairman of Südzucker International in 1997 and a year later, also took responsibility for Moldova. Named speaker of the executive board of Südzucker Polska in 2004. Member of Südzucker AG's executive board since September 2007.

Portfolios

- Agricultural commodities
- Production
- Research & Development
- By-products
- Farms

Thomas Kölbl
Speyer, Germany

Initial appointment: 1 June 2004

Term ends: 31 May 2024

Born in 1962. Started his career as an industrial business manager, then enrolled in business administration at the University of Mannheim, Germany. Joined Südzucker in 1990. Director of strategic corporate planning, corporate development and investments prior to being appointed to the executive board in 2004. Member of the executive board of AGRANA Beteiligungs-AG since 2005.

Portfolios

- Finance / accounting
- Controlling
- Investor relations
- Legal issues
- Taxation
- Procurement
- Property / insurance
- Bioethanol (CropEnergies)

Johann Marihart
Limberg, Austria

Initial appointment: 31 January 1994

Term ends: 28 February 2021

Born in 1950. Studied engineering chemistry at the Vienna University of Technology, majoring in biotechnology and food chemistry. Started his career at a pharmaceutical company before joining AGRANA in 1976 at its Gmünd starch factory. Member of the executive board of AGRANA Beteiligungs-AG since 1988 and chairman since 1992. Member of Südzucker AG's executive board since 1994, responsible for the portfolios within the AGRANA Group.

Portfolios

- Sugar (AGRANA)
- Starch (AGRANA)
- Fruit

[1] Other board memberships are listed starting on page 193.

SUPERVISORY BOARD [1]

Dr. Hans-Jörg Gebhard
Chairman
Eppingen, Germany

Chairman of the Association of Süddeutsche Zuckerrübenanbauer e. V.

Franz-Josef Möllenberg [2]
First Deputy Chairman
Rellingen, Germany

Former Trade Union Chairman of the Food and Catering Union

Erwin Hameseder
Second Deputy Chairman
Mühldorf, Austria

Chairman of Raiffeisen-Holding Lower Austria – Vienna reg. Gen. m.g.H.

Thomas Bernhard [2]
Wunstorf, Germany

Trade union secretary of the Food and Catering Union

Helmut Friedl
Egling a. d. Paar, Germany

Chairman of the Association of Bayerische Zuckerrübenanbauer e. V.

Ulrich Gruber [2]
Plattling, Germany

Deputy chairman of the central works council of Südzucker AG

Veronika Haslinger
Vienna, Austria

Managing Director of Raiffeisen-Holding Lower Austria – Vienna reg. Gen. m.g.H.

Georg Koch
Wabern, Germany

Chairman of the Association of Zuckerrübenanbauer Kassel e. V.

Susanne Kunschert
Stuttgart, Germany

Managing Director of Pilz GmbH & Co. KG

Walter Manz [3]
Dexheim, Germany

Chairman of the Association of Hessisch-Pfälzische Zuckerrübenanbauer e. V.

Julia Merkel
Wiesbaden, Germany

Member of the executive board of R+V Versicherung AG

Sabine Möller [2]
Hamburg, Germany

Divisional officer of the Food and Catering Union

Angela Nguyen [2]
Biederitz, Germany

Deputy chairwoman of the works council of Freiberger Osterweddingen GmbH & Co. KG

Ulrike Rösch [2]
Bellheim, Germany

Deputy chairwoman of the works council at the Mannheim headquarters of Südzucker AG

Joachim Rukwied
Eberstadt, Germany

Chairman of the German Farmers' Association

Bernd Frank Sachse [2]
Zeitz, Germany

Chairman of the works council at the Zeitz factory

Nadine Seidemann [2]
Donauwörth, Germany

Deputy chairwoman of the works council at the Rain factory of Südzucker AG

Dr. Stefan Streng
Uffenheim, Germany

Chairman of the Association of Fränkische Zuckerrübenbauer e. V.

Wolfgang Vogl [2]
Bernried, Germany

Head of the Plattling and Rain factories of Südzucker AG

Rolf Wiederhold [2]
Wabern, Germany

Chairman of the central works council of Südzucker AG

[1] Other board memberships are listed starting on page 193.
[2] Employee representative.
[3] After the end of fiscal 2018/19, the Mannheim registration court appointed Mr. Walter Manz to succeed Mr. Ralf Hentzschel, who had resigned from the supervisory board.

REPORT OF THE SUPERVISORY BOARD

DR. HANS-JÖRG GEBHARD

CHAIRMAN

Ladies and Gentleman,

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

On all other matters as well, the supervisory board continued to work with the executive board on the basis of mutual trust and in the spirit of a results-oriented team in fiscal 2018/19. Important strategic decisions were made after in depth discussion and action taken on the basis of the conclusions. In doing so, we concentrated on the tasks for which we are responsible by law, the company's articles of association and the rules of procedure: to monitor and advise the executive board in the latter's management of the company.

The supervisory board was directly involved in all decisions of material importance affecting Südzucker Group and was continuously advised in detail and in a timely manner on all issues related to corporate planning and further strategic development, business activities, the status and development of Südzucker Group including risk situation, as well as risk management and compliance.

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

Supervisory board meetings and decisions

The supervisory board met with the executive board at four ordinary meetings and one extraordinary meeting in fiscal 2018/19. The supervisory board approved all of the executive board's decisions after a thorough review and discussions during the meeting.

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

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

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

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

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

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

Attendance

One member was excused at the meeting of 16 May 2018 but participated in the decision via a written vote. Two members were excused at the extraordinary meeting of 25 February 2019. One absentee member participated in the decision via a written vote. Otherwise, all supervisory board members personally attended the meetings. No member of the supervisory board took part in only half or fewer than half of the board's meetings or of its committees.

Supervisory board committees

The supervisory board set up five committees to enable its efficient fulfillment of duties (executive committee, mediation committee, audit committee, agricultural committee and 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 seven times in fiscal 2018/19 – prior to the meetings on 16 May 2018, on 18 July 2018, on 9 October 2018, on 30 January 2019, on 25 February 2019, as well as on 7 and 15 November 2018. The topics discussed at the meetings were executive board personnel planning, the responsibility of corporate bodies, executive remuneration and the strategy for the sugar segment.

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

At its 8 May 2018 meeting and in the presence of the external auditors PwC it discussed matters relating to the annual financial statements of Südzucker AG and the consolidated financial statements. It prepared the supervisory board financial review meeting - at which the chair of the audit committee reported - and approved the recommendations of the audit committee. In addition, it discussed the recommendation regarding the appointment of the auditors, checked their independence and finally submitted a recommendation to the supervisory board in favor of the appointment of PwC as auditors for the financial year. The supervisory board also dealt with the subject compliance. At the meeting on 18 July 2018 the audit committee discussed the auditor's quotation for the audit assignment and awarded – subject to election of the auditor at the annual general meeting on 19 July 2018 – the audit assignment for the annual audit and the audit of the non-financial declaration (Limited Assurance). In the 9 October 2018 audit committee meeting, the auditors dealt with monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal audit system, as instructed by the supervisory board. Another agenda item was the discussion of the half-year financial report.

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

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

The **agricultural committee** convened on 15 November 2018. Südzucker AG's agricultural division presented its report and provided information about the Kirschgartshausen experimental farm. Research topics surrounding beet cultivation were also discussed.

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

The **mediation committee** had no reason to convene in fiscal year 2018/19. Neither did the **social committee** meet.

Supervisory board effectiveness test

In accordance with paragraph 5.6 of the German Corporate Governance Code, the supervisory board again conducted a test of its effectiveness. This is done annually using a questionnaire, without external assistance. Each year, the questionnaire is revised according to the latest changes to the code. The questionnaire was assessed in the meeting on 15 November 2018, at which time the results were discussed and improvement recommendations made. The aim is to continuously improve the work of the supervisory board and its committees.

Compliance

On 8 January 2019, the executive board, external auditor, chairman of the supervisory board and audit committee sat for the regular fraud and corruption risks review meeting. The topics presented and discussed included the assessment of business risks and measures to limit the risks arising from fraud and corruption.

Corporate governance

A detailed description of corporate governance at Südzucker, including the wording of the supervisory board's diversity goals for its future composition and the declaration of compliance for 2018 issued by the executive and supervisory boards, can be reviewed in the corporate governance report. In addition, all relevant information is available on the Internet at www.suedzucker.de/en/Investor-Relations/Corporate-Governance.

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

Conflicts of interest

Prior to the extraordinary meeting of 25 February 2019 regarding the restructuring plan for the sugar segment, one member of the supervisory board acknowledged a conflict of interest and thus neither took part in the meeting nor submitted a written vote. Otherwise, the supervisory board was not advised in fiscal 2018/19 of any conflict of interest on the part of any of its members, nor of members of the executive board, especially one that could arise as a result of a consultation or board duty related to customers, suppliers, creditors or other business partners.

Financial statements

The auditors PwC were selected by the shareholders at the annual general meeting at the recommendation of the supervisory board. PwC has reviewed the financial statements and management report of Südzucker AG for fiscal 2018/19, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2018/19 and issued a qualified audit opinion on each of them. The auditor also confirmed that the executive board suitably complied with its duties as outlined in article 91, paragraph 2 of the German Stock Corporation Act (AktG). In particular, it established an appropriate information and monitoring system that meets the needs of the company and that is suitable for early detection of developments that may threaten the company's survival. PwC has audited the group and individual financial statements since the 2003/04 fiscal year. Michael Conrad has been the responsible auditor at PwC for Südzucker AG since 2016/17.

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

The documents to be audited and the PwC audit reports were sent to each supervisory board member in a timely manner. Representatives of the auditors PwC participated in the audit committee's 7 May 2019 meeting and in the supervisory board's financial review meeting of 15 May 2019 and provided a detailed report on the proceedings and result of the audit of the financial statements and the non-financial statement (Limited Assurance). After carefully reviewing the auditor's reports, the supervisory board agreed with the results of the PwC audit. The results of the preliminary review by the audit committee and the results of its own review are in complete agreement with the results of the external audit. The supervisory board raised no objections to the audit reports submitted. In its meeting of 15 May 2019, it endorsed the financial statements for Südzucker AG and consolidated Südzucker Group financial statements prepared by the executive board. The financial statements of Südzucker AG are thus adopted.

The supervisory board concurs with the executive board's recommendation made on 27 March 2019 regarding the distribution of a dividend in the amount of € 0.20 per share.

Personnel

Supervisory board personnel changes were as follows:

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

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

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

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

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

Mannheim, Germany, 15 May 2019

On behalf of the supervisory board

DR. HANS-JÖRG GEBHARD
CHAIRMAN

SÜDZUCKER SHARES AND CAPITAL MARKET

Capital market environment

After a very successful year for stock markets and the economy in 2017, the trend reversed in 2018. Political risks in particular, such as the escalating trade dispute between the United States and China and the uncertainty surrounding Brexit, cast a shadow over market sentiment and economic activity and caused stock markets to trend lower amid increasing volatility. A solution to the countless conflicts was still nowhere in sight at the start of 2019.

In Germany, the shifting sentiments and cooling economy impacted exporters especially. Many internationally active companies listed on the DAX® issued profit warnings during the second half of the year.

After reaching a record high in January 2018, the DAX® was down sharply over the course of 2018, falling 18 %. On 28 February 2019, it closed at 11,516. In the United States, the Dow Jones and Nasdaq indices reached record highs at the beginning of October 2018, before also being dragged into the downward spiral. At the beginning of 2019, global stock markets saw a solid recovery, driven especially by technology stocks.

The European Central Bank (ECB) left its key interest rate at 0 %, thereby maintaining its low interest rate policy. The bank had continued to buy investment-grade corporate and government bonds. It continues to refinance its existing bond portfolio, which serves to provide the stock, bond and real estate markets with ongoing liquidity.

On the bond market, the ten-year federal bond went from a two-year high of 0.77 % at the beginning of February 2018 to 0.18 % on 28 February 2019.

Südzucker's share price performance

On 26 March 2018, Südzucker issued an ad-hoc announcement to prepare capital markets for anticipated operating losses in the sugar segment in fiscal 2018/19 due to the impact of the EU's deregulation of its sugar market effective 1 October 2017.

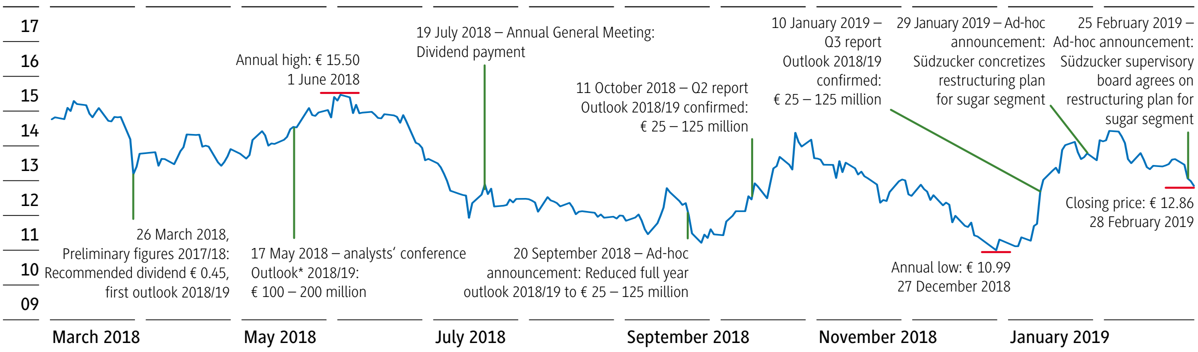
After the announcement on 10 January 2019 for the third quarter of fiscal 2018/19, Südzucker shares rose sharply as signs of an improved volume balance in the European and world sugar market emerged.

After a sugar segment restructuring plan was announced in an ad-hoc release dated 29 January 2019, the company's share price climbed further. Following a second ad-hoc release on 25 February 2019, the stock fell and closed at € 12.86 on 28 February 2019.

During the period under review, the share price declined 10 % overall. During the same period, the SDAX® retreated 11 % to 10,805.

Südzucker's share price performance

1 March 2018 to 28 February 2019
Share price in €



* The forecast relates to the expected consolidated group operating result during the respective fiscal year.

DIAGRAM 001

Südzucker share data

		2018/19	2017/18
Market capitalization [1]	€ million	2,625	3,014
Freefloat - market capitalization [1]	€ million	892	1,025
Number of shares issued at € 1 [1]	million shares	204.2	204.2
Xetra® closing price [1]	€	12.86	14.76
High for the year (Xetra®)	€	15.51	24.27
Low for the year (Xetra®)	€	10.99	14.73
Average trading volume / day [2]	thousand of shares	851	1,222
Cumulative trading turnover	€ million	2,832	5,575
Closing rate SDAX® / prior year: MDAX® [1]	points	10,805	26,275
Performance Südzucker share (1 March to 28 February) [3,4]	%	−9.7	−37.2
Performance SDAX® / prior year: MDAX® (1 March to 28 February) [4]	%	−11.0	12.5
Dividend [5]	€/share	0.20	0.45
Dividend yield	%	1.6	3.0
Earnings per share	€	−4.14	1.00

[1] Balance sheet date.
[2] Total daily trading volume on all German stock exchanges where the share is admitted for trading.
[3] Südzucker total return index, considers share development and dividend distribution.
[4] Südzucker shares have been listed in the SDAX® since the 2018/19 financial year; Südzucker shares were listed in the MDAX® until the end of the 2017/18 financial year, so the performance of Südzucker shares in the 2018/19 financial year is compared with the performance of the SDAX®, compared with that of the MDAX® in the previous year.
[5] 2018/19: Proposal.

TABLE 004

Shareholder structure stable

Südzucker AG continued to have two major long-term shareholders. As of 28 February 2019, SZVG held 58.2 % of Südzucker AG's shares (own shares and fiduciary shares), Zucker Invest GmbH, the second major shareholder representing Austrian shareholders of Raiffeisengruppe, held 10.3 % of the shares. The free float portion of Südzucker shares, 31.5 %, is held by private investors, investment funds, pension funds and insurance companies in Europe and North America.

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

1 March 2014 to 28 February 2019
(Indexed) in %

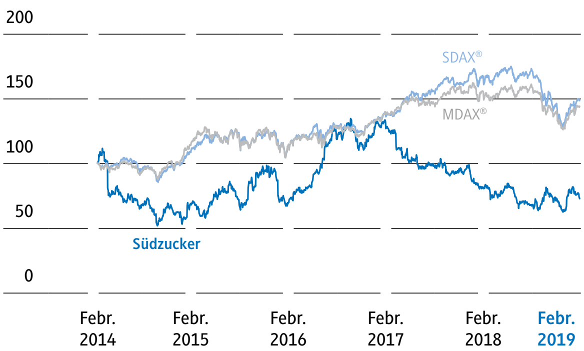


DIAGRAM 002

Südzucker share listed in the SDAX®

On 5 March 2018, Deutsche Börse announced changes to its stock market indices. As a result, Südzucker, one of the original MDAX® companies, was moved from the MDAX® to the SDAX® effective 19 March 2018 based on its relatively low market capitalization. Since the index reform on 24 September 2018, the SDAX® comprises the 70 (previously 50) largest and most frequently traded companies ranked below the MDAX®.

Investment-grade rating confirmed

Südzucker's clear strategic aim is to maintain and confirm its investment-grade rating. The company's conservative financial policies focus on strong balance sheet and cash flow indicators.

Südzucker AG bonds

Bond	Coupon	Volume	ISIN	Listed on
Hybrid bond 2005 Perpetual NC 10[1]	variable	€ 700 million	XS0222524372	Luxembourg (regulated market)
Bond 2016/2023	1.250 %	€ 300 million	XS1524573752	Luxembourg (regulated market)
Bond 2017/2025	1.000 %	€ 500 million	XS1724873275	Luxembourg (regulated market)

[1] First issuer call right for Südzucker as of 30 June 2015; subject to Südzucker having issued, within the twelve months preceding the call becoming effective, parity securities and / or junior securities (hybrid capital or shares) under terms and conditions similar to those of the bond (according to § 6 para. 5 and 6 of terms and conditions).

TABLE 005

Südzucker has commissioned Moody's rating agency since 1991 to evaluate and publish its corporate credit profile. In addition, Standard & Poor's (S&P) has evaluated the creditworthiness of the company and its bonds since 2003. Südzucker has always received an investment-grade rating, which is a testament to the company's strong creditworthiness, as well as its sustainable cash flow and earnings capacity.

On 5 April 2018, Moody's confirmed the company's corporate and bond rating of Baa2 and revised the outlook to negative. On 12 December 2018, the agency downgraded the rating to Baa3 and held the negative outlook. Moody's left the hybrid bond equity credit rating unchanged at 75 %.

S&P confirmed its long-term corporate rating of BBB on 31 May 2018 and changed the outlook at negative. On 18 January 2019 the corporate rating was downgraded to BBB– and the outlook revised to stable. The subordinated hybrid bond was recognized at 50 % equity.

Communications with the capital markets

The executive board and investor relations department presented the group's development to investors, analysts and other market players at countless European financial centers. Südzucker published key information on its website in a timely and transparent manner.

Südzucker share stock market data

ISIN	DE 000 729 700 4
WKN	729 700
Trading places	Xetra®, Frankfurt, Stuttgart, Munich, Hamburg, Berlin, Düsseldorf, Hanover (over-the-counter)
Ticker symbol	SZU
Reuters ticker symbol	SZUG.DE (Xetra®), SZUG.F (Frankfurt)
Bloomberg ticker symbol	SZU GY (Xetra®)

TABLE 006

We love a **mouse** . . .

… a certain **mechanical kind**, that is.

Ropa Maus 5 beet loader

THE MOST SPECTACULAR LOADER

31 t

One beet loader weighs as much as over a million mice.

MAXIMUM SPEED

40 km/h

9 m

Counterweight arm

MORTAL ENEMY

Rust

32 years

Launched in 1987

LENGTH

14.97 m

Total length when folded in to a width of 3 meters.

Known in Germany as a "Lade-Maus", or "loading mouse", beet loaders make their way across fields of sugar beets every season. The contrast between these giants of agriculture, weighing in at several tonnes, and the stature of an actual mouse inspires joy and mirth in the German-speaking world.

Common vole "Microtus arvalis"

THE FEARLESS EXPLORER

WEIGHT

approx.
30 g

8 km/h
A beet loader is five times as fast, but the common vole is still more agile and less conspicuous.

BALANCE

approx.
35 mm
Tail

Barn owl
Eats some 2,200 mice a year.

AGE

145 million years
Rodent from the age of dinosaurs

11 cm
To be as long as a beet load, 136 common voles would have to form a chain.

A 31-tonne "mouse"?

Why do people in Germany call a beet loader, a large and heavy piece of agricultural equipment, a "mouse"? The name can be traced back to the engineers Erich Fischer and Hermann Paintner. During development, they needed to come up with a name for the machine they were spending so much time with. The nickname "mouse" was initially meant as a joke – but it stuck around. Other devices, such as sugar beet harvesters, would later also be named after animals, with the "Tiger" and the "Panther" following in the footsteps of the mouse.

Want to know more about some of the **unique customers** who love our products?

Turn to
p. 105

Consolidated management report

ABOUT THE GROUP

Group structure

Südzucker AG, a German stock corporation based in Mannheim, is the parent company of Südzucker Group and also its largest operating company. The consolidated financial statements include the parent company – Südzucker AG – and 156 (158) other entities, of which Südzucker AG is directly or indirectly the majority shareholder. A total of 16 (17) of those entities were accounted for in the consolidated financial statement using the equity method. For additional details about Südzucker's share ownership in other companies, please see the list of shareholdings in item 38 of the notes to the consolidated financial statements ("List of shareholdings in accordance with section 313 (2) HGB") to this annual report.

Südzucker Group comprises four segments: sugar, special products, CropEnergies and fruit. The sugar, special products and fruit segments are further subdivided into ten divisions that manage the day-to-day operational businesses. The CropEnergies segment is managed as an independent corporate entity.

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

Sugar segment

The sugar segment produces and markets sugar, sugar specialties and animal feed. The segment comprises the sugar division including four production companies located in Belgium (Raffinerie Tirlemontoise S.A., Tienen), Germany (Südzucker AG, Mannheim), France (Saint Louis Sucre S.A.S., Paris) and Poland (Südzucker Polska S.A., Wrocław) as well as distributors in Greece, the United Kingdom, Israel, Italy and Spain. The AGRANA sugar division's production operations are located in Austria, Romania, Slovakia, the Czech Republic and Hungary. There is also a sugar production division in Moldova (Südzucker Moldova S.A., Chişinău) and an agricultural division (Südzucker AG, agricultural division and Loberaue Agrar GmbH, Rackwitz, Germany; Terra Sömmerda GmbH, Sömmerda, Germany). The following entities have been accounted for in the consolidated financial statements using the equity method: British trading company ED&F Man Holdings

SUGAR SEGMENT

4 Divisions

- Business unit sugar
  Belgium: 2 sugar factories
  Germany: 9 sugar factories
  France: 4 sugar factories
  Poland: 5 sugar factories
- Moldova: 2 sugar factories
- Agriculture
- AGRANA sugar
  Austria: 2 sugar factories
  Romania: 1 sugar factory, 1 refinery
  Slovakia: 1 sugar factory
  Czech Republic: 2 sugar factories
  Hungary: 1 sugar factory

Investments / Joint venture

- ED&F MAN, Great Britain
  (35 % share)
- Agrana-Studen
  (refinery Bosnia, 50 % Joint venture)

SPECIAL PRODUCTS SEGMENT

4 Divisions

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

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

- Portion packs
- 6 production locations

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

CROPENERGIES SEGMENT

- One of the leading European manufacturers of sustainably produced bioethanol, predominantly for the fuel sector, as well as protein feed
- 4 production locations

FRUIT SEGMENT

2 Divisions

- Fruit preparations (AGRANA Fruit)
  Fruit preparations for international food companies
  28 production locations around the world
- Fruit juice concentrates (AUSTRIA JUICE)
  Fruit juice concentrates, fruit purees, natural flavors, beverage ingredients and pure juice for the fruit juice industry
  15 production locations in Europe and China

DIAGRAM 003

Limited, the AGRANA-Studen Group (including its sugar production operation in Bosnia) and Maxi S.r.l., an Italian marketing joint venture.

Special products segment

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

CropEnergies segment

Südzucker Group's bioethanol business, with its four production sites in Germany, Belgium, France and the United Kingdom as well as trading activities in Brazil and Chile, is managed under the CropEnergies segment as a listed stock corporation. CropEnergies is a leading manufacturer of sustainably produced bioethanol for the fuel sector in Europe. The company also produces food and animal feed. CropEnergies owns 50 % of CT Biocarbonic GmbH, which has been operating a food-grade CO_2 liquification plant in Zeitz. The company is included in the consolidated financial statements as an equity-accounted investment.

Fruit segment

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

Group management

Südzucker AG's executive board independently manages the businesses and is supervised and guided by the supervisory board. The executive board is bound to work in the corporation's interests and is responsible for increasing shareholder value. The executive board members are jointly responsible for managing the entire company. 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 in-house corporate policies and that group companies adhere to these rules (compliance).

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

Value based management

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

Südzucker uses a consistent group-wide reporting and budgeting system together with centrally defined key indicators. The key indicator for the group and segments is operating result. Another key indicator, used exclusively at the group level, is return on capital employed or 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 (ROCE) 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 pursues a clear strategy to confirm its investment-grade rating. Taking into consideration terms to maturity and interest rates Südzucker operates an optimized mix of financial instruments, 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).

Additional information on operating result per segment and key indicators related to capital structure are outlined in the "Business report" section. Item 21, "Intangible assets" in the notes to the annual report outlines how the costs of equity are derived. Additional information regarding financing management and details about the financial instruments used are provided in the notes to the financial statements under item 30, "Financial liabilities, securities and cash and cash equivalents (net financial debt)".

Business model

Under Südzucker's business model, the company acquires agricultural raw materials for the purpose of large-scale processing and refining to produce high-quality foods, animal feed and biofuels, then distributes and sells the products.

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

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

We service the food industry, retailers, and the animal feed and petroleum industries with these products. We are customer focused and reliable, and we 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 regionally diverse markets help mitigate our risks. From a long-term perspective, the growing world population and rising incomes favor our businesses.

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

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

Strategy

Our aim is to grow profitably and sustainably boost shareholder value without compromising our ecological and social responsibilities.

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

Our group strategy continues to apply to all segments:

We focus on global megatrends

The global megatrends – expanding world population and rising incomes – continuously increase demand for food and animal feed, as well as renewable energy. Trends toward alternative and functional food ingredients as well as convenience products are also strengthening. We continue to align our business segments with these trends.

Südzucker Group's four segments conduct business in sectors that will benefit from these megatrends, both in the medium and long- term. Demand for our products will continue to rise, especially in the emerging nations.

We aim to grow market share in our business sectors

We want to have a leading position and/or expand in our target market sectors. Our aim here is to be number one or a strong number two. To achieve this, we depend on both acquisitions and organic growth.

We focus on our core competencies

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

The individual segments focus on the following:

Sugar segment
- align capacities with the European market
- further grow market share in the EU
- improve structures in order to boost efficiency and cut costs

Special products segment
- BENEO: seize opportunities to boost sales volume according to market trends, adequately expand capacity, drive innovation
- Freiberger: maintain EU / grow US market shares, increase profitability, clearly differentiate from competitors
- Starch: focus on specialty products, capacity expansion
- PortionPack Europe: expand product portfolio, penetrate new markets

CropEnergies segment
- consolidate leading market share
- strategically enhance existing sites
- fully utilize production capacities
- further improve efficiency
- drive diversification
- empower R&D activities

Fruit segment
- tap into global growth trends
- penetrate new markets in collaboration with customers
- drive regional diversification
- develop innovations
- continue cost-cutting measures
- seize internal / external growth opportunities

DIAGRAM 004

Our portfolio is diversified

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

We take advantage of synergies

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

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

Solid financing strategy

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

Targeted value-oriented investments

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

Sustainability is an integral part of our corporate strategy

Corporate management is committed to conducting business sustainably, whereby the key principle is to handle all of our resources carefully. No business is worth endangering the partnership with nature (→ sustainability).

Our guiding principles

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

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

We support and foster our employees

We align our personnel policy so that employees support the company's strategy and are able to work successfully under changing conditions (→ employees).

We execute our corporate strategy based on our strengths:

- **Diversity** – diversified corporate structure, product portfolio, markets and employees
- **Competence** – competent large-scale processing of agricultural materials in various business sectors – our expertise covers the entire value added chain – from our suppliers to our customers – including the associated logistics and use of our products. Our proficiency is based on our highly skilled, motivated employees, who embody our know-how, our experience and our innovation capability in production, distribution, sales and marketing and logistics
- **Sustainability** – practice sustainability, especially by using resource-friendly production methods and fully utilizing agricultural materials to the greatest extent possible

Sustainability

Rooted in our corporate culture

Since its founding, Südzucker has had a strong association with agriculture and thus also with nature. Refining agricultural raw materials to produce high-quality products is central to our business model. These raw materials must be available at all times if the medium to long-term business foundation of the company is to be sustained. Sustainability is also one of our customers' corporate values and increasingly influences consumers' buying decisions.

The principle of sustainability is therefore a company tradition and a fixed and practiced part of our corporate strategy. We are committed to sustainable business practices in all parts of the company and all regions on all levels, from management to each individual employee.

Our sustainability strategy

Our business conduct along the entire value chain, from agricultural raw materials to finished products, is guided by sustainability. It starts with a responsible approach to nature; we carefully select the agricultural products we process. Südzucker uses only raw materials that meet strict quality standards. Sustainability and quality leadership define Südzucker's agricultural raw material processing of sugar, animal feed, functional food ingredients for food and animal feed, bioethanol, starch and fruit products.

Südzucker pays special attention to the following aspects, which apply in all segments:

- Fully utilizing agricultural materials to the greatest extent possible
- Continuously enhancing production processes to conserve resources and boost energy efficiency
- Effective quality, environment and energy management systems
- Respect the interests of all major Südzucker stakeholders
- Establish long-term partnerships; e.g., with raw material suppliers and customers

Sustainability management

We are obliged as a corporation to analyze, present and track the development of our business activities along the entire value chain with respect to their primary impact on ecology, economy and society.

The stakeholder groups identified and communications methods (→ table 007) used in the past were for the most part confirmed.

Stakeholder groups and communications methods

Key stakeholders	Primary means of communication
Farmers (raw materials) Suppliers (energy, water, capital goods, operating supplies, services, raw materials)	Information events (farmer meetings, field days, exhibitions, supplier forums); Online platforms (raw materials portal); Supplier communication (awarding negotiations, farming consultation)
Customers (end users, retail, industry)	Customer consultation Application support / services Product specifications, certifications
Employees Unions	Employee meetings, performance reviews, staff magazine, newsletter, intranet, training events
Shareholders, capital markets, financial institutions, investors	Financial reports, annual general meeting, Analysts' conferences, roadshows, conference calls, dialogue with rating agencies, analysts and shareholder representatives Südzucker website
Society and the general public (residents, authorities, industry / business associations, research and scientific bodies, journalists, media, neighbors, parties, politicians, schools, universities)	Press releases and talks Factory tours (approx. 30,000 visitors per year) Cooperative research and projects Political dialogue, meetings, talks, debate events Südzucker website

TABLE 007

Südzucker conducted a materiality survey asking selected stakeholders to rate the degree of importance of issues related to various sustainability aspects as high or very high (environmental concerns, employee concerns, social concerns, human rights, bribes and corruption avoidance) when assessing Südzucker Group.

Customers are a very important Südzucker stakeholder group, which is why Südzucker surveyed customers in regard to the sugar segment last fiscal year. Key customers were asked to state their expectations regarding sustainability and their satisfaction with Südzucker's activities in this regard. The results were incorporated into the existing materiality analysis.

EVALUATION OF THE RELEVANCE OF SUSTAINABILITY ISSUES FOR SÜDZUCKER

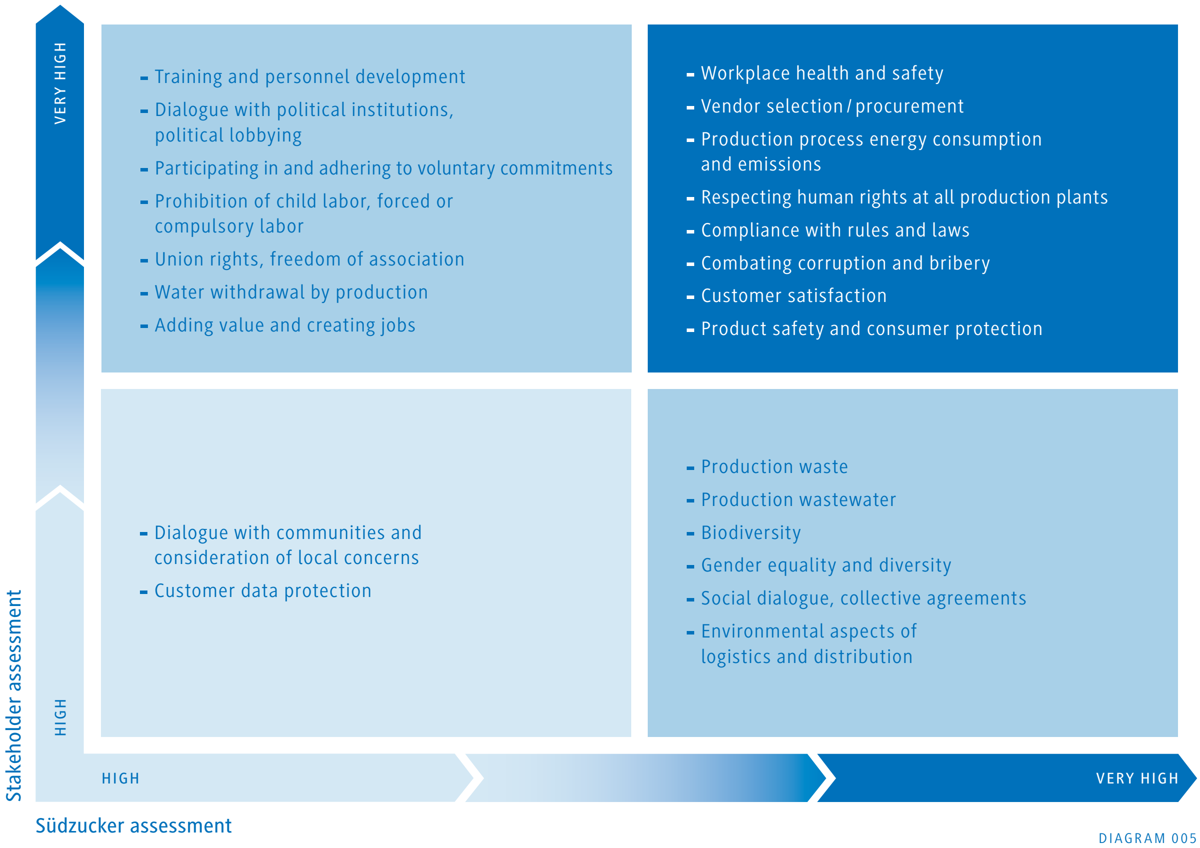


DIAGRAM 005

Reports on the sustainability aspects of the summarized issues, the associated guidelines and the respective management approach are provided in the corresponding chapter/section of the management report (→ table 008). A detailed summary is provided in the non-financial declaration chapter.

Summary of aspects subject to mandatory reporting

Sustainability aspects (content of the non-financial declaration)	Management report chapter/section
Environmental issues	Environment Business report/segments in each production section
Employee issues	Employees
Social issues	Environment, society
Human rights	Environment, employees and society
Bribery and corruption control	Corporate management and responsibility/compliance

TABLE 008

External assessment of sustainability

Südzucker Group has participated in the EcoVadis sustainability evaluation system since 2013. EcoVadis is a French initiative that evaluates companies with respect to their acceptance of social responsibility. Südzucker participates actively and regularly provides EcoVadis with extensive information regarding various aspects related to the environment, working conditions, compliance and procurement. After the current evaluation, Südzucker was in the top 30 % of all companies evaluated and has been awarded silver status. The results are increasingly important for many food sector customers.

In addition, Südzucker group companies advocate and support other sustainability initiatives and organizations (→ table 009).

Memberships in sustainability-related organizations

Organization	Registered Office	Member	Since	Objective
Bonsucro® – Better Sugarcane Initiative Ltd.	London / Great Britain	AGRANA Zucker GmbH	2014	Promotion of sustainable sugar cane growing
EcoVadis SAS	Paris / France	Südzucker AG [1]	2013	Supplier assessment considering various aspects of corporate social responsibility
Fairtrade Deutschland / Transfair e.V.	Cologne / Germany	Südzucker AG	2006	Promotion of fair trade
SAI – Sustainable Agriculture Initiative Platform	Geneva / Switzerland	Südzucker AG [1]	2014	Promotion of sustainable agricultural practice
Sedex Information Exchange Limited	London / Great Britain	AGRANA Beteiligungs-AG	2009	Promotion of good social and environmental practice in the value chain

[1] More than one legal entities of Südzucker Group endorse this initiative.

TABLE 009

ENVIRONMENT

Guidelines

Südzucker Group undertakes to adhere to environmental and energy policies that reduce resource consumption and the environmental impact of the company's business activities and constantly improve the efficiency of its production processes. This includes

- complying with all statutory and internal rules and regulations
- continuously reviewing and optimizing the energy efficiency and minimizing the environmental impact of all plant designs, production processes and associated supply chains (including procurement)
- ensuring that management establishes strategic and operational targets and programs aimed at continuous improvement
- systematically measuring target achievement and evaluating the effectiveness of the established programs
- ensuring that management provides the necessary resources and information required to execute the programs and achieve the planned targets

Production

Management policy

Südzucker, BENEO and CropEnergies adhere to the ISO 9001 quality management system at their German production locations to manage the environmental impact of their operations. A centralized environment department ensures that the plants adhere to legal requirements by assigning responsibilities and defining processes as well as internal audits. The company continuously reduces its environmental impact, especially noise and odor emissions, air pollution and wastewater emissions, freshwater requirements and waste volume according to industry benchmarks. Furthermore, it sets targets and implements action programs at the factory level that incorporate employee suggestions.

The energy management system at Südzucker's German and Austrian AGRANA, BENEO, Freiberger and CropEnergies production sites is certified in accordance with ISO 50001. The same applies to the sugar production plants in France, Poland, Slovakia, Czech Republic and Hungary, the remaining fruit juice concentrates division sites in the EU and the Freiberger factory in Great Britain. The CropEnergies plant in Great Britain is audited under the terms of the Energy Savings Opportunity Scheme. Energy consumption at the Belgian BENEO, CropEnergies and Raffinerie Tirlemontoise plants is certified to comply with "Les accords de branche de seconde génération".

Goals

The environment section talks about energy use, greenhouse gas emissions, water withdrawal, water supply and waste. For Südzucker, the utilization of renewable and non-renewable energies and the associated greenhouse gas emissions are an extremely important subject.

Our aim is to further reduce our energy needs and associated greenhouse gas emissions, especially by continuously improving our production process.

Energy and emissions

Südzucker's efficient production processes and modern energy management systems are outstanding. For example, the company operates highly efficient co-generation systems and utilizes cascaded circuits to optimize process energy use and achieve above-average energy efficiency. This reduces fuel requirements and at the same time cuts emissions of air pollutants and climate-relevant greenhouse gases.

Group energy use

Gigajoules per tonne of product

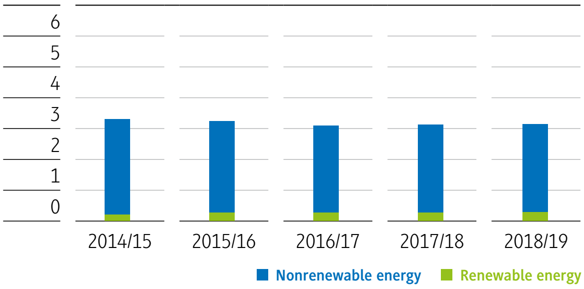


DIAGRAM 006

Group emissions from direct and indirect energy use

Tonnes of CO_2 equivalent per tonne of primary and byproduct

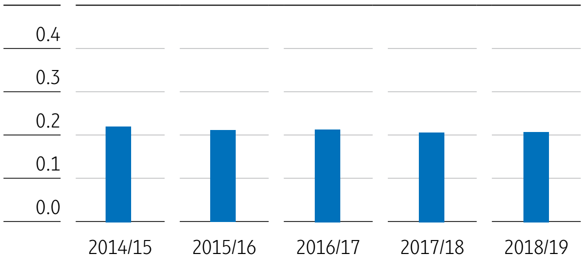


DIAGRAM 007

The Rackwitz biogas plant utilizes renewable raw materials to produce biomethane year-round, which is then fed into the public distribution network. Biogas is also produced from press pellets at three of the company's sugar factories.

Energy use per tonne of product, the share of renewable energy and emissions per tonne of product were largely the same as the year prior.

Water withdrawal and water discharge

Water, the most important global resource, is one of the many inputs to Südzucker Group's production processes. Our production plants stand out because they reduce fresh water consumption to a minimum by drawing the necessary water from a closed circuit. Quite often, the water contained in the agricultural raw materials – sugar beets and apples consist of about 75 % and 85 % water respectively – is also used in the processes. For example, a large proportion of the water required by a sugar factory is already contained in the sugar beets delivered to the plant. Overall, the water contained in the processed field crops can make the wastewater volume greater than the volume of fresh water withdrawn. Heavy rains can also lead to greater water input.

Water withdrawal / water discharge in the Group

Million m^3	2014/15	2015/16	2016/17	2017/18	2018/19
Water withdrawal	39.7	34.1	36.0	39.7	42.4
Water discharge	36.6	32.9	38.1	40.7	40.3

TABLE 010

Of the total water withdrawn, over 60 % is surface water, especially from rivers. It is primarily used for sugar production cooling systems; that is, the water is used for process cooling and then routed directly back to the receiving streams.

The increase in the absolute volume of water withdrawn is primarily attributable to the newly consolidated Freiberger division production sites in the United States and Germany, and the first-time compilation of previously unreported water withdrawal volumes at the Pischelsdorf site. The decline in water supply is attributable to reduced rainfall.

Waste

Thanks to integrated production concepts, the input raw materials the company purchases are almost entirely converted to high-value products. The total waste volume is slightly higher than last year. This was caused, among other things, by the newly added Freiberger division production sites, as well as a larger compostable waste volume that tracked higher fruit segment production volumes.

Waste types and quantities in the Group

Thousand of tonnes	2014/15	2015/16	2016/17	2017/18	2018/19
Recycling	455.8	376.0	241.5	296.5	302.3
Landfill	95.1	86.5	67.0	68.6	65.9
Composting	69.6	60.2	56.4	75.3	91.2
Incineration	14.9	22.6	19.6	24.7	25.8
Other	21.9	17.2	20.3	28.5	16.8
thereof dangerous waste [1]	*1.1*	*1.5*	*0.8*	*1.6*	*1.6*
Total	**657.3**	**562.4**	**404.7**	**493.5**	**501.9**

[1] Mainly used lubricants from production.

TABLE 011

Procurement

Südzucker Group's purchasing departments consider ecological, business and social aspects when procuring the goods and services.

Management policy

The Supplier Code of Conduct is part of the competitive bidding process and contract negotiations. Together with the environmental, labor and social standards guidelines, this code of conduct ensures that procurement remains sustainable. It applies to suppliers along the entire value chain (→ www.suedzucker.de/en/Downloads/Lieferantenmanagement/).

The purchasing departments are subject to various annual audits which are suitable for the respective procurement area and are certified in compliance with standards such as ISO 9001, International Food Standard, GMP+ or SAI.

In fiscal 2018/19, the company processed about 36 million tonnes of agricultural raw materials, such as sugar beets, grain, corn, chicory and fruits, at over 100 production sites around the world. Renewable agricultural materials thus comprise the largest share of the procurement volume.

Südzucker uses agricultural raw materials and primary products, which are sourced mainly from European production facilities and comply with the EU's cross compliance principles for agricultural production with associated constraints on farmers.

The latest EU agricultural policy reforms in 2013 covering the funding period to 2020 emphasized the need for environmentally sound farming. In addition to complying with the compulsory greening mechanisms, Südzucker's practice includes and promotes expanded crop rotation, intercropping, legume cultivation, flower strip planting, and establishing riparian strips.

A large share of the agricultural raw materials Südzucker processes is sourced from farmers under contract to the company. For example, Südzucker buys sugar beets exclusively from farming operations situated close to its sugar factories. Each cultivation year, the company signs annual sugar beet supply contracts governing cultivation, supply and payment conditions.

Special sustainability criteria apply to the agricultural raw materials used for bioethanol production. These ensure that the biomass cultivation does not take place in areas requiring protection or that it negatively impacts biological diversity. Certification systems recognized by the EU, such as REDcert EU, ISCC EU and 2BSvs are used to ensure factual adherence to these practices. The company's factories are certified and undergo external audits. Raw material suppliers are contractually obligated to comply with the criteria.

Sustainable Agriculture Initiative Platform

Südzucker is a member of the Sustainable Agriculture Initiative Platform (SAI), the leading global initiative for promoting sustainable farming methods. The non-profit organization was founded in 2002 and currently has over 90 members – mainly large companies in the food industry, including many Südzucker customers. Food producers and their raw material suppliers join SAI to document their adherence to wide-ranging sustainability criteria.

Südzucker and its beet farmers in Germany, Belgium, France and Poland received RedCert2 certification in 2018, once again attesting to their compliance with the criteria of the SAI Platform. Germany and Belgium achieved gold status, France and Poland received silver status.

AGRANA relies on the Farm Sustainability Assessment (FSA) developed by SAI to demonstrate sustainable agricultural practices at the farms under contract to supply sugar beets in Austria, Hungary, Slovakia, Czech Republic and Romania, for potatoes in Austria and apples in Hungary. In fiscal 2017/18, the previously voluntary FSA questionnaire was added to the list of compulsory documents vendors must complete in order to be an eligible supplier. Based on the results of external audits measuring compliance with SAI requirements, AGRANA Zucker has achieved gold or silver status for over 75 % of its operations. Certificates are valid for three years. In fiscal 2018/19, the company provided training for subjects where the external audit had identified room for improvement; e.g., work safety for AGRANA sugar beet suppliers.

Modern and sustainable farming

Südzucker supports its farmers by providing wide-ranging expertise, for example in regard to soil treatment, seed selection, plant protection and soil fertility, to help them operate modern, sustainable farms. The goal of the newly established experimental farm in Kirschgartshausen near Mannheim is to promote innovation and sustainability for sugar beet farming. Scientific and large-scale experiments are conducted at the site, and sample plots are cultivated for practical use and the public. Staff also develop strategies for future production systems.

In addition, Südzucker analyzes soil samples using electro-ultrafiltration (EUF) to provide a basis for plot-specific fertilization recommendations. The process fulfills the requirements of the German fertilizer ordinance. The objective is to be able to provide plot-specific nutrient and fertilization maps based automated GPS-supported soil sampling. Farmers can also obtain analyses and recommendations to optimize the nutrient cycles of their operations.

Biodiversity

In 2018, about 434,000 ha of sugar beets were cultivated for Südzucker Group. Südzucker assigns a high degree of importance to ensuring crops are rotated and that the company contribute positively to promoting biodiversity. This is one reason the group has launched and promotes countless programs that raw material suppliers use to contribute to biodiversity. The company has supplied free-of-charge seed mixtures for farmers to plant flowers at the edges of their fields in Germany since 2014, and in France, Belgium and Poland since 2016. In Austria, a seed mixture of flowers is used as an alternative to other intermediate crops. This helps loosen the soil, mobilize nutrients and activate soil organisms in the fields. The blooming fields and field edges also provide an ideal easement for wildlife, a bee pasture and an attractive landscape.

Logistics

Management policy
Efficient logistics are a prerequisite to smooth factory operation. This means factories must be supplied with the necessary raw materials and the finished products continuously distributed, both in consideration of limited available storage space and optimum utilization of production capacities. IT-assisted logistics control and selection of the most resource efficient transportation means are key to successfully implementing the policies.

Procurement logistics
By far the largest volumes of about 36 million tonnes of raw materials processed by Südzucker Group are required for sugar and bioethanol production – about 34 million tonnes of beets and grain.

In Belgium, Germany, France, Moldova and Poland, farmers use trucks to deliver beets directly from the fields to the sugar factories. A similar process is used to deliver chicory in Belgium and Chile. Südzucker recently released a new logistics application in Germany called farmpilot, which enables trucks to optimize their routes along the field trails. It was subsequently successfully launched in France during the last campaign, and plans call for its introduction in other countries. This app enables continuous information flow between the beetroot harvesters, the beet loaders, the trucks and the sugar factory, thereby networking the entire logistics chain from the field to the factory. The app continuously optimizes the truck routes and eliminates unnecessary trips and waiting time.

In the countries where AGRANA has production facilities, about 36 % of the beets were delivered to the sugar factories by rail during the 2018/19 campaign. In Hungary, it was about 60 %, the highest share of beets delivered by rail.

The percentage of beets that were prewashed in the field was boosted once more to now 92 %. This ensures that the maximum amount of soil possible remains in the field. This also reduces transportation volume and weight, and thus the number of truck trips. Other programs include training truck drivers to drive in an environmentally friendly and careful manner and using state-of-the-art trucks with high load capacities and low emissions.

The plants in Zeitz, Germany, Wanze, Belgium, Loon-Plage, France and Wilton, Great Britain are close to large grain cultivation areas and / or harbors and rail lines. This allows for shorter transportation routes, while at the same time enabling goods to be delivered by ship or rail. For example, in Wanze most of the raw materials used arrive by ship. The plant in Zeitz operates jointly with the sugar and starch factories and is connected to these via a pipeline.

The delivery of rice for BENEO in Wijgmaal, Belgium is increasingly made by inland waterway vessels. Some of the raw materials used by the fruit segment to produce fruit preparations and fruit juice concentrates are also delivered by ship or rail.

Distribution logistics
There are significant distribution logistic challenges to deliver products produced by Südzucker Group. The aim is to optimize shipping distances and select appropriate transportation methods in order to reduce transport-related CO_2 emissions to the greatest extent possible. Products are shipped in bulk whenever possible to avoid unnecessary packaging waste.

A new supply chain planning tool is being introduced to manage sugar transportation and optimize transportation links. The bulk sugar shipped to the warehouses at the port terminals in Belgium, Germany and France was transported mostly on block trains. This resulted in significantly reduced vehicular traffic, the same as last year. Italy and Romania are two other key destinations impacted by the initiative to move sugar shipments from road to rail. Last fiscal year, about 35 % of the total volume was transported by rail. The goods are transported by road only to cover the so-called "last kilometer" to the customer. Italy has the highest share of rail shipments at 40 %. The company intends to further expand this method of transportation.

About 53 % of Südzucker Group's total sugar volume is shipped in bulk, primarily to the processing industry. As a result, a significant share of the volume requires no additional packaging. Our goal is to have all companies using FSC-certified packaging material exclusively by mid 2020 for all packaged goods.

To reduce transportation volume when shipping animal feed, we have been selling sugar beet pulp also in eastern Germany with higher dry solids content since the campaign in 2018. Many of our plants ship sugar beet pulp and carbolic lime on the return leg of the truck's trip after it has delivered beets to the factory.

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

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 attract talented employees to 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.

Employees by segment and region [1]

The number of Südzucker Group employees as of the 28 February 2019 balance sheet date rose 3.8 % to 19,219 (18,515). This strong increase was attributable mainly to the special products and fruit segments. Employees of the fruit segment's newly acquired company in Algeria were included for the first time. Furthermore, additional part-time employees were hired in Morocco due to significantly higher processing volumes. The increase in the special products segment was mainly caused by the PortionPack Europe division's acquisition of CustomPack Ltd, Telford, Great Britain and the Freiberger division. The sugar segment's workforce shrank slightly while the CropEnergies segment's expanded.

Employees by segment at balance sheet date

28 February	2019	2018	+/– in %
Sugar	6,950	7,034	–1.2
Special products	6,033	5,697	5.9
CropEnergies	433	414	4.6
Fruit	5,803	5,370	8.1
Group	**19,219**	**18,515**	**3.8**

TABLE 012

The sugar segment restructuring plan announced at the end of the fiscal year calls for the closure of five sugar factories in Germany, Poland and France. This will result in staffing cutbacks in the production and administration areas of about 10 % or 700 employees. In this context, further centralization measures will be implemented.

Employees by region at balance sheet date

28 February	2019	2018	+/– in %
Germany	4,260	4,185	1.8
Other EU	9,185	8,913	3.1
Other countries	5,774	5,417	6.6
	19,219	**18,515**	**3.8**

TABLE 013

Almost one-quarter of all employees continued to work in Germany during the reporting year; slightly less than half in other EU countries.

Management policy

Südzucker manages its employees as well as the conduct of employees toward each other and toward third parties in accordance with Südzucker's code of conduct, which amalgamates applicable law and international standards, operating procedures and rules, Südzucker corporate guidelines, as well as employment-contract-related obligations toward Südzucker. Adherence to Südzucker's code of conduct is monitored through programs such as an internal audit and an anonymous whistleblower system.

Strict adherence to applicable human rights protection regulations is an integrative component part of Südzucker's corporate responsibility. Every employee is obliged to respect the dignity and personal rights of every other employee and colleague, as well as other people with whom the company has a business relationship. We do not accept child labor, slavery or compulsory labor in any form. (→ society/Respect for human rights)

Gender equality and diversity

Employees by relationship and gender

About 85 (86) % of the company's workers are permanently employed. Only 15 (14) % of the employees are part-time. The majority of these are hired seasonally, mainly to help with harvesting and/or during processing campaigns. In Germany, 4,062 of 4,676 are permanently employed. In the remaining European countries, the numbers are 9,038 of 9,521 and outside of Europe 4,190 of 6,099.

[1] The information on employees by segment and region is stated as full-time equivalent. All other information relates to employee head count on the balance sheet date.

Improved flexibility in job types and work methods, as well as working hours, gives employees the freedom to shape their working life and individually balance the time allotted to family and career. Feasibility in the labor organization and trust are necessary for implementation. Values such as loyalty, reliability, independence and responsibility become even more important in this context. The number of part-time workers employed by the company remained unchanged at about 4 %.

As of 28 February 2019, the number of employees according to employment relationship and gender for the group overall were as follows:

Employees by relationship and gender

28 February 2019		Total	Permanent	Non-permanent
Full-time	Male	13,472	12,205	1,267
	Female	6,118	4,440	1,678
Part-time	Male	123	96	27
	Female	583	549	34
Total		**20,296**	**17,290**	**3,006**
28 February 2018				
Full-time	Male	13,045	11,791	1,254
	Female	5,644	4,184	1,460
Part-time	Male	110	73	37
	Female	472	456	16
Total		**19,271**	**16,504**	**2,767**

TABLE 014

Gender equality

Südzucker adheres to all legal requirements – including the general equal treatment law that prohibits discrimination. Employees are strictly hired and promoted according to their suitability, qualifications and performance, and willingness to learn. Men and women have equal opportunity to further their careers at the company.

Nevertheless, due to the company's strong production and technology orientation, male employees still outnumber women at all levels; in some areas significantly. For the past number of years, the number of female apprentices and women enrolled in so-called MINT career programs (English STEM – science, technology, engineering, math) has risen. The proportion of women in the trainee and international on-boarding programs is now around 40 %.

Management

28 February 2019	Total	Male	Female
1st management level	162	146	16
2nd management level	375	294	81
Total	**537**	**440**	**97**
28 February 2018			
1st management level	163	148	15
2nd management level	381	297	84
Total	**544**	**445**	**99**

TABLE 015

For Südzucker Group overall, the percentage of women on the payroll at the end of 2018/19 was virtually unchanged at about 33 (32) %. Women continue to represent about 18 (18) % at the management level.

Age structure and length of service

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

Employees according to age group in %

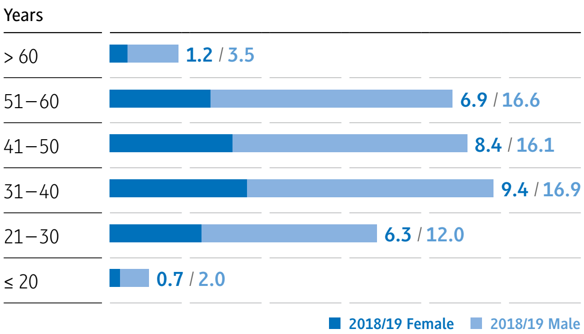


DIAGRAM 008

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.

Length of service in years in %

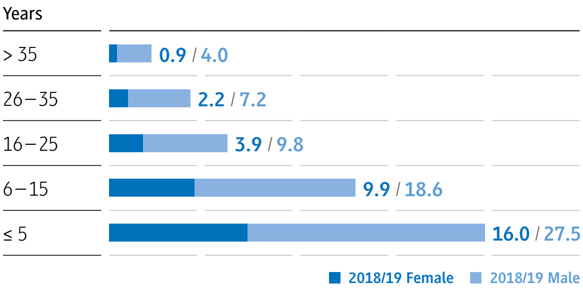


DIAGRAM 009

The following chart of new hires and employee turnover for employment relationships of indefinite duration shows the number of new hires to be considerably greater. The number of new hires is about 500 more than the turnover attributable to terminations, resignations and retirees.

New hires and fluctuation

2018/19	Total	Male	Female
New hires	2,337	1,550	787
Fluctuation	1,852	1,314	538
2017/18			
New hires	2,111	1,457	654
Fluctuation	1,108	811	297

TABLE 016

Employee development / training and continuing education

Südzucker invests in personnel development, continuing education and recruiting programs. This includes a variety of international trainee programs, junior management development programs, international "On Boarding" programs and many training events directly at the various operating sites. The company also offers conduct training as well as foreign language courses and information sessions on IT security.

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

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

Career training

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

Apprenticeship careers at Südzucker Group

- Food technician
- Chemical lab technician
- Industrial clerk
- Office clerk
- Bachelor of science in information management
- Computer specialist in application development
- Computer science engineer
- Electrician
- Industrial electronics engineer
- Plant electrician and process control engineer
- Electronics engineer for automation systems
- Metals engineer
- Mechanical engineer
- Industrial mechanic
- Mechatronics engineer; electromechanical engineer
- Warehouse logistics specialist
- Equipment and plant operator
- Farmer

Workplace health and safety

Workplace safety

Guidelines

Südzucker undertakes to implement worker protection policies that guarantee employees a high level of health and safety at the production plants. Work safety is of key importance to the entire Südzucker group. There are two aspects to safety, both of which must be equally addressed: creating a safe work environment on the one hand, and on the other, ensuring every individual employee is aware of safe work practices.

Management policy

We regularly assess and evaluate work and plant safety risks. We systematically check continuous improvement targets and the associated measures, and regularly evaluate the effectiveness of the established programs. An in-house work safety management system defines procedures for identifying hazards, investigating accidents, as well as training and roles and responsibilities. At the same time, legal requirements for health and work safety continue to evolve. Examples here include the German industrial health and safety directive, hazardous material directive and workplace regulations. Accident frequency and associated lost time are reported under work safety.

Injury rate and lost working day rate [1]

	2014/15	2015/16	2016/17	2017/18	2018/19
Injury rate	13.1	11.5	12.6	11.6	12.1
Lost working day rate	194	210	236	223	189

[1] Accident rate and lot working rate are both based on one million work hours. Lost working days are recorded if they lead to one or more days' absence.

TABLE 017

The accident rate in fiscal 2018/19 was slightly up to 12.1 down from last year's 11.6. At the same time, accident related lost time went from 223 to 189, which reflects a significant drop in the severity of the accidents. All on-the-job accidents were examined in depth and suitable countermeasures defined to avoid similar incidents in future. Even factories not directly involved are informed about accidents and corrective actions.

The programs to reduce work-related accidents vary in the different segments and divisions because they are adapted to meet their specific requirements. The focus is on hazard assessment and training of employees and managers. Communication and information flow are also to be improved. For example, a newsletter and the intranet provide the various sites with timely information on current developments and new regulations. Recommendations to improve health and work safety submitted by employees in conjunction with the company's employee suggestion program deserve a positive mention.

Goals

As a member of the sugar industry association "Verein der Zuckerindustrie", Südzucker actively supports the "VISION ZERO. Zero Accidents – Healthy at Work!" cooperation agreement between this employers' association and the professional association "Rohstoffe und chemische Industrie".

This was done at the following sugar segment locations in 2018/19: Nassandres, Ropczyce, Strzyżów und Wijchen. In addition, the BENEO location in Offstein, Germany, Biowanze from the CropEnergies group in Wanze as well as many other production locations in the fruit segment were all accident free. The BENEO site in Wijgmaal is exemplary, having been accident free for over four years.

Health protection

There are countless programs aimed at protecting the health of our employees – from prevention (for example, back exercises) – to reintegration after recovery from illness. Personal health management seminars are also included in the company's annual employee training programs. Mental stress in the workplace is analyzed in addition to analyzing physical demands and stress. Employees are offered seminars and training programs on how to shape their life and their conduct in the workplace. Older employees are offered part-time retirement programs that help them transition to retirement based on their health and ability to handle physical and mental stress.

Last fiscal year, the sickness ratio as measured based on sick pay was unchanged at 3.6 %.

Dialogue with employee representatives and unions

Südzucker is a co-determined company. This means that half of the supervisory board consists of employee representatives – some from the company's own workforce and some from the unions. This ensures that employee representatives have a say in all key corporate decisions.

Social dialogue is embedded at Südzucker Group by the works council. The majority of workers also have employee representatives. The unions negotiate annual or multiyear collective bargaining agreements at almost all European sites as well as many locations around the world. In Germany, 70 % of the employees' contracts are based on a collective bargaining agreement.

A European Works Council has been in place at Südzucker Group for over twenty years. It meets regularly with the executive board to discuss cross-border topics.

Thank you from the executive board

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

SOCIETY

Business success and the acceptance of social responsibility belong together in our view and are a key prerequisite to sustainably conducting business.

The top priorities are our responsibilities toward our employees (→ employees) and the people who consume our products. Other considerations include greater value added in rural areas, social commitment, dialogue with our stakeholders and respect for human rights.

Product responsibility and quality

Quality management and product safety

Südzucker Group takes full responsibility for quality and product safety for all of the food, animal feed and bioethanol it produces.

Management policy

All Südzucker divisions have implemented quality management systems to ensure that their products are safe and meet the desired quality standards – from the development stage of a product, through procurement, production and transportation, up to and including delivery to customers.

Certification

Today, almost all Südzucker production plants that produce food have certificates that are equivalent to the Global Food Safety Initiative Standard GFSI. Various production locations have specific additional certificates for certain product groups, according to special customer requirements; for example, organic, kosher, halal or no use of genetic modifications.

Customers in the food industry assign significant importance to checking the safety and legal compliance of our products. External certification organizations conduct the audits. Accordingly, our production processes are geared toward internationally recognized standards with extensive specifications and standardized assessment processes, such as IFS Food, BRC Global Standard Food Safety and FSSC 22000.

Implementation of quality management systems

The HACCP concept is a key element of our quality management system of food and animal feed. The system is used to systematically analyze hazards and critical control points associated with raw material properties and end products, each individual production step, as well as transportation and storage factors. If necessary, appropriate steps are taken to protect consumers on the basis of this analysis.

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

Raw material specifications, information about the origin of commodities, quality management systems used by the suppliers and the quality of the buyer-supplier relationship also serve to maximize the safety of the company's in-house production process.

End product and raw material specifications contribute to reaching a common understanding of product properties. Südzucker also offers customers application-related advisory services, as well as help with developing products.

Value added in rural areas

Südzucker Group's production sites have an above-average impact on growth and employment. The business activities of the entire Südzucker group generate gross value added of up to € 4.5 billion[1] across the globe. The gross value added multiplier, which measures the effect of the downstream activities, especially in agriculture, is 4.4, substantially higher than other sectors. The number of associated direct, indirect and spin-off jobs is 90,000.

In Europe, the sugar segment gross value added is up to € 3 billion, of which about 81 % is generated in rural areas. In Germany, Südzucker's sugar factories generate gross value added of up to € 1.2 billion. The 17,500 associated direct, indirect and spin-off jobs have a significant impact on employment. The employment multiplier in Germany is 7.2. This means that every direct job created by Südzucker generates more than six jobs in the downstream value chain.

One of Südzucker stated goals continues to be ensuring that sustainable value added and jobs be generated at its production plants, which are mostly situated in rural areas. For example, the aim is to grow as many as possible of the input raw materials required for its processes, which constitute about one-third of the preparatory work, in direct proximity to the plants. In return, it is also important to Südzucker production locations that the areas surrounding the locations prosper economically and are attractive for qualified workers. A prerequisite is that the various regions have a functioning economic structure.

Social commitment

We participate in many projects and initiatives that serve the public interest in an effort to help deal with societal challenges. Our focus is on promoting science and education, among others, also at universities, stewardship of the historic heritage of the sugar industry at our museum sugar factory in Oldisleben, Germany, sponsoring sports and promoting local projects of various interest groups in the vicinity of our production plants such as "Südzucker for Kids". Here Südzucker financially supports employee initiatives, which are primarily aimed at improving child welfare.

Dialogue with communities

We value having a good relationship with the communities in which our production locations are situated, as well as with our neighbors. For example, the respective factory managers respond directly to local questions and concerns and interact with the local political representatives. We offer factory tours in our sugar plants that provide many citizens in the various regions the opportunity to learn firsthand how sugar is produced from their local crops.

Dialogue with politicians and institutions

Südzucker is in close contact as a corporation to various social stakeholders. We are totally committed to maintaining a dialogue with politicians, institutions and nongovernment organizations and to supporting industry associations through active participation and membership (table 018). Our aim here is to create workable, practice-oriented solutions when it comes to regulatory issues. Our communications are always based on substantive science-based positions.

Südzucker is listed in the EU transparency register, which tracks and monitors the activities of European stakeholders.

[1] 2017, WifOR Research Institute and Thinktank, Darmstadt.

Respect for human rights

Respect for human rights together with appropriate working are a matter of course to the entire Südzucker group. Statutory provisions related to work conditions, child labor, slavery and compulsory labor are regarded as the minimum standard. The rules of the International Labor Organization (ILO) and the Supplier Ethical Data Exchange (SEDEX) are also applied.

Management policy

The code of conduct that outlines the social responsibility of companies in the European sugar industry has been in force since 2004. Recognized standards such as the United Nations' Universal Declaration of Human Rights (UDHR) and the International Labour Organization's (ILO) were used as a reference to establish the code.

This sugar industry code of conduct forms the basis of Südzucker Group's own code of conduct, which applies throughout the company. As per the terms of this code, Südzucker undertakes to conduct business ethically, legally and responsibly (→ www.suedzucker.de/en/Unternehmen/Verhaltenskodex/).

At the same time, Südzucker AG expects its suppliers and contractual partners to also comply with the guidelines outlined in this directive (→ Environment/Procurement).

SEDEX

Südzucker is a member of the online platform SEDEX (Supplier Ethical Data Exchange). It demonstrates to our customers and partners that we prioritize and adhere to the principles of ethical and social sustainability. Many Südzucker Group locations are audited according to SMETA (Sedex Members Ethical Trade Audit); for example, sites managed by the sugar segment and the BENEO division in Germany, the starch division in Austria and the fruit segment in Austria, Poland, Turkey, Morocco, Brazil and the United States. The audit reports can be provided to customers on request. All production locations registered with SEDEX also conduct an annual SEDEX Self Assessment. Audits were conducted at 51 (58) locations in fiscal 2018/19.

Memberships in industry associations and interest groups

Industry association or interest group	Registered Office	Member [1]	Scope
AEBIOM – The European Biomass Association	Bruxelles / Belgium	Biowanze S.A.	EU
BDBe – Bundesverband der deutschen Bioethanolwirtschaft e.V.	Berlin / Germany	CropEnergies Bioethanol GmbH	Germany
BLL – Bund für Lebensmittelrecht und Lebensmittelkunde e.V.	Berlin / Germany	Südzucker AG	Germany
BVE – Bundesvereinigung der Deutschen Ernährungsindustrie e.V.	Berlin / Germany	Südzucker AG	Germany
CEFS – Comité Européen des Fabricants de Sucre	Bruxelles / Belgium	Südzucker AG	EU
DLG – Deutsche Landwirtschaftsgesellschaft e.V.	Frankfurt am Main / Germany	Südzucker AG	Germany
dti – Deutsches Tiefkühlinstitut e.V.	Berlin / Germany	Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	Germany
ELC – Federation of European Specialty Food Ingredients Industries	Bruxelles / Belgium	BENEO GmbH	EU
ePURE – European Producers Union of Renewable Ethanol	Bruxelles / Belgium	CropEnergies Bioethanol GmbH	EU
FoodDrinkEurope	Bruxelles / Belgium	Südzucker AG	EU
Starch Europe	Bruxelles / Belgium	AGRANA Stärke GmbH	EU
VdZ – Verein der Zuckerindustrie e.V.	Bonn / Germany	Südzucker AG	Germany
WVZ – Wirtschaftliche Vereinigung Zucker e.V.	Bonn / Germany	Südzucker AG	Germany

[1] More than one legal entities of Südzucker Group are member.

TABLE 018

RESEARCH AND DEVELOPMENT

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

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

The R&D department has 456 (431) employees throughout the group. Added to that are students working toward their bachelor's, master's and doctor's degrees, who do their academic work at Südzucker's research centers or production plants. The total budget for research and development in 2018/19 was € 44,9 (43,2) million.

Raw material security

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

Plant protection

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

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

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

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

Varietals

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

Boosting sugar and inulin content

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

Improved long-term storage

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

Biostimulants

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

Raw materials for starch

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

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

Processing technology

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

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

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

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

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

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

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

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

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

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

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

Recipes and application concepts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New products and technologies

Sugar

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

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

Starch

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

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

Organic chemicals

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

Researchers developed a laboratory-scale cultivation process for a microorganism that utilizes CO_2 generated in the bioethanol fermentation process, binds the CO_2 and delivers intermediate chemical products. The organic chemicals produced in this manner can serve as sustainable alternatives to petrochemical products.

Implementation of a power to gas concept using CO_2 fermentation is being analyzed as part of a project sponsored by BMBF (the Federal Ministry of Education and Research). The focus is on converting CO_2 to methane, determining the technical prerequisites and evaluating the effectiveness of integrating such processes into a bioethanol production location.

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

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

Bioethanol as a chemical raw material

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

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

BUSINESS REPORT

Overall summary of business development

The turmoil that began in the EU sugar market after EU quota regulations were eliminated on 30 September 2017 continued in fiscal 2018/19 as expected. Prices continued to fall after the beginning of the new sugar marketing year on 1 October 2018, and the sugar segment had to contend with substantial operating losses. A poor beet harvest caused by a drought in 2018 further added to the pressure on results. We are absolutely dissatisfied with the sugar segment's results for the fiscal year just ended.

A restructuring plan that calls for the shutdown of five sugar factories is based on a reassessment of how the global and EU sugar markets will develop. The restructuring measures are the main reason for a one-time expense of € 96 million in the sugar segment. A review of the balance sheet value of sugar segment goodwill required a one-time value adjustment of € 673 million.

The CropEnergies segment's development was and continues to be strongly dependent on volatile ethanol and raw material prices. CropEnergies addressed the difficult market situation by suspending operations at its ethanol plant at the British site in Wilton from December 2018 to the beginning of March 2019. Even so, the segment was able to achieve excellent capacity utilization and produced 1.0 (1.1) million m³ of bioethanol last fiscal year. Despite slightly higher grain prices, CropEnergies was able to deliver a satisfactory result, which was however lower than in the three excellent previous fiscal years, as expected.

Overall, the special products and fruit segments were able to extend their successful growth trends and thereby confirm their contribution to sustained group results stabilization. The only exception was the starch division, whose results were negatively impacted by the difficult situation in the sweeteners and ethanol market sectors.

The unsatisfactory results situation in the sugar segment was also reflected in a reduced cash flow of € 377 (693) million. The devaluation of the sugar segment's goodwill also reduced the group's capital employed; nevertheless, return on capital employed (ROCE) reached only 0.4 (6.7) %.

Overall economic situation and framework

Economic environment and currencies

In 2018, world economic growth slowed to 3.6 (3.8) %. The United States grew at 2.9 (2.2) % as companies and individuals benefited from broad-based tax reform. In contrast, issues such as restrictive US trade policies dampened Chinese economic expansion. Growth in the euro zone slipped to 1.8 (2.4) %. The trade conflict between the United States and China together with Brexit negotiations posed particular risks for the export oriented German industry. Germany's growth at 1.5 (2.5) % was the weakest since 2013. In Great Britain, investments stayed on the sidelines and consumer confidence weakened in the run-up to the pending Brexit deal, as growth slackened to only 1.4 (1.8) %. In France, protests throughout the country threatened reform projects.

Dampened business expectations applied the brakes to investments in Germany and other eurozone countries. Consumer confidence and spending by private households in Germany countered the trend and remained solid, not least because of record high employment.

On the monetary side, the interest rate turnaround in the United States continued with the US Fed steadily raising the prime rate to 2.25 % in four steps, while the European Central Bank (ECB) maintained its 0 % prime rate and negative deposit rate for banks of −0.40 %. In addition, the ECB continued to buy investment-grade corporate bonds at a rate of € 30 billion monthly, but let its net bond purchase program expire at the end of 2018.

At the beginning of 2018, the euro strengthened. On 15 February 2018, speculation surrounding an accelerated monetary policy shift by the ECB drove the euro to a three-year high of 1.25 USD/€. However, the conflict between the government in Italy and the EU commission about Italy's budget, together with weakening economic performance in the euro zone, caused the euro to slide to 1.14 (1.22) USD/€ at the end of the fiscal year.

Sales and raw material markets

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

European ethanol prices were extremely volatile in fiscal 2018/19, trading in a wide range of 430 to 620 €/m^3. Short term forward contracts initially went from about 465 €/m^3 at the beginning of March 2018 to about 440 €/m^3 in the first quarter of fiscal 2018/19. Later on, and especially in the second half of the fiscal year, ethanol prices recovered to over 600 €/m^3 and at the end of February 2019 were quoted at about 560 €/m^3.

The global grain harvest and inventories will not quite match the previous year's record during the 2018 grain marketing year (1 July to 30 June); however, supplies are still expected to be quite satisfactory. The EU Commission expects that significantly less grain will be harvested in the EU in grain marketing year 2018/19 due to the widespread drought in much of Europe. As a result, one-month futures contracts for bread wheat on the Euronext in Paris fell from 167 €/t at the beginning of March 2018 to about 200 €/t at the end of July 2018 and since then have traded in a narrow range around that level. At the end of February 2019, the price was 193 €/t.

In the most important sector for fruit preparations, yogurt, average annual growth for spoonable yogurt is expected to be 1.1 % until 2023, and 6.0 % for yogurt drinks. The market for European apple juice concentrate was initially marked by sharply lower prices due to the above average harvest in the first half year; however, they began to recover due to rising demand from the United States.

Prices for raw materials for processing fruit preparations were lower than last year overall. Only strawberries were more expensive. Available apple volumes for fruit juice concentrates were sharply higher in Europe, while in China they were significantly lower due to a spring frost.

For further details about volume and raw material markets, please refer to the information in the various segment reports.

Energy and emissions trading

In fiscal 2018/19, the price of oil ranged between 54 and 86 USD/barrel. Global geopolitical tensions, ballooning trade conflicts and significant production swings in the crude oil extracting countries caused prices to remain extremely volatile. On 28 February 2019, Brent crude closed at 66 USD/barrel, the same as last year.

In fiscal 2018/19, the value of EU allowances (EUA) in the EU emissions trading scheme changed significantly. At the beginning of the fiscal year, the EUA spot market price was still around € 10/EUA. Over the course of the year, the price rose steadily. At its peak in September 2018 and January 2019, the spot market price of emission certificates was about € 25. It was the first time the price was back to the level it had been at the beginning of the second trading period in 2008. On 28 February 2019, the EUA spot market price was € 22.

Food policies

Since 2015, the World Health Organization (WHO) has recommended that consumption of added sugars such as sucrose and isoglucose be reduced to less than 10 percent of daily energy intake. In 2016, the EU member states agreed on a target value of at least 10 % for the reduction of added sugar in foods. The target is based on a starting date of 2015 and is to be completed by 2020.

As a result of these target numbers, pressure on EU member states to enact legislation that will reduce the consumption of sugar is increasing. Over the past few years, EU countries have been increasingly raising taxes on certain sugary beverages, either by boosting consumption taxes or applying special manufacturer levies. The number of countries across the globe introducing sugar taxes is also rising.

Additionally, a number of initiatives aimed at changing recipes for foods or to influence consumer demand have been launched; examples include nutritional value identification systems such as traffic light labeling in Great Britain or the Nutri Score labeling system introduced in France.

In Germany, the federal government approved a national reduction and innovation strategy for sugar, fats and salt at the end of 2018, which requires the food industry to voluntarily reduce sugar concentration by at least 10 % for certain product categories (alcohol-free soft drinks, breakfast cereals and dairy products) by 2025.

Group consolidated earnings

Business performance – Group

		2018/19	2017/18	+/– in %
Revenues	€ million	**6,754**	**6,983**	**–3.3**
EBITDA	€ million	353	758	–53.3
Depreciation on fixed assets and intangible assets	€ million	–326	–313	4.3
Operating result	€ million	**27**	**445**	**–93.9**
Result from restructuring / special items	€ million	–810	20	–
Result from companies consolidated at equity	€ million	22	2	> 100
Result from operations	€ million	**–761**	**467**	**–**
EBITDA margin	%	5.2	10.8	
Operating margin	%	0.4	6.4	
Investments in fixed assets [1]	€ million	379	361	5.0
Investments in financial assets / acquisitions	€ million	15	432	–96.5
Total investments	€ million	**394**	**793**	**–50.3**
Shares in companies consolidated at equity	€ million	390	370	5.3
Capital employed	€ million	6,072	6,650	–8.7
Return on capital employed	%	0.4	6.7	
Employees		**19,219**	**18,515**	**3.8**

[1] Including intangible assets.

TABLE 019

Revenues and operating result

Consolidated group revenues fell to € 6,754 (6,983) million in fiscal 2018/19. The sugar and CropEnergies segments' revenues fell sharply, whereas the special products segment's rose substantially. The fruit segment's revenues were slightly above last year's.

As anticipated, the consolidated group operating result was down sharply to € 27 (445) million. The decline was driven mainly by the sugar segment's substantial losses in the second half of the fiscal year. The CropEnergies segment's operating result was also down sharply. The special products segment's operating result was comparable to last year's, while the fruit segment's was slightly higher.

Capital employed and return on capital employed (ROCE)

Capital employed dropped to € 6,072 (6,650) million. The significant decline of € 578 million was due mainly to the impairment of the sugar segment's goodwill. With the significantly lower operating result of € 27 (445) million, ROCE came in at 0.4 (6.7) %.

Income statement

€ million	2018/19	2017/18	+/– in %
Revenues	**6,754**	**6,983**	**–3.3**
Operating result	27	445	–93.9
Result from restructuring / special items	–810	20	0.0
Result from companies consolidated at equity	22	2	> 100
Result from operations	**–761**	**467**	**–**
Financial result	–23	–41	–43.9
Earnings before income taxes	**–784**	**426**	**–**
Taxes on income	–21	–108	–80.1
Net earnings	**–805**	**318**	**–**
of which attributable to Südzucker AG shareholders	–844	205	–
of which attributable to hybrid capital	13	13	0.8
of which attributable to other non-controlling interests	26	100	–74.2
Earnings per share (€)	**–4.14**	**1.00**	**–**

TABLE 020

Result from operations
The result from operations of € −761 (467) million for fiscal 2018/19 breaks down into the operating result of € 27 (445) million, the result from restructuring and special items of € −810 (20) million and the result from companies consolidated at equity of € 22 (2) million.

Result of restructuring and special items
The result of restructuring and special items of € −810 (20) million was driven primarily by the planned restructuring program, which calls for the shutdown of five sugar factories, and the € 673 million devaluation of the sugar segment's goodwill. In addition, the special products segment reported a charge due to the revaluation of fixed assets at the starch plant in Zeitz.

Result from companies consolidated at equity
The result from companies consolidated at equity increased to € 22 (2) million.

Financial result
The financial result improved to € −23 (−41) million and comprises a net interest result of € −22 (−31) million and a result from other financing activities of € −1 (−10) million.

Taxes on income
Earnings before taxes of € −784 (426) million resulted in taxes on income of € −21 (−108) million.

Net earnings
Of the net earnings of € −805 (318) million, € −844 (205) million were allocated to Südzucker AG shareholders, € 13 (13) million to hybrid bondholders and € 26 (100) million to other non-controlling interests, mainly the co-owners of AGRANA Group and CropEnergies Group.

Earnings per share
Earnings per share came in at € −4.14 (1.00). The calculation is based on the time-weighted average of 204.2 (204.2) million shares outstanding. Of this, € −3.30 per share is attributable to the impairment of goodwill in the amount of € 673 million.

Group financial position

Cash flow
Cash flow came in at € 377 million versus € 693 million last year. This corresponds to 5.6 (9.9) % of revenues.

Working Capital
The cash outflow from the increased working capital totaled € 113 million and is attributable to reduced inventories in the sugar segment because of lower volumes. It was more than offset by lower current accruals and reduced liabilities toward beet farmers.

Investments in fixed assets
Investments in fixed assets (including intangible assets) totaled € 379 (361) million. In the sugar segment, investments totaling € 145 (171) million were again mainly allocated toward replacement spending and investments in electronics, automation and logistics. The special products segment invested € 165 (121) million, largely related to new production capacities by the starch division and plant expansion and optimization by BENEO and Freiberger. The CropEnergies segment invested € 13 (20) million for replacements and to improve the efficiencies of its production systems. The fruit segment's investments of € 56 (49) million were mainly for the installation of additional production capacities in the fruit preparations division.

Investments in financial assets
Investments in financial assets of € 15 (432) million relate primarily to the following acquisitions: 100 % of Hungarian fruit juice concentrates producer Brix Trade Kft., Nagykálló, 49 % of Algerian fruit preparations producer SPA AGRANA Fruit Algeria (previously: Elafruits SPA), Akbou and 100 % of British portion pack maker CustomPack Ltd, Telford. The year prior, the company acquired 100 % each of pizza producer Richelieu Foods Inc., Braintree, Massachusetts and frozen pizza maker Hasa GmbH based in Burg, Germany.

Profit distribution
Profit distributions throughout the group in the fiscal year just ended totaled € 161 (164) million and included € 92 (92) million paid out to Südzucker AG's shareholders and € 69 (72) million to other shareholders.

Cash flow statement

€ million	2018/19	2017/18	+/– in %
Cash flow	**377**	**693**	**– 45.5**
Increase (–)/decrease (+) in working capital	**– 113**	**– 183**	**– 37.9**
Net cash flow from operating activities	**262**	**501**	**– 47.7**
Total investments in fixed assets [1]	– 379	– 361	5.0
Investments in financial assets/acquisitions	– 15	– 432	– 96.5
Total investments	**– 394**	**– 793**	**– 50.3**
Other cashflows from investing activities	13	20	– 35.0
Cash flow from investing activities	**– 381**	**– 773**	**– 50.6**
Increases in stakes held in subsidiaries (–)	0	– 3	– 86.2
Decrease in stakes held in subsidiaries/capital increase (+)/capital buyback (–)	3	1	> 100
Dividends paid	– 161	– 164	– 1.8
Other cashflows from financing activities	52	428	– 87.9
Cash flow from financing activities	**– 106**	**262**	**–**
Other change in cash and cash equivalents	– 6	14	–
Decrease (–)/Increase (+) in cash and cash equivalents	**– 231**	**4**	**–**
Cash and cash equivalents at the beginning of the period	585	581	0.8
Cash and cash equivalents at the end of the period	**354**	**585**	**– 39.5**

[1] Including intangible assets.

TABLE 021

Development of net financial debt

The cash inflow from operating activities of € 262 million includes cash flow of € 377 million and a reduction in working capital with a cash outflow of € –113 million. Investment financing of € 394 million and the profit distribution of € 161 million resulted in an increase in net financial debt of € 286 million, which boosted the total from € 843 million to € 1,129 million as of 28 February 2019.

Group assets

Non-current assets

Non-current assets were down € 682 million to € 4,471 (5,153) million. The € 673 million impairment of the sugar segment's goodwill reduced intangible assets by € 658 million, bringing the total to € 1,001 (1,659) million. The carrying value of fixed assets fell by € 40 million to € 2,951 (2,991) million as planned depreciation and revaluations came in higher than investments. The € 16 million increase in other assets to € 519 (503) million relates mainly to the increase in the fair value of companies consolidated at equity to € 390 (370) million.

Current assets

Current assets declined € 464 million to € 3,717 (4,181) million. Inventories were down € 142 million to € 1,977 (2,119) million, primarily due to lower sugar segment inventories. Trade receivables were comparable to the year prior at € 973 (972) million. The € 323 million decline in other assets brought the total to € 767 (1,090) million and was mainly caused by reduced cash and cash equivalents and other assets. Last year the latter included receivables payable by the EU for excess production levies collected for sugar marketing years 1999/2000 and 2001/01.

Shareholders' equity

Shareholders' equity fell to € 4,018 (5,024) million and the equity ratio to 49 (54) percent. The decline of € 980 million in Südzucker AG shareholders' equity to € 2,476 (3,456) million was driven mainly by the prorated losses for the fiscal year. Other non-controlling interests were down € 26 million to € 888 (914) million.

Balance sheet

€ million	28 February 2019	28 February 2018	+/– in %
Assets			
Intangible assets	1,001	1,659	–39.7
Fixed assets	2,951	2,991	–1.3
Remaining assets	519	503	3.2
Non-current assets	**4,471**	**5,153**	**–13.2**
Inventories	1,977	2,119	–6.7
Trade receivables	973	972	0.1
Remaining assets	767	1,090	–29.6
Current assets	**3,717**	**4,181**	**–11.1**
Total assets	**8,188**	**9,334**	**–12.3**
Liabilities and equity			
Equity attributable to shareholders of Südzucker AG	2,476	3,456	–28.3
Hybrid capital	654	654	0.0
Other non-controlling interests	888	914	–2.8
Total equity	**4,018**	**5,024**	**–20.0**
Provisions for pensions and similar obligations	832	781	6.5
Financial liabilities	1,126	1,117	0.8
Remaining liabilities	440	353	24.6
Non-current liabilities	**2,398**	**2,251**	**6.5**
Financial liabilities	501	456	10.0
Trade payables	786	946	–16.8
Remaining liabilities	485	657	–26.2
Current liabilities	**1,772**	**2,059**	**–14.0**
Total liabilities and equity	**8,188**	**9,334**	**–12.3**
Net financial debt	1,129	843	33.9
Equity ratio in %	49.1	53.8	
Net financial debt as % of equity (gearing)	28.1	16.8	

TABLE 022

Non-current liabilities

Non-current liabilities rose € 147 million to € 2,398 (2,251) million. This was driven among other things by higher provisions for pensions and similar obligations, which rose € 51 million to € 832 (781) million due to revaluation at a lower discount rate, which fell from 2.20 % on 28 February 2018 to 1.95 % on 28 February 2019. Financial liabilities of € 1,126 (1,117) million were slightly higher than last year. Other liabilities were up € 87 million to € 440 (353) million due to an increase in other provisions and a concurrent decline in taxes.

Current liabilities

Current liabilities were cut € 287 million to € 1,772 (2,059) million. Financial liabilities rose € 45 million to € 501 (456) million. Trade payables dropped € 160 million to € 786 (946) million; included therein are lower liabilities toward beet farmers of € 196 (357) million. The decline was driven especially by volume and is in part also due to higher advance payments. Other debts, consisting of other provisions, taxes owed and other liabilities, were down € 172 million to € 485 (657) million.

Net financial debt

Net financial debt climbed € 286 million to € 1,192 (843) million as of 28 February 2019. The ratio of net financial debt to equity was 28.1 (16.8) %.

The group's long-term financing requirements as of 28 February 2019 were covered by € 794 (793) million in bonds, € 7 (43) million in promissory notes and € 325 (281) million in bank loans.

The group's short term financing needs as of the balance sheet date were covered by promissory notes totaling € 35 (0) million, by bank loans of € 236 (54) million and bonds (including Commercial Paper) valued at € 230 (400) million. As of the record date, Südzucker Group had access to adequate liquidity reserves of € 1.3 (1.5) billion, consisting of non-utilized syndicated credit lines and other bilateral bank credit lines. In addition, the company had cash and cash equivalents and securities totaling € 499 (730) million.

Value added, capital structure and dividend

Value added

		2018/19	2017/18	2016/17	2015/16	2014/15
Operating result	€ million	**27**	**445**	**426**	**241**	**181**
Capital employed	€ million	6,072	6,650	6,012	5,791	5,877
Return on capital employed (ROCE)	%	0.4	6.7	7.1	4.2	3.1

TABLE 023

Capital employed was reported at € 6,072 (6,650) million, € 578 million less than last year, due mainly to the devaluation of the sugar segment's goodwill. The significantly lower operating result of € 27 (445) million drove return on capital employed (ROCE) from 6.7 % to 0.4 % in fiscal 2018/19.

Capital structure

		2018/19	2017/18	2016/17	2015/16	2014/15
Debt factor						
Net financial debt	€ million	1,129	843	413	555	593
Cash flow	€ million	377	693	634	480	389
Net financial debt to cash flow ratio		3.0	1.2	0.7	1.2	1.5
Debt equity ratio						
Net financial debt	€ million	1,129	843	413	555	593
Shareholders' equity	€ million	4,018	5,024	4,888	4,473	4,461
Net financial debt as % of equity (gearing)	%	28.1	16.8	8.4	12.4	13.3
Equity ratio						
Shareholders' equity	€ million	4,018	5,024	4,888	4,473	4,461
Total assets	€ million	8,188	9,334	8,736	8,133	8,474
Equity ratio	%	49.1	53.8	56.0	55.0	52.6

TABLE 024

The debt ratio (ratio of net financial debt to cash flow) as of the balance sheet date was 3.0 (1.2). Net financial debt as of 28 February 2019 was 28.1 (16.8) % of shareholder's equity of € 4,018 (5,024) million. The equity ratio on the balance sheet date declined to 49 (54) % as total assets dropped to € 8,188 (9,334) million.

The dividend policy continues to be based on continuity and sustainable results development. Nevertheless, given the group's current results and liability situation, the executive board has decided to recommend a dividend of 0.20 (0.45) € per share for fiscal 2018/19.

The historic dividend per share payments in relation to key operating result indicators are shown below.

Dividend

		2018/19	2017/18	2016/17	2015/16	2014/15
Operating result	€ million	27	445	426	241	181
Cash flow	€ million	377	693	634	480	389
Earnings per share	€	−4.14	1.00	1.05	0.53	0.10
Dividend per share [1]	€	0.20	0.45	0.45	0.30	0.25
Payout ratio	%	–	45.0	42.9	56.6	–

[1] 2018/19: Proposal.

TABLE 025

Based on the 204.2 million shares in circulation, the total dividend distribution will be € 41 (92) million. The dividend recommendation is subject to approval by the supervisory board on 15 May 2019 and shareholders at the annual general meeting on 18 July 2019.

SUGAR SEGMENT

PRODUCTION LOCATIONS:	29 sugar factories, 2 refineries
RAW MATERIALS:	Sugar beets, sugar cane
PRODUCTS:	Sugar, sugar specialties, animal feed
MARKETS:	Europe and the world
CUSTOMERS:	Food industry, retailers, agriculture

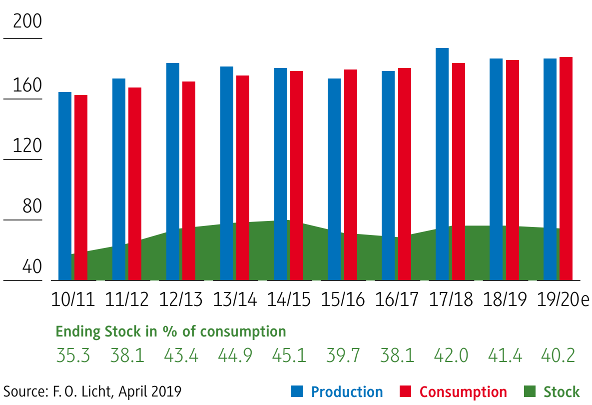
Markets

World sugar market

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

Global sugar balance

Million of tonnes raw value



Source: F. O. Licht, April 2019

DIAGRAM 010

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

The following table summarizes the most important sugar producing and consuming nations, along with the largest importing and exporting countries.

Global market sugar prices

1 March 2016 to 31 March 2019
London, nearest forward trading month

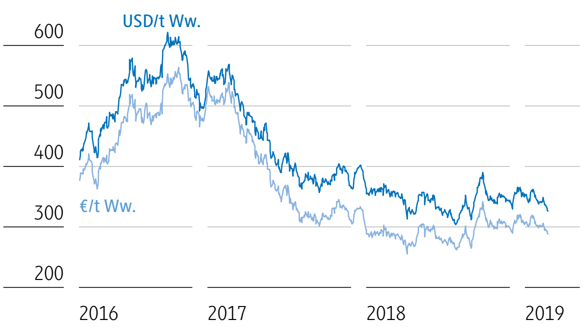


DIAGRAM 011

Million of tonnes raw value	2015/16	2016/17	2017/18	2018/19	2019/20e
Top 5 producer					
Brazil	40.5	42.4	33.3	30.5	34.5
India	27.4	22.1	35.3	35.4	32.0
EU	15.1	17.5	21.4	18.0	18.8
Thailand	10.0	10.3	15.0	14.7	13.0
China	9.5	10.1	11.2	11.7	11.5
Top 5 consumer					
India	27.0	26.7	27.6	28.3	28.8
EU	18.6	18.5	19.0	18.5	18.5
China	17.3	16.7	16.8	16.8	16.8
Brazil	11.7	11.7	11.7	11.7	11.8
USA	10.9	11.2	11.1	11.1	11.1
Top 5 net exporters					
Brazil	29.8	29.6	23.2	19.3	22.2
Thailand	7.8	7.1	9.7	12.1	10.6
Australia	4.0	3.8	3.4	3.5	3.6
India	2.2	−0.4	0.2	3.0	3.5
Guatemala	2.1	2.0	1.8	2.0	2.0
Top 5 net importers[1]					
China	6.0	4.0	4.4	4.9	5.0
Indonesia	4.7	5.1	5.0	4.8	5.0
USA	3.0	2.8	2.9	2.7	3.0
Bangladesh	2.2	2.4	2.1	2.4	2.4
Algeria	1.7	1.5	1.7	1.9	1.9

Source: F. O. Licht, World sugar balance estimate, April 2019.
[1] Sugar consumed in the country without refining for third countries.

TABLE 026

EU sugar market

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

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

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

Sugar markets

Over 80 % of the total sugar volume is destined for the processing food industry. Just under 65 % is purchased by three key customer segments: chocolate, baked goods and beverages. In Western Europe the volume of sugar purchased by the processing industries declined 2.5 % [1] between 2012 and 2017. This trend to reduce the percentage of sugar used by the processing industry will continue and presumably accelerate. Lower sugar consumption has also been observed in the retail food/food service industries for several years. Sharp competition in the processing industry and retail food/food service industries has been evident since elimination of the sugar market regulations.

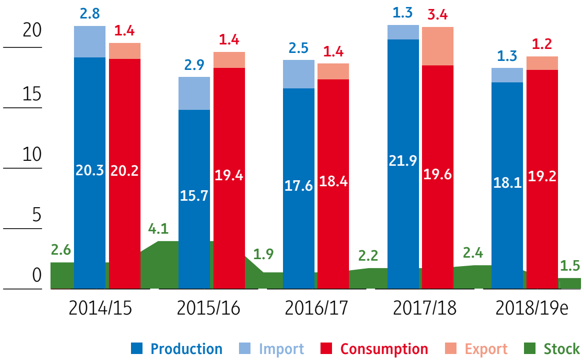
Byproduct markets

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

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

EU sugar balance

Million of tonnes white sugar



Source: F. O. Licht, April 2019

DIAGRAM 012

EU price reporting

1 March 2016 to 28 February 2019
€/t Ww.

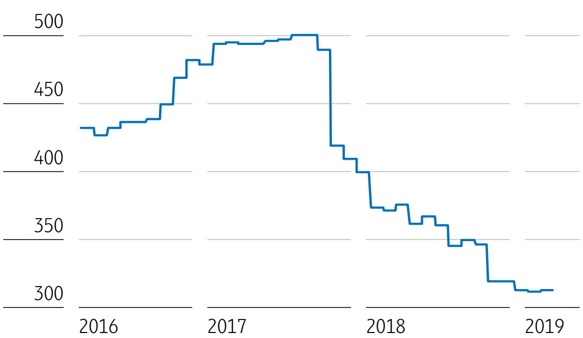


DIAGRAM 013

[1] Euromonitor International, 2017.

Legal and political environment

EU sugar market international competitive position

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

Coupled direct payments in the European domestic sugar market

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

Statutory restrictions and bans affecting plant protection in the EU

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

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

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

WTO negotiations

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

Free trade agreements

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

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

In parallel with the ongoing WTO discussions, the EU is negotiating with various nations and communities, such as the MERCOSUR member states[1] and Australia regarding potential free trade agreements. In the event sugar and sugary products are not defined as sensitive products – contrary to current trade practice – additional sugar volumes could in future be imported into the EU at preferential tariff rates.

BREXIT can impact the sugar trade. Tightknit trade interdependencies exist between Great Britain and continental Europe's sugar industries: The EU export about 0.5 million tonnes of sugar to Great Britain annually and import about 0.2 million tonnes of sugar from Great Britain. The European sugar industry's aim for the future is to have balanced market access to the British market.

The existing market access obligations of the EU under the terms of its free trade agreements (e.g., Central America) and WTO obligations (CXL imports/AKP-LDC imports) after Brexit were fairly distributed between the remaining EU countries and Great Britain on the basis of past trade flows. Because Great Britain has the largest European sugar cane refinery, very strict rules of origin will be necessary for future trade agreements between the EU and Great Britain.

EU agricultural policies as of 2021

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

Business performance

Revenues and operating result

In fiscal 2018/19, sugar segment revenues fell to € 2,588 (3,017) million as a result of significantly lower sales revenues. During the first half of the fiscal year, much more sugar was sold than in the year prior, but in the second half year sugar volume was down sharply as a result of drought-related lower production and export volumes. For the full fiscal year, total volume was only slightly higher than last year.

Last year sales revenues rose in the first half of the fiscal year, but they have been down sharply since October 2017. Sales revenues have continued to drop since October 2018. The weaker harvest in 2018 on account of drought further added to the pressure on results. The lower production volumes not only drove production costs higher but also reduced sales volumes. This resulted in an operating loss of € –239 (139) million, all of which accumulated in the second half of the fiscal year.

Result of restructuring and special items

Restructuring costs and special items totaled € –769 (24) million.

The new assessment of the sugar market situation and the planned restructuring initiative resulted in a triggering event that required impairment of the sugar CGU's goodwill. This resulted in an impairment loss of € 673 million on the carrying amount of goodwill of € 780 million, as the value in use was correspondingly lower than the carrying amount.

Restructuring expenses of € 96 million relate mainly to the planned total capacity adjustment of around 700,000 tonnes to the average annual sugar production volume. Related expenses are the downward revaluation of the affected fixed assets and expenses for social compensation plans for staff reductions.

Last year, the result from restructuring and special items of € 24 million primarily included income from excess production levy repayments for sugar marketing years 1999/2000 and 2000/01, property disposals and insurance payouts related to a fire at the Ochsenfurt sugar factory in summer 2017. The income was offset by expenses for restructuring and reorganization programs.

[1] Brazil, Argentina, Paraguay, Uruguay

Result from companies consolidated at equity

The sugar segment's result for companies consolidated at equity was € 5 (–28) million and relates to ED&F Man Holdings Limited, London, Great Britain, AGRANA-Studen Group and Maxi S.r.l. Despite the clear result improvement, the moderate contribution reflects the ongoing difficult global environment in which the sugar segment currently operates.

Capital employed and return on capital employed

Capital employed fell € 646 million to € 2,653 (3,299) million. The decline was mainly driven by the revaluation of the goodwill and the fixed assets of the sugar factories that will be closed. ROCE was negative at –9.0 (4.2) % in fiscal 2018/19 due to the operating result of € –239 (139) million.

Investments in fixed assets

A major share of the € 145 (175) million invested relates to replacement projects in the electrical equipment and process technology areas. Investment projects related to efficiency improvement included installation of a carbonation slurry heat exchanger in Offstein, expansion of the pellet press capacity in Zeitz and Kaposvár, Hungary, and installation of a new crystallization system in Wanze, Belgium. Investment projects related to environmental protection were carried out in Etrepagny, France, and the Ochsenfurt, Offstein and Plattling factories in Germany. There were also investments in logistics and infrastructure projects such as providing rail access and installing new bagging systems; for instance, at the Ochsenfurt, Offenau, Rain and Zeitz factories.

Business performance – Sugar segment

		2018/19	2017/18	+/– in %
Revenues	€ million	**2,588**	**3,017**	**–14.2**
EBITDA	€ million	–102	278	–
Depreciation on fixed assets and intangible assets	€ million	–137	–139	–0.7
Operating result	€ million	**–239**	**139**	**–**
Result from restructuring / special items	€ million	–769	24	–
Result from companies consolidated at equity	€ million	5	–28	–
Result from operations	€ million	**–1,003**	**135**	**–**
EBITDA margin	%	–3.9	9.2	
Operating margin	%	–9.2	4.6	
Investments in fixed assets [1]	€ million	145	171	–15.0
Investments in financial assets / acquisitions	€ million	2	2	–10.0
Total investments	€ million	**147**	**173**	**–15.0**
Shares in companies consolidated at equity	€ million	326	308	5.9
Capital employed	€ million	2,653	3,299	–19.6
Return on capital employed	%	–9.0	4.2	
Employees		**6,950**	**7,034**	**–1.2**

[1] Including intangible assets.

TABLE 027

Raw materials and production

Cultivation area

The total beet cultivation area at Südzucker Group was down about 2.5 % in 2018 from the year prior to 434,000 (445,000) ha. The main reason for the reduced cultivation area was an infestation of beet root weevil, which destroyed over 8,000 ha in Austria.

Planting and beet development

Because of rain and wintry weather in March, the 2018 planting season did not begin until early April, which is relatively late. But as temperatures climbed sharply higher, beets could be planted in all regions under excellent conditions. Soil conditions were generally excellent because of the late frost.

Up until June 2018, beets benefited from warm temperatures and adequate rainfall in almost all of Südzucker Group's cultivation regions. Subsequently, the weather turned hot and unusually dry, especially in Germany, France, Belgium and Southwest Poland. Infrequent regional showers and varying soil characteristics led to disparate and regionally widely differing beet crops.

Yields

Below-average beet yields reflected the pronounced summer drought in most of Südzucker Group's cultivation areas. Overall, the yield for Südzucker Group was 67.6 (80.9) t/ha, below the five-year average. However, the dry weather did have a positive impact on sugar content. An above-average sugar content of 18.2 (17.8) % led to a sugar yield of 12.3 (14.4) t/ha.

2018 campaign

The below average beet yields led to a lower total beet volume of 29.3 (36.0) million tonnes.

Beet pulling was much easier than expected given the parched soil. Occasional light rain during the campaign had a positive impact and loading and transportation proceeded smoothly. However, the drought limited the effectiveness of herbicides, so the weed content in the deliveries was higher than usual.

Because of the drought, the 2018 campaign started approximately 10 days later than originally planned, except in Poland. Almost all of the factories started the campaign between the end of September and beginning of October 2018. In Eppeville, France, the campaign start was delayed by a month due to a fire in an electrical room. Processing time at the various factories ranged between 65 days at Falesti in Moldova and 146 days at Cagny in France. The average campaign duration for all factories was 115 (133) days.

Syrup is being stored in tanks as an intermediate product at number of group sites. It will be converted to sugar in separate syrup campaigns. Some of the stored syrup will also be sold directly to customers.

A beet root weevil infestation caused considerable damage to organic beets in Austria in 2018. The volume of organic beets was substantially lower than last year. Organic sugar volumes produced were lower at the factories in Warburg, Hrušovany, Czech Republic and Roman, Romania.

Sugar and byproduct production

Total sugar production at the group decreased to 4.7 (5.9) million tonnes, of which 4.6 (5.7) million tonnes was sugar produced from beets and 0.1 (0.2) million tonnes sugar refined from raw sugar cane.

Cultivation and production

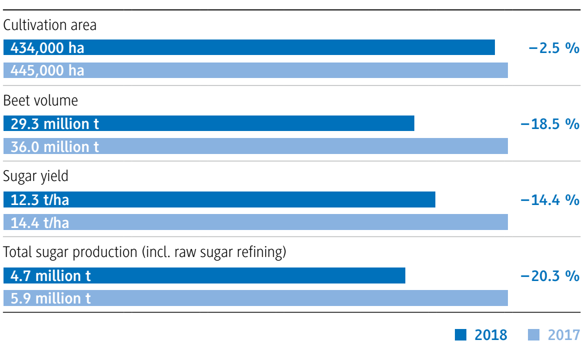


DIAGRAM 014

Sugar production by region

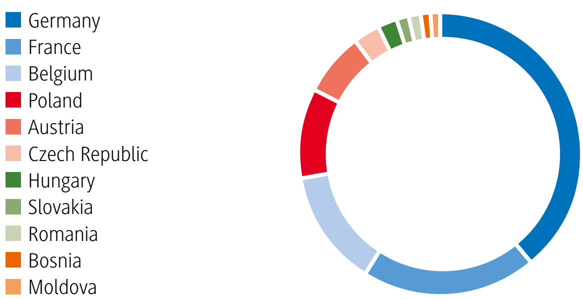


DIAGRAM 015

Despite an almost 20 % lower beet volume, the higher molasses volume of 1.7 (1.8) million tonnes allowed a similar volume of sugary byproducts to be produced than a year earlier, especially molasses pulp and molasses at the German sites.

Environment

Energy and emissions

High-efficiency cogeneration (CHP) plants cover the energy requirements of the Südzucker Group sugar factories. A mix of predominantly fossil fuels is used, with natural gas making up more than half of this in recent years. Which fuels are used is determined by what is locally available. The factories are supplied in part based on procurement prices, i.e. the fuels used can change from one campaign to the next.

The sewage gas produced in the anaerobic wastewater plants is used as fuel in the sugar factories. Running the factories with energy directly from renewable sources such as solar and wind is not possible. This mainly has to do with the fact that heat is required in the form of process steam. One way of increasing the share of renewable energy in the long term would be to include biomass in the energy mix, provided this is locally available and economical.

The amount of CO_2 emissions depends not only on the total energy consumption, but also on the fuel mix used. Electric power in the sugar factories is generally provided directly by high-efficiency CHP plants.

Südzucker operates biogas plants at the sugar factories in Strzelin, Poland and Kaposvár, Hungary, which generate renewable energy for the sugar factories from biomass – primarily fresh beet pellet silage – and feed it into the public grid.

Despite the shorter campaign and in some cases very difficult processing conditions due to the limited availability of raw materials, the specific energy use per tonne of product was only slightly higher.

Water withdrawal and water discharge

Water withdrawal at the factories is based on local water availability and is designed for the most efficient use of water as a valuable resource. The majority of withdrawn water (approximately 50 %) is used for continuous cooling systems, i.e. the water is only used to cool processes and then fed directly back to the receiving waters. Beets for processing consist of about three-quarters of water. This water is used both to wash the sugar beets and to extract sugar from the pellets. This water is used as process water in sugar production and is reused multiple times in the cycle. The water from sugar beets is used as a raw material and provides approximately 80 % of the fresh water required by the factories (excluding continuous cooling systems).

Südzucker Group has aerobic and anaerobic wastewater treatment plants at numerous production locations. The gas from purification plants resulting in the latter case is used for energy.

Water withdrawal/water discharge in the sugar segment

m^3 per tonne product	2014/15	2015/16	2016/17	2017/18	2018/19
Water withdrawal	1.9	1.7	1.8	1.8	1.8
Water discharge	1.9	1.8	2.0	2.0	1.9

TABLE 028

Water withdrawal and water input per tonne of product remained at the same low level they have been in previous years.

Energy consumption by the sugar segment

Gigajoules per tonne of product

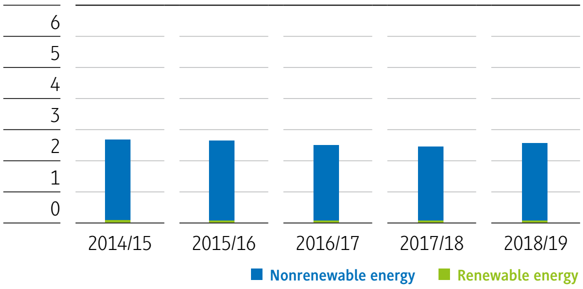


DIAGRAM 016

Emissions from direct and indirect energy consumption in the sugar segment

Tonnes of CO_2 equivalent per tonne of product

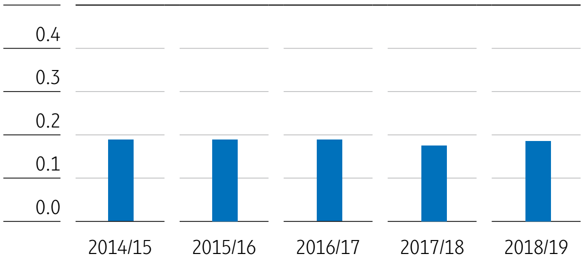


DIAGRAM 017

Utilization of raw materials

When processing agricultural raw materials, Südzucker uses all raw materials components to make high-quality products and by-products. For example, in addition to sugar, we use sugar beets to produce sugar beet pellets, molasses and carbocalk. Sugar beet pellets are used as animal feed or as a raw material to produce energy from renewable sources, molasses as animal feed and as a raw material in the fermentation industry to produce yeast, ethanol and citric acid, and carbocalk as a lime fertilizer in agricultural.

Soil adhesion

Reducing soil adhesion during the harvest and truck loading has a positive impact on both the volume transported and the time and money spent on beet preparation and wastewater treatment. This is why beets are typically pre-cleaned at the edges of fields. Weather conditions have a major impact on how much soil still clings to the beets after cleaning. During the 2018 campaign, soil adhesion was only 4.5 (6.1) percent following the drought. After sedimentation in soil holding ponds, the soil washed off at the factory is returned to the fields as high-grade soil to maintain soil fertility. The soil that is washed off is drained and generally returned to the field because beet soil is high-grade topsoil. This recycling ensures lasting soil fertility.

Waste

Waste types and quantities in the sugar segment

Thousand of tonnes	2014/15	2015/16	2016/17	2017/18	2018/19
Recycling	343.2	271.2	153.5	192.3	204.8
Landfill	84.4	68.6	49.4	47.5	37.6
Composting	9.9	14.3	8.6	11.1	20.7
Incineration	2.2	9.7	1.8	3.0	2.8
Other	17.0	12.2	16.4	22.0	6.8
thereof dangerous waste[1]	*0.8*	*1.1*	*0.5*	*1.2*	*1.0*
Total	**456.8**	**376.0**	**229.7**	**275.9**	**272.7**

[1] Mainly used lubricants from production.

TABLE 029

Our integrated production concepts process the high-value input products we buy almost entirely. Accordingly, the volume of waste produced is very low compared to the total volume of raw material processed. Most of any residual waste is recycled. The slightly lower waste volume is primarily due to the slightly lower volume of raw material processed in the sugar segment during the reporting year.

Sales volumes

Sugar

The consolidated sugar sales volumes produced by the group in fiscal 2018/19 came in at 5.6 (5.4) million tonnes, slightly more than last year.

Of the total, 5.3 (5.1) million tonnes of sugar was produced by the EU companies, which represents an increase of 4.1 %. EU sales volume totaled 4.5 (4.4) million tonnes, while 0.7 (0.8) million tonnes were exported to countries outside the EU.

The main contributors to growth were higher sales volumes in Belgium, Great Britain, Italy, Ireland, Poland, Romania and the Czech Republic.

Volumes in the Republic of Moldova and the West Balkan remained unchanged at about 0.3 (0.3) million tonnes.

Overall, the first half of the year was driven by sugar volumes from the record harvest of the previous year. In contrast, significantly reduced harvest forecasts affected sugar sales in the second half of the year.

Animal feed and molasses

Because of the reduced production from the 2018/19 harvest, all of the molasses pulp volumes were successfully sold to the mixed feed industry and retailers at higher prices than in the previous year. Organic pulp production was higher than last year and was also sold at higher prices than last year.

Prices for molasses sold to the fermentation and mixed feed industry and retailers were slightly lower than last year throughout the group due to the higher volumes produced – especially in France and Poland. Organic molasses production was also slightly higher than last year. Prices were slightly above last year's.

SPECIAL PRODUCTS SEGMENT

Markets

Target markets

In general, the special products segment's target markets continued to expand last fiscal year, although the growth rates in a number of product areas did not match the high levels of previous years.

The increasing dissemination of scientific findings regarding the impact of nutrition on health, together with rising consumer interest in this subject, support major nutritional trends such as sugar, salt and fat reduction, organic, gluten-free, high-fiber products, and vegetarian or vegan diets. The food industry services these demands with products that offer nutritional benefits and meet consumer taste preferences. In Europe, Asia and North America demand for functional dietary fibers, carbohydrates and proteins continued to rise last fiscal year. There was also clear growth in the animal nutrition and feed application areas.

Last calendar year, the volume of frozen pizza stagnated or declined slightly in the German and French markets and value growth rates were low. In contrast, the volume of both chilled and frozen pizza rose again in Great Britain. Growth rates of brand labeled products were above average. House brands were also the strong growth drivers in the United States and were able to capture additional market share in a market that is growing overall.

But the market situation for portion packs in Europe remains difficult. Overall, markets stagnated and some even shrank slightly.

The distortions in the European sugar market had a significant impact on starch saccharification products, some of which lost market share in the beverage sector on account of the low price of sugar. As a result, volumes were significantly below expectations and below the average of previous years. Accordingly, pressure on prices was high in this sector. However, sales revenues for native and modified starches in the food sector rose in tandem with higher raw material and energy costs while volumes remained steady. Demand from the paper and cardboard industry for industrial starches was high. Sales revenues for medium and high protein byproducts were also higher than last year, whereas corn oil was subject to price pressures as a result of low plant oil prices.

European ethanol prices continued to be very volatile during the fiscal year just ended. Please refer to the CropEnergies segment report for details about developments in the international bioethanol markets and the associated political framework.

Raw material markets

The special products segment converts a variety of agricultural raw materials into high-quality products for food and animal feed, as well as the chemical/industrial sector. Much of this raw material was impacted by the sustained heat and drought experienced in Europe last calendar year.

Despite these unusual climatic conditions, the chicory harvest in Belgium was marked by high inulin content last fiscal year. In Chile, the cultivation area expanded to keep up with higher demand. An adequate supply of rice was also available thanks to sufficient availability internationally; however, higher quality specifications further constrained the number of regions that could supply product.

The dairy market continued to be affected by market interventions and was marked by high price volatility. Limited European production capacities, especially for mozzarella, resulted in higher prices toward the end of 2018 amid high demand.

DIVISION	BENEO	Freiberger	PortionPack Europe	Starch
TARGET MARKETS	Worldwide	Europe, USA	Primarily Europe	Central and Eastern Europe (mainly Austria and Germany), USA, UAE
MARKET SECTOR	Food, animal feed, pharmaceuticals industries	Food retailers in Europe and North America	Hotels, restaurants, caterers (Food Service)	Food, paper, textiles, industrial chemicals, pharmaceuticals, cosmetics, petroleum, animal feed industries

Contract volumes for starch potatoes could not be completely filled, although this was partially offset by somewhat higher starch content. The EU-28's grain production was also lower than last year due to weather conditions; as a result, prices for wheat and corn rose sharply during the summer months. Developments on the international grain markets are preseted in the CropEnergies segment.

Business performance

Revenues and operating result

The special products segment was able to boost revenues substantially in fiscal 2018/19, to € 2,294 (1,997) million. The higher revenues came mainly from Richelieu Foods Inc., Braintree, Massachusetts and HASA GmbH, Burg, Germany. These two companies were only consolidated for part of last fiscal year. All other divisions were also able to generate higher revenues.

The operating result was comparable to last year at € 156 (158) million. The starch division's starch-based sweeteners and ethanol were subject to price pressure. This led to a significantly lower result as raw material and energy costs climbed. However, the overall results growth in the other product groups almost fully offset the decline.

Result of restructuring and special items

In view of the reassessment of the sugar market situation and the difficult market environment for the starch division's sweeteners, the carrying value of the starch producing fixed assets at the Zeitz site was written down by € −51 million.

Result from companies consolidated at equity

The result of € 17 (30) million from companies consolidated at equity was mainly attributable to the share of earnings from Hungarian Hungrana Group's starch and bioethanol businesses, which were also negatively impacted by the difficult market environment.

Business performance – Special products segment

		2018/19	2017/18	+/– in %
Revenues	€ million	**2,294**	**1,997**	**14.9**
EBITDA	€ million	268	255	4.9
Depreciation on fixed assets and intangible assets	€ million	−112	−97	14.5
Operating result	€ million	**156**	**158**	**−1.1**
Result from restructuring / special items	€ million	−51	−3	> 100
Result from companies consolidated at equity	€ million	17	30	−45.8
Result from operations	€ million	**122**	**185**	**−34.1**
EBITDA margin	%	11.7	12.8	
Operating margin	%	6.8	7.9	
Investments in fixed assets [1]	€ million	165	121	35.7
Investments in financial assets / acquisitions	€ million	7	430	−98.2
Total investments	€ million	**172**	**551**	**−68.8**
Shares in companies consolidated at equity	€ million	62	60	1.8
Capital employed	€ million	2,133	2,055	3.8
Return on capital employed	%	7.3	7.7	
Employees		**6,033**	**5,697**	**5.9**

[1] Including intangible assets.

TABLE 030

Capital employed and return on capital employed (ROCE)

Capital employed was higher at € 2,133 (2,055) million, mainly due to higher inventories and investments, especially in the starch division. With an operating result of € 156 (158) million, ROCE was slightly lower at 7.3 (7.7) %.

Investments in fixed assets

The special products segment's investments of € 165 (121) million in the BENEO division were for capacity expansions at all sites and/or to prepare them for the future. The division also invested in expanding its product range; examples include the agglomeration system for Palatinit at the Offstein plant in Germany and a production system at Wanze, Belgium, to make textured wheat proteins as a as a component of vegetable alternatives to meat.

The Freiberger division focused on efficiency and product quality improvements; an example is the installation of wood-fired stone ovens to produce very high-end pizza shells. A production line was expanded and various automation projects completed at the Westhoughton site in Great Britain. Automation and production line expansion projects are also underway at the Richelieu sites in the United States.

The starch division expanded the capacity of its starch factory in Pischelsdorf, Austria, as well as that of its wheat starch factory in Aschach, Austria. It also built a new potato starch and potato fiber dryer in Gmünd, Austria.

Investments in financial assets

Investments in financial assets of € 7 (430) million were for the 100 % acquisition by Portion-Pack Europe of British PortionPack maker CustomPack Ltd, Telford. The year prior, Freiberger acquired 100 % each of pizza producer Richelieu Foods Inc., Braintree, Massachusetts and frozen pizza maker Hasa GmbH based in Burg, Germany.

Production

Our BENEO division produces high-end functional ingredients for food and animal feed at five production sites. Plant loading at the factories, which convert beet sugar, chicory and rice to isomalt, Palatinose™, inulin, oligofructose and rice starch, was high last fiscal year. In line with continuing positive market and volume expectations, the division has a number of capacity expansion projects in progress.

The Freiberger division's production volumes were higher, driven especially by the acquisitions of HASA GmbH und Richelieu Foods Inc., which last year were only consolidated for part of the year. The division's product range extends from classic stone oven pizzas to fresh dough pizzas, including Alsace pizza, both chilled and frozen. Frozen pasta dishes, snacks, baguettes and sauces round out the product portfolio.

Portion pack production volumes were higher on account of the takeover of the British company Custom Pack Ltd. in October 2018. PortionPack Europe now owns six European factories that produce a wide range of customized food and non-food portion packs.

The starch division was able to boost processing of raw materials, thanks especially to the expansion of the capacity at the Aschach site, but also higher loading at the Zeitz plant. Potato and corn processing volumes at the factories in Gmünd, Austria and Tandarei, Romania were also higher. The starches, sweeteners, ethanol and byproducts produced are used for food and animal feed as well as various technical applications.

DIVISION	BENEO	Freiberger	PortionPack Europe	Starch
PRODUCTION LOCATIONS	Germany (1), Belgium (2), Italy (1), Chile (1)	Germany (4), Great Britain (2), Austria (1), USA (5)	Great Britain (2), Netherlands (2), Spain (1), Czech Republic (1)	Germany (1), Austria (3), Romania (1)
RAW MATERIALS	Beet sugar, rice, chicory root	Flour, milk (cheese), tomato paste, pork / salami	Finished products (confectionery, pastries, sugar)	Potatoes, corn, wheat

Environment

Energy consumption and emissions

Because of the wide variety of products manufactured by the special products segment and commensurate diverse manufacturing processes, there is a wide range of different energy requirements. The division has its own generating facilities to cover most of its thermal requirements. Its electric power needs are covered both by drawing from the grid as well as highly efficient in-house cogeneration plants. Natural gas is the main fuel.

Energy consumption by the special products segment

Gigajoules per tonne of product

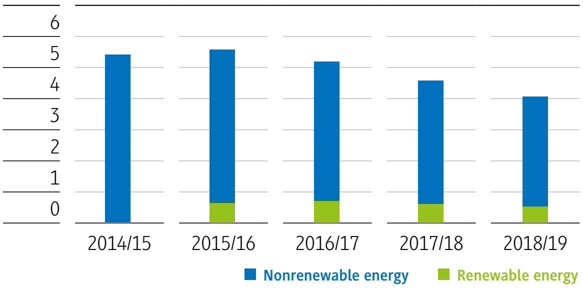


DIAGRAM 018

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

Tonnes of CO_2 equivalent per tonne of product

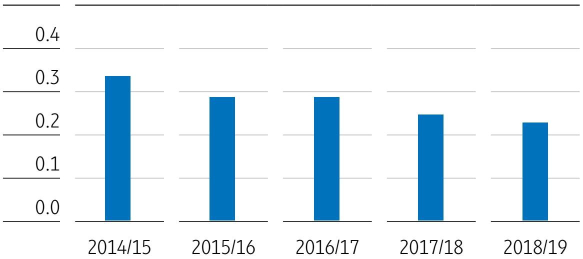


DIAGRAM 019

The volume of CO_2 emitted is a function of both total energy demand and input fuels mix. Further prospects to reduce CO_2 emissions include further improving the energy efficiency of the production processes and to the extent locally available and economically viable, increasing the share of energy from renewable sources.

We have been operating a biomass boiler at our Pemuco production site in Chile since 2015. It primarily processes waste from the forestry and logging industries to generate steam and electricity.

At the Pischelsdorf, Austria location, the carbon dioxide generated during the fermentation of herbal raw materials is purified and liquefied using special equipment, then sold as biogenic carbon dioxide. It can then be used, for example, in the beverage industry.

The special products segment's energy consumption was lower than last year, in part because of the startup of a new high-efficiency steam boiler at the corn starch factory in Aschach and energy efficiency improvement programs at various locations. The calculation also includes the new Freiberger Group locations in the United States for the first time. Some of these have a lower value added component.

Water withdrawal and water discharge

Water withdrawal at the special products segment's factories is based on using the resource water as efficiently as possible. It is a function of the various manufacturing processes and accordingly, varies widely. The division uses mainly groundwater and potable water from public water supplies. Quite often, part of the water remains in the products. The starch division also uses surface water, primarily for cooling water.

Water withdrawal / water discharge in the special products segment

m^3 per tonne product	2014/15	2015/16	2016/17	2017/18	2018/19
Water withdrawal	4.5	4.2	4.2	3.9	4.0
Water discharge	4.6	4.1	4.3	3.6	3.1

TABLE 031

Most of the special products segment's production wastewater is treated in its own biological treatment plants. The remaining volume is fed to municipal treatment plants or third-party waste handling systems.

While water withdrawal remained almost constant, water input was down because of less rain.

Raw material use

When processing agricultural raw materials in its BENEO and starch divisions, Südzucker uses all components of the input raw materials and converts them to high-quality products. The Freiberger division uses primarily intermediate products such as flour, tomato sauce and cheese, which are purchased as required.

Soil

One of the products processed by the special products division is chicory, which usually arrives at the factory with a small amount of soil adhered to its surfaces, despite pre-washing. The soil washed from these raw materials is normally returned to farms.

Waste

Waste types and quantities in the special products segment

Thousand of tonnes	2014/15	2015/16	2016/17	2017/18	2018/19
Recycling	5.0	5.6	8.0	18.2	8.0
Landfill	2.9	7.2	5.1	4.0	8.2
Composting	47.8	32.6	40.0	52.7	58.2
Incineration	11.9	12.0	16.5	18.7	20.3
Other	4.3	4.0	3.4	5.1	9.1
thereof dangerous waste [1]	*0.1*	*0.3*	*0.2*	*0.1*	*0.2*
Total	**71.8**	**61.4**	**73.0**	**98.8**	**103.8**

[1] Mainly used lubricants from production.

TABLE 032

The total waste volume is slightly higher than last year because of increased production volumes. Most of the waste is composted. It consists mainly of rice husks and vinasse residues that occur in the BENEO division when processing rice and chicory. A further significant share of the waste, consisting mainly of food scraps at the Freiberger locations, is recycled to produce energy.

Sales volumes

In spite of increased competition in certain product categories, volumes of our functional food and animal feed ingredients continued to rise. The main growth drivers were the markets in Asia and the American continent. In the United States, the FDA food authority approved claims regarding BENEO's inulin and oligofructose products as dietary fibers in conjunction with the FDA's program to amend regulations regarding food labeling based on scientifically proven positive physiological effects. This provides a solid basis for further growth in this important market.

The volume of chilled and frozen products was also significantly higher, mainly because HASA GmbH and Richelieu Foods Inc., acquired in 2017, were now consolidated for the full year. But even adjusted for the volume of these newly consolidated companies, total volume was up due to the strongly growing bakeshops part of the retail food sector, which offers re-heated snacks.

The volume of portion packs recovered after a slight decline last year. Volume from Custom Pack Ltd., consolidated in October 2018, was a contributor.

Volumes of starch products for the food sector were stable. Higher raw material and energy costs were offset by higher product prices. Demand continued to be high for industrial starches and ethanol volumes were also slightly higher than a year earlier. But continuing high competitive pressure due to the deregulation of the European sugar market dampened volume and sales revenue growth for starch-based sweeteners, especially isoglucose.

DIVISION	BENEO	Freiberger	PortionPack Europe	Starch
PRODUCTS/ SALES PRODUCTS	Functional Food Ingredients (dietary fibers, sugar substitutes, new sugar, rice starches/-flours, functionalized wheat protein)	Convenience Food (chilled and frozen pizzas, pasta, baguette, breadsnacks, sauces, dressings)	Portion packs (Food and non food)	Native and modified starches, sweeteners, ethanol, high-protein animal feeds, high-protein food products
BRANDS	Isomalt, Palatinose™, galenIQ™, Orafti™ Inulin, Orafti™ Oligofruktose	Alberto, Italissimo	Hellma, van Oordt	ActiProt, BioAgnasol, AGENABEE, Südzucker-Starch
SALES LOCATIONS	9 (Europe, Asia, USA)	10 (Europe, USA)	8 (Europe)	7 (Europe)

CROPENERGIES SEGMENT[1]

LOCATIONS:	4 production locations in 4 countries, 2 branch sales offices in 2 countries
RAW MATERIALS:	Grain, sugar syrup, raw alcohol, starch slurry
PRODUCTS:	Fuel-grade ethanol, rectified spirits, protein-based food and animal feed, liquid CO_2
MARKETS:	Europe
CUSTOMERS:	Oil companies and traders, food and animal feed producers, beverage and cosmetics producers, pharmaceutical companies

Markets

Ethanol market

Global ethanol production rose to about 126 (120) million m³ in 2018. The growth continued to be driven by the fuel sector, which consumes over 85 % of globally produced alcohol, or 7 % per volume of global gasoline consumption. The remaining alcohol is used in beverages, cosmetics, pharmaceutical and industrial applications. Global ethanol production is expected to expand further in calendar 2019. However, the growth attributable to the fuel sector is expected to be a manageable 1.3 (7.8) %.

EU ethanol production rose to 7.7 (7.5) million m³ in 2018. Of the total, 5.4 (5.3) million m³ are fuel-grade ethanol. Domestic ethanol consumption was 8.0 (7.8) million m³, of which 5.4 (5.3) million m³ was fuel-grade ethanol. Imports were hardly changed in 2018 at 0.6 (0.5) million m³. European ethanol prices were very volatile during the fiscal year and attracted speculators, who initially focused on issues such as the impact of eliminating EU sugar market regulations in October 2017, rising raw material costs, capacity loading at certain European factories and the advantage of imports, and logistics bottlenecks caused by low water levels. Short term forward contracts initially tracked weak international patterns and went from about 465 €/m³ at the beginning of March 2018 to about 440 €/m³ in the first quarter of fiscal 2018/19. Later on, and especially in the second half of the fiscal year, ethanol prices rose and at the end of February 2019 were quoted at about 560 €/m³.

Protein market

The market for protein-rich food and animal feed is influenced above all by the global market price of soybeans and European rapeseed meal prices.

According to the International Grain Council (ICG), the global soybean harvest for 2018/19 will be sharply higher at 359 (341) million tonnes, setting a new record. Despite rising demand for soybeans, inventories are expected to climb to 52 (45) million tonnes. As a result, one-month futures contracts for soybeans on the CBOT were trading at 9 USD/bushel[2] at the end of February 2019, down sharply from 10.60 USD/bushel at the beginning of March 2018. In contrast, European prices for rapeseed meal declined only slightly year-over-year, to 220 (225) €/t, driven primarily by a drought-related weaker EU rapeseed harvest in 2018/19 of 20 (22) million tonnes.

Raw material markets

Global grain production (excluding rice) is expected to come in at 2,125 (2,142) million tonnes in grain marketing year 2018/19. With grain consumption at 2,170 (2,153) million tonnes, inventories are expected to decline to 604 (648) million tonnes. The forecast for worldwide grain production for 2019/20 is 2,175 (2,125) million tonnes and grain consumption is expected to grow further to 2,204 (2,170) million tonnes. Accordingly, global grain inventories should fall to 575 (604) million tonnes to the end of 2019/20.

EU bioethanol volume balance

million m³	2016	2017	2018	2019e
Opening balance	**2.4**	**2.2**	**2.1**	**2.1**
Production	7.0	7.5	7.7	7.6
thereof fuel ethanol	4.8	5.3	5.4	5.2
Import	0.6	0.5	0.6	0.6
Consumption	−7.6	−7.8	−8.0	−8.0
thereof fuel ethanol	−5.2	−5.3	−5.4	−5.4
Export	−0.2	−0.2	−0.3	−0.3
Closing balance	**2.2**	**2.1**	**2.1**	**2.1**

Source: F. O. Licht. Data estimated of EU biothanol volume balance, April 2019.

TABLE 033

[1] Further details can be found in CropEnergies AG’s current 2018/19 annual report.
[2] 1 bushel of soybeans equals 27.216 kg of soybeans.

The EU Commission expects a weaker grain harvest of 291 (305) million tonnes in grain marketing year 2018/19 due to the widespread drought in much of the EU. Consumption is expected to come in comparable to last year at 287 (286) million tonnes. Because of the widespread failed harvests, one-month futures contracts for bread wheat on the Euronext in Paris fell from 167 €/t at the beginning of March 2018 to about 200 €/t at the end of July 2018 and since then have traded in a narrow range around that level. At the end of February 2019, the price was 193 €/t. The EU commission is forecasting that the 2019/20 grain marketing year harvest will come in at 308 million tonnes in the EU. Demand for grain is expected to remain stable at 287 million tonnes, of which 60 % continues to be used as cattle feed. In contrast, the starch component of only 13 million tonnes of grain, or 4 % of the EU harvest, will be used to produce fuel grade ethanol. In view of the fact that low quality grain is what is primarily processed by the refineries that produce ethanol – grain that is hardly suitable for export – the ethanol industry will once again contribute to market relief and agricultural income security in this segment in 2019/20.

Legal and political environment

Renewable Energy Directive

The updated Renewable Energy Directive to the year 2030 that came into force on 24 December 2018 provides an opportunity for using sustainably produced renewable fuels that can continue to contribute to climate protection on Europe's roads after 2020. The share of renewable energies in the transport sector is scheduled to rise from 10 % by 2020 to 14 % by 2030.

Renewable fuels from normal crops can continue to play an important role here. Their contribution can be as high as 1 % above the level in 2020. In parallel, the use of biofuels that were based on input raw materials that resulted in a loss of carbon-rich areas (e.g., rain forests) are to be successively reduced starting in 2023, and completely eliminated by 2030.

The share of fuels from waste and recycled materials is slated to increase from 0.2 % in 2022 to at least 3.5 % starting in 2030. Furthermore, these fuels, along with electricity from renewable sources in road traffic, can be applied to the transport target multiple times.

It is now up to each EU member state to implement the European directive in its jurisdiction, so that the consumption of fossil fuels really does fall and the climate balance for fuels improves. The member states have been given up until 30 June 2021 to implement the legislation.

Implementation of the update of the renewable energy directive in the EU member states should lead to higher ethanol volumes throughout the EU.

Fuel Quality Directive

The fuel quality directive stipulates that greenhouse gas emissions associated with fuel consumption must be reduced by at least 6 % from the base value of 94.1 g CO_2Eq./MJ by 2020 in order to further reduce greenhouse gas (GHG) emissions in the European union.

Renewable fuels must comply with strict sustainability criteria. This includes providing evidence of at least a 50 % saving in greenhouse gas emissions in comparison to fossil fuels along the entire value chain. Renewable ethanol from European raw materials cuts GHG by over 70 %. Furthermore, the origin of the raw materials used to produce fuel-grade bioethanol must be seamlessly documented.

Business performance

Revenues and operating result

Revenues for fiscal 2018/19 just ended were sharply lower than last year at € 693 (808) million. This was driven by a decline in production and sales volumes as well as lower overall sales revenues than last year. The challenging market conditions made it necessary to adjust capacity utilization, which resulted in the shutdown of the factory in Wilton, Great Britain from December 2018 to the end of February 2019. Ethanol sales revenues in the first half year remained under the high sales revenue levels of the first half of the year prior, but recovered significantly, especially in the fourth quarter.

Due to the negative revenue development, the operating result fell during the reporting period, to € 33 (72) million overall. In addition to lower sales volumes and overall sales revenues, higher raw material and energy costs weighed on the results. The fourth quarter was the first time the operating result exceeded the previous year's for the comparable period, driven mainly by higher ethanol sales revenues.

Business performance – CropEnergies segment

		2018/19	2017/18	+/– in %
Revenues	€ million	**693**	**808**	**–14.2**
EBITDA	€ million	72	111	–35.0
Depreciation on fixed assets and intangible assets	€ million	–39	–39	0.3
Operating result	€ million	**33**	**72**	**–54.3**
Result from restructuring / special items	€ million	10	–1	–
Result from companies consolidated at equity	€ million	0	0	–
Result from operations	€ million	**43**	**71**	**–39.1**
EBITDA margin	%	10.4	13.7	
Operating margin	%	4.7	8.9	
Investments in fixed assets [1]	€ million	13	20	–32.3
Investments in financial assets / acquisitions	€ million	0	0	–
Total investments	€ million	**13**	**20**	**–32.3**
Shares in companies consolidated at equity	€ million	2	2	10.5
Capital employed	€ million	456	452	1.0
Return on capital employed	%	7.2	15.9	
Employees		**433**	**414**	**4.6**

[1] Including intangible assets.

TABLE 034

Result of restructuring and special items

The result of restructuring and special items of € 10 (–1) million is attributable to the reversal of an accrual created in 2016/17 in regard to spirits tax risks in Germany in connection with ethanol sales. The associated court case was successfully concluded.

Capital employed and return on capital employed (ROCE)

Capital employed was up from last year at € 456 (452) million, due in part to higher inventories. ROCE fell to 7.2 (15.9) %, driven by the lower operating result of € 33 (72) million.

Investments

Investments of € 13 (20) million went toward replacement of technical systems, especially to improve production systems efficiencies. Work on expanding the milling capacity that started in 2017/18 at the Wanze site continued. The completed expansion will result in a higher production capacity. An investment program to cut energy consumption was also launched. The focus at the Zeitz plant was to expand raw material processing capacity in order to boost raw material handling flexibility. Further investments went toward increasing plant availability and safety. Investments at Ensus in Wilton, Great Britain and Ryssen in Loon-Plage, France went toward improving process stability and system availability.

Raw materials and production

Agricultural materials originating in Europe only are processed in Zeitz, Wanze, and Wilton. It is important to CropEnergies to source the raw materials, such as feed grain and sugar syrups locally to keep freight costs low.

In fiscal 2018/19, ethanol production was adjusted for the difficult market conditions and fell to 1.0 (1.1) million m^3. Food and animal feed production declined in parallel to 0.6 (0.7) million tonnes.

The lower production is mainly attributable to Wilton. After operating almost continuously at high capacity utilization last year, operations were suspended from December 2018 to the end of February 2019 because of the difficult market situation. The production volume in Zeitz was lower than last year because of temporary capacity curtailment associated with ongoing investment activities. The decline was almost fully offset by higher production in Wanze.

The high-quality rectified spirit plant in Zeitz operated continuously at a high level to meet market demand. Capacity utilization at the rectified spirit plant in Loon-Plage, France was also high.

Environment

The sustainability regulations for biofuels production ensure that significant greenhouse gas emissions savings compared to fossil fuels will be achieved, and cover the entire cycle – from biomass cultivation through to bioenergy generation and use. All CropEnergies bioethanol plants are certified to be sustainable and comply with at least one of the EU Commission's recognized certification systems. Annual audits are conducted. The certifications ensure that the fuel-grade ethanol fulfills the sustainability criteria of the Renewable Energy Directive. This includes, for example, greenhouse gas emissions savings of at least 50 % compared to fossil fuels. CropEnergies exceeds this legal requirement by a wide margin.

Thanks to integrated production concepts, the company optimizes how it uses the input raw materials it purchases and minimizes resource requirements as it converts these to high-value products. CropEnergies produces high-protein food and animal feed from non-fermentable raw material ingredients, which reduces European import demand for plant-based proteins. The carbon dioxide generated during fermentation in Zeitz and Wilton is purified and liquefied. It is a substitute for carbon dioxide generated from fossil fuels; for example, in beverages.

Energy consumption and emissions

The energy efficiency directive (EED) requirements were implemented at all CropEnergies production sites. Zeitz was certified in accordance with ISO 50001 and both Loon-Plage and Wilton were audited in accordance with ESOS (Energy Savings Opportunity Scheme). The Belgian production plant in Wanze is participating in a voluntary sector-specific agreement to improve energy efficiency ("Accords de branche de deuxième generation").

The share of renewable fuels used is 24 %. In Wanze, a biomass generating station produces most of the thermal and electric process energy required using chaff from the wheat, the bran, delivered to the plant. In Zeitz, the biomethane produced in the wastewater plant is converted to electrical and thermal energy in a cogeneration power station to reduce demand for fossil fuels.

The CO_2 emissions volume is a function of both total energy demand and the plants' fuel and energy mix.

Energy consumption by the CropEnergies segment

Gigajoules per tonne of product

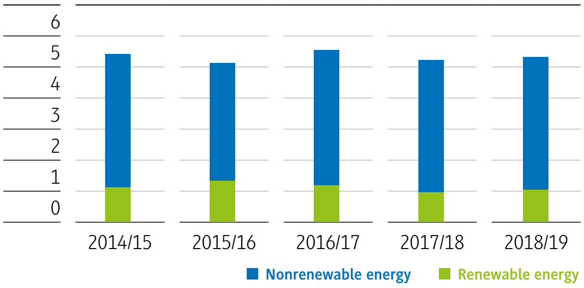


DIAGRAM 020

Emissions from direct and indirect energy consumption in the CropEnergies segment

Tonnes of CO_2 equivalent per tonne of product

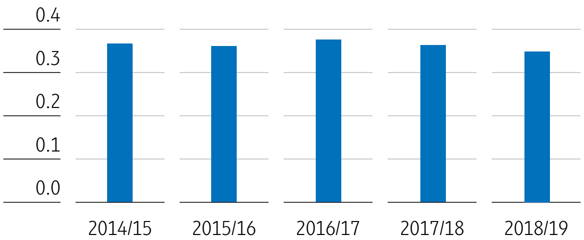


DIAGRAM 021

Water withdrawal and water discharge

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

Wastewater treatment plants ensure environmentally sound wastewater treatment. The cleaned water is routed to neighboring streams.

Water withdrawal / water discharge in the CropEnergies segment

m³ per tonne product	2014/15	2015/16	2016/17	2017/18	2018/19
Water withdrawal	3.7	4.0	3.1	2.8	3.3
Water discharge	2.3	2.6	3.1	2.5	2.7

TABLE 035

Raw material use

Thanks to the company's integrated production concepts, the raw materials used are almost entirely processed, which results in little waste. The raw material components that remain after producing ethanol are refined into products rich in protein or carbohydrates.

Waste

Most of the waste is recycled, composted or used as a source of energy.

Waste types and quantities in the CropEnergies segment

Thousand of tonnes	2014/15	2015/16	2016/17	2017/18	2018/19
Recycling	73.5	67.4	68.8	73.8	76.0
Landfill	8.5	9.2	7.8	8.7	6.7
Composting	0.0	1.0	1.5	1.6	3.9
Incineration	0.5	0.4	0.4	2.1	1.7
Other	0.5	1.0	0.5	0.7	0.5
thereof dangerous waste[1]	*0.2*	*0.1*	*0.1*	*0.1*	*0.1*
Total	**83.0**	**79.0**	**79.0**	**86.9**	**88.7**

[1] Mainly used lubricants from production.

TABLE 036

FRUIT SEGMENT[1]

Markets

Target markets

The most important application for fruit preparations are dairy products, especially yogurt. Euromonitor expects global demand for spoonable yogurt to grow at an average annual rate of 1.1 % until 2023. Although Western European and North American markets are stagnating, volume growth in the Asia-Pacific region is expected to be 5 % until 2023, while the Middle East and Africa are expected to grow at an annual rate of 4.1 % until 2023. The drinkable yogurt market is expected to grow at a significantly higher average annual rate of 6.0 % during this same timeframe. Other noteworthy markets for fruit preparations are baked goods and ice cream, for which moderate global growth rates are forecast.

Important consumer trends in the aforementioned product categories are sustainability, health, enjoyment and convenience. There is also high demand for naturalness and a broad rejection of additives, which are reflected in the trend toward clean labeling and calls for a short, consumer-comprehensible list of ingredients.

In the fruit juice concentrates business, there continues to be a trend toward beverages with low fruit concentrations. As a result, the demand for beverage bases with reduced fruit juice is rising. The cider market is growing worldwide.

Prices of apple juice concentrates were significantly lower than the year prior because of an above average apple harvest in 2018 in Europe. This development, along with lower production volumes and higher prices in China, resulted in excellent sales opportunities for European goods in the United States. With steady demand from European consumers unchanged, prices began rising again during the harvest.

The harvest for all fruits for berry juice concentrates was also better than last year. As a result, market prices declined during the campaign.

Raw material markets

Raw material prices for fruit preparations were lower than last year overall. Raspberries, cherries, blackberries and tropical fruits were cheaper than last year. Higher prices were seen for blueberries, and especially strawberries, where overall prices were 7 % higher than the year prior. European peach prices were about the same as last year.

The volume of apples available for fruit juice concentrates was significantly higher than last year in the main European cultivation regions. Poland reported a record harvest. China's apple harvest was significantly weaker due to a spring frost. As a result, the production volume was less than last year and below expectations. Overall, there was an abundant volume of the main fruits available for the berry processing season. Prices for the key raw materials were below last year's.

DIVISION	Fruit preparations	Fruit juice concentrates
LOCATIONS	28 production locations in 21 countries for fruit preparations	15 factories in 7 countries for producing apples and berry juice concentrates
RAW MATERIALS	Main raw material: strawberries	Main raw material: apples
PRODUCTS	Fruit preparations	Fruit juice concentrates, pure juice, fruit wines, natural aromas and beverage bases
MARKETS	Worldwide	Focus Europe
CUSTOMERS	Dairy, ice cream and baked goods industries, Food services	Beverage industry

[1] Further details can be found in AGRANA's current 2018/19 annual report.

Business performance

Revenues and operating result

Revenues in fiscal 2018/19 were € 1,179 (1,161) million, slightly higher than a year earlier. Declining sales revenues in the fruit preparations division were more than offset by higher volumes. Significantly higher sales revenues in the fruit juice concentrates division also drove revenues higher despite lower volumes.

For the full year, the operating result rose slightly to € 77 (76) million. The fruit preparations division's result deteriorated, due mainly to currency exchange rates. However, the decline was more than offset by improved income contributions from apple juice concentrates from the 2017 harvest and higher capacity utilization.

Capital employed and return on capital employed (ROCE)

With capital employed of € 830 (844) million and an operating result of € 77 (76) million, ROCE improved slightly to 9.3 (9.0) %.

Investments in fixed assets

The fruit segment invested € 56 (49) million. The fruit preparations division's investments were for replacements, a new factory in Changzhou, China and an additional production line in Central Mangrove, Australia. The fruit juice concentrates division's focus was on construction of a raw material system for flavors in Kröllendorf, Austria and a new production line for carrot juice concentrates in Hungary. The division's investment focus also included replacements, production optimization and initiatives to meet market demands.

Business performance – Fruit segment

		2018/19	2017/18	+/– in %
Revenues	€ million	**1,179**	**1,161**	**1.5**
EBITDA	€ million	115	114	1.6
Depreciation on fixed assets and intangible assets	€ million	–38	–38	0.3
Operating result	€ million	**77**	**76**	**2.2**
Result from restructuring / special items	€ million	0	0	–
Result from companies consolidated at equity	€ million	0	0	–
Result from operations	€ million	**77**	**76**	**2.2**
EBITDA margin	%	9.8	9.7	
Operating margin	%	6.6	6.5	
Investments in fixed assets [1]	€ million	56	49	13.8
Investments in financial assets / acquisitions	€ million	6	0	–
Total investments	€ million	**62**	**49**	**25.5**
Shares in companies consolidated at equity	€ million	0	0	–
Capital employed	€ million	830	844	–1.6
Return on capital employed	%	9.3	9.0	
Employees		**5,803**	**5,370**	**8.1**

[1] Including intangible assets.

TABLE 037

Raw materials and production

In 2018/19, the total volume of raw materials processed for fruit preparations was 4 % higher than the year prior at 375,000 tonnes. The largest share of the total was strawberries at 65,500 tonnes, the same as in previous years. Spain, Maghreb and Poland are the main fruit sources for European and Eastern European production. In the United States, AGRANA uses mainly Mexican strawberries, largely from its own producers, but also Egyptian and Moroccan goods. China, Korea and Australia use mostly Chinese goods. A project to plant new, improved varieties was launched southwest of Shanghai three years ago in order to provide raw materials for the new Chinese factory. New green field projects involving strategic partners are planned in completely new cultivation regions such as West Africa. The aim is to minimize the procurement risk and keep prices lower than what competitors pay.

The second largest share of the total processing volume was for peaches at 17,200 tonnes. These are mainly sourced from Greece and Spain, followed by China.

The 2018 apple campaign resulted in excellent raw material availability in the main European countries where they are grown, as well as high capacity utilization at the fruit juice concentrates factories.

To address the trend toward beverages with lower fruit concentrations, the fruit juice concentrates division is focusing strategically on increased production of beverage bases and flavors.

In July 2018, AGRANA expanded its presence in Africa when it acquired a 49 % equity stake in Elafruits SPA, an Algerian producer of fruit preparations. The factory, which produces standard fruit preparations for yogurt and ice cream, fruit purées and basic ingredients for the beverage industry, is situated in Akbou, about 200 km east of Algiers.

The second production plant for fruit preparations in China was started up in March 2019. The construction project only took one year. The factory in Changzhou is expected to produce 30,000 tonnes of fruit preparations annually, primarily using strawberries, blueberries and peaches, for the fruit yogurt, baked goods and ice cream industries, as well as food services. The production plant is situated very close to important dairy customers.

Environment

Energy consumption and emissions

Fruit preparations and fruit juice concentrates divisions' energy requirements at their production sites around the world are covered by natural gas. A few sites also produce their own biogas. The production sites also purchase electricity from external sources. The volume of CO_2 emitted is essentially a function of total energy demand. The fruit segment's specific emissions from direct and indirect energy consumption per tonne of product were slightly higher than last year. The reasons are the newly consolidated locations in India and Algeria, as well as a change in the product portfolio, which requires more energy intensive products to be produced at the Argentinian site.

Energy consumption by the fruit segment

Gigajoules per tonne of product

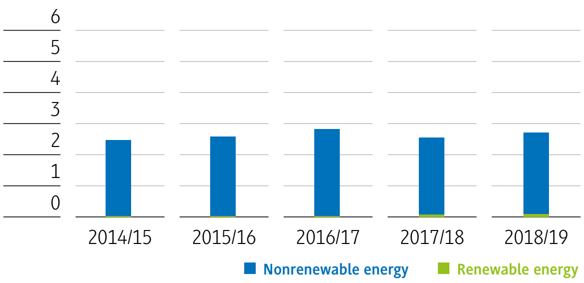


DIAGRAM 022

Emissions from direct and indirect energy consumption in the fruit segment

Tonnes of CO_2 equivalent per tonne of product

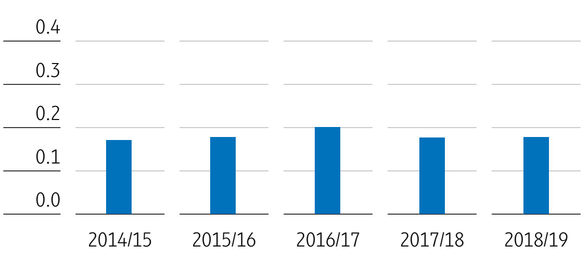


DIAGRAM 023

Water withdrawal and water discharge

Approximately two-thirds of the water used for production originates from springs and one-third from municipal water supplies. The fruit preparations division uses water for purposes such as washing fresh fruits in the initial processing plants and cleaning plant systems and transport containers. Some water also remains in the finished products. Where possible – for example when producing apple juice concentrates – the water contained in the raw materials is used in the production process and recirculated.

Most of the fruit segment's production sites have aerobic and anaerobic waste treatment plants. The remaining sites use municipal plants to treat wastewater. The fruit segment's specific water input fell slightly during the fiscal year under review, thanks to more efficient water use at the fruit juice concentrates factories. The specific water discharge remained nearly constant.

Water withdrawal / water discharge in the fruit segment

m^3 per tonne product	2014/15	2015/16	2016/17	2017/18	2018/19
Water withdrawal	4.2	4.3	4.3	4.4	4.2
Water discharge	4.0	4.0	4.1	4.0	4.1

TABLE 038

Raw materials use

Hardly any reusable agricultural residual materials occur when producing fruit preparations. However, when producing apple juice concentrates, the leftover press cakes, so-called pomace, are reprocessed. They are used by ballast suppliers; for example, in müsli and snack products. Other products include aromas and apple flour. Stems and leaves are returned to farmers, who use them as organic fertilizer.

Waste

Waste types and quantities in the fruit segment

Thousand of tonnes	2014/15	2015/16	2016/17	2017/18	2018/19
Recycling	34.1	31.8	11.2	12.2	13.5
Landfill	7.8	9.7	11.0	15.5	16.2
Composting	3.4	4.1	0.0	2.8	5.6
Incineration	0.3	0.4	0.9	0.9	1.0
Other	0.1	0.0	0.0	0.7	0.4
thereof dangerous waste [1]	*0.0*	*0.0*	*0.0*	*0.2*	*0.3*
Total	**45.7**	**46.0**	**23.0**	**31.9**	**36.7**

[1] Mainly used lubricants from production.

TABLE 039

The majority of the fruit segment's accumulated volume of waste consists of packaging and production scrap and is properly disposed of or reused and/or recycled. The rise in the total waste volume resulted from additional waste from the new sites, as well as significantly higher processing volumes.

Sales volumes

The fruit preparations division's sales volumes were higher overall. The unit was able to achieve this in spite of a shrinking EU market, the most important revenue-generating region. It further emphasized diversification in the direction of global convenience food chains and ice cream components for global markets and was able to increase volumes in these sectors. These product categories represent sustainable growth opportunities for the future.

The above average apple harvest in Europe in 2018 and lower production volumes and higher prices in China presented excellent sales opportunities in the United States for apple juice concentrates produced in Europe.

Sales of apple juice concentrates for cider making continue to be stable and cider consumption is growing globally.

Actual and forecast business performance

		Outlook 2018/19[1]	Actual 2018/19	Actual 2017/18
Group				
Revenues	€ billion	6.8 to 7.1	6.8	7.0
Operating result	€ million	Drop significantly to 100 to 200	27	445
Return on capital employed	%	Drop significantly	0.4	6.7
Sugar segment				
Revenues	€ million	Drop significantly	2,588	3,017
Operating result	€ million	Operating loss ranging between –100 to –200	–239	139
Special products segment				
Revenues	€ million	Rise substantially	2,294	1,997
Operating result	€ million	Rise sharply	156	158
CropEnergies segment				
Revenues	€ million	760 to 820	693	808
Operating result	€ million	30 to 70	33	72
Fruit segment				
Revenues	€ million	Rise significantly	1,179	1,161
Operating result	€ million	Rise significantly	77	76

[1] Published on the press and analysts' conference (consolidated management report 2017/18) on 17 May 2018.

TABLE 040

The above table shows actual business performance in 2018/19, juxtaposed with the forecast for 2018/19 contained in the 2017/18 financial statements.

When the 2017/18 annual report was released at the press and analysts' conference on 17 May 2018, Südzucker announced that it expected group consolidated revenues of € 6.8 to 7.1 billion for fiscal 2018/19. Südzucker initially forecast that the operating result would fall sharply, to a range between € 100 and 200 million (fiscal 2017/18: 445 million), due especially to the sugar segment. It was expected that lower manufacturing costs and higher sales volumes would fall far short of what was needed to offset the severe decline in sugar prices to a historic low; accordingly, the company forecast a sugar segment operating loss ranging between € –100 and –200 million (fiscal 2017/18: € 139 million). The special products segment's operating result was expected to be significantly higher (fiscal 2017/18: € 158 million). The CropEnergies segment's capacity utilization was expected to remain high and sales volume constant, and its operating result to range between € 30 and 70 million (fiscal 2017/18: € 72 million). Südzucker expected the fruit segment's operating result to be significantly higher (fiscal 2017/18: € 76 million).

In the first quarterly statement for fiscal 2018/19, the forecast for the CropEnergies segment revenue range was revised to € 730 to 780 million and the operating result reduced to 25 to € 55 million, driven by the subpar 2018/19 first quarter on account of significantly lower ethanol prices than a year earlier. The fruit segment's revenues were now expected to rise moderately. The forecasts for the group and the other segments were confirmed.

In an ad-hoc announcement dated 20 September 2018, the group revenues forecast was revised downward to a range of € 6.6 to 6.9 billion and the group operating result to a range between € 25 and 125 million. The reason for the correction was the ongoing difficult market situation for sugar, sweeteners (starch) and ethanol. With the publication of the half year financial report for fiscal 2018/19 on 11 October 2018, the sugar segment's operating result range was given as € –150 to –250 million and the special products segment's operating result was now forecast to remain at the same level as the year prior. The forecasts for the individual segments remained otherwise unchanged.

With the release of the third quarter 2018/19 statement on 10 January 2019, the CropEnergies segment's revenue range was firmed up at € 690 to 720 million and the operating result range between € 25 and 40 million. The fruit segment's revenues and operating result were now expected to rise slightly.

OUTLOOK

Economic environment

The international monetary fund (IMF) is forecasting a downturn in global economic growth to 3.3 (3.6) % in calendar 2019. The United States remains the leader among the developed nations, albeit at a lower level of 2.3 (2.9) %. Emerging nations overall growth is expected to come in at 4.4 (4.5) %, with India and China continuing to dominate at 7.3 (7.1) % and 6.3 (6.6) % respectively.

The EU Commission is expecting further weakening of the economic situation in the euro zone. After reaching 1.9 % in 2018, the Commission is forecasting growth of 1.3 % and 1.6 % for 2019 and 2020 respectively.

Volume and raw material markets

From spring 2017 until today, the world market price for sugar has fallen over 200 €/t on account of global surpluses. At the same time, after elimination of the EU quota system, the impact of the world market price on European price levels has further increased. Moderate growth in world sugar consumption is expected to continue despite strong temporary regional fluctuations.

Ethanol consumption in the EU (including traditional applications) is expected to remain largely stable at 8.0 (7.9) million m^3 in 2019. This demand is expected to be largely met by domestic production of 7.6 million m^3. For fiscal 2019/20, CropEnergies expects ethanol prices to be slightly higher than the low average of the previous year. The estimate is based on the assumption that real ethanol demand in the EU will rise moderately as a result of higher mandatory blend ratios in the individual EU member states.

The most important application for fruit preparations are dairy products, especially yogurt. Euromonitor expects global demand for spoonable yogurt to grow at an average annual rate of 1.1 % until 2023. The drinkable yogurt market is expected to grow at a significantly higher average annual rate of 6.0 % during this same timeframe. Other noteworthy markets for fruit preparations are baked goods and ice cream, for which moderate global growth rates are forecast.

The forecast for worldwide grain production for the 2019/20 grain marketing year is 2,175 (2,125) million tonnes and grain consumption is expected to grow further to 2,204 (2,170) million tonnes. Accordingly, global grain inventories should fall to 575 (604) million tonnes to the end of 2019/20.

Details regarding sector-specific conditions are outlined in the segment reports.

Business outlook

Group

We are expecting consolidated group revenues of € 6.7 to 7.0 (previous year: 6.8) billion in fiscal 2019/20. We expect the sugar segment's revenues to decline moderately. We anticipate a range of € 720 to 820 (previous year: 693) million for the CropEnergies segment's revenues. We expect the special products segment's revenues to rise slightly and the fruit segment's to increase moderately.

We foresee a consolidated group operating result in a range between € 0 and 100 (previous year: 27) million. We estimate that the sugar segment will report another operating loss ranging between € –200 and –300 million. In contrast, we are expecting a moderately improved operating result for the special products segment, and a significantly better result for the fruit segment.

The CropEnergies segment's operating result is expected to come in between € 20 and 70 (previous year: 33) million.

We expect capital employed to rise, mainly because of application of the new IFRS standard regarding lease accounting Based on the aforementioned operating result range, we are expecting ROCE to come in at up to 1.5 % (previous year: 0.4 %).

The operating result for the 1st quarter 2019/20 is expected to come in significantly below the prior financial year.

Sugar segment

We expect the difficult market situation for sugar to continue in fiscal 2019/20. Aside from the current low global and European sales levels, political intervention in particular is contributing to an unacceptable and distorted competitive situation in the EU. Especially noteworthy here are national beet cultivation subsidies for some EU countries – so-called coupled premiums – and exemptions from the neonicotinoide bans. The majority of the member states where beets are cultivated have now introduced such policies.

Based on the current sales contracts signed since October 2018 for sugar marketing year 2018/19, we expect further high operating losses in the first half of fiscal 2019/20 after already having reported high operating losses in the second half of fiscal 2018/19. After October 2019, the beginning of the new sugar marketing year, we expect results to improve as sales revenues rise. This development will be supported by the initiated inventory decline following the 2018 campaign and expectations of a further decline in exports as cultivation restrictions lead to largely stable production in 2019.

Improved results arising from the announced sugar segment restructuring plan are only considered to a very limited extent, because they will not begin to have an impact until the second half of the 2020/21 fiscal year. Cost savings resulting from the restructuring plan are estimated to be up to € 100 million annually depending on the world market price.

With volumes continuing to shrink, we expect moderately lower revenues (previous year: € 2.6 billion) in the sugar segment for fiscal 2019/20 in spite of higher average sales revenues. With a price level that on average will continue to be unsatisfactory for the fiscal year, declining volumes and rising production costs, we expect an operating loss ranging between € –200 and –300 million (previous year: € –239 million) for the sugar segment.

The forecast for the sugar segment continues to be marked by a high degree of uncertainty in a profoundly changing market environment.

Special products segment

We expect the special products segment's production and sales volumes to be higher in all divisions. Slightly higher revenues (previous year: € 2.3 billion) are expected to drive the operating result up moderately (previous year: € 156 million).

CropEnergies segment

CropEnergies' business development for fiscal 2019/20 will largely depend on the market price of bioethanol. CropEnergies expects overall ethanol prices to be higher than the previous year's level after the sometimes very low price levels of last year. CropEnergies expects revenues to range between € 720 and 820 (previous year: 693) million and the operating result to come in between € 20 and 70 (previous year: 33) million.

Fruit segment

We expect the fruit segment's revenues to rise moderately (previous year: € 1.2 billion) and the operating result to rise significantly (previous year: € 77 million) in fiscal 2019/20. Thanks to rising sales volumes we expect a positive development in the fruit preparations division and operating result to improve significantly. The fruit juice concentrates division's revenues and operating result are expected to be stable compared to the year prior.

RISK MANAGEMENT

Risk management system

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 Group 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 Group 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 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, compliance or legal and financial risks.

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

Risk management system

The executive board is responsible for the group-wide risk management system, particularly 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 systems.

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

RISK MANAGEMENT ORGANIZATION

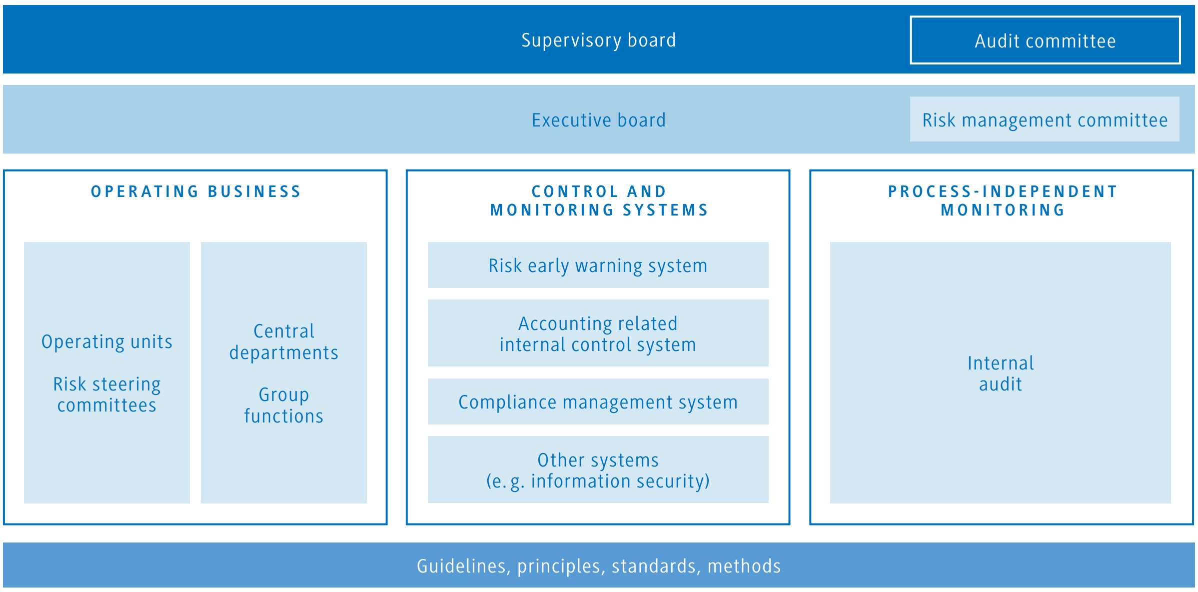


DIAGRAM 024

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

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

Internal audit

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

Risk communication

Openly communicating with the employees within the company who are responsible for the businesses and processes is essential to a properly functioning risk management system. As such, the executive board, those responsible in the operating units and central departments 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 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 the operating units, but also the group departments regularly report to their respective department heads concerning current developments in their areas of responsibility.

Risks

Summary of corporate risk exposure

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

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

	Likelihood of materialization	Possible financial effects
low	< 10 %	< € 5 million
medium	10 – 50 %	€ 5 – 50 million
high	> 50 %	> € 50 million

TABLE 041

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.

Corporate risks

	Likelihood of materialization	Possible financial effects
Strategic risks		
Risks from changes in in legal and political framework	medium	high
General economic risks	medium	medium
Risks from structural changes on sales markets	medium	high
Risk from operational business		
Risks of availability of raw materials	medium	medium
Risks of price volatility of raw materials	high	high
Risks of price volatility of products	high	high
Exchange rate fluctuation risks	medium	medium
Quality risks	low	medium
IT risks	medium	medium
Personnel risks	medium	medium
Creditworthiness and default risks	medium	medium
Risks from corporate acquisitions	medium	high
Other operating risks	medium	high
Compliance risks		
General legal risks	medium	medium
Antitrust risks	low	high
Fraud and corruption risks	low	medium
Financial risks		
Interest rate fluctuation risks	medium	medium
Exchange rate fluctuation risks	medium	medium
Liquidity risks	low	high
Creditworthiness and default risks	low	high
Risk of rating downgrade	medium	medium

TABLE 042

Strategic risks

Risks due to changes in legal and political conditions

As outlined in the respective sections of the management reports, Südzucker's business is subject to a variety of legal and political stipulations, both at the national and European level.

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

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

Additional risks could also arise if additional duty-free import quotas are granted under the terms of new bilateral free trade agreements or if the level of EU tariff protection is lowered. Any potential changes to international and national trade agreements or agricultural market regulations are proactively analyzed without delay and evaluated within the risk management framework regarding their potential impact on Südzucker Group's earnings, financial and asset situation. Both changes to the political framework directly impacting Südzucker Group's business and changes that have an indirect impact play a role here. For example, this includes higher subsidies internationally for sugar production in key producer nations (e.g., India), but also within the European framework, the renationalization of EU agricultural policy; e.g., subsidies for the cultivation of sugar beets. Both lead to unfair competitive conditions for the producers in various countries around the world or within the European zone and can therefore impact Südzucker Group's competitiveness.

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

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

Overall economic risks and risks from structural changes on sales markets

Südzucker Group's products are subject to the risk of demand fluctuation due to overall economic developments. If economic growth turns out to be weaker than forecast, volume could also come in below expectations. However, since demand for food is only partially dependent on the economy, this normally only has a limited impact on the core business.

In developed industrial countries, food production and diet are increasingly being critically analyzed. Associated customer demands can require modifying food and beverage industry recipes or adding reduced sugar products to the portfolio.

Operational risks

Risks arising from the availability of raw materials

In fiscal 2018/19, Südzucker Group processed 36 million tonnes of agricultural raw materials grown on more than 1,000,000 hectares of land. In addition to sugar beets, the crops comprise corn, wheat, barley, rice, triticale, chicory, potatoes and fruits.

As a processor of these raw materials, Südzucker is exposed – in spite of regional diversification – to procurement risks. These relate mainly to above-normal fluctuations of harvest yields, due primarily to extreme weather conditions (climate change), as well as pests and diseases that attack the company's crops. A ban on the use of certain plant protection substances (for example, neonicotinoides) could result in reduced availability of agricultural raw materials. The associated risks result from more frequent and intense extreme weather events, such as sustained drought, flooding, storms and hail.

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

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

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

Risks arising from price volatility of raw materials

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

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

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

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

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

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

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

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

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

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

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

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

Risks arising from the price volatility of products

The sugar segment is exposed to selling price risks resulting from price fluctuations in the world sugar market, the EU common market and animal feed markets. If the expected moderate growth in world sugar consumption is not achieved, price pressure on the world market can be expected to increase.

There is evidence that the EU domestic market will also be increasingly tied to the development of the world sugar market prices. For the volumes tied directly to global market prices, we enter into sugar futures contracts on the exchanges in London and New York according to market conditions. The company thus pays particular attention to consistency in its sales strategy and long-term planned customer loyalty to mitigate the volume and price risk for animal feed.

Another example of price risk is bioethanol prices in Europe, which are affected by various factors such as supply and demand at the local level, the price level and availability in the United States, Brazil and other exporting countries, as well as general political conditions, and may thus fluctuate significantly. These risks are managed by adjusting the wording and expiry date of its sales contracts and to the extent possible, using derivative instruments, as well as flexibly operating its bioethanol plant in Wilton, Great Britain, depending on the market situation and the associated costs and earnings.

Currency exchange risks

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

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

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

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

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

Product quality risks and food safety

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

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

IT risks

The management of our group is largely dependent on a sophisticated computer system, which is increasingly exposed to information security risks from internal and external sources. We apply appropriate processes and programs to protect the availability, confidentiality and integrity of our data, data processing systems and other business related information. The processes and programs rely on relevant standards, and are operated and continuously updated by qualified internal and external experts. To facilitate these efforts, Südzucker Group continues to standardize the information systems and processes it uses.

Personnel risks

Südzucker Group competes intensely with other companies for trained personnel and is thus exposed to the risk of being unable to suitably fill vacancies. In order to protect Südzucker's position when competing for qualified employees, we emphasize the attractiveness of Südzucker Group as an employer through our human resources management policies, which aim to encourage specialists and managers to stay with the company for the long term. In addition to attractive social benefits and compensation policies, we offer a wide range of opportunities at Südzucker Group, such as advanced and continuing education courses, trainee programs and possibilities to work for various group companies. One-half of Südzucker's supervisory board constitutes employee representatives from inside the company or the unions. Südzucker is bound by collective bargaining agreements in many countries and social dialogue is common daily practice, which mitigates the risk of strikes. Employees are kept abreast of current events and given the opportunity to discuss issues with management in regular employee meetings.

There are also risks associated with sick leave, along absences and the associated additional workload on staff members still on the job. Südzucker looks after the health and safety of its employees by providing them with company doctors, reintegration programs and information sessions. There are also extensive programs surrounding work safety that aim to achieve "zero accidents", in addition to in-depth analysis of any on-the-job accidents.

Creditworthiness and default risks

Südzucker could suffer significant losses if a large number of its customers were unable to meet their contractual payment obligations.

Südzucker counters credit and default risks associated with outstanding receivables by constantly monitoring the creditworthiness and payment history of its debtors and setting appropriate credit limits. A group-wide credit management system continues to be strictly enforced. Furthermore, risks are capped using credit insurance and bank guarantees.

Default risks associated with the financial instruments with which we have entered into hedging transactions also exist. This risk increased due to the financial crisis and we limit it by conducting our financial business only with banks that have a high credit rating. Accordingly, we continuously monitor the creditworthiness of the financial institutions.

Risk of acquired companies

Südzucker Group buys companies in order to expand its business activities. Acquisition risks include failing to meet strategic objectives or delaying the execution of operative plans. There are also risks associated with integrating the various corporate cultures and processes.

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

Other operating risks

The company can be exposed to other operating risks in the production and investment areas, logistics as well as research and development. We strive to avoid unplanned factory shutdowns – especially during the campaigns – by conducting comprehensive maintenance programs and continually upgrading our plants. We mitigate investment risks, such as technical faults or cost and schedule overruns, by employing experienced project managers and controllers.

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

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

The environmental risks associated with our production processes are mainly the utilization of energy and water, and the emergence of emissions, wastewater and waste materials. Südzucker mitigates these environmental and other operating risks by constantly monitoring them and improving its business processes.

Compliance risks

General legal risks

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

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

Europe's General Data Protection Regulation (EU-GDPR) came into force in fiscal 2017/18. It has provided a consistent, immediately valid data protection law applicable to all members of the EU and therefore ensures a high level of data protection in Europe. The comprehensive list of obligations is subject to substantial penalties in the event of non-compliance. Südzucker analyzed the obligations and risks contained in the EU-GDPR regulations and is taking the necessary technical and organizational steps to amend its existing data protection culture commensurate with associated risks, in order to guarantee the protection and security of personal data, especially of its employees, customers, suppliers and other business partners.

Risks arising from antitrust law

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

A groupwide standard on compliance with antitrust laws at Südzucker Group (Competitive Guideline) has been in force. The objective of this guideline is to prevent employees from violating antitrust laws and to provide practical support in the application of relevant rules and regulations. This includes the obligation of all employees to comply with antitrust legislation. Südzucker further strengthened its antitrust law compliance program again in fiscal 2018/19 in particular by conducting audits and intensifying reporting and documentation. Training courses and audits to prevent antitrust law violations are conducted at regular intervals.

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

Since closure of the German antitrust proceedings, customers are claiming damages as expected, due to alleged cartel-related markups. Südzucker and the two other fined German sugar producers are categorically disputing these claims, especially since various appraisers have stated that no customers were disadvantaged during the timeframe considered by the Antitrust Authority. Some customers have made claims for damages or information against the affected sugar manufacturers - mostly jointly and severally. Claims are pending and have progressed to different degrees in various German district courts. The hearing of evidence in all of these court proceedings is costly and lengthy. Even the oldest (that began in summer 2014) proceedings have not yet been completed. To date no decisions have thus been taken regarding the cases.

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

Fraud and corruption risks

Fraud and corruption risks can arise when Südzucker Group employees or managers break laws, contravene internal regulations or fail to comply with regulatory standards recognized by Südzucker. Persons outside the company may also commit fraud using forged identities to initiate payments or deliveries. The affected Südzucker company may suffer a loss of assets and image. The company follows up on all reports of malpractice or attempted fraud. The compliance program and the compliance organization were further enhanced in fiscal 2018/19. The management culture focus on transparency and corporate principles of compliance was continuously enhanced to strengthen the compliance culture. Training was further intensified in order to ensure that each and every employee behaves in a proper manner regarding legal conformity and social ethics. Specific recommendations on selected topics were further developed and made available to employees.

Financial risks

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

Interest rate risks

Südzucker Group is exposed to a limited extent to unexpected changes in interest rates on variable-rate or short-term financial obligations and investments. Exposure to these loans and investments fluctuates significantly over the course of the year because of campaign-related financing requirements.

Currency exchange risks

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

Liquidity risks

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

Creditworthiness and default risks

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

Risk of rating downgrade

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

Detailed information regarding credit, liquidity, currency exchange, interest rate and price risks, including the use of derivative financial instruments for hedging risks, is provided in the notes to the consolidated financial statements (31) "Risk management at Südzucker Group".

Opportunities

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

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

Sugar segment

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

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

Special products segment

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

The BENEO functional food products are a key business unit of the special products segment, which will benefit from the long-term trend toward healthier dietary habits. BENEO is a worldwide leading supplier of functional food ingredients for food and beverages and animal feed. It offers functional carbohydrate product lines - Isomalt, Palatinose™ - and the functional dietary fibers inulin and oligofructose. A clearly differentiated market offering is the special product line based on ingredients made from rice, which has hypoallergenic properties. The division aims to take advantage of current growth opportunities for the group by promoting its product lines for new applications.

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

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

Starch focuses on high-value-added specialty products. The focus on innovative, customer-oriented products with accompanying applications consultation, ongoing product development and continuous cost optimization promises growth potential. Examples include the leading shares in organic starches and non-GMO starches for the food industry or the technical leadership for specialty starches in the paper, textiles, cosmetics, pharmaceuticals and construction sectors.

CropEnergies segment

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

Opportunities arise from lower grain prices and/or higher prices for bioethanol and the food and animal feed products produced in parallel. In addition, CropEnergies benefits by generating sales revenues from high quality foodstuffs and animal feed, which lowers net raw material costs and optimizes production process energy consumption.

In the medium term, CropEnergies expects that implementation of the renewable energy directive by EU member states result in further growth, also for renewable energies in the transportation sector.

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

Fruit segment

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

Summary of the risk and opportunity situation

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

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

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

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

Essentials

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

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

Internal audit system as relates to the accounting process

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

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

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

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

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

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

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

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

Internal audit

The internal audit department audits the internal control system, compliance with legal requirements and internal corporate guidelines, as well as the risk management system. It makes recommendations and develops any necessary process changes accordingly, thereby contributing to continuous improvement of the internal control and risk management systems.

The audit committee deals mainly with compliance, monitoring the accounting process and the annual audit of the financial statements. It also reviews and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing process.

External audit

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

CORPORATE GOVERNANCE AND RESPONSIBILITY

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

Supervisory board and executive board operating procedures

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

General information

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

Executive board

Südzucker AG's executive board currently consists of four members. The management body independently manages the company's businesses in the interests of the corporation with the aim of generating sustainable added value. The duties assigned to the executive board members are outlined in the rules of procedure for the executive board in the version dated 26 January 2016.

Some executive board members have dual responsibilities with respect to the subsidiary AGRANA Beteiligungs-AG, Vienna, Austria. The CEO of AGRANA Beteiligungs-AG, Johann Marihart, Limberg, Austria, is also a member of Südzucker AG's executive board and the CFO of Südzucker AG, Mr. Thomas Kölbl, Speyer, Germany, is also a member of the executive board of AGRANA Beteiligungs-AG.

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

Supervisory board

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

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

Supervisory board structure

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

Supervisory board diversity policy

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

- All supervisory board members shall have adequate corporate or operational experience and shall ensure they have sufficient time to fulfill their supervisory board duties.
- Each member of the supervisory board shall demonstrate the required reliability and personal integrity to fulfill the board's supervisory duties.

- At least two members of the supervisory board should be independent as per item 5.4.2 of the German Corporate Governance Code. Not independent as per item 5.4.2 of the German Corporate Governance Code is anyone who has a personal or business relationship with the company, its organs, a controlling shareholder or company associated with these, which could result in a material and not merely temporary conflict of interest.
- Not more than two former members of the executive board shall be members of the supervisory board.
- The supervisory board shall have at least two members with international experience or specialized knowledge in one of the company's key non-German markets.
- At least one member of the supervisory board shall be a financial expert.
- The supervisory board shall have at least three female and three male members to represent the employees and shareholders.
- No candidate older than 70 shall be recommended for election or reelection to the supervisory board, unless it would be in the interests of the company.

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

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

The status of the supervisory board diversity policy is as follows:

The supervisory board's employee representatives were elected on 16 April 2017 by the company's workers and its shareholder representatives by shareholders at the annual general meeting on 20 July 2017. In the meantime, there have been four changes in the supervisory board, three on the employee side and one on the shareholder representatives side. The board has the opinion that it has had currently at least two independent members, which is in compliance with requirements. At least two members especially meet the criterion of "internationality". The supervisory board has seven female members – four representing the employees and three representing shareholders. There are no former Südzucker AG executive board members on the supervisory board. All members of the supervisory board are familiar with the sector in which Südzucker AG conducts business. The financial expert on the supervisory board and on the audit committee is Ms. Veronika Haslinger, Vienna, Austria.

Executive board diversity policy

In its meeting of 16 November 2017, the supervisory board decided not to define a diversity policy for the composition of the executive board with respect to aspects such as age, gender, education or professional background at this time.

Supervisory board committees

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

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

Shareholders and annual general meeting

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

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

Risk management

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

Corporate governance report

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

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

Südzucker regards the current version of the Code dated 7 February 2017[1] as largely balanced, practical and of high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles. We comply with the recommendations of the code with the exception of the items outlined in the declaration of compliance.

[1] The version 7 February 2017 came into force with the publication of the German Federal Gazette on 24 April 2017.

2018 Declaration of Compliance

In the 2018 mutual declaration of compliance by the executive board and the supervisory board in accordance with article 161 of the German Stock Corporation Act (AktG), the following deviations from the recommendations – compared to last year's statement – were updated:

- Item 4.1.3 – Compliance, whistleblower system

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

The complete version of the mutual 2018 declaration of compliance by the executive board and supervisory board – as well as the declaration of compliance for prior years – is posted on Südzucker's website (www.suedzucker.de/en/Entsprechens-erklaerung/).

Gender quota

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

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

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

Education and training

Members of the supervisory board are solely responsible for any education and training measures they may require to fulfill their duties. They are appropriately supported by Südzucker:

Another information seminar regarding corporate governance topics presented by an external legal expert is planned for fiscal 2019/20.

Remuneration report

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. 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 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 requirement regarding a term longer than one year within Sudzucker AG is met by basing the variable component on the average dividend of the three previous fiscal years.

Supervisory board

The supervisory board is compensated in accordance with article 12 of Südzucker AG's articles of incorporation.

Each member of the supervisory board receives a basic remuneration in addition to the reimbursement of his or her cash outlays and the value-added tax incurred arising from supervisory board activities. This base amount consists of a fixed sum of € 60,000 payable at the end of the fiscal year plus a variable remuneration of € 500 for each € 0.01 of distributed dividends on ordinary shares exceeding € 0.50. Tax-related special dividends are not considered in the remuneration calculation. The chair receives triple this amount and the deputy and other members of the executive committee receive one- and-a-half times this remuneration. Committee members' remuneration increases by 25 % for each committee of which they are a member and committee chairs' by 50 %, assuming the committee actually met during the fiscal year. The latter does not apply to members of the executive and mediation committees. As discussed in detail in the declaration of compliance, Südzucker AG does not disclose the level of compensation of individual executive and supervisory board members because the benefits of such information bear no reasonable relation to the associated invasion into their privacy.

The total remuneration of executive and supervisory board members is presented under item 36 "Related parties" of the notes to the annual report.

Asset loss liability insurance

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

Shares held by members of the executive and supervisory boards/security transactions

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

In fiscal 2018/19, the members of the executive and supervisory boards have not informed Südzucker AG about any notifiable managers' transactions in securities.

Compliance

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

Compliance-corporate governance and code of conduct

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

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

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

Compliance-management system

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

"Knowledge"

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

The compliance officer and compliance representatives ensure that information flow is timely. Amongst others, they are responsible for training and investigation of compliance events. In fiscal 2018/19, about 6,000 employees were trained throughout the group in seminars, information events and with the help of e-learning on topics such as antitrust laws, corruption and bribery prevention, data protection and IT security. This covers about 85 % of the defined persons (salaried employees including management).

"Compliance"

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

"Improvement"

Compliance activities and the compliance organization were continuously enhanced in fiscal 2018/19 just ended.

Key compliance topics

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

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

Disclosures on takeovers

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

Composition of subscribed capital and voting rights

As of 28 February 2019, Südzucker's subscribed capital amounts to € 204,183,292 million and consists of 204,183,292 ordinary bearer shares, each of which represents a notional holding of € 1 per share. The company held no treasury shares as of the balance sheet date.

Voting rights, share transfers

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

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

Südzucker AG shareholdings exceeding 10 %

Südzucker AG knows of two direct equity investments in the company that exceed 10 %: SZVG owns 58.2 % of total share capital and Zucker Invest 10.3 %. Raiffeisen-Holding and its associated companies hold a direct interest via Zucker Invest. The shareholdings are reciprocally attributed to the companies, so that each holds a share of about 68.5 % of total share capital, according to the German Securities Trading Act.

Shares with special rights, voting rights control for shares held by employees

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

Appointment and dismissal of executive board members

Executive board members are appointed and dismissed by the supervisory board in accordance with articles 84 and 85 of the German Stock Corporation Act (AktG) and article 31 of the German Codetermination Act (MitbestG). In accordance with article 5, item 2 of Südzucker AG's articles of incorporation in the current version dated 19 July 2018, the supervisory board determines the number of executive board members and the supervisory board has the authority to appoint deputy members.

Amendments to the articles of association

Amendments to the articles of association are governed by articles 179 and following of the German Stock Corporation Act (AktG). Article 22 of the articles of incorporation (current version as of 19 July 2018) authorizes the supervisory board to make amendments to the company's articles of association that only affect the wording.

Authority of the executive board, especially as relates to issuing and share buyback

Subject to approval by the supervisory board, the executive board is authorized to increase the company's share capital once or several times up until 15 July 2020 by up to € 20 million by issuing new no-par value bearer shares in exchange for cash contributions and/or contributions in kind, for the entire amount or in tranches (Authorized Capital 2015). Subject to approval by the supervisory board and according to article 4, paragraph 4 of the articles of incorporation, the executive board may exclude subscription rights of shareholders in certain cases, provided the shares issued under exclusion of the subscription rights do not exceed 10 % of total share capital, neither at the time of the coming into force of this authorization, nor at the time of exercising same. Details are outlined in article 4, paragraph 4 of the articles of association. Authorized Capital 2015 has not been utilized to date.

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

Change of control and compensation agreements

Südzucker AG has signed an agreement with a banking consortium providing access to a line of credit in the amount of € 600 million. In the event of a change of control, each member of the bank consortium would under certain conditions have the right to terminate the line of credit and its share of the outstanding loans, and demand immediate repayment of same, including interest. Other than that, there are no material agreements pursuant to articles 289a, paragraph 1, clause 1, item 8 and 315a, paragraph 1, clause 1, item 8 of the German Commercial Code that would be affected by a change of control resulting from a takeover offer. Compensation agreements with members of the executive board or in favor of employees that would come into effect in the event of a change of control do not exist either.

Details regarding the executive and supervisory boards' compensation are outlined in the section "compensation report" section of the corporate governance report, which forms part of this group management report.

Non-financial statement

Südzucker uses the GRI standards, CORE, of the Global Reporting Initiative (GRI) guideline, an international framework, to collect and present the non-financial data that relates to its business activities. The standards will be further explained at the end of this fiscal year. In the current consolidated management report, non-financial information is integrated in accordance with articles 315b and 315c of the German Commercial Code in conjunction with article 289e of the German Commercial Code. References to the information regarding the contents of the non-financial statement are listed in the table at the end of this section.

The concepts – that is, guidelines, principles and management approach – for each aspect are described in the respective chapters. This includes disclosure of targets and degree of achievement.

The financial performance indicators are described in the chapter on value management. The expected development is presented in the outlook section. At the present time, no non-financial performance indicators exist at the Südzucker Group level as defined in article 289c, paragraph 3, item 5 of the German Commercial Code.

The risk and opportunities report provides a summary of the financial and non-financial corporate risks. Non-financial corporate risks arise at Südzucker as a result of the impact of its own activities on the environment, employees and society. The same applies to its activities surrounding associated business relationships. Examples here include energy use, especially as a result of large-scale processing of agricultural products, respect for union rights and social dialogue, and the impact of the company's products on consumers. Südzucker has implemented extensive programs to reduce these non-financial risks and to prevent negative impacts. As a result of these programs, for example in the areas of environmental protection, work safety and quality assurance, there are no material non-financial corporate risks associated with Südzucker's business activities, business relationships and products.

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.

As part of the annual audit, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PWC), Frankfurt/Main verified that the non-financial statement was presented in accordance with article 317, paragraph 2, clause 4 of the HGB. The supervisory board also commissioned PwC to audit with limited assurance the non-financial statement and compare the requirements of ISAE 3000 (Revised) to the requirements of the CSR Guidelines Implementation Law. PwC issued an unqualified audit certificate.

Information regarding the contents of the non-financial statement

Aspects of the non-financial items according to section 289 of the HGB	Items according to the materiality matrix	Section	Page
Business model	–	Business model and strategy	30 ff
Sustainability	–	Sustainability / Rooted in our corporate culture, external assessment of sustainability	33 35
Materiality matrix	–	About the group / Sustainability/sustainability management	33
Environmental issues	Production process energy consumption and emissions Water withdrawal by production Production wastewater Production material waste	Environment / Production Business report Sugar segment / Environment Special products segment / Environment CropEnergies segment/Environment Fruit segment / Environment	36 f 65 f 70 f 75 f 79 f
	Vendor selection / procurement	Environment / Procurement Environment / Logistics / Procurement logistics	37 f 39
	Distribution / logistics	Environment / Logistics / Distribution logistics	39
	Biodiversity	Environment / Procurement / Biodiversity	38
Employee issues	Respect for human rights at all production plants	Employees / Management approach Society/Respect for human rights	40 46
	Gender equality and diversity	Employees / Gender equality and diversity	40 ff
	Training and personnel development	Employees / Employee development / Training and continuing education	42
	Workplace health and safety	Employees / Workplace health and safety	43
	Union rights, freedom of association and social dialogue	Employees / Dialogue with employee representatives and unions	44
	General conditions such as existence of collective bargaining agreements	Employees / Dialogue with employee representatives and unions	44
Social issues	Social aspects of vendor selection / procurement	Environment / Procurement	37 f
	Product safety and consumer protection	Society / Product responsibility and quality	44 f
	Maintaining and creating value and jobs	Society / Value added in rural areas	45
	Dialogue with communities and consideration of local concerns	Society / Dialogue with communities	45
	Dialogue with political institutions, political lobbying	Society / dialogue with governments and institutions	45
Human rights protection	Vendor selection / procurement	Environment / Procurement	37
	Respect for human rights at all production plants	Employees / Management approach Society/Respect for human rights	40 46
	Prohibition of child labor, forced or compulsory labor	Employees / Management approach Society / Respect for human rights	40 46
Bribery and corruption control	Vendor selection / procurement	Environment / Procurement	37 f
	Combating corruption and bribery	Corporate management and responsibility / Compliance	100 f

TABELLE 043

The art of fueling **horsepower …**

... is something **we do well** - in all performance levels.

HEIGHT

1,246 mm

DAILY INTAKE

At the Nürburgring 24h Race (120 laps):
1,275 l of ADVANCE20 high-performance fuel
10 l of re-refined racing oil

FUEL

The choice for racing? ADVANCE20, a high-performance fuel with 20 % ethanol – developed by CropEnergies.

1,200 kg

MAXIMUM SPEED

285 km/h

4,564 mm

PORSCHE 911 GT3 CUP

485 hp

CONSUMPTION

The 300 million liters in bioethanol produced by the BioWanze location every year allows the Porsche to complete an incredible 240 million laps on the Nürburgring at racing speed.

Feed grain is a powerful fuel. We use the whole grain in ethanol production. So we are giving four-legged creatures and high-performance sports cars alike the power they need.

approx.
1,800
mm

Daily intake for a 600 kg saddle horse (medium workload): 5.5 kg of hay, 1.5 kg of straw, 2.5 kg of oats – plus supplements such as 1 kg of bran and 0.05 kg of mineral feed

Likes to eat feed with bran every day – another product we generate during ethanol production.

HORSE
1 hp

WEIGHT

up to
1,000
kg

over
60
km/h

LENGTH

approx.
2,400
mm

The annual bran quantity of 600 t marketed by the BioWanze location is sufficient to supply the Lippizaner stallions accommodated in the Vienna Stallburg with the recommended feed quantity of 1 kg bran per day for almost 23 years.

C_2H_5OH

The formula for ethanol, also commonly known as alcohol, represents a special bond between the Four Motors racing team and CropEnergies. The result is called ADVANCE20: one of the most powerful fuels in the world, with 20 % ethanol – the fuel that powers the team's cars, such as the Porsche 911 GT3 Cup. E20 is the perfect combination for today's gasoline engines, since the mix allows the advantages of ethanol to shine through. Ethanol reduces CO_2 emissions by more than 70 % and releases 60 % fewer particulates than conventional super unleaded gasoline. Ethanol's greatly enhanced cooling properties also provide performance benefits. But even E10 fuels from the gas station reduce vehicles' CO_2 emissions by roughly 5 % while cutting particulate pollution by 23 %.

We are just as **performance-oriented** when it comes to **the world's favorite snack.**

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Consolidated financial statements

STATEMENT OF COMPREHENSIVE INCOME

1 March 2018 to 28 February 2019

€ million	Notes	2018/19	2017/18	+/− in %
Income statement				
Revenues	(6)	**6,754.1**	**6,982.9**	**−3.3**
Change in work in progress and finished goods inventories and internal costs capitalized	(7)	−188.5	34.6	–
Other operating income	(8)	122.8	135.7	−9.5
Cost of materials	(9)	−4,460.4	−4,556.5	−2.1
Personnel expenses	(10)	−975.4	−927.0	5.2
Depreciation	(11)	−435.5	−312.9	39.2
Goodwill impairment	(11)	−673.1	0.0	–
Other operating expenses	(12)	−926.8	−891.8	3.9
Result from companies consolidated at equity	(13)	22.1	2.1	> 100
Result from operations	(14)	**−760.7**	**467.1**	**–**
Financial income	(15)	44.5	62.1	−28.3
Financial expense [1]	(15)	−67.7	−103.6	−34.7
Earnings before income taxes [1]		**−783.9**	**425.6**	**–**
Taxes on income [1]	(16)	−21.4	−107.5	−80.1
Net earnings	(18)	**−805.3**	**318.1**	**–**
of which attributable to Südzucker AG shareholders		−844.3	205.1	–
of which attributable to hybrid capital		13.2	13.1	0.8
of which attributable to other non-controlling interests		25.8	99.9	−74.2
Earnings per share (€)	(18)	**−4.14**	**1.00**	**–**

€ million	Notes	2018/19	2017/18	+/– in %
Statement of other comprehensive income				
Net earnings		**–805.3**	**318.1**	**–**
Market value of hedging instruments (cash flow hedge) after deferred taxes		–10.8	13.8	–
Revaluation not affecting income		–4.0	68.5	–
Realization resulting in a profit or loss		–11.4	–49.0	–76.7
Deferred taxes		4.6	–5.7	–
Market value of debt instruments (securities) after deferred taxes [2]		0.0	–0.1	–80.0
Revaluation not affecting income		0.0	–0.1	–76.9
Deferred taxes		0.0	0.0	–
Exchange differences on net investments in foreign operations after deferred taxes		9.3	–3.5	–
Revaluation not affecting income		13.5	–5.1	–
Deferred taxes		–4.2	1.6	–
Foreign currency translation differences		–1.7	–38.0	–95.6
Share from companies consolidated at equity		17.5	–36.5	–
Income and expenses to be recognized in the income statement in the future	(19)	**14.3**	**–64.3**	**–**
Market value of equity instruments (securities) after deferred taxes [2]		0.8	0.0	–
Revaluation not affecting income		1.0	0.0	–
Deferred taxes		–0.2	0.0	–
Remeasurement of defined benefit pension plans and similar obligations after deferred taxes	(27)	–62.8	33.4	–
Revaluation not affecting income		–42.2	46.1	–
Deferred taxes		–20.6	–12.7	62.2
Share from companies consolidated at equity		0.3	1.5	–80.0
Income and expenses not to be recognized in the income statement in the future	(19)	**–61.7**	**34.9**	**–**
Other comprehensive result	(19)	**–47.4**	**–29.4**	**61.3**
Comprehensive income		**–852.7**	**288.7**	**–**
of which attributable to Südzucker AG shareholders		–888.2	195.3	–
of which attributable to hybrid capital		13.2	13.1	0.8
of which attributable to other non-controlling interests		22.3	80.3	–72.3

[1] The previous year's amount was adjusted. Further information is provided in Note (1) of the notes to the consolidated financial statements.
[2] Adjusted to IFRS 9 (Financial instruments). Further disclosures are included in note (1) of the notes to the consolidated financial statements.

TABLE 044

Further disclosures regarding the statement of comprehensive income are outlined in notes (6) to (19) and (27) of the notes to the consolidated financial statements.

CASH FLOW STATEMENT

1 March 2018 to 28 February 2019

€ million	2018/19	2017/18	+/– in %
Net earnings	–805.3	318.1	–
Goodwill impairment (+)	673.1	0.0	–
Depreciation and amortization of intangible assets, fixed assets and other investments	435.5	312.9	39.2
Decrease (–) / Increase (+) in non-current provisions and deferred tax liabilities and increase (–) / decrease (+) in deferred tax assets	76.1	4.2	> 100
Other income (–) / expenses (+) not affecting cash	–2.3	57.3	–
Cash flow	**377.1**	**692.5**	**–45.5**
Decrease (–) / Increase (+) in current provisions	–102.2	16.9	–
Increase (–) / Decrease (+) in inventories, receivables and other current assets	243.4	–158.5	–
Decrease (–) / Increase (+) in liabilities (excluding financial liabilities)	–254.6	–41.1	> 100
Increase (–) / Decrease (+) in working capital	**–113.4**	**–182.7**	**–37.9**
Gain (–) / Loss (+) on disposal of items included in non-current assets and of securities	–1.6	–8.5	–81.2
I. Net cash flow from operating activities	**262.1**	**501.3**	**–47.7**
Investments in fixed assets and intangible assets	–378.7	–360.5	5.0
Investments in financial assets	–15.3	–432.0	–96.5
Investments	**–394.0**	**–792.5**	**–50.3**
Cash received on disinvestments (+)	0.0	0.0	–
Cash received on disposal of non-current assets (+)	11.2	19.8	–43.4
Cash paid (–) / received (+) for the purchase / sale of other securities	1.4	0.0	–

€ million		2018/19	2017/18	+/– in %
II. Cash flow from investing activities		**–381.4**	**–772.7**	**–50.6**
Repayment (–) of the bond 2011/2018 / Issuance of the bond 2017/2025		–400.0	496.8	–
Repayment (–) / Issuance (+) of commercial papers		230.0	0.0	–
Other repayment (–) / refund (+) of financial liabilities		222.8	–69.4	–
Repayment (–) / Refund (+) of financial liabilities		**52.8**	**427.4**	**–87.6**
Increases in stakes held in subsidiaries (–)		–0.4	–2.9	–86.2
Decrease in stakes held in subsidiaries / capital increase (+) / capital buyback (–)		2.5	0.8	> 100
Dividends paid (–)		–160.7	–163.7	–1.8
III. Cash flow from financing activities		**–105.8**	**261.6**	**–**
Change in cash and cash equivalent (total of I., II. and III.)		**–225.1**	**–9.8**	**> 100**
Change in cash and cash equivalents				
due to exchange rate changes		–7.0	4.9	–
due to changes in entities included in consolidation / other		1.0	9.3	–89.2
Decrease (–) / Increase (+) in cash and cash equivalents		**–231.1**	**4.4**	**–**
Cash and cash equivalents at the beginning of the period		585.2	580.8	0.8
Cash and cash equivalents at the end of the period		**0.0**	**0.0**	**–**
Dividends received from companies consolidated at equity / other participations		19.3	39.4	–51.0
Interest receipts	(20)	14.4	16.6	–13.3
Interest payments	(20)	–36.0	–32.1	12.1
Income taxes paid	(20)	–74.9	–126.1	–40.6

TABLE 045

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

BALANCE SHEET

28 February 2019

€ million	Notes	28 February 2019	28 February 2018	+/– in %
Assets				
Intangible assets	(21)	1,000.7	1,659.0	–39.7
Fixed assets	(22)	2,950.8	2,990.5	–1.3
Shares in companies consolidated at equity	(23)	389.9	370.3	5.3
Other investments	(23)	23.1	23.0	0.4
Securities	(30)	18.8	18.7	0.5
Other assets	(25)	12.9	11.8	9.3
Deferred tax assets	(16)	74.5	79.7	–6.5
Non-current assets		**4,470.7**	**5,153.0**	**–13.2**
Inventories	(24)	1,977.0	2,119.2	–6.7
Trade receivables	(25)	972.7	972.1	0.1
Other assets	(25)	256.8	346.5	–25.9
Current tax receivables	(16)	31.0	32.7	–5.2
Securities	(30)	125.6	125.7	–0.1
Cash and cash equivalents	(30)	354.1	585.2	–39.5
Current assets		**3,717.2**	**4,181.4**	**–11.1**
Total assets		**8,187.9**	**9,334.4**	**–12.3**

€ million	Notes	28 February 2019	28 February 2018	+/− in %
Liabilities and shareholders' equity				
Equity attributable to shareholders of Südzucker AG		2,476.1	3,455.7	−28.3
Hybrid capital		653.7	653.7	0.0
Other non-controlling interests		888.6	914.5	−2.8
Total equity	(26)	**4,018.4**	**5,023.9**	**−20.0**
Provisions for pensions and similar obligations	(27)	831.6	780.8	6.5
Other provisions [1]	(28)	245.6	125.0	96.5
Financial liabilities	(30)	1,126.1	1,116.7	0.8
Other liabilities	(29)	13.5	15.6	−13.5
Tax liabilities [1]	(16)	22.6	48.5	−53.4
Deferred tax liabilities	(16)	158.7	164.1	−3.3
Non-current liabilities		**2,398.1**	**2,250.7**	**6.5**
Other provisions	(28)	147.7	249.9	−40.9
Financial liabilities	(30)	501.4	455.9	10.0
Trade payables	(29)	786.4	945.6	−16.8
Other liabilities	(29)	317.9	383.4	−17.1
Current tax liabilities	(16)	18.0	25.0	−28.0
Current liabilities		**1,771.4**	**2,059.8**	**−14.0**
Total liabilities and equity		**8,187.9**	**9,334.4**	**−12.3**
Net financial debt		1,129.0	843.0	33.9
Equity ratio		49.1	53.8	
Net financial debt as % of equity (gearing)		28.1	16.8	

[1] The previous year's amount was adjusted. Further information is provided in Note (1) of the notes to the consolidated financial statements.

TABLE 046

Further disclosures regarding the balance sheet are outlined in notes (16) and (21) to (30) of the notes to the consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1 March 2018 to 28 February 2019

€ million	Outstanding subscribed capital	Capital reserve	Other reserves
1 March 2017	**204.2**	**1,614.9**	**1,582.7**
Net earnings			205.1
Other comprehensive income / loss before taxes			45.7
Taxes on other comprehensive income			−12.7
Comprehensive income			**238.1**
Distributions			−91.9
Decrease in stakes held in subsidiaries / capital increase	0.0	0.0	0.0
Other changes			5.2
28 February 2018	**204.2**	**1,614.9**	**1,734.1**
1 March 2018 (published)	**204.2**	**1,614.9**	**1,734.1**
Adjustments from first adoption of IFRS 9, IFRS 15 and IAS 29[1]	0.0	0.0	2.7
1 March 2018 (adjusted)	**204.2**	**1,614.9**	**1,736.8**
Net earnings			−844.3
Other comprehensive income / loss before taxes			−39.0
Taxes on other comprehensive income			−21.0
Comprehensive income			**−904.3**
Distributions			−91.9
Own shares	0.0	0.0	0.0
Other changes			−3.2
28 February 2019	**204.2**	**1,614.9**	**737.4**

[1] Further disclosures on the adjustments are included in note (1) of the notes.

Further disclosures on shareholders' equity are included in note (26) of the notes to the consolidated financial statements.

Other equity accounts								
Market value of hedging instruments (cash flow hedge)	Market value of debt instruments (securities)	Exchange differences on net investments in foreign operations	Accumulated exchange differcences	Share from companies consolidated at equity / hyperinflation	Equity of Südzucker shareholders	Hybrid capital	Other non-controlling interests	Total equity
−2.9	**1.5**	**−13.6**	**−42.4**	**2.7**	**3,347.1**	**653.1**	**887.9**	**4,888.1**
					205.1	13.1	99.9	318.1
20.1	−0.1	−5.1	−18.9	−34.5	7.2		−19.8	−12.6
−5.9	0.0	1.6			−17.0		0.2	−16.8
14.2	**−0.1**	**−3.5**	**−18.9**	**−34.5**	**195.3**	**13.1**	**80.3**	**288.7**
					−91.9	−13.1	−53.3	−158.3
					0.0	0.6	0.2	0.8
					5.2		−0.6	4.6
11.3	**1.4**	**−17.1**	**−61.3**	**−31.8**	**3,455.7**	**653.7**	**914.5**	**5,023.9**
11.3	**1.4**	**−17.1**	**−61.3**	**−31.8**	**3,455.7**	**653.7**	**914.5**	**5,023.9**
0.0	−1.4	0.0	2.4	0.0	3.7	0.0	3.2	6.9
11.3	**0.0**	**−17.1**	**−58.9**	**−31.8**	**3,459.4**	**653.7**	**917.7**	**5,030.8**
					−844.3	13.2	25.8	−805.3
−16.2	0.0	13.5	0.2	18.1	−23.4		−3.5	−27.0
4.8	0.0	−4.2			−20.5		0.0	−20.4
−11.4	**0.0**	**9.3**	**0.2**	**18.1**	**−888.2**	**13.2**	**22.3**	**−852.7**
					−91.9	−13.2	−50.3	−155.4
					0.0	0.0	0.0	0.0
					−3.2		−1.1	−4.3
−0.1	**0.0**	**−7.8**	**−58.7**	**−13.7**	**2,476.1**	**653.7**	**888.6**	**4,018.4**

TABLE 047

SEGMENT REPORT

€ million	2018/19	2017/18	+/– in %
Südzucker Group			
Gross revenues	**7,128.6**	**7,392.1**	**–3.6**
Consolidation	–374.5	–409.2	–8.5
Revenues	**6,754.1**	**6,982.9**	**–3.3**
EBITDA	**353.5**	**757.4**	**–53.3**
EBITDA margin	5.2 %	10.8 %	
Depreciation	–326.2	–312.9	4.3
Operating result	**27.3**	**444.5**	**–93.9**
Operating margin	0.4 %	6.4 %	
Result from restructuring / special items	–810.1	20.5	–
Result from companies consolidated at equity	22.1	2.1	> 100
Result from operations	**–760.7**	**467.1**	**–**
Investments in fixed assets [1]	378.7	360.5	5.0
Investments in financial assets / acquisitions	15.3	432.0	–96.5
Total investments	**394.0**	**792.5**	**–50.3**
Shares in companies consolidated at equity	389.9	370.3	5.3
Capital employed	6,072.1	6,650.0	–8.7
Return on capital employed	0.4 %	6.7 %	
Employees	**19,219**	**18,515**	**3.8**
Sugar segment			
Gross revenues	**2,758.8**	**3,236.8**	**–14.8**
Consolidation	–170.5	–220.3	–22.6
Revenues	**2,588.3**	**3,016.5**	**–14.2**
EBITDA	**–101.2**	**278.1**	**–**
EBITDA margin	–3.9 %	9.2 %	
Depreciation	–137.7	–138.7	–0.7
Operating result	**–238.9**	**139.4**	**–**
Operating margin	–9. 2 %	4. 6 %	
Result from restructuring / special items	–769.7	24.4	–
Result from companies consolidated at equity	5.3	–28.4	–
Result from operations	**–1,003.3**	**135.4**	**–**
Investments in fixed assets [1]	144.8	170.4	–15.0
Investments in financial assets / acquisitions	1.8	2.0	–10.0
Total investments	**146.6**	**172.4**	**–15.0**
Shares in companies consolidated at equity	326.3	308.0	5.9
Capital employed	2,652.5	3,299.2	–19.6
Return on capital employed	–9.0 %	4.2 %	
Employees	**6,950**	**7,034**	**–1.2**

[1] Including intangible assets.

€ million	2018/19	2017/18	+/– in %
Special products segment			
Gross revenues	**2,411.6**	**2,111.4**	**14.2**
Consolidation	–117.8	–114.5	2.9
Revenues	**2,293.8**	**1,996.9**	**14.9**
EBITDA	**267.6**	**255.2**	**4.9**
EBITDA margin	11.7 %	12.8 %	
Depreciation	–111.5	–97.4	14.5
Operating result	**156.1**	**157.8**	**–1.1**
Operating margin	6.8 %	7.9 %	
Result from restructuring / special items	–50.5	–3.1	> 100
Result from companies consolidated at equity	16.6	30.6	–45.8
Result from operations	**122.2**	**185.3**	**–34.1**
Investments in fixed assets [1]	164.5	121.2	35.7
Investments in financial assets / acquisitions	7.7	430.0	–98.2
Total investments	**172.2**	**551.2**	**–68.8**
Shares in companies consolidated at equity	61.5	60.4	1.8
Capital employed	2,132.9	2,055.0	3.8
Return on capital employed	7.3 %	7.7 %	
Employees	**6,033**	**5,697**	**5.9**
CropEnergies segment			
Gross revenues	**778.6**	**882.0**	**–11.7**
Consolidation	–85.5	–73.8	15.9
Revenues	**693.1**	**808.2**	**–14.2**
EBITDA	**72.1**	**110.9**	**–35.0**
EBITDA margin	10.4 %	13.7 %	
Depreciation	–39.3	–39.2	0.3
Operating result	**32.8**	**71.7**	**–54.3**
Operating margin	4.7 %	8.9 %	
Result from restructuring / special items	10.1	–0.8	–
Result from companies consolidated at equity	0.2	–0.1	–
Result from operations	**43.1**	**70.8**	**–39.1**
Investments in fixed assets [1]	13.2	19.5	–32.3
Investments in financial assets / acquisitions	0.0	0.0	–
Total investments	**13.2**	**19.5**	**–32.3**
Shares in companies consolidated at equity	2.1	1.9	10.5
Capital employed	456.3	451.7	1.0
Return on capital employed	7.2 %	15.9 %	
Employees	**433**	**414**	**4.6**

[1] Including intangible assets.

€ million	2018/19	2017/18	+/– in %
Fruit segment			
Gross revenues	**1,179.6**	**1,161.9**	**1.5**
Consolidation	–0.7	–0.6	16.7
Revenues	**1,178.9**	**1,161.3**	**1.5**
EBITDA	**115.0**	**113.2**	**1.6**
EBITDA margin	9.8 %	9.7 %	
Depreciation	–37.7	–37.6	0.3
Operating result	**77.3**	**75.6**	**2.2**
Operating margin	6.6 %	6.5 %	
Result from restructuring / special items	0.0	0.0	–
Result from companies consolidated at equity	0.0	0.0	–
Result from operations	**77.3**	**75.6**	**2.2**
Investments in fixed assets [1]	56.2	49.4	13.8
Investments in financial assets / acquisitions	5.8	0.0	–
Total investments	**62.0**	**49.4**	**25.5**
Shares in companies consolidated at equity	0.0	0.0	–
Capital employed	830.4	844.1	–1.6
Return on capital employed	9.3 %	9.0 %	
Employees	**5,803**	**5,370**	**8.1**

[1] Including intangible assets.

TABLE 048

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

Sugar segment

The segment comprises the sugar segment division including the four production locations in Belgium (Raffinerie Tirlemontoise S.A., Tienen), Germany (Südzucker AG, Mannheim), France (Saint Louis Sucre S.A.S., Paris) and Poland (Südzucker Polska S.A., Wrocław) as well as distributors in Greece, the United Kingdom, Israel, Italy and Spain. The AGRANA Zucker division comprises sugar production in Austria, Romania, Slovakia, Czech Republic and Hungary. There is also a sugar production division in Moldova (Südzucker Moldova S.R.L., Chişinău) and an agricultural division (Südzucker AG, Landwirtschaft, Loberaue Agrar GmbH, Rackwitz; Terra Sömmerda GmbH, Sömmerda). The British trading company ED&F Man Holdings Limited, AGRANA Studen Group (including sugar production in Bosnia) and the Italian joint venture Maxi S.r.l. are consolidated at equity.

Special products segment

The special products segment includes the four divisions BENEO, Freiberger, PortionPack Europe and starch. BENEO produces and sells ingredients made from various raw materials for food products and animal feed with nutritional and technological benefits. Freiberger Group is a producer of chilled and frozen pizzas, frozen pasta dishes and snacks with a clear focus on private label business in Europe and the USA. PortionPack Europe Group specializes in developing, packaging and marketing portion packs. The starch division comprises AGRANA Group's starch and bioethanol business with potato, corn and wheat starch production in Austria, cornstarch production in Romania and bioethanol production in Austria. The starch division also includes the wheat starch plant at the Zeitz site, which is operated by the sugar segment. The starch and bioethanol activities of Hungrana Group in Hungary are consolidated at equity.

CropEnergies segment

The CropEnergies segment bundles the bioethanol activities of Südzucker Group at the four production sites in Germany, Belgium, France and the United Kingdom as well as trading activities in Brazil and Chile, and conducts business as a publicly held company (Aktiengesellschaft). CropEnergies is a leading manufacturer of sustainably produced bioethanol for the European fuel sector and a producer of food and animal feed. CropEnergies also holds a 50 % stake in CT Biocarbonic GmbH, which operates a plant in Zeitz for the production of food-grade liquid CO_2; this company is consolidated at equity.

Fruit segment

The fruit segment comprises the fruit preparations (AGRANA Fruit) and fruit juice concentrates divisions (AUSTRIA JUICE). Companies in the fruit segment are active across the globe and serve international food companies from the dairy, baked goods, ice cream and beverage industry.

Result from operations

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

Operating result

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

Capital Employed

Capital employed reflects operating capital tied up in the segments and in the group. It consists of fixed assets, including intangible assets, and working capital (inventories, trade receivables and other assets less trade accounts payable, other liabilities and current provisions). In order to uniformly present the actual capital employed from a group perspective, the carrying amounts of goodwill items from the fruit segment are fully disclosed as at the level of the immediate parent company, AGRANA Beteiligungs-AG. Working capital includes only inherently non-interest bearing receivables and payables.

Transactions between segments – with revenues of € 374.5 (409.2) million – were conducted at market conditions.

ROCE – Return on capital employed

ROCE (return on capital employed) represents the ratio of operating result to capital employed. Capital employed is calculated as follows:

€ million	2018/19	2017/18
Operating result	**27.3**	**444.5**
Goodwill	842.7	1,502.1
Concessions, industrial and similar rights	270.5	269.5
Fixed assets	2,950.8	2,990.5
Non-interest bearing receivables	*1,223.4*	*1,268.6*
Inventories	*1,977.0*	*2,119.2*
./. Current provisions	*−147.7*	*−249.9*
./. Non-interest bearing liabilities	*−1,044.6*	*−1,250.0*
Working capital	2,008.1	1,887.9
Capital employed	**6,072.1**	**6,650.0**
Return on capital employed	**0.4 %**	**6.7 %**

TABLE 049

Information about geographic segments is provided below:

€ million	2018/19	2017/18
Expenditures on fixed and intangible assets (excluding goodwill)		
Germany	92.9	99.2
Other EU	233.5	225.9
Other countries	52.3	35.4
	378.7	**360.5**
Carrying amount fixed and intangible assets (excluding goodwill)		
Germany	967.7	1,043.8
Other EU	1,663.2	1,653.2
Other countries	590.3	563.0
	3,221.3	**3,260.0**
Employees		
Germany	4,260	4,185
Other EU	9,185	8,913
Other countries	5,774	5,417
	19,219	**18,515**

TABLE 050

The regional allocation of segment assets, investments and employees is according to the countries in which the subsidiaries of Südzucker Group are headquartered. As a general rule, unless otherwise indicated, information on the number of employees in the group is presented as the fulltime equivalent at the balance sheet date. The breakdown of third-party revenues by segment and delivery destination is reported under note (6) “Revenues”.

GENERAL EXPLANATORY NOTES

(1) Principles of preparation of the consolidated financial statements

Südzucker AG is headquartered at Maximilianstraße 10 in 68165 Mannheim, Germany; the company is registered in the commercial register under HRB No. 42 at the district court of Mannheim. According to article 2 of the Articles of Incorporation of the company dated 19 July 2018, the corporate purpose of the company is the production of sugar, its sales, the utilization of its by-products and conducting agricultural operations. The company is also authorized to participate in other undertakings in any permissible form, to acquire such undertakings and to enter into any transactions that appear directly or indirectly beneficial to achieving or promoting the corporate purpose.

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

The consolidated financial statements for the period ended 28 February 2019 were prepared on 24 April 2019 by the executive board and received an unqualified audit opinion by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The audit committee will audit the consolidated financial statements on 7 May 2019, which are subsequently audited and approved by the supervisory board at its meeting on 15 May 2019. The publication date of the consolidated financial statements including the management report (annual report) is 16 May 2019.

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

In addition to a statement of comprehensive income, which comprises the income statement, a statement of income and expense recognized directly in equity, the cash flow statement and the balance sheet, the consolidated financial statements also provide a statement of changes in shareholders' equity. The disclosures in the notes also include segment reporting.

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

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

First-time adoption of IFRSs and IFRIC

The following standards were mandatory for the first time in the 2018/19 financial year:

Standard		Passed by IASB	Adopted by the EU
IAS 40	Investment Property (amendment)	08.12.2016	14.03.2018
IFRS 2	Share-Based Payment	20.06.2016	26.02.2018
IFRS 4	Insurance Contracts	12.09.2016	03.11.2017
IFRS 9 (2014)	Financial instruments	24.07.2014	22.11.2016
IFRS 9 (amended 2017)	Financial Instruments (amendment)	12.10.2017	22.03.2018
IFRS 15	Revenue from Contracts with Customers	28.05.2014	22.09.2016
IFRS 15 (amended 2016)	Revenue from Contracts with Customers (amendment)	12.04.2016	31.10.2017
IFRIC 22	Foreign Currency Transactions and Advance Consideration	08.12.2016	28.03.2018

TABLE 051

The first-time adoption of IAS 40 (Investment Property), IFRS 2 (Share-based Payment), IFRS 4 (Insurance Contracts) and IFRIC 22 (Foreign Currency Transactions and Advance Consideration) does not apply to Südzucker and thus has no effect on the financial position and performance of Südzucker nor does it affect the disclosures in the notes to the consolidated financial statements.

IFRS 9 (Financial Instruments)

In accordance with the transitional provisions of IFRS 9, the transition effects were cumulatively recorded – without adjustment of comparative periods – as of 1 March 2018 in other reserves, which can be seen in the changes in shareholders' equity. IFRS 9 was applied in full, including the provisions for hedge accounting. In addition, the subsequent amendments to IFRS 7 were applied exclusively to the disclosures in the notes for fiscal 2018/19. The transfer of securities in the form of equity instruments from the previously applicable category "available for sale" to the category "recognized at fair value through profit or loss" ("held for trading") or to the category "recognized at fair value through other comprehensive income (excluding recycling)" has led to reallocation of € 1.4 million from other comprehensive income (market value measurement of securities) to other reserves. The category "loans and receivables" also included securities in the form of debt instruments that are now allocated to the category "recognized at fair value through other comprehensive income (including recycling)".

Other investments, due to lack of materiality, comprise – in addition to remaining investments – non-consolidated affiliated companies or associates and joint ventures not accounted for using the equity method. The latter fall within the scope of IFRS 10 (Consolidated Financial Statements) or IAS 28 (Investments in Associates and Joint Ventures). For the remaining other investments of € 1.0 million as of 1 March 2018, the category "recognized at fair value through profit or loss ("held for trading")" applies according to IFRS 9.

Now bad debt allowances on trade receivables do not just comprise individual allowances for actual credit risk but also include an impairment provision for expected future credit losses. These are measured based on historical loss rates depending on how overdue the trade receivables are and presented separately according to the affected division (portfolio-based impairment). The new regulation resulted in an additional portfolio-based impairment loss of € –0.5 million which was recognized in the amount of € –0.4 million after taxes directly in equity in other reserves as of 1 March 2018.

With the introduction of the category “recognized at fair value through other comprehensive income (excluding recycling)”, a new line has been added for the measurement of equity instruments in the statement of comprehensive income within the subtotal “income and expenses not to be recognized in the income statement in the future”.

In the statement of comprehensive income the line “market value measurement of debt instruments (securities) after deferred taxes” within the subtotal “income and expenses to be recognized in the income statement in the future” replaces the line reported until the fourth quarter of 2017/18 “market value of securities (available for sale) after deferred taxes”. Correspondingly, the figures for the previous year relate to the measurement of securities from the category “available for sale”.

The same applies to changes in shareholders’ equity. Here the column “market value measurement of debt instruments (securities)” has replaced the column “market value measurement of securities available for sale” within “other comprehensive income”.

IFRS 15 (Revenue from Contracts with Customers)

In conjunction with deliveries to Maxi S.r.l., a company accounted for using the equity method, IFRS 15 results in earlier recognition of revenues or the corresponding trade receivables; based on the modified retrospective conversion method, the resulting increase in equity of € 1.6 million as of 1 March 2018 is recognized in equity in other reserves.

In addition, delivery rights previously reported under intangible assets were reclassified to other assets.

IAS 12 and IAS 37 (Changed Accounting for Interest and Penalties Related to Income Taxes under IFRSs)

The IFRS Committee of the Accounting Standards Committee of Germany (ASCG) adopted the ASCG Interpretation 4 (IFRS) on 5 September 2018; mandatory application is required for Südzucker AG and the fully consolidated German subsidiaries from fiscal year 2018/19. This interpretation concerns the scope of IAS 12 (Income Taxes) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) for interest and penalties related to income taxes in Germany in accordance with section 3 (4) of the Fiscal Code of Germany (Abgabenordnung), which, among others, comprise interest. These are to be accounted for in accordance with IAS 37; this resulted in a reclassification in the balance sheet of non-current tax liabilities to non-current provisions. This accordingly led to a reduction of tax expense in the previous year with a € 2.2 million charge to the item “other financial result”.

The effect of the adjustments at a glance

The first-time adoption of IAS 29 (Financial Reporting in Hyperinflationary Economies) in fiscal 2018/19 led to corresponding adjustments. More details about this are provided under note (4) "Foreign currency translation".

Overall, the aforementioned adjustments had the following effects on the previous year's balance sheet and the opening balance sheet for the current fiscal year:

Adjustment of balance sheet

	Amount published	Adjustments	Amount adjusted			Adjustments	Amount adjusted
€ million	28 February 2018	IAS 12, IAS 37	28 February 2018	IFRS 9	IFRS 15	IAS 29	1 March 2018
Assets							
Intangible assets	1,659.0		1,659.0		−1.5	1.7	1,659.2
Tangible assets	2,990.5		2,990.5			5.2	2,995.7
Other assets	11.8		11.8		0.5		12.3
Deferred tax assets	79.7		79.7	0.1	−0.6		79.2
Non-current assets	**5,153.0**	**0.0**	**5,153.0**	**0.1**	**−1.6**	**6.9**	**5,158.4**
Inventories	2,119.2		2,119.2		−9.3	0.9	2,110.8
Trade receivables	972.1		972.1	−0.5	11.5		983.1
Ohter assets	346.5		346.5		1.0		347.5
Current assets	**4,181.4**	**0.0**	**4,181.4**	**−0.5**	**3.2**	**0.9**	**4,185.0**
Total assets	**9,334.4**	**0.0**	**9,334.4**	**−0.4**	**1.6**	**7.8**	**9,343.4**
Equity and liabilities							
Equity attributable to shareholders of Südzucker AG	3,455.7		3,455.7	−0.3	1.6	2.4	3,459.4
Hybrid capital	653.7		653.7				653.7
Other non-controlling interests	914.5		914.5	−0.1		3.3	917.7
Total equity	**5,023.9**	**0.0**	**5,023.9**	**−0.4**	**1.6**	**5.7**	**5,030.8**
Other provisions	90.5	34.5	125.0				125.0
Tax liabilities	83.0	−34.5	48.5			2.1	50.6
Non-current liabilities	**2,250.7**	**0.0**	**2,250.7**	**0.0**	**0.0**	**2.1**	**2,252.8**
Total liabilities and equity	**9,334.4**	**0.0**	**9,334.4**	**−0.4**	**1.6**	**7.8**	**9,343.4**

TABLE 052

If recognition in the current financial year had continued according to IAS 18 (Revenue) instead of IFRS 15, the balances presented above at the transition date 1 March 2018 would have been recognized in income at a later date during fiscal 2018/19.

The reconciliation of carrying amounts for financial assets from the measurement categories of IAS 39 to the measurement categories of IFRS 9 is as follows: The reconciliation of carrying amounts for financial assets from the measurement categories of IAS 39 to the measurement categories of IFRS 9 is as follows; the effects on trade receivables from the first-time adoption of IFRS 9 and IFRS 15 are shown here under “Change in the measurement parameters”:

Reconciliation of measurement categories from IAS 39 to IFRS 9

€ million	28.02.2018 Measurement category in accordance with IAS 39	01.03.2018 Measurement category in accordance with IFRS 9	28.02.2018 Carrying amount	Change in measurement category	Change in valuation parameter	01.03.2018 Carrying amount
Financial assets						
Securities	Available for sale	At fair value through profit or loss	18.7	−4.4		14.3
		Fair value recognized directly in equity in other comprehensive income (excluding recycling)	0.0	4.7		4.7
Long term securities			*18.7*	*0.3*		*19.0*
Other investments	Available for sale at cost	At fair value through profit or loss	1.3	−0.3		1.0
Trade receivables	Loans and receivables	At amortized cost	972.1	0.0	11.0	983.1
Receivables due from the EU	Loans and receivables	At amortized cost	56.2	0.0		56.2
Remaining financial assets	Loans and receivables	At amortized cost	65.5	0.0		65.5
Positive market value derivatives	Financial assets held for trading	At fair value through profit or loss	4.0	0.0		4.0
Positive market value derivatives	Derivatives, at fair value directly in equity (hedge accounting)	Fair value recognized directly in equity in other comprehensive income (hedge accounting)	35.5	0.0		35.5
Securities	Loans and receivables	At amortized cost	0.0	0.4		0.4
Securities	Loans and receivables	Fair value recognized directly in equity in other comprehensive income (including recycling)	125.0	0.0		125.0
Securities	Available for sale	At fair value through profit or loss	0.7	−0.4		0.3
Short term securities			*125.7*	*0.0*		*125.7*
Cash and cash equivalents	Loans and receivables	At amortized cost	585.2	0.0		585.2
			1,864.2	**0.0**	**11.0**	**1,875.2**

TABLE 053

For financial liabilities, however, there were no changes between IAS 39 and IFRS 9 measurement categories. With the exception of negative market value derivatives, all financial liabilities are measured at amortized cost. Negative market value derivatives, i.e. the effective part of a hedge, are recognized at fair value in equity as part of other comprehensive income; all others are recognized in profit or loss in the income statement.

Future application of IFRSs and IFRIC

The following is a summary of the standards and interpretations that must be applied as of the 2019/20 financial year or later, because they have already been accepted by the EU or that were published by the IASB, but have yet to be recognized by the EU. The expected effective date is provided for standards that have not yet been recognized by the EU. Südzucker has not opted for the early adoption of any of the new or amended requirements below. The information on the content is based on whether and in what form the provisions are relevant to Südzucker; if future requirements do not apply to Südzucker, no information on content is provided.

Standard / Interpretation	Passed by IASB Adopted by the EU	Mandatory application for Südzucker as of financial year	Content and, if relevant, expected impact on Südzucker
Conceptual Framework (amendment)	29.03.2018 No	2020/21	The amendment is not relevant to Südzucker.
IAS 1 Presentation of financial statements (amendment)	31.10.2018 No	2020/21	The amendment has specified the definition of "material".
IAS 8 Accounting policies, changes in accounting estimates and errors (amendment)	31.10.2018 No	2020/21	The amendment refers to the definition of "material" in IAS 1.
IAS 19 (amended 2018) Employee Benefits	07.02.2018 No	2019/20	In the event of an amendment, curtailment or settlement of a defined-benefit pension plan, it is now mandatory that the current service cost and the net interest for the remaining financial year be re-determined using the current actuarial assumptions used for the required re-measurement of the net defined benefit liability (asset). In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Insofar as no corresponding circumstances exist, the amendment is not relevant to Südzucker.
IAS 28 (amended 2017) Investments in Associates (amendment)	12.10.2017 08.02.2019	2019/20	The amendment clarifies that IFRS 9 (Financial Instruments) is to be applied to long-term interests in an associate or joint venture, provided that they form part of the net investment and are not consolidated at equity. The amendment is not relevant to Südzucker.
IFRS 3 Business combinations (amendment)	22.10.2018 No	2020/21	The amendment has adjusted the definition of a business as distinguished from an acquisition of a group of assets. The amendments may become relevant to business combinations from the 2020/21 financial year.
IFRS 9 (amended 2017) Financial Instruments (amendment)	12.10.2017 22.03.2018	2019/20	The amendment lays down that certain financial instruments containing symmetric termination and compensation clauses (prepayment features with negative compensation) that would otherwise be measured through profit or loss can qualify for amortized cost measurement. The amendment is not relevant to Südzucker.

Standard / Interpretation	Passed by IASB / Adopted by the EU	Mandatory application for Südzucker as of financial year	Content and, if relevant, expected impact on Südzucker
IFRS 16 Leasing	13.01.2016 31.10.2017	2019/20	IFRS 16 provides new specifications on how to recognize, measure and present leases. In future, there will be only one lessee accounting model, requiring the lessee to present the right of use as an asset and the obligation as a liability in the balance sheet. Initial recognition is carried out by means of the modified retrospective approach, under which the lease liability and the asset are accounted for at the present value of the outstanding lease payments considering the current maturity-adequate marginal capitalization rate. The standard is not applied to intangible assets. Südzucker will avail itself of the non-capitalization option for low-value assets and short-term leases. Südzucker uses leasing in the logistics sector and in agriculture to lease agricultural land. In addition, there are long-term building rental agreements in administration and production. According to the current status, an increase in the financial liability of € 130 million is expected. Essentially, this equals the present value of operating leasing-related payment obligations reported under note (33) as of 28 February 2019. For the 2019/20 financial year, this will result in an expected depreciation of rights of use amounting to € 30 million as well as interest expenses of € 5 million from liabilities. The rights of use will be presented in the balance sheet together with the acquired property, plant and equipment.
IFRS 17 Insurance Contracts	18.05.2017 No	2021/22	The standard is not relevant to Südzucker.
Miscellaneous Annual Improvements of IFRS – 2015 – 2017 Cycle	12.12.2017 No	2019/20	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IFRIC 23 Uncertainty over Income Tax Treatments	07.06.2017 23.10.2018	2019/20	IFRIC 23 clarifies the accounting for uncertainties with regard to income taxes. An entity is required to use judgement to determine whether to consider tax treatments individually or collectively. The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
Miscellaneous Conceptual Framework (itself not part of the EU endorsement process, but changes to the references within the various IFRS)	29.03.2018 n / a	2020/21	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.

TABLE 054

(2) Companies included in consolidation

Fully consolidated subsidiaries

In addition to Südzucker AG, all material domestic and foreign subsidiaries in which Südzucker AG has direct or indirect control are fully consolidated in the consolidated financial statements. 156 (158) companies in addition to Südzucker AG were included in the consolidated financial statements for the year ended 28 February 2018. One existing, four acquired and one established company were consolidated for the first time, five companies were merged, and three companies liquidated. No fully consolidated companies were sold in the 2018/19 financial year.

First-time consolidation of acquired companies

The 100 % stake in Hungarian Brix Trade Kft. was acquired for a purchase price of € 1.5 million in the first quarter. The company produces and distributes fruit juice concentrates. It has been fully consolidated since 1 May 2018 and was merged in the fourth quarter. This was followed in the second quarter by the acquisition of a 49 % stake in the Algerian fruit preparations producer SPA AGRANA Fruit Algeria (formerly: Elafruits SPA) for a purchase price of € 4.4 million. Full consolidation since 2 July 2018 is justified by the majority of voting rights due to existing management contracts. On 19 September 2018 a 100 % stake in portion pack producer CustomPack Ltd, Telford / United Kingdom was acquired for a purchase price of € 5.9 million; the company specializes in the production and distribution of portion packs and has been included in the consolidated financial statements since 1 October 2018. On 27 December 2018 the 100 % stake in the agricultural company MAZURS-AGRO S.R.L., headquartered in Donduseni, Moldova, was acquired for a purchase price of well below € 0.1 million. With goodwill totaling € 2.7 million, the impact of these acquisitions on Südzucker’s consolidated financial statements is insignificant as a whole.

Purchase price allocation of acquisitions

€ million	Fair values at acquisition date
Non-current assets	9.1
Inventories	*4.8*
Receivables and other assets	*6.4*
Cash and cash equivalents and securities	*1.0*
Current assets	12.2
Total assets	**21.3**
./. Non-current liabilities	−1.7
./. Current liabilities	−6.9
Net assets (shareholders’ equity)	**12.7**
Less non-controlling interests	**−3.6**
Goodwill	**2.7**
Purchase price	**11.8**

TABLE 055

Since the acquisition took place during the financial year, the companies contributed only € 13 million to group revenues and less than € 1 million to net earnings. Projected for the entire fiscal year, revenues would have doubled, and net earnings would have remained nearly unchanged.

Companies consolidated at equity

16 (17) companies were accounted for using the equity method. This applies to the joint ventures of Hungrana and AGRANA Studen Group, CT Biocarbonic GmbH, Maxi S.r.l. and Collaborative Packing Solutions (Pty) Ltd and also for the associate ED&F Man Holdings Limited. One company was merged. In the case of valuation at equity, the pro rata result is recognized in profit or loss; the effects of market value measurements and exchange rate differences attributable to Südzucker are recognized in equity under other comprehensive income.

The following is a summary of the financial position and performance of joint ventures with the largest share attributable to Hungrana Group:

28 February			2019			2018
€ million	Total	Hungrana Group	Other	Total	Hungrana Group	Other
Non-current assets	159.5	112.8	46.7	154.5	105.1	49.4
Inventories	84.9	50.4	34.4	109.2	58.4	50.9
Receivables and other assets	89.1	33.5	55.6	99.5	32.5	67.1
Cash, cash equivalents and securities	15.2	2.3	12.8	7.3	0.8	6.5
Current assets	189.1	86.3	102.8	216.1	91.6	124.5
Total assets	**348.6**	**199.0**	**149.6**	**370.5**	**196.7**	**173.8**
Equity	151.4	119.6	31.8	156.0	118.1	37.9
External financial liabilities	0.4	0.0	0.4	1.0	0.0	1.0
Other liabilities	7.4	1.9	5.5	7.6	2.0	5.6
Non-current liabilities	7.7	1.9	5.8	8.7	2.0	6.6
External financial liabilities	93.9	51.2	42.7	88.6	48.5	40.2
Other liabilities	95.5	26.3	69.2	117.2	28.1	89.1
Current liabilities	189.4	77.5	111.9	205.8	76.5	129.3
Total liabilities and equity	**348.6**	**199.0**	**149.6**	**370.5**	**196.7**	**173.8**
Revenues	623.0	280.1	342.9	746.1	319.2	426.9
Depreciation	−15.0	−10.9	−4.0	−17.4	−13.5	−3.9
Other expenses	−569.1	−230.4	−338.6	−654.2	−234.9	−419.3
Result from operations	**38.9**	**38.7**	**0.2**	**74.5**	**70.9**	**3.6**
Interest income	0.2	0.0	0.2	1.1	0.0	1.1
Interest expense	−1.7	−0.7	−1.0	−2.4	−0.6	−1.8
Other financial expense	−0.3	−0.9	0.5	−1.0	−0.6	−0.3
Earnings before income taxes	**37.1**	**37.1**	**0.0**	**72.3**	**69.7**	**2.6**
Taxes on income	−6.7	−4.8	−1.9	−10.2	−8.7	−1.5
Net earnings	**30.4**	**32.4**	**−1.9**	**62.1**	**61.0**	**1.1**
Income and expenses recognized in other comprehensive income	−1.1	−0.8	−0.3	−1.8	−1.8	0.0
Comprehensive income	**29.4**	**31.5**	**−2.2**	**60.3**	**59.2**	**1.1**

TABLE 056

ED&F Man Holdings Limited

As the only material associated company, ED&F Man Holdings Limited, London, United Kingdom, is consolidated at equity. The company has a different financial year than Südzucker that ends on 30 September and also prepares its consolidated financial statements in compliance with IFRS in US-Dollars. This subgroup's interim financial statements with a reporting date two months earlier than those of Südzucker have been included. The financial position and performance of ED&F Man Holdings Limited summarized below thus covers the period from 1 January to 31 December.

€ million	31 December	2018	2017
Non-current assets		711.2	662.4
Current assets		31,836.1	15,418.4
Total assets		**32,547.3**	**16,080.8**
Equity		739.6	695.8
Non-current liabilities		651.5	596.6
Current liabilities		31,156.2	14,788.4
Total liabilities and equity		**32,547.3**	**16,080.8**
Revenues		6,665.7	9,060.3
– other expenses		−6,658.1	−9,216.5
= Net earnings		7.6	−156.2
Income and expenses recognized in other comprehensive income		45.8	−92.4
Comprehensive income		**53.4**	**−248.6**

TABLE 057

The net earnings in 2018 totaling € 7.6 million after a net loss in 2017 of € –156.2 million still reflect the difficult market environment mainly in the sugar segment. In addition, 2018 included one-time effects from investment disposal and impairments. This follows a special charge of € –63 million last year as ED&F MAN was the victim of a transaction with invalid warehouse warrants. The one-time effect was already included in the at-equity result in the Südzucker financial year 2016/17.

The income and expenses neutrally recognized in equity show an overall reduction of € 45.8 million after a charge of € –92.4 million in the previous year and are largely attributable to foreign currency translation. In the year prior, the US dollar fell around 15 % compared to the euro; in the current reporting year it was up roughly 7 %.

Südzucker holds a stake of around 35 % in the trading company ED&F Man Holdings Limited. The voting share is currently capped at 24.99 %; however, Südzucker has a statutory blocking stake and veto power over major transactions.

The carrying amount of all shares in companies consolidated at equity is € 389.9 (370.3) million. Significant events up to the Südzucker AG balance sheet date are considered. The carrying amounts for the two significant investments ED&F Man Group and Hungrana Group are derived as follows:

28 February	2019		2018	
€ million	ED&F MAN Group	Hungrana Group	ED&F MAN Group	Hungrana Group
Equity	739.6	119.6	695.8	118.1
+/– Adjustments (in substance other minority interests)	−8.0	0.0	−22.3	0.0
= Equity attributable to shareholders	**731.6**	**119.6**	**673.5**	**118.1**
thereof Südzucker-share in equity	*254.2*	*59.8*	*235.7*	*59.1*
+ Goodwill	52.9	0.4	49.5	0.4
= Shares in companies consolidated at equity (carrying amount)	**307.1**	**60.2**	**285.2**	**59.5**
Dividends paid to Südzucker	0.0	15.0	5.3	30.0

TABLE 058

(3) Consolidation methods

Consolidation based on the purchase method

Under IFRS all business combinations are to be accounted for using the purchase method. The purchase price for the acquired subsidiary is allocated to the assets acquired and liabilities and contingent liabilities assumed. The value ratios at the date the possibility of control of the subsidiary is obtained are considered to be significant. Assets and assumed liabilities and contingent liabilities that qualify for recognition are recognized – independent of the investment amount – in full at their fair value. Intangible assets are recognized separately from goodwill if they are separable from the entity or if they result from contractual or other legal rights. Remaining differences are capitalized as goodwill and tested for impairment at least annually. Negative goodwill arising from initial consolidation is recognized in profit or loss. Costs related to an acquisition are recognized as an expense when they are incurred.

Transactions involving non-controlling interests are treated the same as transactions with shareholders. The difference between the amount paid for a non-controlling interest and the corresponding share of the carrying amount of the net assets of the subsidiary is recognized in equity. Costs arising from reductions in non-controlling interests without loss of control are also recognized in equity.

Equity method measurement

Investments in important joint ventures and associates are included in the consolidated financial statements using the equity method as from their date of acquisition or when the application requirements of IFRS 11 (Joint Arrangements) or IAS 28 (Investments in Associates) have been met. Associates are companies over which significant influence over management can be exercised and that are not subsidiaries, joint ventures or joint operations. This is typically demonstrated by a share of voting rights between 20 and 50 %.

Business combinations achieved in stages

In the case of business combinations achieved in stages, the shares of the entity being sold are purchased in stages. In other words, the control of the entity is gained in several steps. IFRS 3 is to be applied to the combination as soon as the acquirer gains control. Before control is gained, the interest is reported as investments in associates, as joint arrangements or as financial instruments – depending on which rules are relevant. The fair value of assets and liabilities including the purchased entity's goodwill is remeasured until the point control is gained with the fundamental option in the case of business combinations of recognizing either the entire goodwill (full goodwill method) or only the goodwill inferred based on the proportionate revalued net assets (purchased goodwill method). Obtaining control triggers a complete revaluation of all assets and liabilities. Any adjustments to a previously held equity interest are recognized in profit or loss once control is obtained.

Elimination of intragroup transactions

Intragroup revenues, expenses and income and all receivables, liabilities and provisions between consolidated entities are eliminated. Intercompany results included in non-current assets and inventories and arising from intragroup deliveries are eliminated.

(4) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates on the date of the transaction.

The annual financial statements are prepared in the functional currency of the respective entity. With the exception of the distributor BENEO Asia Pacific Pte. Ltd. in Singapore, which uses euros and S.Z.I.L. LTD, Kfar Saba, Israel, which uses USD, the subsidiaries' functional currency corresponds with the country currency in which the respective subsidiary has its headquarters.

When the financial statements of foreign group companies are prepared in a functional currency other than euros – Südzucker's reporting currency – translation of assets and liabilities takes place at ECB reference rates or other published reference rates at the balance sheet date (closing rate). As a general rule, the overall result is translated at the average annual rates. However, if the application of the average annual rates leads to incorrect results, translation of the affected items takes place at an adjusted average rate. The remaining income and expense items have been translated unchanged at the average annual rate. In the case of subsidiaries in hyperinflationary economies, all expenses and income are translated at the closing rate.

Movements in exchange rates of the significant currencies used in preparing the consolidated financial statements were as follows (conversion rates to € 1):

						1 € = Local Currency
		Year-end rate	Average rate	Year-end rate	Average rate	Year-end rate
Country	Currency code	28.02.2019	2018/19	28.02.2018	2017/18	28.02.2017
Egypt	EGP	19.95	20.68	21.52	20.54	16.64
Argentina	ARS	44.56	–	24.55	19.93	16.36
Australia	AUD	1.60	1.58	1.56	1.50	1.38
Brazil	BRL	4.27	4.36	3.96	3.71	3.28
Chile	CLP	741.43	760.29	724.80	739.58	689.12
China	CNY	7.63	7.79	7.73	7.71	7.28
Great Britain	GBP	0.86	0.88	0.88	0.88	0.85
Mexico	MXN	21.91	22.51	22.94	21.48	21.08
Moldova	MDL	19.55	19.66	20.56	20.71	21.17
Poland	PLN	4.31	4.28	4.18	4.23	4.32
Romania	RON	4.74	4.67	4.66	4.59	4.52
Russia	RUB	75.09	75.03	68.75	67.03	61.76
Czech Republic	CZK	25.60	25.69	25.42	26.05	27.02
Ukraine	UAH	30.73	31.67	33.15	30.90	28.64
Hungary	HUF	315.96	320.22	313.93	309.57	308.25
USA	USD	1.14	1.17	1.22	1.16	1.06

TABLE 059

Intragroup loans for long-term financing of subsidiaries primarily represent a part of the net investment in these foreign operations; exchange rate fluctuations resulting from the year-end valuation are recognized directly in equity and reported in comprehensive income as a component of income and expense recognized directly in equity in the item “Exchange differences on net investments in foreign operations”.

Argentina has been considered hyperinflationary since mid-2018; the financial statements of subsidiaries located in Argentina have been adjusted accordingly since the third quarter as outlined in IAS 29 (Financial Reporting in Hyperinflationary Economies).

The financial statements of Argentine subsidiaries[1] were prepared based on the concept of historical cost. This was adjusted in the 2018/19 financial year as a result of the changes in the general purchasing power of the functional currency (Argentine peso) and were therefore disclosed in the measuring unit current at the balance sheet date. The consumer prices published by the “Instituto Nacional de Estadistica y Censos”, the National Institute of Statistics and Census in Argentina, were used as a basis. The index changed in the fiscal year 2018/19 as follows:

2018/19	Change in % of index
March	2.3
April	2.7
May	2.1
June	3.7
July	3.1
August	3.9
September	6.5
October	5.4
November	3.2
December	2.6
January	2.9
February	4.0

TABLE 060

The application of IAS 29 negatively impacted the currency translation result as a component of the other financial result of € 1.3 million. An adjustment to the opening balance of € 5.7 million was also necessary in the changes in shareholders’ equity. The adjustment to the opening balance – like the effects of continuous indexing – is recognized as part of the foreign currency differences from consolidation.

[1] Merged in Q4 2018/19.

(5) Accounting policies

The relevant accounting policies under IFRS are to be applied uniformly for similar transactions and other events in similar circumstances when preparing the consolidated financial statements of group companies. An explanation of the accounting policies is given only if the relevant standards provide accounting and measurement options or when the principles are specified in greater detail. In particular, the text of the respective standards is not repeated nor are the basic rules restated The requirements of IAS 39 (Financial Instruments: Recognition and Measurement) applied to the accounting and measurement of financial instruments for the previous year. With regard to their application, please refer to the explanatory notes under "Accounting policies" on pages 126 et seq. of the 2017/18 annual report.

Intangible assets

Acquired goodwill is recognized on the balance sheet as part of intangible assets. Goodwill and intangible assets with indefinite useful lives are not amortized, but are subject to an impairment test (impairment-only approach) at least annually or when there is an indication of impairment (triggering events). The procedure adopted in carrying out this impairment test is described more fully in the notes on balance sheet items below. Acquired intangible assets (without goodwill) with finite useful lives are generally stated at acquisition cost less straight-line depreciation. The respective useful life is determined based on the term of the underlying contract or the estimated consumption of the intangible asset's utilization potential. Intangible assets with indefinite useful lives include brand names acquired as part of acquisitions. They are measured at acquisition cost; an impairment test is carried out annually or when there is an indication of impairment.

Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less straight-line or campaign related depreciation and impairment. Items of fixed assets are depreciated pro rata temporis in the year of their acquisition. Government subsidies and grants are deducted from acquisition cost.

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

Useful lives

	Years
Intangible Assets	2 to 15
Buildings	10 to 50
Technical equipment and machinery	5 to 25
Other equipment, factory and office equipment	3 to 15

TABLE 061

Securities

Equity instruments are classified as "at fair value through profit or loss" or as "at fair value through other comprehensive income (excluding recycling)". Initial measurement of securities takes place at market value plus transaction costs at the settlement date. Debt instruments are primarily assigned to the measurement category "At fair value through equity in comprehensive income (including recycling)", but also to the measurement category "at amortized cost". Equity instruments are classified as "at fair value through profit or loss" or as "at fair value through equity in comprehensive income (excluding recycling)". Securities are generally classified as current assets since these also serve as a liquidity reserve and are thus held for trading.

Other investments

Due to lack of materiality, other investments comprise non-consolidated affiliated companies or associates and joint ventures not accounted for using the equity method. These fall within the scope of IFRS 10 (Consolidated Financial Statements) or IAS 28 (Investments in Associates and Joint Ventures). The remaining other investments are classified as "recognized at fair value through profit or loss in the income statement" ("held for trading").

Inventories

Inventories are stated at acquisition or production cost using average cost or the first-in, first-out method for raw materials, as this represents actual usage. Production cost includes all production related costs determined assuming normal levels of production capacity. In detail, it includes directly attributable costs, fixed and variable production overheads as well as depreciation of production machinery. Finance charges are not considered here. Where necessary, the lower net realizable value less costs to complete is used. Sugar is primarily produced from September to January. This is why depreciation on systems used for the campaign is predominantly applied in the third and fourth quarter of the Südzucker financial year. Any material, personnel and other operating expenses incurred in preparation for production prior to the next sugar campaign are capitalized during the financial year via changes in inventories and recognized on the balance sheet under inventories as work in progress. In the subsequent sugar production these are then taken into account when determining production costs of the sugar produced and thus recognized under inventories as part of finished goods.

Trade receivables and other financial assets

The recognized trade receivables are measured at their transaction price at the time of initial recognition and other financial assets are recognized at the market price plus transaction costs at the time of initial recognition; subsequent measurement takes place at amortized cost using the effective interest method. Adequate individual allowances are made in separate accounts for bad debts and other risks in receivables; portfolio-based allowances are also made in separate accounts for bad debts based on historical loss rates depending on how overdue the receivables are in the division concerned. The nominal value less any necessary impairment corresponds to the fair value. Attention is directed to the individual case when writing off uncollectible receivables.

CO_2 emissions rights

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

If actual emissions exceed the certificates allocated, a provision for CO_2 emissions is recognized. The provision is measured reflecting the acquisition cost of additional certificates or the market value of emissions certificates at the balance sheet date.

Hybrid capital

Pursuant to IAS 32 (Financial Instruments: Presentation) the terms and conditions of the hybrid capital issued in summer 2005 call for the reporting of this as shareholders' equity of Südzucker Group. Interest payment is dependent on the capital markets. The tax-deductible interest is not reported as interest expense but rather is treated the same as dividend payments to Südzucker AG shareholders.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations for defined benefit plans are determined as set out in IAS 19 (Employee Benefits) using the projected unit credit method. With the projected unit credit method, not only the pensions known at the effective date and acquired benefits are considered but also future adjustments to salaries and pensions. The calculation relies on actuarial reports taking biometric data into account.

Payments for defined contribution plans are recognized as an expense when due and reported under personnel expenses. Payments for state benefit plans are treated the same as those for defined contribution plans. The group does not have any other obligations beyond the payment contributions.

Other provisions

Other provisions cover risks arising from legal disputes and proceedings (litigation), provided there is a more than 50 % likelihood of occurrence and a reliable estimate can be made. The rules of IAS 37.92 were applied regarding the relevant information on changes in provisions to be disclosed in the notes. Assessment and estimation of the provision amount takes place through factual assessment of the situation, by considering the level of the claims – including the results of comparable procedures – and by getting independent legal opinions.

Income tax

Reported income tax comprises taxes on taxable income plus changes to deferred tax assets and liabilities as applicable in the individual countries.

Current income tax

Current income tax is reported as the amount of tax expected to be payable based on the applicable or enacted legislation as of the balance sheet date.

Tax assets and liabilities

Income tax liabilities from the fiscal year just ended are reported on the balance sheet under current tax liabilities, and receivables from prepayments under current tax assets. Non-current tax liabilities primarily comprise income tax for prior year periods that have not yet been conclusively audited.

Deferred tax

Deferred tax is recognized on temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet, as well as on tax loss carryforwards, to the extent they can be offset against future taxable income. Deferred tax assets and deferred tax liabilities are recognized separately on the face of the balance sheet. Deferred tax assets have been offset against deferred tax liabilities to the extent the related taxes on income are imposed by the same tax authorities and there is a legally enforceable right to set-off. A resulting excess of deferred tax assets is only recognized to the extent that it is likely that taxable income will be available against which deferred taxes can be offset. Individual companies forecast the recoverability of deferred tax assets, among other things, based on the future earnings situation at the respective group company.

Deferred tax liabilities that arise as a result of temporary differences in connection with investments in subsidiaries and companies consolidated at equity are recognized unless the timing of the reversal of the temporary differences can be controlled by the group and it is likely that the temporary differences will not reverse as a result of this controlling influence within the foreseeable future.

Deferred tax is calculated according to IAS 12 (Income Taxes), taking into consideration the respective applicable national income tax rates or those that have been substantively enacted as of the balance sheet date and that are expected to apply when the related deferred income tax asset is recognized or the deferred tax liability is settled. Deferred tax assets and liabilities associated with earnings and expenses directly recognized in shareholders' equity are treated identically.

Trade payables and other financial liabilities

Non-current and current financial liabilities are initially measured at market value less transaction costs and subsequently measured at amortized cost.

Financial liabilities

Financial liabilities for bonds issued are shown net of their issue discount and transaction costs. Unwinding of the discount takes place using the effective interest method.

Derivative financial instruments

Derivative financial instruments are recognized as assets or liabilities and measured – independent of their purpose – at fair value. Changes to this value are recognized in profit or loss unless the derivatives are in a hedging relationship with a hedged item. In this case, recognition of the changes in fair value is based on the nature of the hedge. Initial recognition is on the trading day.

Fair value hedges are used to hedge the exposure of recognized assets or liabilities to changes in the fair value. Here, changes in the fair values of both the hedges and the associated hedged items are recognized in the income statement. If the hedged items and hedges are already measured as primary instruments at their fair values, the application of the special rules for fair value hedge accounting can be waived to achieve the fair value hedge.

Cash flow hedges are used to hedge the exposure to variability in future cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. When there is a cash flow hedge, the unrealized gains and losses of the hedge transaction – if effective – are initially recognized in other comprehensive income. They are not transferred to the income statement until the hedged item is recognized in profit or loss. If the transactions lead to the recognition of non-financial assets or liabilities, e.g. for the acquisition of inventories, the amounts recognized directly in equity are offset with the initial recognition of the carrying amount of the asset or liability.

Revenues

Revenues are recognized in the amount of the consideration expected to be received for the sale of goods in the ordinary course of business. Revenues are reported less discounts and price reductions, with-out sales tax, and after eliminating intragroup sales. For variable price agreements, an estimate of the expected final prices is carried out for revenue recognition based on the individual agreements. Revenues are recognized when control over the products and goods has been transferred to the customer. The timing of this transfer is usually determined in accordance with INCOTERMS (International Commercial Terms). Therefore, revenues are generally recognized on a time basis. The costs of sales initiation are largely short-term with regard to their relation to sales and are recognized immediately as an expense. As part of the industry-standard payment terms, revenue recognition does not include any financing components. In addition to contracts for spot sales there are also customer agreements, particularly as annual and campaign contracts.

Judgments, assumptions and estimates

The preparation of the consolidated financial statements under IFRS requires that judgments, assumptions and estimates be made. These management assessments can impact the valuation of the assets and liabilities recognized, the income and expenses, and the disclosure of contingent liabilities.

Certain contracts require an assessment whether they should be treated as derivatives or as so-called own-use contracts and be accounted for as executory contracts.

With regard to provisions for pensions and similar obligations, the discount rate is one of the important factors. The discount rate for pension obligations is determined by reference to market yields observable at the balance sheet date on high-quality, fixed-rate corporate bonds, making analytically derived assumptions about the age at entry into the pension benefits, life expectancy, staff turnover rates and future wage and pension increases. Please see the sensitivity analysis disclosures under note (27) "Provisions for pensions and similar obligations" for information on the impact of changes to individual actuarial assumptions on the amount of the defined benefit pension obligations. Assumptions and estimates are also related to the accounting and measurement of other provisions.

Uncertainties may arise in the accounting of provisions or the disclosure of contingent liabilities because it is necessary – especially in connection with pending or potential legal disputes – to make estimates and assumptions, e.g. about the probability of the outcome of proceedings as well as the use of provisions and thus the determination of maturity. In the recognition of liabilities – to a lesser extent, however, than in the accounting of provisions – there can be uncertainties with respect to the reason and amount of the payment obligation and the measurement of manufacturing costs, for the beet payment and the derivation of sugar revenue-dependent beet costs at the balance sheet date.

The recoverability of goodwill is assessed based on forecasts for the cash flows of cash generating units for the next five years using a discount rate adjusted for the business risks.

The determination of the useful life of the depreciable fixed asset, the net selling price of the inventories and the fair value of intangible assets, property, plant and equipment and liabilities acquired in business combinations is also based on estimates.

Deferred tax assets are recognized to the extent that the recoverability of future tax benefits is probable. The actual tax result situation of subsequent periods and therefore the actual utility of deferred tax assets can vary from the assessment at the time of recognition of the deferred taxes. Income tax can be subject to uncertainties with regard to the probability and amount of the expected tax payment or refund. This requires the company to make an estimate.

Further explanatory notes on the underlying assumptions and estimates made for these consolidated financial statements are given in the disclosures on individual items in the financial statements.

All assumptions and estimates are based on the circumstances and assessments at the balance sheet date. In assessing the expected business development, the future economic environments in which the group will operate, and which are assumed to be realistic at the balance sheet date were also considered. The actual amounts may vary from the estimates should the conditions develop counter to our assumptions. If this is the case, the assumptions are adjusted and, where necessary, the carrying amounts of the affected assets and liabilities as well.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(6) Revenues

Third-party revenues from contracts with customers are broken down below – recognized based on date – according to the four segments and the delivery destinations:

€ million	Sugar	Special products	CropEnergies	Fruit	Group
2018/19					
Germany	740.6	452.0	247.0	141.5	1,581.1
Belgium	188.5	58.1	64.3	77.5	388.4
France	320.3	84.2	49.6	99.4	553.5
Austria	167.5	238.3	0.7	39.6	446.1
Poland	160.4	41.7	21.6	29.1	252.8
Other EU	700.8	729.0	285.5	135.7	1,851.0
EU 28	2,278.1	1,603.3	668.7	522.8	5,072.9
Other countries	310.2	690.5	24.4	656.1	1,681.2
Total	**2,588.3**	**2,293.8**	**693.1**	**1,178.9**	**6,754.1**
2017/18					
Germany	799.0	434.0	275.5	130.0	1,638.5
Belgium	217.7	45.3	65.4	78.1	406.5
France	378.2	94.3	54.0	104.1	630.6
Austria	223.6	223.7	1.0	42.7	491.0
Poland	189.1	36.0	23.1	25.1	273.3
Other EU	846.1	780.4	357.2	138.4	2,122.1
EU 28	2,653.7	1,613.7	776.2	518.4	5,562.0
Other countries	362.8	383.2	32.0	642.9	1,420.9
Total	**3,016.5**	**1,996.9**	**808.2**	**1,161.3**	**6,982.9**

TABLE 062

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

€ million	2018/19	2017/18
Change in work in progress and finished goods inventories		
Sugar	−203.9	28.1
Special products	26.2	−4.8
CropEnergies	4.0	0.7
Fruit	−20.3	5.2
	−194.0	**29.2**
Internal costs capitalized	5.5	5.4
	−188.5	**34.6**

TABLE 063

Change in work in progress and finished goods also includes write-downs of inventories to net disposal proceeds and reversals of impairment losses; see note (24) “Inventories” for explanations.

(8) Other operating result

€ million	2018/19	2017/18
Foreign exchange and currency translation gains	23.2	18.1
Gain on sales of current and non-current assets	5.3	4.3
Income from derivatives	2.8	5.4
Reversal of bad debt allowances	2.3	2.6
Income from special items	22.9	43.7
Other income	66.3	61.6
	122.8	**135.7**

TABLE 064

Other income in the amount of € 66.3 (61.6) million includes, among others, insurance settlements and other compensation, agricultural compensation payments and grants, income from services performed and from rents and leases, income from prior periods (without taxes and interest) and income from the reversal of provisions.

Income from special items of € 22.9 (43.7) million included, among others, income from the reversal of a provision created in 2016/17 for tax risks in Germany related to spirits in the CropEnergies segment after the respective proceedings were successfully concluded. Last year this item included, in particular, income from the production levy that was imposed at too high a level for the sugar marketing years 1999/2000 and 2000/01, from the disposal of property as well as insurance settlements in connection with the fire at the sugar factory in Ochsenfurt in the summer of 2017.

(9) Cost of materials

€ million	2018/19	2017/18
Cost of raw materials, consumables and supplies and of purchased merchandise	4,057.0	4,198.6
Cost of purchased services	403.4	357.9
	4,460.4	**4,556.5**

TABLE 065

(10) Personnel expenses

€ million	2018/19	2017/18
Wages and salaries	770.0	725.6
Contributions to statutory old-age insurance	51.5	50.0
Social security, pension and welfare expenses	153.9	151.4
	975.4	**927.0**

TABLE 066

Of the total personnel expenses in the amount of € 975.4 (927.0) million, € 33.6 (10.8) million is reported in the result from restructuring and special items and relates predominantly to provisions for termination benefit plans in conjunction with the planned capacity adjustments in Germany, France and Poland. In particular, expenses from restructuring in the sugar segment were also included here in the previous year.

The number of employees in Südzucker Group varies throughout the seasons due to campaign activities, particularly in the sugar, starch and fruit segments. The development of each segment throughout the year (expressed in full-time equivalents as of the respective quarterly closing date) is presented in the following and provides an overview of the average number of employees per financial year.

Full-time equivalents according to quarterly closing dates

Employees	31.05.2018	31.08.2018	30.11.2018	28.02.2019
Sugar	7,037	7,257	8,270	6,950
Special products	5,829	5,695	5,909	6,033
CropEnergies	411	417	425	433
Fruit	6,268	6,177	5,526	5,803
Group	**19,545**	**19,546**	**20,129**	**19,219**
Employees	**31.05.2017**	**31.08.2017**	**30.11.2017**	**28.02.2018**
Sugar	6,963	7,123	8,385	7,034
Special products	4,751	4,903	4,889	5,697
CropEnergies	411	408	406	414
Fruit	6,291	5,596	5,121	5,370
Group	**18,416**	**18,030**	**18,801**	**18,515**

TABLE 067

The number of employees in the group as of 28 February 2019 increased year-over-year by 704 to 19,219 (18,515). The addition of 336 workers in the special products segment to 6,033 (5,697) was mainly due to the acquisition of portion pack manufacturer CustomPack Ltd, Telford, Great Britain. The increase of 433 employees in the fruit segment was largely attributable to newly consolidated companies.

(11) Depreciation

€ million	2018/19	2017/18
Intangible assets	24.6	18.4
Fixed assets	300.6	285.9
Depreciation and amortization	**325.2**	**304.3**
Intangible assets	673.9	0.0
Fixed assets	109.5	8.5
Impairment losses including special items	**783.4**	**8.5**
Income from reversal of impairment losses	**0.0**	**0.1**
Net depreciation	**1,108.6**	**312.9**
thereof operating result	326.2	312.9
thereof result from restructuring / special items	782.4	0.0
Net depreciation	**1,108.6**	**312.9**
Impairment according to segments		
Sugar	732.0	5.7
Special products	50.8	2.4
CropEnergies	0.0	0.3
Fruit	0.6	0.1
Total	**783.4**	**8.5**

TABLE 068

In light of the reassessment of the sugar market environment and the adapted strategic orientation (triggering event), another review of the recoverability of goodwill of the sugar cash generating unit (CGU) was necessary at the end of the fiscal year. This resulted in an impairment loss of € 673.1 million with respect to the carrying amount of goodwill of the sugar CGU.

Impairments of fixed assets came in at € 110.3 (8.5) million, of which € 58.9 (5.7) million was attributable to the sugar segment. They were in particular associated with the planned capacity adjustments with an average annual sugar production of approximately 700,000 tonnes. Two factories in Germany (Brottewitz and Warburg) and two of the French subsidiary Saint Louis Sucre (Cagny and Eppeville) are scheduled to be shut down following the 2019 campaign. The affected plant of the Polish subsidiary Südzucker Polska (Strzyzow) is slated to be shut down at an earlier date. The carrying amounts of fixed assets were impaired to the level of proceeds still expected after the planned residual use.

Impairments to the carrying amounts of fixed assets of the starch factory at the location in Zeitz were also necessary in the special products segment in light of the reassessment of the sugar market environment and the difficult market environment for sweeteners; of the € 50.8 (2.4) million in impairments needed, € 50.7 million was attributable to Zeitz.

(12) Other operating expenses

€ million	2018/19	2017/18
Selling and advertising expenses	441.8	389.4
Operating and administrative expenses	286.8	292.8
Advertising expenses	33.2	44.8
Expenses due to restructuring / special items	13.4	9.6
Expenses from lease and service agreements	57.6	47.3
Losses on disposals of current and non-current assets	3.9	5.0
Bad debt allowances	2.1	4.5
Foreign exchange and currency translation losses	16.4	22.3
Expense from derivatives	4.6	5.3
Other taxes	24.7	27.6
Other expenses	42.3	43.2
	926.8	**891.8**

TABLE 069

Operating and administrative expenses in the amount of € 286.8 (292.8) million comprise items such as office, communication and travel expenses, consulting fees, fees and contributions, insurance premiums, employee training, employee benefits and outsourced maintenance and repair services.

Expenses from restructuring and special items totaling € 13.4 (9.6) million related to items such as risk provisions for long-term logistics contracts in the sugar segment in light of the planned capacity reduction. In particular, expenses from a restructuring project at AGRANA in the sugar segment were included here in the previous year.

Other taxes in the amount of € 24.7 (27.6) million comprise taxes on income and property, excise tax and transport taxes. Other operating expenses totaling € 42.3 (43.2) million comprise items such as research and development costs, market research fees, license fees and other services.

(13) Result from companies consolidated at equity

The result from companies consolidated at equity of € 22.1 (2.1) million includes the share of earnings from the joint ventures of Hungrana Group, AGRANA Studen Group, CT Biocarbonic GmbH, Maxi S.r.l. and Collaborative Packing Solutions (Pty) Ltd and the associate ED&F Man Holdings Limited. The decrease was due to a positive operating result contribution in the sugar segment. Further information on the development of income from companies consolidated at equity is found under note (2) “Companies included in consolidation” in connection with the disclosures on companies consolidated at equity.

(14) Result from operations

€ million	2018/19	2017/18
Result from operations	**−760.7**	**467.1**
thereof operating result	27.3	444.5
thereof result from restructuring / special items	−810.1	20.5
thereof result from companies consolidated at equity	22.1	2.1

TABLE 070

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

(15) Financial income and expense

€ million	2018/19	2017/18
Interest income	16.2	18.3
Interest expense	−38.2	−49.2
Interest income and expense, net	**−22.0**	**−30.9**
Other financial income	28.3	43.8
Other financial expense [1]	−29.5	−54.4
Other financial income and expense, net	**−1.2**	**−10.6**
Financial expense, net	**−23.2**	**−41.5**
thereof financial income	44.5	62.1
thereof financial expense	−67.7	−103.6

[1] The previous year's amount was adjusted. Further information is provided in Note (1) of the notes to the consolidated financial statements.

TABLE 071

The interest expense improved to € −22.0 (−30.9) million. The net interest expense also contains the net expense from compounding the provisions for pensions and similar obligations totaling € 16.5 (15.2) million and the expense from compounding other non-current provisions and liabilities of € 0.9 (0.9) million.

The other financial result amounted to € −1.2 (−10.6) million. A negative currency result of € −4.8 (−5.6) million weighed on this and was primarily attributable to the weakening of the Argentine peso. Argentina has been considered hyperinflationary since mid-2018 and thus requirements of IAS 29 (Financial Reporting in Hyperinflationary Economies) have applied accordingly since the third quarter; this increased currency losses by € 1.3 million. The other financial result also comprises income from the reversal of provisions for incidental tax expenses.

(16) Taxes on income

The tax expense of € 21.4 (107.5) million is comprised of current taxes paid or payable and deferred tax expense / income as follows:

€ million	2018/19	2017/18
Current taxes	49.3	85.6
Deferred taxes	–27.9	21.9
Taxes in income [1]	**21.4**	**107.5**

[1] The previous year's amount was adjusted. Further information is provided in Note (1) of the notes to the consolidated financial statements.

TABLE 072

The unchanged projected theoretical tax expense of 29.1 % for fiscal 2018/19 was calculated by applying the German corporate income tax rate comprising the solidarity surcharge of 15.8 % and the trade tax on income of 13.3 %. The reconciliation of the theoretical and actual tax expense is shown below:

€ million	2018/19	2017/18
Earnings before taxes on income	–783.9	425.6
Theoretical tax rate	29.1 %	29.1 %
Theoretical tax expense (+)	**–228.3**	**124.0**
Change in theoretical tax expense as a result of:		
Different tax rates	6.6	–9.3
Tax reduction for tax-free income	–14.7	–9.1
Tax increase for non-deductible expenses	208.0	12.5
Tax effects from prior periods	–27.0	–20.3
Tax effects from the recognition and measurement of capitalized losses carried forward and temporary differences	74.3	10.4
Other	2.5	–0.7
Taxes on income [1]	**21.4**	**107.5**
Effective tax rate	**–**	**25.3 %**

[1] The previous year's amount was adjusted. Further information is provided in Note (1) of the notes to the consolidated financial statements.

TABLE 073

Following earnings before income taxes of € –783.9 (425.6) million, taxes on income were € 21.4 (107.5) million.

In the current financial year, the item "tax increase for non-deductible expenses" includes predominantly effects from the impairment of goodwill in the sugar segment that are non-deductible.

In the previous year the item "tax effects from the measurement and recognition of tax loss carry forwards and temporary differences" included one-time income in the year under review of € 29.5 million from the revaluation of deferred tax liabilities of Richelieu Group due to the US tax reform adopted on 22 December 2017, which lowered the corporate income tax rate from 35 % to 21 %. Particularly operating losses in the sugar segment, for which there was no recognition of deferred taxes has had an impact this year.

Deferred tax is the result from temporary differences between tax accounting measures and the assets and liabilities recognized as set out in IFRS as well as from tax loss carryforwards. Deferred tax assets of € 44.6 (47.4) million were recognized for tax loss carryforwards that are expected to be used against future taxable income. Deferred tax assets totaling € 225.5 (118.4) million were not recognized as it is unlikely that the tax assets will be realizable in the foreseeable future. Of these unrecognized deferred tax assets € 216.2 (112.4) million doe not expire; of the remaining amount totaling € 9.3 (6.0) million, a large share will expire within a period of up to seven years. An impairment loss in the amount of € 5.5 (41.3) million was recognized on loss carryforwards for deferred tax assets recognized in previous years.

No deferred tax liabilities were recognized in relation to investments in subsidiaries totaling € 60.2 (69.2) million, since such gains are intended to be reinvested indefinitely and a reversal of these differences is thus not anticipated.

Deferred taxes lowered income and expenses recognized directly in equity by € 20.4 million during the reporting period and by € 16.9 million last year. Key influencing factors here were deferred tax assets from the remeasurement of defined benefit pension commitments and similar obligations recognized directly in equity, which led to a reduction in equity by € 20.6 million, i.e. last year to a decrease by € 12.8 million. The absence of capitalized deferred tax assets recognized in equity has had an effect in the current financial year, in particular on corresponding valuation differences.

In addition, € 5.4 (5.4) million in income tax was recognized directly in equity. Deferred tax assets and liabilities relate to temporary differences in the following items on the balance sheet:

€ million	Deferred tax assets		Deferred tax liabilities	
28 February	**2019**	2018	**2019**	2018
Fixed assets and intangible assets	9.2	12.5	207.4	210.3
Inventories	9.5	10.8	26.1	22.9
Other assets	4.4	4.6	5.1	20.6
Tax-free reserves	0.3	0.2	30.7	40.4
Provisions	105.2	123.9	7.6	13.6
Liabilities	23.3	25.5	3.8	1.5
Tax loss carry forwards	44.6	47.4	0.0	0.0
	196.5	**224.9**	**280.7**	**309.3**
Offsets	−122.0	−145.2	−122.0	−145.2
Balance sheet	**74.5**	**79.7**	**158.7**	**164.1**
thereof non-current	**41.3**	**50.9**	**132.0**	**135.6**

TABLE 074

Current tax assets reported as at 28 February 2019 decreased slightly to € 31.0 (32.7) million and comprise mainly tax prepayments.

Non-current tax liabilities in the amount of € 22.6 (48.5) million primarily comprise income taxes for prior year periods that have not yet been conclusively audited. With regard to the adjustment of the previous year’s amount, reference is made to the further disclosures in note (1) of the notes to the consolidated financial statements.

Current tax liabilities of € 18.0 (25.0) million relate to income tax liabilities from the financial year just ended and back duties still expected from previous years.

(17) Research and development costs

Research and development activities are outlined in the group management report. Research and development work was carried out by some 456 (431) staff. Research and development costs amounted to € 44.9 (43.2) million and were fully recognized as an expense.

(18) Earnings per share

The earnings per share calculation (IAS 33) is based on the time-weighted average of 204.2 million shares outstanding. Earnings per share came in at € −4.14 (1.00). This includes in particular the impairment of goodwill in the sugar segment of € −673.1 million or € −3.30 per share. Earnings per share were not diluted.

€ million	2018/19	2017/18
Net earnings of the year	**−805.3**	**318.1**
of which attributable to shareholders of Südzucker AG	−844.3	205.1
Time-weighted average number of shares outstanding	204,183,292	204,183,292
Earnings in € per share [1]	**−4.14**	**1.00**

[1] Undiluted / diluted.

TABLE 075

(19) Other comprehensive income

Other comprehensive income totaling € −47.4 (−29.4) million includes income and expenses recognized directly in equity of Südzucker shareholders and other non-controlling interests.

The income and expenses of € 14.3 (−64.3) million to be recognized in the income statement in the future include the market value measurement of securities (cash flow hedge) and the market value measurement of debt instruments as well as foreign currency translation from net investments in foreign subsidiaries, effects of consolidation-related foreign currency translation and the share from companies consolidated at equity.

Foreign currency differences from consolidation of € −1.7 (−38.0) million are largely attributable to the weaker Polish zloty, Argentine and Chilean peso compared to a stronger US dollar and British pound sterling. Last year foreign currency differences were attributable in particular to the weaker US dollar, Argentine and Chilean peso, compared to a stronger Polish zloty and Czech koruna.

The amounts not to be recognized in the income statement in the future primarily relate to the remeasurement of defined benefit pension plans and similar obligations in the amount of € −62.8 (33.4) million. The alignment of the discount rate from 2.20 % as at 28 February 2018 to 1.95 % for material pension plans and revised demographic assumptions effective 28 February 2019 led to a negative impact on equity during the reporting year. Last year in particular changes to the discount rate removed pressure on equity.

CASH FLOW STATEMENT

(20) Notes to the cash flow statement

Increase (+) / Decrease (–) in operating activities

The cash inflow (+) / outflow (–) from operating activities is divided into two key blocks for reasons of transparency. The main purpose of this is to ensure sustainable cash flow from operating activities for the medium term and to isolate the large seasonal fluctuations of working capital throughout the quarters. The latter is a special feature of the Südzucker business model with campaign operations existing in different segments (e.g. sugar).

Cash flow
Cash flow reached € 377.1 compared to € 692.5 million the year prior.

The recognized cash flow comprises net earnings, depreciation of non-current assets, the change in accounting for non-current provisions, (deferred) tax liabilities and deferred tax assets as well as other non-cash income and expenses. Cash flow is used to determine the key ratio "debt factor" (ratio of net financial debt to cash flow). The conditions of the hybrid bond stipulate that a coupon suspension is triggered if consolidated cash flow falls below 5 % of the group's consolidated revenues. Cash flow in the 2018/19 financial year corresponded to 5.6 (9.9) % of the group's consolidated revenues.

Change in working capital
The cash outflow from the increase in working capital was € 113.4 million and resulted from a volume-related decline in inventories in the sugar segment, which was more than offset by a decrease in short-term provisions and liabilities to beet growers.

The change in working capital consists of the change in current provisions, inventories, (trade) receivables and other assets and liabilities; the latter also comprise long-term positions of minor importance. Items affected primarily by seasonal fluctuations are recognized separately as a result.

Decrease (–) / Increase (+) in investment activities

Investments in property, plant and equipment
Investments in property, plant and equipment (including intangible assets) totaled € 378.7 (360.5) million. In the sugar segment, investments totaling € 144.8 (170.4) million were again mainly allocated toward replacement spending and investments in electronics, automation and logistics. Investments in the special products segment totaling € 164.5 (121.2) million are primarily due to new production capacities in the starch division and plant expansion and optimizations at BENEO and Freiberger. The CropEnergies segment invested € 13.2 (19.5) million for replacements and to increase the efficiency of production systems. The fruit segment invested € 56.2 (49.4) million mainly in the fruit preparation division to install additional production capacity.

Investments in financial assets
Investments in financial assets in the amount of € 15.3 (432.0) million were largely attributable to the acquisition of 100 % of the shares in Hungarian fruit juice concentrates producer Brix Trade Kft., Nagykálló, the acquisition of a 49 % stake in the Algerian fruit preparations producer SPA AGRANA Fruit Algeria (formerly: Elafruits SPA) and the acquisition of a 100 % stake in the British portion pack producer CustomPack Ltd, Telford.

Last year investments in financial assets were largely attributable to the 100 % acquisition of pizza producer Richelieu Foods Inc., Braintree, Massachusetts / USA and to the 100 % acquisition of frozen pizza producer HASA GmbH in Burg / Saxony-Anhalt.

Decrease (–) / Increase (+) from financing activities

Increases / decreases in stakes and capital increase / redemption

The cash outflows from increases in stakes totaling € –0.4 (–2.9) million and cash inflows from decreases / increases in stakes totaling € 2.5 (0.8) million related to share purchases or sales of still fully consolidated subsidiaries. The latter in the previous year also include inflows from the replacement of the hybrid bond with a nominal volume of € 0.6 million.

Dividends paid

Dividends paid throughout the group in the financial year just ended totaled € 160.7 (163.7) million and included € 91.9 (91.9) million paid out to Südzucker AG's shareholders and € 68.8 (71.8) million to minority interests.

Financing and repayment of financing

The 2011/2018 bond with a coupon of 4.125 % and a volume of € 400 million was repaid in March 2018. Commercial papers were issued in the amount of € 230 million and € 222.8 million in bank credit lines were drawn primarily for short-term seasonal financing.

Income taxes paid, interest payments and dividends received

Income taxes paid

The balance of income taxes paid amounted to € 74.9 (126.1) million. Cash outflows from income taxes paid are generally allocated to operating activities.

Interest payments and dividends received

Interest paid and interest and dividends received are allocated to the increase / decrease from operating activities.

NOTES TO THE BALANCE SHEET

(21) Intangible assets

€ million	Goodwill	Concessions, industrial and similar rights	Total
2018/19			
Acquisition costs			
1 March 2018 published	1,978.3	456.5	2,434.8
Adjustments from first adoption IAS 29 / IFRS 15	0.0	−3.0	−3.0
1 March 2018 adjusted	1,978.3	453.5	2,431.8
Change in companies incl. in the consolidation and other changes	2.8	0.1	2.9
Changes due to currency translation	11.0	14.4	25.4
Additions	0.0	10.1	10.1
Transfers	0.0	2.7	2.7
Disposals	0.0	−3.9	−3.9
28 February 2019	1,992.1	476.9	2,469.0
Amortization and impairment losses			
1 March 2018 published	−588.8	−187.0	−775.8
Adjustments from first adoption IAS 29 / IFRS 15	0.0	3.2	3.2
1 March 2018 adjusted	−588.8	−183.8	−772.6
Change in companies incl. in the consolidation and other changes	0.0	0.1	0.1
Changes due to currency translation	0.0	−0.9	−0.9
Amortization for the year	0.0	−24.6	−24.6
Impairment losses	−673.1	−0.8	−673.9
Transfers	0.0	−0.1	−0.1
Disposals	0.0	3.7	3.7
Reversals of impairment losses	0.0	0.0	0.0
28 February 2019	−1,261.9	−206.4	−1,468.3
Net carrying amount 28 February 2019	**730.2**	**270.5**	**1,000.7**

€ million	Goodwill	Concessions, industrial and similar rights	Total
2017/18			
Acquisition costs			
1 March 2017	1,779.4	228.4	2,007.8
Change in companies incl. in the consolidation and other changes	206.1	236.2	442.3
Changes due to currency translation	−7.2	−10.4	−17.6
Additions	0.0	8.9	8.9
Transfers	0.0	2.9	2.9
Disposals	0.0	−9.5	−9.5
28 February 2018	1,978.3	456.5	2,434.8
Amortization and impairment losses			
1 March 2017	−588.8	−178.7	−767.5
Change in companies incl. in the consolidation and other changes	0.0	−0.7	−0.7
Changes due to currency translation	0.0	1.4	1.4
Amortization for the year	0.0	−18.4	−18.4
Impairment losses	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	0.0	9.4	9.4
Reversals of impairment losses	0.0	0.0	0.0
28 February 2018	−588.8	−187.0	−775.8
Net carrying amount 28 February 2018	**1,389.5**	**269.5**	**1,659.0**

TABLE 076

Goodwill

When carrying out impairment tests, goodwill in Südzucker Group is allocated to the sugar and fruit segments and the BENEO, Freiberger and PortionPack divisions as relevant cash generating units (CGUs). Impairment tests are used on a regular basis to compare the respective carrying amounts of the CGUs to the value in use (leading value concept at Südzucker) in order to identify possible impairment.

The recoverable amount is the present value of future cash flows a CGU is expected to generate. The value in use is determined based on a business valuation model (discounted cash flow). Future cash flows are determined based on the five-year plan valid at the time of carrying out the impairment test. These budgets are based on experience and expectations of future market developments as well as on key macroeconomic data.

The cost of capital is calculated as a weighted average of the costs of equity and debt (borrowing costs) for each CGU. The cost of equity is derived from the returns expected by Südzucker shareholders; the borrowing costs recognized are derived from the long-term refinancing conditions of Südzucker's capital market environment.

The cost of equity is calculated based on a risk-free basic interest rate a business risk premium and a country risk premium. The 30-year yield on German Government Bonds (BUND) was used as the risk-free interest rate. Business risk is a product of the general market risk premium of 6.5 (6.5) % and the applicable business risk for Südzucker derived from capital market data. The cost of equity derived in this way is individualized for each CGU by considering the respective country risks and business risks.

The current imputed refinancing costs for bonds and hybrid capital as well as the interest rate for pension obligations are used in the calculation of borrowing costs. The risk premium (credit spread) takes into account Südzucker's long-term rating of currently Baa3 (Moody's) and BBB– (S&P).

We have assumed a growth rate to perpetuity after the five-year budget period for the CGUs. The growth rate used to discount the perpetual annuity is below the expected growth rates in the five-year plan and is primarily used to offset a general rate of inflation. Investments in the planning period are based on investment plans that have been ratified and take into account replacement investment requirements.

The following table presents an overview of the tested goodwill carrying amounts and the cost of capital before tax used for the respective impairment tests at the regular measurement date 31 August 2018. No impairment was necessary resulting from the goodwill impairment test as the value in use of the individual CGUs was higher than the carrying amount.

€ million	Goodwill		Weight average cost of capital	
28 February	2019	2018	2018/19	2017/18
CGU Freiberger	369.0	357.8	5.6 %	5.4 %
CGU BENEO	84.9	84.9	6.6 %	6.3 %
CGU PortionPack	41.7	40.3	6.1 %	5.9 %
CGU Fruit	127.6	126.6	6.9 %	6.1 %

TABLE 077

The cost of capital before tax reflects the higher returns from German Government Bonds compared to the prior year in connection with the ECB's quantitative easing program. In consideration of the ECB inflation expectations, which significantly influences the anticipated growth rate, a further increase is expected in the medium term.

The end of the sugar beet quotas and minimum price regulations in 2017 also meant the end of the restrictions on sugar exports. Südzucker took advantage of the opportunity to better utilize existing capacities through longer campaigns since the quota regulations have ended. This led to an expansion of low-margin third-country sugar exports. Since then, EU market prices have been even more closely influenced by world market prices.

On 25 February 2019 the Südzucker supervisory board approved the restructuring plan for the sugar segment presented by the executive board in light of the continuing difficult global and European market environment with historically low price levels in the EU. The restructuring plan outlines measures along the entire value chain and in particular changes to the production and administrative structures. This includes the planned shutdown of five sugar factories with an average annual sugar production of approximately 700,000 tonnes in order to align capacities more closely to the needs of the European market. Two factories in Germany (Brottewitz and Warburg) and two of the French subsidiary Saint Louis Sucre (Cagny and Eppeville) are scheduled to be decommissioned following the 2019 campaign. The affected plant of the Polish subsidiary Südzucker Polska (Strzyzow) is slated to be decommissioned at an earlier date. Plans also include a further reduction of administrative costs in Belgium, Germany, France and Poland.

The approved closure of around 15 % of the overall capacity has now reduced the expansion of exports in favor of focusing on the strategic EU markets. Südzucker is still committed to the goal of longer campaigns in the remaining 24 sugar factories. By concentrating on the best beet growing regions in Europe, Südzucker is in an excellent position in the EU and is focusing on strengthening its market position in Europe; production in the core European markets will give the company logistics advantages and thus close proximity to industrial customers.

In light of the reassessment of the sugar market environment and the adapted strategic orientation (triggering event), another review of the recoverability of goodwill of the sugar cash generating unit (CGU) was necessary at the end of the fiscal year. With regard to the carrying amount as of 28 February 2019, this resulted in an impairment of € 673.1 million as the value in use was accordingly lower than the carrying amount. The growth rate used for the extrapolation of cash flows over the planning period is 0.9 (1.5) %.

€ million	Goodwill		Weight average cost of capital	
28 February	2019	2018	2018/19	2017/18
CGU Zucker	107.0	779.9	7.2 %	7.5 %

TABLE 078

The goodwill impairment test is based on future assumptions that determine the value in use of the CGUs. The amount of the respective value in use depends on the expected future cash flows in the corporate planning and the underlying cost of capital. At the measurement date the values in use of all CGUs, with the exception of the sugar CGU, were significantly higher than the carrying amounts of goodwill. As a result of these surpluses, the 10 % reduction of the planned sustainable cash flows expected in a sensitivity analysis or a one percentage point increase in the cost of capital after tax resulting on the capital market – for example due to rising interest rates – does not create a need for impairment at any of these CGUs In the sugar CGU, however, a 5 % reduction of planned sustainable cash flows or a slight increase in the cost of capital after tax resulting on the capital market would already result in full impairment of the goodwill remaining at the balance sheet date of € 107.0 million.

The most important planning assumptions for the sugar CGU are the projections based on estimates for EU beet sugar and isoglucose production volumes, the development of sugar imports and exports, and sugar prices. The main cost factors of the CGU are commodity and energy costs. In addition to current market developments, these estimates take into account the respective departments' own assessments.

(22) Property, plant and equipment

€ million	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
2018/19					
Acquisition costs					
1 March 2018 published	2,081.0	5,283.6	455.1	112.6	7,932.3
Adjustments from first adoption IAS 29	4.2	7.4	0.4	0.0	12.0
1 March 2018 adjusted	2,085.2	5,291.0	455.5	112.6	7,944.3
Change in companies incl. in the consolidation and other changes	3.0	7.7	3.7	0.0	14.4
Changes due to currency translation	−4.8	−3.0	−0.5	0.5	−7.8
Additions	41.9	144.1	30.7	151.8	368.5
Transfers	17.7	53.2	7.6	−81.2	−2.7
Disposals	−14.7	−71.3	−18.7	−0.5	−105.2
28 February 2019	2,128.3	5,421.7	478.3	183.2	8,211.5
Amortization and impairment losses					
1 March 2018 published	−987.5	−3,620.6	−333.3	−0.4	−4,941.8
Adjustments from first adoption IAS 29	−0.9	−5.6	−0.4	0.0	−6.8
1 March 2018 adjusted	−988.4	−3,626.2	−333.7	−0.4	−4,948.6
Change in companies incl. in the consolidation and other changes	−1.4	−2.3	−2.0	0.0	−5.7
Changes due to currency translation	2.1	3.1	0.4	0.0	5.5
Amortization for the year	−53.5	−215.1	−32.0	0.0	−300.6
Impairment losses including special items	−33.6	−75.0	−0.9	0.0	−109.5
Transfers	0.1	2.1	−2.1	0.0	0.1
Disposals	11.5	68.8	17.8	0.0	98.1
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0
28 February 2019	−1,063.2	−3,844.6	−352.5	−0.4	−5,260.7
Net carrying amount 28 February 2019	**1,065.0**	**1,577.1**	**125.9**	**182.8**	**2,950.8**

The investments are reduced by government grants totaling € 1.9 (1.3) million. As in the previous year, no borrowing costs were recognized.

Exchange-related differences in the amount of € 2.2 million in the 2018/19 financial year were primarily due to the weaker Polish zloty, Argentine and Chilean peso compared to a stronger US dollar and British pound sterling.

The prior year's exchange-related differences in the amount of € −30.5 million were largely attributable to the weaker US dollar, Argentine and Chilean peso and the stronger Polish zloty and Czech koruna. The application of IAS 29 (Financial Reporting in Hyperinflationary Economies) is explained under note (4) "Foreign currency translation".

Impairments including special items are shown under note (11) "Depreciation".

€ million	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
2017/18					
Acquisition costs					
1 March 2017	2,033.7	5,052.4	427.9	150.0	7,664.0
Change in companies incl. in the consolidation and other changes	22.4	28.5	17.8	1.7	70.4
Changes due to currency translation	−17.5	−26.5	−4.5	−1.1	−49.6
Additions	57.0	172.2	27.7	94.7	351.6
Transfers	25.8	97.2	6.0	−131.9	−2.9
Disposals	−40.4	−40.2	−19.8	−0.8	−101.2
28 February 2018	2,081.0	5,283.6	455.1	112.6	7,932.3
Amortization and impairment losses					
1 March 2017	−967.8	−3,459.5	−313.3	−1.1	−4,741.7
Change in companies incl. in the consolidation and other changes	−1.9	−3.9	−10.5	0.0	−16.3
Changes due to currency translation	3.7	12.0	3.4	0.0	19.1
Amortization for the year	−51.9	−203.4	−30.6	0.0	−285.9
Impairment losses including special items	−6.0	−2.5	0.0	0.0	−8.5
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	36.4	36.7	17.7	0.7	91.5
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0
28 February 2018	−987.5	−3,620.6	−333.3	−0.4	−4,941.8
Net carrying amount 28 February 2018	**1,093.5**	**1,663.0**	**121.8**	**112.2**	**2,990.5**

TABLE 079

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

Shares in companies consolidated at equity

€ million	2018/19	2017/18
1 March	**370.3**	**432.8**
Change in companies incl. in the consolidation and other changes	−4.1	12.4
Changes due to currency translation	18.5	−41.8
Additions	0.0	2.0
Share of profits	22.1	2.1
Transfers	0.0	0.0
Disposals / dividends	−16.9	−37.2
Impairment losses including special items	0.0	0.0
Reversals of impairment losses	0.0	0.0
28 February	**389.9**	**370.3**

TABLE 080

The companies consolidated at equity comprise the stakes in ED&F Man Holdings Limited, London, United Kingdom, AGRANA Studen Group, Vienna, Austria, and the sales joint venture Maxi S.r.l., Bolzano, Italy in the sugar segment, the stake in Hungrana Group, Szabadegyháza, Hungary and Collaborative Packing Solutions (Pty) Ltd, Johannesburg, South Africa, in the special products segment, and the stake in CT Biocarbonic GmbH, Zeitz in the CropEnergies segment.

Other investments of € 23.1 (23.0) million comprise also subsidiaries, joint ventures and associated companies that are not included in consolidation due to their relative insignificance.

(24) Inventories

€ million	28 February	2019	2018
Raw materials and supplies		457.8	382.4
Work in progress and finished goods			
Sugar segment		1,008.3	1,222.0
Special products segment		267.0	232.0
CropEnergies segment		49.2	45.6
Fruit segment		132.1	151.3
Total of work in progress and finished goods		1,456.6	1,650.9
Merchandise		62.6	85.9
		1,977.0	**2,119.2**

TABLE 081

At € 1,977.0 (2,119.2) million, inventories were € 142.2 million lower than the previous year, mainly due to lower inventories in the sugar segment as a result of the weaker harvest yields during the 2018 sugar campaign in comparison to 2017. The increase in raw materials, consumables and supplies is partly due to advance payments in June 2018 for future delivery commitments (raw material security premium for beet cultivation in the 2019 campaign).

Write-downs in the amount of € 62.8 million were required on inventories in the sugar segment as at 28 February 2019 and were largely attributable to lower net disposal proceeds. Write-downs of € 24.9 million as of 28 February 2018 attributable to lower net disposal proceeds were offset by clearance sales in fiscal 2018/19.

In addition, write-downs totaling € 0.5 (0.1) million were necessary in the special products segment, € 0.0 (0.1) million in the CropEnergies segment and € 0.7 (0.8) million in the fruit segment.

Write-downs of net disposal proceeds in the sugar segment totaling € 1.9 (3.7) million were also necessary on merchandise inventories as at 28 February 2019. In the special products segment, write-downs of € 0.0 (0.1) were necessary.

(25) Trade receivables and other assets

€ million		Remaining term			Remaining term	
28 February	2019	to 1 year	over 1 year	2018	to 1 year	over 1 year
Trade receivables	**972.7**	**972.7**	**0.0**	**972.1**	**972.1**	**0.0**
Receivables due from the EU	**0.5**	0.5	0.0	**56.2**	56.2	0.0
Positive market value derivatives	**6.3**	6.3	0.0	**39.5**	39.5	0.0
Remaining financial assets	**52.4**	39.5	12.9	**65.5**	53.7	11.8
Other financial assets	**59.2**	46.3	12.9	**161.2**	149.4	11.8
Other taxes recoverable	**161.3**	161.3	0.0	**170.0**	170.0	0.0
Remaining non-financial assets	**49.2**	49.2	0.0	**27.1**	27.1	0.0
Non-financial assets	**210.5**	210.5	0.0	**197.1**	197.1	0.0
Other assets	**269.7**	**256.8**	**12.9**	**358.3**	**346.5**	**11.8**

TABLE 082

At € 972.7 (972.1) million, trade receivables were at the same level as a year earlier.

Receivables due from the EU totaling € 0.5 (56.2) million last year were largely attributable to reimbursement claims from the production levy that was imposed at too high a level for the sugar marketing years 1999/2000 and 2000/01.

Remaining financial assets totaling € 52.4 (65.5) million primarily concern financial receivables from non-consolidated companies, investments and employees, and other third parties.

Remaining non-financial assets of € 49.2 (27.1) million are mainly related to advances made, accruals / deferrals and the acquisition of CO_2 emissions certificates.

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

€ million	28 February	2019	2018
Total trade receivables		989.7	1,022.3
Value adjusted		−17.0	−50.2
Net carrying amount		**972.7**	**972.1**

TABLE 083

With the introduction of IFRS 9, bad debt allowances on trade receivables do not just comprise individual allowances for actual credit risk but now also include an impairment provision for expected future credit losses (e.g. in the event of customer insolvency or being more than 90 days overdue without reliable information on value security), but now also include an impairment provision for expected future credit losses. Impairments recognized for expected future credit losses are calculated based on historical loss rates depending on how overdue the trade receivables are, by affected division. (Portfolio-based impairment). The expected future loss development is also considered. An additional portfolio-based impairment of € 0.5 million is necessary as a result and has been recognized with the first-time adoption of IFRS 9 as a restatement of the opening balance at the beginning of the 2018/19 fiscal year. Overall, bad debt allowances on trade receivables developed as follows:

€ million	2018/19	2017/18
1 March (published)	**50.2**	**49.5**
Adjustment from first-time adoption of IFRS 9	0.5	0.0
1 March (adjusted)	**50.7**	**49.5**
Change in companies incl. in the consolidation / currency translation / other changes	0.1	0.2
Additions	2.1	4.5
Use	−33.6	−1.4
Reversal	−2.3	−2.6
28 February	**17.0**	**50.2**

TABLE 084

The following table shows information related to the credit risk associated with the trade receivables. Trade receivables before allowances totaled € 972.7 (972.1) million; € 893.7 (849.7) million of this amount was not yet due. The aging structure of past-due receivables as well as the loss rates used for determining portfolio-based impairment are as follows:

28 February	2019		2018
€ million		Default rate	
Receivables not past due before allowances	893.7	< 0.1%	849.7
Past-due receivables without specific-debt allowances	79.0	–	122.4
of which up to 30 days	53.1	0.4 %	79.6
of which 31 to 90 days	11.3	0.9 %	22.9
of which over 90 days	14.6	–	19.9
Net carrying amount	**972.7**		**972.1**
Portfolio-based value adjustments	0.7		–
Receivables including specific-debt allowances	16.3		50.2
Total trade receivables (gross)	**989.0**		**1,022.3**

TABLE 085

Südzucker mitigates default risks on accounts receivables by constantly monitoring the creditworthiness and payment history of debtors and granting commensurate lines of credit. In addition, risks are predominantly capped using credit insurances and to a lesser extent bank guarantees. With respect to trade receivables that were neither impaired nor in default, there were no indications as of 28 February 2019 that debtors would not meet their payment obligations. We expect payment to be received for past due trade receivables that have not been impaired; these receivables are also included in Südzucker Group’s trade credit insurance program.

(26) Shareholders’ equity

Subscribed capital

As of 28 February 2019, the issued subscribed capital amounts to € 204,183,292 and consists of 204,183,292 bearer shares; this exclusively concerns no-par value ordinary shares, each of which represents a notional holding of € 1 per share. Südzucker AG held no treasury shares as of the balance sheet date; the issued subscribed capital corresponds to the outstanding subscribed capital.

Capital reserve

The capital reserve applies to Südzucker AG. It includes the inflows of external funds required to be included as per section 272 HGB, which resulted from the share premium from capital increases or the agreement on option premiums taking into account the mandatory IFRS reduction of associated costs including applicable taxes.

See “Disclosures on takeovers” in the group management report in the “Corporate governance and responsibility” section for more information.

Other reserves and other comprehensive income

Other reserves include undistributed profit for the period, amounts to meet dividend obligations, and the effects resulting from the remeasurement of defined benefit pension commitments and from transactions with non-controlling shareholders. The share premium is directly deducted from other reserves if treasury shares are purchased, or added directly to other reserves again if there is a later issue.

Other comprehensive income includes the income and expenses recognized directly in equity of Südzucker AG shareholders to be recognized in the income statement in the future.

Hybrid capital

Hybrid capital of € 653.7 (653.7) million comprises the hybrid bond issued in the summer of 2005 with a nominal value of € 700 million.

Additional information regarding the hybrid bond is available under note (30) "Financial liabilities, securities and cash and cash equivalents (net financial debt)" and on the Südzucker corporate website.

Other non-controlling interests

Other non-controlling interests of € 888.6 (914.5) million are attributable to the minority interest in the subgroup AGRANA in the amount of € 736.6 (758.9) million and mainly to the minority interest in the subgroup CropEnergies in the amount of € 152.0 (155.6) million.

Name of parent company from subgroup	Country	SZ share in %	Minority share in %	Business area
AGRANA Beteiligungs-AG	Vienna, Austria	41.9	58.1	Sugar, starch, fruit
CropEnergies AG	Mannheim, Germany	69.2	30.8	Bioethanol

TABLE 086

Südzucker holds a 41.9 % stake in AGRANA Beteiligungs-AG; 39.2 % indirectly via Z&S Zucker and Stärke Holding AG and 2.7 % directly. Z&S Zucker und Stärke Holding AG is a 100 % subsidiary of AGRANA Zucker, Stärke und Frucht Holding AG. In addition to Südzucker, Zucker-Beteiligungsgesellschaft m.b.H. holds a 50 % stake minus one share in AGRANA Zucker, Stärke und Frucht Holding AG. The Austrian AGRANA co-owners (among others, Raiffeisen-Holding Niederösterreich-Wien and representatives of Austrian beet producers) have consolidated interests in Zucker-Beteiligungsgesellschaft m.b.H. The details of the collaboration between Südzucker and Zucker-Beteiligungsgesellschaft m.b.H. are governed by a syndicate agreement, which grants Südzucker a right at any time to a majority of the voting rights in AGRANA Zucker, Stärke und Frucht Holding AG and thus to a controlling influence over subgroup AGRANA. Upon exercising the voting majority by Südzucker, Zucker-Beteiligungsgesellschafts m.b.H. is granted property rights defined by contract; in this case, the company is also entitled – subject to a minimum one-year period – to establish an equality of votes among the syndicate partners.

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

28 February	2019		2018	
€ million	AGRANA	CropEnergies	AGRANA	CropEnergies
Non-current assets	1,252.1	382.7	1,161.0	406.8
Current assets	1,137.3	203.0	1,195.4	185.5
Total assets	**2,389.4**	**585.7**	**2,356.4**	**592.3**
Non-current liabilities	393.0	48.5	419.4	47.0
Current liabilities	586.5	88.5	483.0	99.6
Total liabilities	**979.5**	**137.0**	**902.4**	**146.6**
Net assets	**1,409.9**	**448.7**	**1,454.0**	**445.7**
Revenues	2,443.0	778.6	2,566.3	882.0
Result from operations	66.6	43.1	190.6	70.8
Earnings before income taxes	51.2	42.5	176.2	69.8
Taxes on income	−20.8	−21.2	−33.6	−19.0
Net earnings	**30.4**	**21.3**	**142.6**	**50.8**
Income and expenses recognized in other comprehensive income	−2.1	3.6	−31.2	−4.8
Comprehensive income	**28.3**	**24.9**	**111.4**	**46.0**
Dividend payment in fiscal year	71.5	21.8	69.8	26.2
thereof attributable to other minority interest outside the Südzucker group	42.0	6.7	43.6	8.1

TABLE 087

The data correspond to the published consolidated financial statements of the respective subgroups. More detailed information is available in the current 2018/19 annual reports of AGRANA Beteiligungs-AG, Vienna, Austria, and CropEnergies AG, Mannheim, Germany.

(27) Provisions for pensions and similar obligations

Defined contribution plans

As part of defined contribution retirement benefit plans, Südzucker Group companies pay contributions, either based on statutory or contractual requirements or on a voluntary basis, to state or private insurers. Current contributions are included as personnel expenses in the income statement and amounted to € 51.5 (50.0) million for the group.

Defined benefit plans

Pension plans within Südzucker Group mainly consist of defined benefit obligations. Pension benefits are normally granted based on years of service with the company and benefit-related remuneration. There are also similar obligations, particularly relating to foreign group companies. They are calculated actuarially taking into account estimates of future cost trends.

Südzucker Group's recognized net liability is derived from both the pension-funded defined benefit obligation and from the defined benefit obligation funded by a separate fund less the fair value of plan assets:

€ million	28 February	2019	2018
Defined benefit obligation for direct pension benefits		955.3	905.9
Fair value of plans assets		−123.7	−125.1
Provision for pensions and similar obligations (net defined benefit obligation)		**831.6**	**780.8**
Interest rate in %		1.95	2.20

TABLE 088

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

	Defined benefit plans						Severance plans	
€ million	Südzucker AG	Germany remaining	Belgium	France	Austria	Other foreign countries	Worldwide	Total
28 February 2019								
Defined benefit obligation for direct pension benefits	712.8	55.2	56.3	21.4	43.5	6.8	59.3	955.3
Fair value of plans assets	−2.3	−0.9	−65.2	−32.3	−14.4	−5.7	−2.9	−123.7
Provision for pensions and similar obligations (net defined benefit obligation)	**710.5**	**54.3**	**−8.9**	**−10.9**	**29.1**	**1.1**	**56.4**	**831.6**
28 February 2018								
Defined benefit obligation for direct pension benefits	670.6	49.0	54.2	24.8	42.2	6.5	58.6	905.9
Fair value of plans assets	−2.3	−0.7	−65.5	−32.4	−15.4	−4.7	−4.1	−125.1
Provision for pensions and similar obligations (net defined benefit obligation)	**668.3**	**48.3**	**−11.3**	**−7.6**	**26.8**	**1.8**	**54.5**	**780.8**

TABLE 089

Germany

Südzucker AG employees in Germany have access to employer-funded commitments for company pensions based on the employee's basic salary and years of service. Südzucker AG pension obligations are funded by provisions and thus represent the largest pension plan in place at Südzucker Group. The remaining German pension plans at CropEnergies, BENEO, and other companies are in their structure comparable with the rules of Südzucker AG for active employees and are likewise nearly exclusively provision funded.

Belgium

Employees at the Belgian companies Raffinerie Tirlemontoise S.A., BENEO-Orafti S.A. and Biowanze S.A. have access to funded pension plans. The company pension commitments are determined based on the basic salary and years of service at the company; the payouts include both periodic pension payments and one-time payments.

France

The pension plan for employees of Saint Louis Sucre S.A. France is likewise funded by a separate fund. Benefits from the plan are calculated as a percentage of the average salary paid prior to retirement from which the state pension and other company pensions are deducted.

Austria

The primary pension plans in Austria are the closed plans of AGRANA Zucker GmbH and AGRANA Stärke GmbH, which are provision funded. Plan assets are largely associated with the pension commitments of AGRANA Beteiligungs-AG for active and former executive board members; these are outsourced to a pension fund.

Severance plans

Provisions for similar obligations are largely related to pension plans for settlements. The largest severance plans are in place in Austria and France, but there are also corresponding commitments in Mexico, Poland, Romania, Russia, South Korea, Ukraine and the United States. The commitments in Austria and France relate to statutory benefit obligations with regard to one-time payments for the termination of employment upon entering retirement or in case of death of the employee, but not in the event the employment relationship is terminated by the employee.

Development of net financial debt

Net financial debt from defined benefit obligations developed as follows:

€ million	Defined benefit obligation	Fair value of plan assets	Provision for pensions and similar obligations
1 March 2017	**941.2**	**−118.7**	**822.5**
Expenses for company pension plans (Income statement)			
Current service cost	25.7		25.7
Past service cost	−0.2		−0.2
Gains and losses on curtailments or settlements	0.0		0.0
Interest expense (+) / income (–)	17.4	−2.2	15.2
	42.9	**−2.2**	**40.7**
Remeasurements (other comprehensive income)			
Gains (–) and losses (+) on actual return on plan assets		−2.3	−2.3
Gains (–) and losses (+) from change of demographical assumptions	−0.5		−0.5
Gains (–) and losses (+) from changes in financial assumptions	−39.0		−39.0
Gains (–) and losses (+) on experience adjustments	−4.3		−4.3
	−43.8	**−2.3**	**−46.1**
Benefit payments, contributions, change in consolidated companies (and other)			
Change in consolidated companies (and other)	0.0	0.0	0.0
Effect of exchange rate differences	−0.4	0.2	−0.2
Employer contributions to plan assets	0.0	−9.9	−9.9
Plan participants contributions	0.3	−0.3	0.0
Benefit payments	−34.3	8.1	−26.2
	−34.4	**−1.9**	**−36.3**
28 February 2018	**905.9**	**−125.1**	**780.8**

€ million	Defined benefit obligation	Fair value of plan assets	Provision for pensions and similar obligations
1 March 2018	**905.9**	**−125.1**	**780.8**
Expenses for company pension plans (Income statement)			
Current service cost	25.2		25.2
Past service cost	−0.7		−0.7
Gains and losses on curtailments or settlements	−0.2		−0.2
Interest expense (+) / income (–)	19.0	−2.5	16.5
	43.3	**−2.5**	**40.8**
Remeasurements (statement of income and expenses recognized directly in equity)			
Gains (–) and losses (+) on actual return on plan assets		0.4	0.4
Gains (–) and losses (+) from change of demographical assumptions	9.9		9.9
Gains (–) and losses (+) from changes in financial assumptions	37.0		37.0
Gains (–) and losses (+) on experience adjustments	−5.1		−5.1
	41.8	**0.4**	**42.2**
Benefit payments, contributions, change in consolidated companies (and other)			
Change in consolidated companies (and other)	1.0	0.0	1.0
Effect of exchange rate differences	0.0	0.0	0.0
Employer contributions to plan assets	0.0	−3.9	−3.9
Plan participants contributions	0.0	−0.3	−0.3
Benefit payments	−36.7	7.7	−29.0
	−35.7	**3.5**	**−32.2**
28 February 2019	**955.3**	**−123.7**	**831.6**

TABLE 090

Expenses for company pension plans

Expenses from the unwinding of the discount for claims acquired in prior years less the return on plan assets are reported in the financial result. Costs representing additional entitlements acquired in the financial year, past service cost and the effects of curtailments or settlements are included under personnel expense.

Revaluation recognized directly in equity

The € 42.2 (−46.1) million revaluation of pension obligations resulted from the adjustment of the discount rate from 2.20 % to 1.95 % for material pension plans, changes in demographic assumptions (including first-time application of the Heubeck mortality tables 2018 G for German plans) and experience adjustments. The revaluation was recognized directly in equity. Last year as well the change was mainly due to the reduction of the discount rate and to experience adjustments.

The experience adjustments reflect the effects on the existing pension obligations arising from the discrepancy between the actual portfolio growth and the assumptions made at the beginning of the fiscal year. In the assessment of the pension obligations, this includes in particular wage and salary increases, pension adjustments, staff turnover and biometric data such as invalidity and mortality rates.

Assumptions

Provisions for pensions and similar obligations are calculated actuarially using the projected unit credit method and estimated future trends in accordance with IAS 19 (Employee Benefits).

The following actuarial assumptions were made in determining the defined benefit obligation and, in certain cases, related plan assets for material pension plans:

in %	28 February	2019	2018
Interest rate		1.95	2.20
Salary growth		2.50	2.50
Pension growth		1.50	1.50

TABLE 091

Interest rates between 1.55 and 2.25 (1.70 and 2.40) % were used when determining pension and severance provisions in the euro zone. These interest rates are based on yields of high-quality corporate bonds with durations that correspond to the weighted average duration of the obligations. The use of different interest rates takes into account the different durations of plans. Plans primarily comprising pensioners (duration 10 years) had an underlying interest rate of 1.55 (1.70) %, plans with a mixed portfolio of active employees and pensioners (duration 18 years) 1.95 (2.20) % and plans predominantly comprising active employees (duration 28 years) 2.25 (2.40) %. The biometric calculations were based on recognized current country-specific life expectancy tables, such as the Heubeck 2018 G actuarial tables in Germany.

Sensitivity analysis

The sensitivity analysis presented below considers each change to an assumption with the other assumptions remaining unchanged compared to the original calculation. Possible correlation effects between individual assumptions are not taken into account.

28 February		2019		2018	
€ million	Change in actuarial assumption	Defined benefit obligation	Change	Defined benefit obligation	Change
Present value of the obligation		955.3	–	905.9	–
Discount rate	Increase by 0.50 percentage point	880.6	−7.8 %	838.3	−7.5 %
	Decrease by 0.50 percentage point	1,039.5	8.8 %	983.8	8.6 %
Salary growth	Increase by 0.25 percentage point	967.7	1.3 %	918.5	1.4 %
	Decrease by 0.25 percentage point	942.4	−1.4 %	894.5	−1.3 %
Pension growth	Increase by 0.25 percentage point	979.8	2.6 %	929.1	2.6 %
	Decrease by 0.25 percentage point	930.3	−2.6 %	883.8	−2.4 %
Life expectancy	Increase by one year	991.0	3.7 %	941.0	3.9 %
	Decrease by one year	917.8	−3.9 %	870.6	−3.9 %

TABLE 092

Plan assets

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

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

28 February	2019		2018	
€ million	Fair value	thereof market prices in active markets	Fair value	thereof market prices in active markets
Debt instruments	52.6	52.6	52.5	52.5
Equity instruments	14.8	14.8	17.3	17.3
Real estate funds	0.7	0.0	0.7	0.0
Assets held by assurance company	51.6	0.4	50.7	0.7
Other	4.1	4.1	3.9	3.4
Total	**123.7**	**71.9**	**125.1**	**73.9**

TABLE 093

Risks

Südzucker Group is exposed to various risks associated with defined benefit pension plans. Besides general actuarial risks such as actuarial interest rate change risk and longevity risk, there are also other risks in the deviation from actuarial assumptions including those related to wage and salary trends, pension trends, retirement age and employee turnover. Further risks associated with plan assets include capital market risk, credit risk and investment risk. There are also other risks due to currency fluctuations and inflation rate changes.

The return on plan assets is assumed to be the same as the discount rate. If the actual return on plan assets is below the discount rate applied, the net obligation from pension plans increases accordingly. The amount of the net obligation is largely influenced by the discount rate; however, the current low interest rate level contributes to the relatively high obligation. A decline in returns on corporate bonds would lead to a further increase in defined benefit obligations; the positive market value development of the corporate bonds included in the plan assets can only compensate for this to a limited extent.

The possible risk of inflation, which could lead to an increase in defined benefit obligations, exists indirectly if salaries rise due to inflation during the active phase or if inflation-related pension adjustments are made.

Duration and future payments

The weighted average duration of the present value of all defined benefit obligations is approximately 16.6 (16.1) years. Employer contributions to plan assets are expected to total € 5.0 (3.3) million in the 2019/20 financial year. Pension and severance payments are expected to develop as follows over the next ten years:

Expected maturities of undiscounted pension and severance payments

Period	€ million
2019/20	35.3
2020/21	35.8
2021/22	39.1
2022/23	40.7
2023/24	38.8
2024/25 to 2028/29	211.3
Total	**401.1**

TABLE 094

(28) Other provisions

€ million 28 February	2019	Short-term	Long-term	2018	Short-term	Long-term
Personnel-related provisions	112.6	21.8	90.8	86.3	24.4	61.9
Provisions for litigation risks and risk precautions	178.9	72.5	106.4	179.6	173.7	5.9
Other provisions [1]	101.8	53.4	48.4	109.0	51.8	57.2
Total	**393.3**	**147.7**	**245.6**	**374.9**	**249.9**	**125.0**

[1] The previous year's amount was adjusted. Further information is provided in Note (1) of the notes to the consolidated financial statements.

TABLE 095

The recognition of other provisions as current or non-current as presented in the table above gives an indication whether use is expected in the 2019/20 financial year or in subsequent years.

The revaluation was recognized directly in equity. Other provisions developed as follows during the reporting period, with the restructuring plan in the sugar segment accounting for € 40.4 million in additions:

€ million	Personnel-related provisions	Provisions for litigation risks and risk precautions	Other provisions [1]	Total
1 March 2018	**86.3**	**179.6**	**109.0**	**374.9**
Change in companies incl. in the consolidation and other changes	−0.2	0.0	7.0	6.8
Changes due to currency translation	−0.2	0.0	0.0	−0.2
Additions and unwindings	57.1	1.7	38.2	97.0
Use	−23.7	−0.4	−10.4	−34.5
Reversal	−6.7	−2.0	−42.0	−50.7
28 February 2019	**112.6**	**178.9**	**101.8**	**393.3**

[1] The previous year's amount was adjusted. Further information is provided in Note (1) of the notes to the consolidated financial statements.

TABLE 096

Personnel-related provisions

Personnel-related provisions of € 112.6 million are primarily made up of largely non-current provisions for long-service awards, provisions for part-time early retirement and largely long-term provisions for termination benefit plans. The majority of additions result from termination benefit plans in conjunction with the planned plant closures in Germany, France and Poland.

Provisions for litigation risks and risk precautions

Provisions for litigation risks and risk precautions of € 178.9 million include provisions for market regulation proceedings, proceedings from operational contractual relationships and antitrust risks (fines and claims for damages). Based on past development, these are now largely recognized as non-current; accordingly, this led to a reporting-relevant increase in noncurrent provisions by € 100.5 million.

Other provisions

Other provisions of € 101.8 million primarily concern non-current provisions for restoration obligations, risk provisions for long-term logistics contracts in the Sugar segment against the backdrop of the planned capacity reduction, as well as current and non-current provisions for recultivation and environmental obligations largely related to sugar production as well as current provisions for fees for the acquisition of emissions certificates. The additions were attributable to the previously mentioned facts. Reversals were attributable, among other things, to a provision created in 2016/17 for tax risks in Germany related to spirits in the CropEnergies segment; the provision was reversed after the respective proceedings were successfully concluded. Provisions for incidental tax expenses and sales tax risks were also reversed.

Additions and compoundings

Additions comprise the creation of new and the adjustment of existing provisions, which are recognized in profit or loss in the relevant types of operating expense. Also included in this item is the unwinding of the discount for non-current provisions that mainly affect personnel-related provisions. Compoundings are recognized in the interest expense as part of the financial result and amounted to € 0.9 (0.9) million.

(29) Trade payables and other liabilities

€ million		Remaining term			Remaining term	
28 February	2019	to 1 year	over 1 year	2018	to 1 year	over 1 year
Liabilities to beet growers	196.2	196.2	0.0	356.8	356.8	0.0
Liabilities to other trade payables	590.2	590.2	0.0	588.8	588.8	0.0
Trade payables	**786.4**	**786.4**	**0.0**	**945.6**	**945.6**	**0.0**
Negative market value derivatives	17.7	17.7	0.0	22.6	22.6	0.0
Liabilities for personnel expenses	115.0	114.4	0.6	126.8	125.9	0.9
Remaining financial liabilities	135.6	122.7	12.9	185.2	170.5	14.7
Other financial liabilities	**268.3**	**254.8**	**13.5**	**334.6**	**319.0**	**15.6**
Liabilities for other taxes and social security contributions	49.4	49.4	0.0	45.5	45.5	0.0
Remaining non financial liabilities	13.7	13.7	0.0	18.9	18.9	0.0
Non-financial liabilities	**63.1**	**63.1**	**0.0**	**64.4**	**64.4**	**0.0**
Other liabilities	**331.4**	**317.9**	**13.5**	**399.0**	**383.4**	**15.6**

TABLE 097

Liabilities to beet growers accounted for € 196.2 (356.8) million of the lower trade payables of € 786.4 (945.6) million. The decline was primarily due to volume factors and is also partly due to higher payments. At € 590.2 (588.8) million, other trade payables were at the same level as a year earlier.

Liabilities for personnel expenses in the amount of € 115.0 (126.8) million mainly represent commitments for bonuses, premiums, vacation and overtime pay.

Remaining non-financial liabilities totaling € 13.7 (18.9) million primarily include on-account payments received on orders as well as accrued and deferred items of € 5.9 (12.6) million.

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

€ million		Remaining term			Remaining term	
28 February	2019	to 1 year	over 1 year	2018	to 1 year	over 1 year
Bonds	1,024.0	230.0	794.0	1,192.9	399.9	793.0
Liabilities to banks	603.3	271.3	332.0	377.1	53.6	323.5
Liabilities from finance leasing	0.2	0.1	0.1	2.6	2.4	0.2
Financial liabilities	**1,627.5**	**501.4**	**1,126.1**	**1,572.6**	**455.9**	**1,116.7**
Securities (non-current assets)	−18.8			−18.7		
Securities (current assets)	−125.6			−125.7		
Cash and cash equivalents	−354.1			−585.2		
Securities and cash and cash equivalents	**−498.5**			**−729.6**		
Net financial debt	**1,129.0**			**843.0**		

TABLE 098

Of the financial debt totaling € 1,627.5 million, € 1,126.1 million, or 69.0 %, is available to Südzucker Group in the long-term. Development of financial liabilities are as follows:

€ million	2018/19	2017/18
1 March	**1,572.6**	**1,138.3**
Cash changes	52.8	427.4
Non-cash changes	2.1	6.9
Initial consolidation	1.7	8.7
Deconsolidation	0.0	0.0
Measurement effects	0.4	−1.8
28 February	**1,627.5**	**1,572.6**

TABLE 099

Financial management

The financing of Südzucker Group is based on sustainable cash flows, strong relationships with the shareholder groups behind the company, access to international capital markets and reliable banking relationships. Südzucker clearly aims to confirm its investment grade rating.

Südzucker uses an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates. These include hybrid bonds, bonds, commercial paper, promissory notes and syndicated or bilateral bank credit lines. The bonds are generally issued by the Dutch financing company Südzucker International Finance B.V. and used throughout the group. Acquisitions and investments are financed in consideration of the financial ratios that must be maintained to keep the company's investment grade rating.

The unique financing requirements during the fiscal year due to the seasonality of the sugar sector (financing beet purchases and inventories) means that securing short-term cash is an important aspect of our financing structure. Short-term financing requirements are covered by a commercial paper program of € 600 million or a syndicated credit line of € 600 million for Südzucker and syndicated credit lines of € 450 million for subgroup AGRANA. In addition, the group also has bilateral bank facilities at its disposal.

At present, Südzucker is primarily financed through the following financial instruments:

Hybrid bond

Südzucker International Finance B.V. issued an infinite, subordinated hybrid bond with a volume of € 700 million in July and August 2005. Since 30 June 2015, Südzucker is supposed to call the bond and repay it early at the nominal value (issuer call option). The bond can only be called in full and not in installments. The call option is subject to the condition that Südzucker has issued securities of equal rank and / or subordinated securities with similar features within 12 months of the effective date of the call with proceeds from the issue equaling the amount to be paid for calling the hybrid bond (as per section 6 (5) and (6) of the conditions of issue of the bond). The requirements for termination and repayment of the bond by Südzucker are currently not met.

Since 30 June 2015, the hybrid bond has a floating rate coupon based on the three month Euribor plus 3.10 % p.a. The rate was set at 2.791 % for the period 31 December 2018 to 29 March 2019 (exclusively). The quarterly coupon payments are payable in the subsequent quarter.

Furthermore, the conditions of issue of the bond provide Südzucker, in the event of a dividend event, with the option to defer the interest coupon payments. An optional (voluntary) interest coupon payment suspension may occur if no dividend was approved for shares of Südzucker AG at the last annual general meeting. In the event of a cash flow event, Südzucker is obliged to cancel the interest coupon payment. A mandatory coupon suspension is being triggered when consolidated cash flow falls below 5 % of the group's consolidated revenues. Measurement is based on the consolidated financial statements of Südzucker AG. On 28 February 2018, cash flow amounted to € 377.1 (692.5) million, which corresponds to 5.6 (9.9) % of the consolidated revenues of € 6,754.1 (6,982.9) million.

The rating agency Moody's has recognized the equity share of the subordinate bond at 75 % and Standard & Poor's at 50 %, which improves the group's rating-related debt ratios. The subordinated bond is recognized as equity in accordance with IFRS – see also explanatory notes in note (26) "Shareholders' equity".

2016/2023 bond

On 22 November 2016, Südzucker International Finance B.V. issued a bond with a nominal value of € 300 million and a 1.25 % coupon. The bond is guaranteed by Südzucker AG and has a term of seven years, maturing on 29 November 2023.

2017/2025 bond

On 21 November 2017, Südzucker International Finance B.V. issued a bond with a nominal value of € 500 million and a 1.00 % coupon. The bond is guaranteed by Südzucker AG and has a term of eight years, maturing on 28 November 2025.

Additional information regarding these bonds is available on the Südzucker corporate website.

Commercial paper program

The commercial paper program (CP program) serves short-term financing in the capital markets. Investors in CPs are mainly institutional investors. The CP program has a total line of € 600 million and enables Südzucker to issue short-term debt securities based on requirements and the market situation. There were CPs outstanding with a volume of € 230.0 (0.0) million as at 28 February 2019.

€ million	Due date	Coupon	Carrying amount	Fair value	Nominal value
28 February 2019					
Bond 2016/2023	29/11/2023	1.250 %	298.4	301.1	300.0
Bond 2017/2025	28/11/2025	1.000 %	495.6	485.6	500.0
Commercial Paper			230.0	230.0	230.0
Bonds			**1,024.0**	**1,016.7**	**1,030.0**
28 February 2018					
Bond 2011/2018	29/03/2018	4.125 %	399.9	401.2	400.0
Bond 2016/2023	29/11/2023	1.250 %	298.1	306.3	300.0
Bond 2017/2025	28/11/2025	1.000 %	494.9	488.8	500.0
Bonds			**1,192.9**	**1,196.3**	**1,200.0**

TABLE 100

All bonds were fixed-interest bearing and had a combined carrying amount of € 1,024.0 (1,192.9) million.

On 5 April 2018 Moody's changed the outlook of the Baa2 rating from stable to negative. On 12 December 2018 Moody's lowered the corporate and bond rating from Baa2 to Baa3 with a negative outlook. Moody's rating of the subordinate hybrid bond as equity was unchanged at 75 %.

On 18 January 2019 Standard & Poor's (S&P) changed the long-term corporate rating from BBB to BBB– with an unchanged stable outlook. The subordinate hybrid bond continues to be classified as equity at 50 %.

Liabilities to banks

Liabilities to banks increased to € 603.3 (377.1) million. Of the fixed-interest bearing liabilities to banks in the amount of € 416.5 (354.9) million, € 242.1 (318.0) million was available in the long-term. Loans with variable interest rates totaled € 186.8 (22.2) million. As of the balance sheet date, liabilities to banks of € 4.4 (3.9) million were secured by mortgage rights and € 7.8 (7.8) million by other liens.

€ million		Remaining term			Remaining term		Average effective rate of interest in %	
28 February	2019	to 1 year	over 1 year	2018	to 1 year	over 1 year	2018/19	2017/18
Fixed coupon								
EUR	404.3	169.9	234.4	354.7	36.7	318.0	1.09	1.20
ARS	0.0	0.0	0.0	0.2	0.2	0.0	–	28.75
CNY	7.4	0.6	6.8	0.0	0.0	0.0	5.00	–
DZD	2.2	1.3	0.9	0.0	0.0	0.0	5.68	–
USD	2.6	2.6	0.0	0.0	0.0	0.0	3.55	–
Total	**416.5**	**174.4**	**242.1**	**354.9**	**36.9**	**318.0**	**1.20**	**1.21**
Variable interest rate								
EUR	178.6	88.7	89.9	15.0	9.5	5.5	0.89	1.51
ARS	0.0	0.0	0.0	0.1	0.0	0.1	–	32.27
EGP	0.4	0.4	0.0	0.2	0.2	0.0	12.00	8.50
HUF	5.9	5.9	0.0	2.4	2.4	0.0	2.00	2.00
INR	0.0	0.0	0.0	0.3	0.3	0.0	–	9.75
KRW	1.2	1.2	0.0	2.3	2.3	0.0	3.32	3.17
TRY	0.3	0.3	0.0	0.0	0.0	0.0	22.85	–
USD	0.4	0.4	0.0	2.0	2.0	0.0	2.25	2.25
Total	**186.8**	**96.9**	**89.9**	**22.2**	**16.7**	**5.5**	**1.02**	**2.10**
Liabilities to banks	**603.3**	**271.3**	**332.0**	**377.1**	**53.6**	**323.5**	**1.14**	**1.27**

TABLE 101

Liabilities to banks include promissory notes of AGRANA in the amount of € 42.5 million with maturities in 2019 and 2022.

Südzucker has a revolving credit line of € 600 million for the purpose of general corporate financing and to use as a backup credit line to the CP program. The syndicated credit line has a term until November 2020. The line of credit is with a consortium of 17 banks, which form Südzucker Group’s core banking group. In addition to Südzucker AG, CropEnergies AG can draw on this credit line for an amount up to € 100 million as an alternate borrower. As in the previous year, no funds had been drawn against the credit line as at 28 February 2019.

AGRANA can utilize syndicated credit facilities of € 300 million and € 150 million, respectively, for the purpose of general corporate financing. The syndicated credit lines have terms until August 2019 and June 2021, respectively; the credit facility is made available by five banks. These credit lines had been accessed as at 28 February 2019 or 28 February 2018 in the amount of € 75 (0) million.

Securities and cash and cash equivalents

Investments in securities totaling € 144.4 (144.4) million were mainly in fixed-interest securities.

OTHER EXPLANATORY NOTES

(31) Risk management within Südzucker Group

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

Credit risk management

The receivables of Südzucker Group are primarily due from companies in the food industry, the chemical industry and in retail.

Overdue or uncollectible receivables can have a negative impact on the success of Südzucker Group. Südzucker has early warning systems in place to monitor potential bad debts.

The principles of credit risk management in Südzucker Group are:

- Creditworthiness checks for potential new customers and continuous monitoring of the credit rating of existing customers
- Taking out commercial credit insurance policies for each customer as part of an international credit insurance program that can be supplemented as needed with additional securities such as bank guarantees or letters of credit
- System-based credit limit checks for each order in the operational systems
- Standardized dunning

Each operational unit is responsible for implementing and monitoring the corresponding processes.

The operational units also compile a credit risk report on a monthly basis and the information is consolidated at the group level. This permits the tracking of the development of key indicators such as day sales outstanding (DSO), age structure of the receivables or type of credit enhancements within the scope of credit risk monitoring.

Individual allowances are created to cover residual risk from trade receivables as credit risk becomes apparent. In addition, portfolio-based allowances are made based on historical loss rates depending on the overdue of the receivables. All amounts recognized for receivables are regularly adjusted via allowances as a separate item. The credit risk from the respective total trade receivables outstanding is largely limited to the retention (excess) amount, which is usually 10 % for the concluded commercial credit insurance. The carrying amounts of past due trade receivables and receivables for which specific debt allowances have been recognized are disclosed in note (25) of the notes to the group financial statements.

The maximum credit risk from other assets corresponds to the carrying amounts of these instruments; in the opinion of Südzucker Group, this risk is not material. There are no significant concentrations of risk.

Counterparty risk in the financial area primarily exists when there is excess liquidity. The main criterion for the selection of a bank as a business partner is particularly its short-term deposit rating in conjunction with its long-term rating, which is reviewed regularly.

Liquidity management

The main objectives of liquidity management are to ensure solvency at all times, guarantee the ability to meet contractual payment obligations on time, and optimize costs within Südzucker Group.

Within the scope of cash and liquidity management, Südzucker International Finance B.V., Oud-Beijerland, Netherlands makes the borrowed funds available to the group companies. In addition, there are cash pools in shared treasury centers.

Liquidity planning is integrated into corporate planning and takes the special seasonal funding requirements associated with the sugar campaigns into account. Throughout the year, the plan is updated through three plan forecasts. The strategic financing plan is prepared on the basis of the five-year plan.

Seasonal liquidity requirements are financed on short notice in the form of overnight or term loans or through the issuance of commercial papers. In order to guarantee financial flexibility of Südzucker Group and to ensure that it is able to meet its payment obligations at any time, a liquidity reserve is maintained in the form of syndicated and bilateral credit lines, securities and, if necessary, in the form of cash funds.

Long-term debt financing is primarily carried out by issuing bonds, promissory notes and bank loans.

See note (30) “Financial liabilities, securities and cash and cash equivalents (net financial debt)” for details on group financial instruments used by Südzucker.

The following summary shows the due dates of financial liabilities as at 28 February 2019. All out-going payment flows are undiscounted and comprise interest and principal payments.

			Contractually agreed cash outflows					
€ million	Carrying amount	Total	to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years
28 February 2019								
Financial liabilities								
Bonds	1,024.0	848.8	8.8	8.8	8.8	8.8	308.8	505.0
Liabilities to banks	603.3	617.3	275.6	40.3	41.6	44.5	109.6	105.7
Liabilities from finance leasing	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
	1,627.5	**1,466.3**	**284.5**	**49.2**	**50.4**	**53.3**	**418.4**	**610.7**
Other financial liabilities								
Liabilities to beet growers	196.2	196.2	196.2	0.0	0.0	0.0	0.0	0.0
Trade payables	590.2	590.2	590.2	0.0	0.0	0.0	0.0	0.0
Remaining financial liabilities	135.6	135.6	122.7	12.9	0.0	0.0	0.0	0.0
Forex futures – cash out	7.3	720.3	707.8	0.4	12.1	0.0	0.0	0.0
Forex futures – cash in	–	−701.0	−700.4	−0.3	−0.3	0.0	0.0	0.0
Interest rate swaps – cash out	1.5	2.0	1.2	0.3	0.3	0.2	0.0	0.0
Interest rate swaps – cash in	–	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodity derivatives	8.9	8.9	8.9	0.0	0.0	0.0	0.0	0.0
	939.7	**952.2**	**926.6**	**13.3**	**12.1**	**0.2**	**0.0**	**0.0**
	2,567.2	**2,418.5**	**1,211.1**	**62.5**	**62.5**	**53.5**	**418.4**	**610.7**

		Contractually agreed cash outflows						
€ million	Carrying amount	Total	to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years
28 February 2018								
Financial liabilities								
Bonds	1,192.9	1,269.0	425.3	8.8	8.8	8.8	8.8	808.8
Liabilities to banks	377.1	389.9	57.7	81.7	37.0	37.3	140.7	35.4
Liabilities from finance leasing	2.6	2.7	2.5	0.2	0.0	0.0	0.0	0.0
	1,572.6	**1,661.6**	**485.5**	**90.6**	**45.8**	**46.1**	**149.4**	**844.2**
Other financial liabilities								
Liabilities to beet growers	356.8	356.8	356.8	0.0	0.0	0.0	0.0	0.0
Trade payables	588.8	588.8	588.8	0.0	0.0	0.0	0.0	0.0
Remaining financial liabilities	185.2	185.2	170.5	14.7	0.0	0.0	0.0	0.0
Forex futures – cash out	3.2	546.3	530.8	3.4	0.4	11.7	0.0	0.0
Forex futures – cash in	–	−528.4	−527.4	−0.4	−0.3	−0.3	0.0	0.0
Interest rate swaps – cash out	2.3	3.8	2.0	1.2	0.3	0.3	0.0	0.0
Interest rate swaps – cash in	–	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodity derivatives	16.9	16.9	16.9	0.0	0.0	0.0	0.0	0.0
	1,153.2	**1,169.4**	**1,138.4**	**18.9**	**0.4**	**11.7**	**0.0**	**0.0**
	2,725.8	**2,831.0**	**1,623.9**	**109.5**	**46.2**	**57.8**	**149.4**	**844.2**

TABLE 102

The undiscounted payment outflows are subject to the assumption that the settlement of the liability takes place at the earliest possible due date. The interest payments on variable-rate financial instruments are calculated on the basis of the most recent applicable interest rates

Price risk management

Price risk management encompasses currencies, interest rates and commodity prices. The following information provides details about risks and risk management concerning these three areas.

Currency risk

Currency risk arises from the global orientation of Südzucker Group, and such risks from exchange rate fluctuations are inherent in the operating activities as well as the financial result and cash flows. The relative exchange rates having a material effect are the exchange rates of the euro to the US dollar, the British pound sterling, the Polish zloty, the Romanian leu, the Moldavian leu and / or the Argentine peso. There are also risks associated with exchange rates of the US dollar to the Chilean peso.

Currency risk arises in operating activities when revenues are realized or the cost of materials and / or merchandise used is incurred in a currency other than the local currency (functional currency). The currency risk associated with the financial result primarily results from group-internal financing of subsidiaries using a different local currency.

Currency risk management

The aim of currency risk management is to reduce exchange rate risks. The divisions make decisions on the type and scope of operational currency hedging in coordination with the Corporate Finance department. Derivatives in the form of forward exchange transactions are used to hedge operational exchange rate risks. Cross-currency swaps are also used in finance activities.

Sensitivity analysis

The sensitivity analysis shows what effects there would have been on the net result or shareholder's equity before tax had existing foreign currency receivables and liabilities required translation using different exchange rates at the balance sheet date.

The currency exposure is equivalent to the net amount of the financial receivables and liabilities exposed to currency risk. These primarily consist of trade receivables and trade payables as well as receivables and liabilities from financing activities and include intragroup balances. Existing currency hedges are not considered in the analysis if they are not precisely allocated to a receivable or payable. A negative amount means there is a surplus of liabilities.

The sensitivity analysis assumes a 10 % gain or 10 % drop in the exchange rates for the currencies against the respective functional currency as at 28 February 2019.

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

€ million	Exposure		Sensitivity (+)		Sensitivity (–)	
28 February	2019	2018	2019	2018	2019	2018
USD	59.1	114.2	−5.4	−10.4	6.6	12.7
GBP	44.1	42.4	−4.0	−3.9	4.9	4.7
PLN	2.2	0.9	−0.2	−0.1	0.2	0.1
CNY	2.5	2.0	−0.2	−0.2	0.3	0.2
HUF	−0.7	−2.4	0.1	0.2	−0.1	−0.3
Other currencies	−64.1	−72.1	5.8	6.6	−7.1	−8.0

TABLE 103

Currency exposure from the remaining currencies concerns euro receivables or payables of group companies in countries with other functional currencies. Long-term intra-group euro loans in the amount of € 322.2 (334.1) million has been granted in the USA and Poland. These loans qualify as a net investment in a foreign operation, which is why the resulting currency fluctuations are recognized directly in equity. If the value of the euro against the US dollar or Polish zloty had dropped, i.e. climbed by 10 %, shareholders' equity before tax would have increased by € 29.3 (30.4) million, i.e. decreased by € 35.8 (37.1) million, respectively.

Interest rate risk

Südzucker is exposed to interest rate risk from floating rate financial liabilities, i.e. financial investments. This interest rate risk mainly results from typical fluctuations in liquidity levels during the campaign season, or existing or planned floating rate debt.

Interest rate risk management

Südzucker utilizes a financing structure that is optimized to meet liquidity requirements, and which also includes fixed-rate financial instruments to minimize interest rate risk. See note (30) "Financial liabilities, securities and cash and cash equivalents (net financial debt)" for details. Derivative instruments such as interest rate swaps are also used to a limited extent as part of interest rate risk management.

Sensitivity analysis

Most bonds and long-term bank debt are agreed with fixed interest rates. Had market interest rates increased by half a percentage point applied to floating rate financial instruments as at 28 February 2019 without considering concluded interest rate swaps, interest expense would have increased as follows:

Interest rate sensitivity	2018/19			2017/18		
€ million	Total	thereof with floating rate	Effect from interest rate sensitivity	Total	thereof with floating rate	Effect from interest rate sensitivity
Liabilities to banks	**603.3**	186.8	−0.9	**377.1**	22.2	−0.1

TABLE 104

A decline of half a percentage point in market interest rates would have resulted in a similar decline in interest expense.

Commodity price risk

Südzucker is exposed to material price risks in its operations on the supply and demand side arising from price volatility in the commodity markets, which relate in particular to changes in world sugar market prices and energy, grain, bioethanol and fruit prices.

Management of commodity price risk

Appropriate risk management requires continuous, standardized monitoring of risk exposure and risk change based on the respective products. This provides the foundation for risk committees in the different divisions to make decisions on risk hedging at their regular meetings. The material risk carriers that have been identified in Südzucker Group are sugar sales and imports (including the possibly associated currency risk), the sale of bioethanol, and the procurement of energy and grain. The following section provides more information on derivative financial instruments.

Derivative instruments to hedge price risk

Südzucker Group uses derivative instruments to a limited extent to hedge currency exchange rate, interest rate and commodity price risks arising from its operating and financial activities. Forex futures and commodity derivatives such as sugar and wheat futures as well as derivatives in form of CO_2 emissions certificates are mainly used in operations. Only normal market instruments are used for financial hedging purposes, such as interest rate swaps and forex futures. These instruments are used within the framework of Südzucker's risk management system as laid down in group guidelines, which set limits based on underlying business volumes, define authorization procedures, prohibit the use of derivative instruments for speculative purposes, minimize credit risks, and determine the content of internal reporting and segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines as well as the correct processing and valuation of transactions and adherence to segregation of duties.

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

€ million	Nominal volume		Positive market values		Negative market values	
28 February	2019	2018	2019	2018	2019	2018
Forex futures	718.7	544.7	2.2	7.4	−7.3	−3.2
Interest rate swaps	108.0	118.0	0.0	0.2	−1.5	−2.5
Commodity derivatives	236.0	203.0	4.1	31.9	−8.9	−16.9
Total	**1,062.7**	**865.7**	**6.3**	**39.5**	**−17.7**	**−22.6**

TABLE 105

In the case of OTC derivatives (interest, currency and energy derivatives and derivatives on CO_2 emissions certificates), Südzucker is exposed to credit risk when market values are positive. Credit risk is limited by only concluding derivatives with banks and partners with a good credit rating. Derivatives contracted at futures exchanges (sugar, wheat, corn and bioethanol derivatives) are generally not exposed to credit risk.

In response to a decrease, i.e. an increase by half a percentage point in the market interest rate as well as an increase, i.e. decrease in the respective currencies against the euro by 10 %, a decrease, i.e. an increase in prices for wheat, corn and oil, sugar and bioethanol or a decrease/increase in prices for wheat, corn, oil, sugar and bioethanol by 10 % (respectively), the market value of the derivatives concluded as at 28 February 2019 would change as follows (sensitivity analysis):

€ million	Net market values		Sensitivity (+)		Sensitivity (–)	
28 February	2019	2018	2019	2018	2019	2018
Forex futures	−5.1	4.2	19.9	23.1	−17.3	−32.5
Interest rate swaps	−1.5	−2.3	1.1	1.5	−4.0	−4.3
Commodity derivatives	−4.8	15.0	0.7	8.9	−1.5	−8.9
Total	**−11.4**	**16.9**	**21.7**	**33.5**	**−22.8**	**−45.7**

TABLE 106

In particular, forex futures and commodity derivatives are also recognized as hedges using cash flow hedge accounting. Changes in the value of these hedging instruments are initially recognized in shareholders' equity and not in revenues (for sales transactions) or in cost of materials (for purchasing transactions) until the time of hedged item has an impact on earnings. The carrying amounts of the derivatives recognized as part of such a hedge are given below:

€ million	Market value	
28 February 2019	Positive	Negative
Forex futures	0.5	−3.8
Interest rate swaps	0.0	−0.6
Commodity derivatives	3.5	−5.8
Total	**4.0**	**−10.2**

TABLE 107

The corresponding hedges mainly comprise price risk hedges in sugar sales. The nominal volume attributable to this at the balance sheet date with regard to currency hedging and to sugar price hedging is USD 114.8 million with a hedging rate of 271.3 €/t. Transactions still hedged at the end of the financial year will be almost fully realized in the next fiscal year. No ineffective transactions – these could result from non-congruent maturities of the hedged item and hedge or the influence of the "cross currency basis spread" for long-term currency hedges – were recognized from this. All derivatives are shown on the balance sheet in the items other assets or other liabilities. Depending on the inclusion in a hedge, a market price change by 10 % would have changed equity by € 13.9 (13.6) million and € −20.2 (−19.1) million, respectively, and changed earnings before income taxes by € 7.8 (19.9) million and € 2.6 (−26.6) million, respectively.

For more details on the market values by measurement category and measurement level, see note (32) "Additional disclosures on financial instruments"

(32) Additional disclosures on financial instruments

Carrying amount and fair value of financial instruments

The following tables show the carrying amount and fair value of financial assets and liabilities for each of the measurement categories.

28 February		2019	
€ million	Measurement categories in accordance with IFRS 9	Carrying amount	Fair value
Financial assets			
Securities	At fair value through profit or loss	13.1	13.1
Securities	Fair value recognized directly in equity in other comprehensive income (excluding recycling)	5.7	5.7
Long term securities		*18.8*	*18.8*
Other investments	At fair value through profit or loss	1.1	1.1
Trade receivables	At amortized cost	972.7	972.7
Receivables due from the EU	At amortized cost	0.5	0.5
Remaining financial assets	At amortized cost	52.4	52.4
Positive market value derivatives	At fair value through profit or loss	2.3	2.3
Positive market value derivatives – hedge accounting	n/a	4.0	4.0
Securities	Fair value recognized directly in equity in other comprehensive income (including recycling)	125.0	125.0
Securities	At fair value through profit or loss	0.2	0.2
Securities	At amortized cost	0.4	0.4
Short term securities		*125.6*	*125.6*
Cash and cash equivalents	At amortized cost	354.1	354.1
		1,531.5	**1,531.5**
Financial liabilities			
Bonds	At amortized cost	1,024.0	1,016.7
Liabilities to banks	At amortized cost	603.3	609.2
Liabilities from finance leasing	At amortized cost	0.2	0.2
Trade liabilities	At amortized cost	786.4	786.4
Remaining financial liabilities	At amortized cost	135.6	135.6
Negative market value derivatives	At fair value through profit or loss	7.5	7.5
Negative market value derivatives – hedge accounting	n/a	10.2	10.2
		2,567.2	**2,565.8**

TABLE 108

28 February € million	Measurement category according to IAS 39	2018 Carrying amount	 Fair value
Financial assets			
Long term securities	Available for sale	18.7	18.7
Other investments	Available for sale at cost	23.0	23.0
Trade receivables	Loans and receivables	972.1	972.1
Receivables due from the EU	Loans and receivables	56.2	56.2
Remaining financial assets	Loans and receivables	65.5	65.5
Positive market value derivatives	Financial assets held for trading	4.0	4.0
Positive market value derivatives	Derivatives, at fair value directly in equity (hedge accounting)	35.5	35.5
Securities	Loans and receivables	125.0	125.0
Securities	Available for sale	0.7	0.7
Short term securities		*125.7*	*125.7*
Cash and cash equivalents	Loans and receivables	585.2	585.2
		1,885.9	**1,885.9**
Financial liabilities			
Bonds	Financial liabilities measured at amortized cost	1,192.9	1,196.3
Liabilities to banks	Financial liabilities measured at amortized cost	377.1	380.8
Liabilities from finance leasing	n/a	2.6	2.6
Trade liabilities	Financial liabilities measured at amortized cost	945.6	945.6
Remaining financial liabilities	Financial liabilities measured at amortized cost	185.2	185.2
Negative market value derivatives	Financial Liabilities Held for Trading	8.0	8.0
Negative market value derivatives	Derivatives, at fair value directly in equity (hedge accounting)	14.6	14.6
		2,726.0	**2,733.1**

TABLE 109

The totals by measurement category according to IFRS 9/IAS 39 and the net result by measurement category are given below.

€ million	28 February 2019		2018/19
Measurement category in accordance with IFRS 9	Carrying amount	Fair value	Net result
Financial assets at fair value through profit and loss	16.7	16.7	6.9
Financial assets at fair value recognized directly in equity in other comprehensive income (without recycling)	5.7	5.7	0.0
Financial assets at fair value recognized directly in equity in other comprehensive income (including recycling)	125.0	125.0	6.9
Financial assets at amortized cost	1,380.1	1,380.1	30.2
Financial liabilities at amortized cost	2,549.3	2,547.9	−37.3
Financial liabilities at fair value through profit and loss	7.5	7.5	−11.3
	–	–	**−4.6**

TABLE 110

€ million	28 February 2018		2017/18
Measurement category in accordance with IAS 39	Carrying amount	Fair value	Net result
Financial assets held for trading	4.0	4.0	11.4
Available for sale	19.4	19.4	0.0
Available for sale at cost	23.0	23.0	3.1
Loans and receivables	1,804.0	1,804.0	9.7
Financial liabilities measured at amortized cost	2,700.8	2,707.9	−40.6
Financial liabilities held for trading	8.0	8.0	−7.1
	–	–	**−23.5**

TABLE 111

Net result by measurement category included interest, dividends and gains or losses on the measurement of financial instruments and currency results. In the previous year there were also recognized the addition and reversal of allowances. The net profit or loss from the measurement category "liabilities measured at amortized cost" comprised interest expense in the amount of € 18.5 (30.0) million. The measurement category "assets measured at amortized cost" (previous year: "loans and receivables") includes interest income totaling € 14.0 (16.3) million. The net profit or loss from the measurement category "Financial assets measured at fair value through equity in comprehensive income (with recycling)" in the 2018/19 financial year includes interest income of € 6.9 million.

Measurement levels

For financial instruments measured at fair value, a distinction is made between three measurement levels with regard to the determination of the fair values. At Level 1, the measurement is based on unadjusted prices of identical financial instruments on active markets. Level 2 measurement takes place using prices derived from prices on active markets. Level 3 measurement is based on valuation techniques that include at least one significant non-observable factor.

Due to the short maturities of trade receivables, receivables from the EU, remaining financial receivables and cash funds, it is assumed that their fair values are equal to their carrying amounts.

The fair values of liabilities to banks are calculated as the present value of the payments associated with the liabilities, using the relevant current yield curve as the basis. This corresponds to Level 2. The credit risk can be reliably determined.

For trade payables and remaining current financial liabilities, the assumption given their short maturity is that their fair values are equal to their reported carrying amounts.

The fair values of the listed 2016/23 and 2017/2025 bonds in the amount of € 1,046.7 (1,196.3) million are based on the quoted price on the last trading day of the fiscal year. This corresponds to Level 1.

The following financial instruments were recognized at fair value:

€ million	Fair value hierarchy							
28 February	2019	Evaluation level 1	Evaluation level 2	Evaluation level 3	2018	Evaluation level 1	Evaluation level 2	Evaluation level 3
Securities	**144.0**	12.3	125.0	6.7	**19.4**	15.0	0.0	4.4
Other investments	**1.1**	1.1	0.0	0.0	**0.0**	0.0	0.0	0.0
Positive market values – derivatives without hedge accounting	2.3	0.7	1.6	0.0	4.0	0.1	3.9	0.0
Positive market values – hedge accounting derivatives	4.0	3.4	0.6	0.0	35.5	31.8	3.7	0.0
Positive market values	**6.3**	**4.1**	**2.2**	**0.0**	**39.5**	**31.9**	**7.6**	**0.0**
Financial assets	**151.4**	**17.5**	**127.2**	**6.7**	**58.9**	**46.9**	**7.6**	**4.4**
Negative market values – derivatives without hedge accounting	7.5	3.1	4.4	0.0	8.0	2.8	5.2	0.0
Negative market values – hedge accounting derivatives	10.2	5.9	4.3	0.0	14.6	14.1	0.5	0.0
Negative market values/financial liabilities	**17.7**	**9.0**	**8.7**	**0.0**	**22.6**	**16.9**	**5.7**	**0.0**

TABLE 112

Non-current and current securities include equity instruments recognized at fair value through profit or loss or at fair value as part of other comprehensive income. Last year assets designated as available-for-sale were included here. These are measured at market values equal to prices quoted on an exchange as at the balance sheet date (Level 1). If no listings on active markets are available, measurement takes place using prices derived from prices on active markets (Level 2). In the current year this includes, in particular, a fixed-rate debt instrument recognized under securities and measured at fair value through equity (with recycling). The credit risk of the issuer is a material factor here. Assuming a change in the credit risk by 100 basis points, a valuation effect of approximately +/– € 2 million would result. Fair values are determined in the remaining cases on the basis of valuation techniques whose influencing factors are not exclusively based on observable market data (Level 3).

The positive and negative market values of currency, interest and commodity derivatives are related in part to derivatives that are the effective portion of a hedge. These are used to hedge future cash flows from firm commitments or from highly probable future transactions against fluctuations.

There are also currency, interest and commodity derivatives in the form of fair value hedges or with-out formally designated hedges against changes in the fair value of an asset or liability that are recognized in the income statement.

The market values of commodity derivatives such as sugar, wheat or ethanol futures traded on liquid markets are determined on the basis of prices quoted as at the reference date (Level 1).

Measurement of market values for other commodity derivatives such as oil swaps is based on quoted prices for gasoline and coal from relevant trading and quote information platforms (Level 2).

Forex futures are measured on the basis of reference rates, taking forward premiums or discounts into consideration (Level 2).

The concluded interest rate derivatives exclusively concern interest rate swaps. The market values of these interest rate hedging transactions were determined on the basis of discounted expected futurecash flows (Level 2).

(33) Contingent liabilities and other financial commitments

Contingent liabilities and other financial commitments not recognized on the balance sheet are as follows:

€ million 28 February	2019	2018
Guarantees	45.9	43.6
thereof for Joint Ventures	42.0	39.6
Warranty commitments	1.4	1.4

TABLE 113

Guarantees, warranty commitments and contingent liabilities

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

A contingent liability in the amount of € 6.4 (6.4) million exists from a refund claim on EU funding in Hungary. The company's management classifies the refund as very unlikely.

Purchase orders for investments in property, plant and equipment

Purchase orders for investments in property, plant and equipment in the amount of € 151.1 (151.3) million are related mainly to investments in starch in Austria and to expenditures required at sugar factories in preparation for the next campaign.

Liabilities from operating leases

The liabilities from operating leases are related in particular to lease agreements for offices, storage facilities, machines, vehicles, railroad cars, IT systems and office equipment. Undiscounted minimum lease payments in subsequent periods total € 151.7 (147.9) million. The corresponding payment obligations are due as follows:

€ million 28 February	2019	2018
Due date: up to 1 year	42.3	39.6
Due date: 1 to 5 years	74.2	72.1
Due date: over 5 years	35.2	36.2
Total	**151.7**	**147.9**

TABLE 114

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

Expenses in 2018/19 for services provided by the group’s external auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, were made up of fees for the following services:

€ thousand	2018/19	2017/18
Auditing services	750	691
Other assurance services	95	151
Tax consulting fees	23	99
Other services	0	0
Total	**868**	**941**

TABLE 115

The auditing services include expenses for auditing the consolidated financial statements as well as the legally prescribed financial statements of Südzucker AG and the consolidated financial statements and financial statements of German subsidiaries. The fees for other assurance services primarily comprise various other audit opinion services outside of the financial statements audit. Tax consulting fees mainly include fees for project-related consulting services.

(35) Declarations of compliance per section 161 AktG

Südzucker AG

The executive board and supervisory board of Südzucker AG issued the declaration of compliance relating to the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) on 15 November 2018 and made it permanently available to shareholders of Südzucker AG at www.suedzucker.de/en/Entsprechenserklaerung/.

CropEnergies AG

The executive board and supervisory board of CropEnergies AG issued the declaration of compliance relating to the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) on 12 November 2018 and made it permanently available to shareholders on the CropEnergies corporate website at www.cropenergies.com/en/investorrelations/Corporate_Governance/Entsprechenserklaerungen/Entsprechenserklaerung/.

(36) Related parties

Related companies and persons

The following companies are considered related parties:

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), which has a majority interest in Südzucker AG by means of its own holding of Südzucker shares, and those shares held by it on trust for its cooperative members.

Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H. (Raiffeisen-Holding), Vienna, Austria, including its subsidiaries, which holds share capital via Zucker Invest GmbH, Vienna, Austria.

Südzucker Unterstützungswerk (SUW), Frankenthal, Palatinate, Germany, whose assets are used to support Südzucker employees and pensioners in instances of particular difficulty as well as for social activities. Some of the trustees are also members of Südzucker AG’s executive board.

The joint venture companies and associates subject to joint control or significant influence by Südzucker Group.

The members of the Südzucker AG executive and supervisory boards and their dependents are related parties.

Items recorded in the 2018/19 financial year on the accounts held for SZVG and SUW at Südzucker AG comprised payments received from dividends and interest from business transactions. At the balance sheet date, Südzucker AG had liabilities to SZVG and to SUW of € 0.4 (0.2) million and € 3.1 (3.4) million, respectively. In addition, there were financial receivables of € 133.4 (144.9) million from, and financial liabilities of € 41.7 (0.0) million to Raiffeisen Group; financial receivables of € 125 million relate to a subordinated bond with an interest rate through 23 February 2021 of 5.53 %. The remaining interest is likewise charged at normal market rates.

Südzucker AG and its subsidiaries have extensive business relationships with joint ventures and one associate in the ordinary course of business. Transactions are carried out with these companies the same as with unrelated parties. The volume of transactions of Südzucker Group with significant related parties is made up as follows:

€ million[1]	2018/19	2017/18
Joint ventures	207.2	278.8
Associated companies	74.9	52.4
Services performed for related parties	**282.1**	**331.2**
Joint ventures	66.2	82.3
Associated companies	0.0	4.3
Services received from related parties	**66.2**	**86.6**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 116

The exchange of goods and services occurs as part of the company's ordinary course of business. The receivables from and liabilities to joint ventures and associates at the balance sheet date are:

€ million[1] 28 February	2019	2018
Joint ventures	52.8	70.1
Associated companies	10.9	11.7
Receivables from related parties	**63.7**	**81.8**
Joint ventures	6.0	7.9
Associated companies	0.1	0.1
Liabilities to related parties	**6.1**	**8.0**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 117

Executive board compensation

The table below shows the total compensation paid to members of Südzucker AG's executive board. The variable component is dependent on the dividend to be approved by the annual general meeting; payment is made after the respective annual general meeting.

€ million	2018/19	2017/18
Fixed compensation	3.2	3.2
Variable compensation	1.9	1.9
Total compensation	**5.1**	**5.1**

TABLE 118

Provisions for pensions of € 28.6 (28.5) 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 (2.3) million. Provisions for pensions for current executive board members amounted to € 25.7 (23.4) million; service cost additions in 2018/19 amounted to € 0.5 (0.5) million.

Supervisory board compensation

Total compensation paid to Südzucker AG's supervisory board members for all activities is presented in the following table. A variable component is granted only if there is a dividend that exceeds € 0.50 per share, which was not the case.

€ million	2018/19	2017/18
Fixed compensation	1.8	1.8
Variable compensation	0.0	0.0
Total compensation	**1.8**	**1.8**

TABLE 119

In addition, supervisory board representatives who are also Südzucker Group employees also receive their normal contractually agreed wages, which are not related to their supervisory board activities.

The remuneration systems for the executive board and supervisory board are discussed in the corporate governance and responsibility report, which is part of the group management report.

(37) Supervisory board and executive board

Supervisory board

Dr. Hans-Jörg Gebhard, Eppingen, Germany
Chairman
Born 1955, member since 3 January 1995,
chairman since 24 August 2000
Chairman of the executive board of Verband Süddeutscher Zuckerrübenanbauer e. V.
Board memberships [1]
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany (Chairman)
- GoodMills Deutschland GmbH, Hamburg, Germany
- Vereinigte Hagelversicherung VVaG, Gießen, Germany

Franz-Josef Möllenberg [2], Rellingen, Germany
1st deputy chairman
Born 1953, member since 14 May 1992,
1st deputy chairman since 26 August 1992
Former chairman of Gewerkschaft Nahrung–Genuss–Gaststätten

Erwin Hameseder, Mühldorf, Austria
2nd deputy chairman
Born 1956, member since 31 July 2003,
2nd deputy chairman since 17 July 2014;
Chairman of Raiffeisen-Holding Niederösterreich-Wien reg. Gen. m. b. H.
Board memberships [3]
- UNIQA Insurance Group AG, Vienna, Austria (2nd deputy chairman)
- RWA Raiffeisen Ware Austria AG, Vienna, Austria
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Vienna, Austria

Thomas Bernhard [2], Wunstorf, Germany
Born 1961, member since 20 July 2017
Works council secretary of Gewerkschaft Nahrung-Genuss-Gaststätten
Board memberships
- Dussmann Stiftung & Co. KGaA, Berlin, Germany

Dr. Melanie Frerichs [2], Hamburg, Germany
Born 1975, member from 20 July 2017 to 31 October 2018
Divisional officer of Gewerkschaft Nahrung–Genuss–Gaststätten

Helmut Friedl, Egling a. d. Paar, Germany
Born 1965, member since 16 July 2015
Chairman of the executive board of Verband bayerischer Zuckerrübenanbauer e. V.
Board memberships
- BMG Donau-Lech eG, Mering, Germany

Ulrich Gruber [2], Plattling, Germany
Born 1972, member since 1 May 2018
Deputy chairman of the central works council of Südzucker AG since 1 January 2019

Veronika Haslinger, Vienna, Austria
Born 1972, member since 17 July 2014
Managing director of Raiffeisen-Holding Niederösterreich-Wien reg. Gen. m. b. H.
Board memberships [3]
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany

Ralf Hentzschel, Panschwitz-Kuckau, Germany
Born 1964, member from 21 July 2011 to 13 March 2019
Chairman of the general committee of Verband Sächsisch-Thüringischer Zuckerrübenanbauer e. V.

Georg Koch, Wabern, Germany
Born 1963, member since 21 July 2009
Chairman of the general committee of Verband der Zuckerrübenanbauer Kassel e. V.
Deputy chairman of the executive board of Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG

Susanne Kunschert, Stuttgart, Germany
Born 1970, member since 17 July 2014
Managing partner of Pilz GmbH & Co. KG
Board memberships
- Karlsruhe Institute of Technology, Karlsruhe, Germany
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany

Günther Link [2], Oberickelsheim, Germany
Born 1953, member from 15 July 2013 to 30 April 2018
Chairman of the works council at the Ochsenfurt plant of Südzucker AG

Walter Manz, Dexheim, Germany
Born 1964, member from 12 April 2019
Chairman of the general committee of Verband Hessisch-Pfälzischer Zuckerrübenanbauer e. V.

Julia Merkel[4], Wiesbaden, Germany
Born 1965, member since 20 July 2017
Member of the executive board of R+V Versicherung AG
Board memberships
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany

Sabine Möller[2], Hamburg, Germany
Born 1964, member since 31 October 2018
Divisional officer of Gewerkschaft Nahrung-Genuss-Gaststätten

Angela Nguyen[2], Biederitz, Germany
Born 1969, member since 20 July 2017
Deputy chairwoman of the works council of Freiberger Osterweddingen GmbH & Co. KG

Ulrike Rösch[2], Bellheim, Germany
Born 1970, member since 20 July 2017
Deputy chairwoman of the central works council of Mannheim der Südzucker AG

Joachim Rukwied, Eberstadt, Germany
Born 1961, member since 24 July 2007
President of Deutscher Bauernverband e. V.
Board memberships
- BAYWA AG, Munich, Germany
- Cost center Landesbauernverband Baden-Württemberg GmbH, Stuttgart, Germany (chairman)
- Kreditanstalt für Wiederaufbau, Frankfurt am Main, Germany
- LAND-DATA GmbH, Visselhövede (chairman)
- Landwirtschaftliche Rentenbank, Frankfurt am Main, Germany (chairman)
- LBV-Unternehmensberatungsdienste GmbH, Stuttgart, Germany (chairman)
- Messe Berlin GmbH, Berlin, Germany
- R+V Versicherung AG, Wiesbaden, Germany

Bernd Frank Sachse[2], Zeitz, Germany
Born 1965, member since 1 January 2019
Chairman of the works council at the Zeitz plant of Südzucker AG

Nadine Seidemann[2], Donauwörth, Germany
Born 1982, member since 1 September 2013
Deputy chairwoman of the works council at the Rain plant of Südzucker AG

Dr. Stefan Streng, Uffenheim, Germany
Born 1968, member since 20 July 2017
Chairman of the executive board of Verband Fränkischer Zuckerrübenbauer e. V.

Franz-Rudolf Vogel[2], Worms, Germany
Born 1956, member from 24 July 2007 to 31 December 2018
Chairman of the central works council of Südzucker AG until 31 December 2018

Wolfgang Vogl[2], Bernried, Germany
Born 1962, member since 1 March 2011
Manager of the Plattling and Rain plants of Südzucker AG

Rolf Wiederhold[2], Wabern, Germany
Born 1969, member since 1 March 2013
Chairman of the central works council of Südzucker AG since 1 January 2019

[1] Memberships in addition to Südzucker Group functions.
[2] Employee representative.
[3] Memberships in addition to Südzucker Group and Raiffeisen-Holding Niederösterreich-Wien Group functions.
[4] Memberships in addition to functions in R+V Versicherung AG.

Committees of the supervisory board

General Committee
Dr. Hans-Jörg Gebhard
Franz-Josef Möllenberg
Erwin Hameseder
Franz-Rudolf Vogel until 31 December 2018
Rolf Wiederhold since 1 January 2019

Agriculture Committee
Dr. Hans-Jörg Gebhard (chairman)
Helmut Friedl
Ulrich Gruber since 18 July 2018
Georg Koch
Günther Link until 30 April 2018
Nadine Seidemann
Wolfgang Vogl

Audit Committee
Helmut Friedl (chairman)
Dr. Hans-Jörg Gebhard
Ulrich Gruber since 1 January 2019
Veronika Haslinger
Franz-Josef Möllenberg
Franz-Rudolf Vogel until 31 December 2018
Rolf Wiederhold

Social Welfare Committee
Dr. Hans-Jörg Gebhard (chairman)
Thomas Bernhard
Helmut Friedl
Erwin Hameseder
Franz-Josef Möllenberg
Franz-Rudolf Vogel until 31 December 2018
Rolf Wiederhold since 1 January 2019

Arbitration Committee
Dr. Hans-Jörg Gebhard (chairman)
Erwin Hameseder
Franz-Josef Möllenberg
Franz-Rudolf Vogel until 31 December 2018
Rolf Wiederhold since 1 January 2019

Executive board

Dr. Wolfgang Heer
Ludwigshafen am Rhein, Germany
CEO
Since 20 November 2012; member of the executive board since 1 March 2008; appointed until 28 February 2021

Dr. Thomas Kirchberg
Ochsenfurt, Germany
Since 1 September 2007; appointed until 31 August 2022
Board memberships [1]
- Ekosem-Agrar AG, Walldorf, Germany

Thomas Kölbl
Speyer, Germany
Since 1 June 2004; appointed until 31 May 2024
Board memberships [1]
- K+S Aktiengesellschaft, Kassel, Germany

Johann Marihart
Limberg, Austria
Since 31 January 1994; appointed until 28 February 2021
Board memberships [1]
- BBG Bundesbeschaffungsges. m. b. H., Vienna, Austria
- Österreichische Forschungsförderungsgesellschaft mbH, Vienna, Austria (deputy chairman)
- Ottakringer Getränke AG, Vienna, Austria
- Spanische Hofreitschule – Bundesgestüt Piber, Vienna, Austria (chairman)
- tecnet equity NÖ Technologiebeteiligungs-Invest GmbH, St. Pölten, Austria
- TÜV Austria Holding AG, Vienna, Austria (chairman)

[1] Memberships in addition to Südzucker Group functions.

(38) List of shareholdings in accordance with section 313 (2) HGB

I. Affiliated companies (fully consolidated)

	Shortcut	Location	Country	Direct shareholder	%
Sugar segment					
Division business unit sugar					
Südzucker and sales companies					
Südzucker AG	SZAG	Mannheim	Germany		
Sudzucker Hellas E.P.E.		Agios Dimitrios	Greece	SZH	99.94
				SZV	0.06
Sudzucker Ibérica S.L.U.		Barcelona	Spain	SZH	100.00
SÜDZUCKER DO BRASIL S/A – IMPORTAÇÃO E EXPORTAÇÃO		São Paulo	Brazil	SZH	100.00
				SZAG	0.00
Südzucker United Kingdom Limited		Edinburgh	Great Britain	SZH	100.00
S.Z.I.L. LTD		Kfar Saba	Israel	SZH	100.00
Sugar Belgium					
Raffinerie Tirlemontoise S.A.	RT	Bruxelles	Belgium	SZH	99.41
Nougat Chabert & Guillot SA	NC&G	Montélimar	France	SOGELAF	99.75
S.C.I. DU MARINET		Montélimar	France	SOGELAF	99.75
				NC&G	0.25
Rafti B.V.		Wijchen	Netherlands	TSNH	100.00
S.O.G.E.L.A.F. SARL	SOGELAF	Paris	France	RT	100.00
Tiense Suikerraffinaderij Nederland Holding B.V.	TSNH	Wijchen	Netherlands	RT	100.00
Tiense Suikerraffinaderij Services g.c.v.		Bruxelles	Belgium	RT	100.00
				AGS	0.00
Sugar France					
Saint Louis Sucre S.A.S.	SLS	Paris	France	SZH	99.96
Sugar Poland					
Südzucker Polska S.A.	SZPL	Wrocław	Poland	SZH	99.59
"POLTERRA" Sp. z o.o.		Wrocław	Poland	SZPL	100.00
Przedsiebiorstwo Rolne "KLOS" Sp. z o.o.		Wrocław	Poland	SZPLN	100.00
Südzucker Polska Nieruchomosci Sp. z o.o.	SZPLN	Wrocław	Poland	SZPL	100.00
Division AGRANA sugar					
Sugar Austria					
AGRANA Zucker GmbH	AZ	Wien	Austria	AB	98.91
				AMV	1.09
AGRANA ZHG Zucker Handels GmbH		Wien	Austria	AZ	100.00
Österreichische Rübensamenzucht Gesellschaft m.b.H.		Wien	Austria	AZ	86.00

	Shortcut	Location	Country	Direct shareholder	%
Sugar Romania					
AGRANA AGRO S.r.l.		Roman	Romania	AGR	99.00
				AZ	1.00
AGRANA BUZĂU S.r.l.		Buzău	Romania	AGR	99.00
				AZ	1.00
AGRANA Romania S.R.L.	AR	Bukarest	Romania	AZ	100.00
AGRANA TANDAREI S.r.l.		Tandarei	Romania	AGR	99.00
				AZ	1.00
Sugar Slovakia					
Slovenské Cukrovary s.r.o.		Sered	Slovakia	AZ	100.00
Sugar Czech Republic					
Moravskoslezské Cukrovary A.S.		Hrušovany	Czech Republic	AZ	100.00
Sugar Hungary					
AGRANA Magyarország Értékesitési Kft.	AME	Budapest	Hungary	MCeF	99.70
				AZ	0.30
Biogáz Fejlesztő Kft.		Kaposvár	Hungary	AME	100.00
Koronás Irodaház Szolgáltató Korlátolt Felelősségű Társaság		Budapest	Hungary	MCeF	100.00
Magyar Cukorgyártó és Forgalmazó Zrt.	MCeF	Budapest	Hungary	AZ	87.60
Sugar Bulgaria					
AGRANA Trading EOOD		Sofia	Bulgary	AZ	100.00
Sugar Bosnia					
AGRANA BIH Holding GmbH	ABIH	Wien	Austria	AZ	75.00
				SZH	25.00
AGRANA d.o.o.		Brčko	Bosnia-Herzegovina	ABIH	100.00
AGRANA Holding / other					
AGRANA Beteiligungs-Aktiengesellschaft	AB	Wien	Austria	Z&S	78.34
				SZAG	2.74
AGRANA Group-Services GmbH	AGS	Wien	Austria	AB	100.00
AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	AMV	Wien	Austria	AB	100.00
Agrana Research & Innovation Center GmbH		Wien	Austria	AB	100.00
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.		Wien	Austria	AB	66.67
Division sugar Moldova					
Südzucker Moldova S.R.L.	SZM	Chişinău	Moldova	SZH	99.97
Agro Credit S.R.L.		Drochia	Moldova	SZH	100.00
Agro-SZM S.R.L.		Drochia	Moldova	SZM	100.00
MAZRUS-AGRO S.R.L.		Donduseni	Moldova	SZM	100.00
Division agriculture					
Loberaue Agrar GmbH	LOB	Rackwitz	Germany	SZAG	100.00
Rackwitzer Biogas GmbH		Rackwitz	Germany	LOB	100.00
Terra Sömmerda GmbH		Sömmerda	Germany	SZVW	100.00
Wolteritzer Agrar GmbH		Rackwitz	Germany	LOB	100.00
Zschortauer Agrar GmbH		Rackwitz	Germany	LOB	100.00
Zschortauer Futtermittel GmbH		Rackwitz	Germany	LOB	74.00

	Shortcut	Location	Country	Direct shareholder	%
Sugar other					
AHG Agrar-Holding GmbH [2]		Mannheim	Germany	SZAG	100.00
AGRANA Zucker, Stärke und Frucht Holding AG [1]	AZS	Wien	Austria	SZAG	50.00
Z & S Zucker und Stärke Holding AG	Z&S	Wien	Austria	AZS	100.00
AIH Agrar-Industrie-Holding GmbH	AIH	Mannheim	Germany	SZAG	100.00
BGD Bodengesundheitsdienst GmbH [2]		Mannheim	Germany	SZAG	100.00
Sächsisch-Thüringische Zuckerfabriken Verwaltungsgesellschaft mbH		Mannheim	Germany	SZAG	100.00
Südzucker Holding GmbH [2]	SZH	Mannheim	Germany	SZAG	100.00
Südzucker International Finance B.V.		Oud-Beijerland	Netherlands	SZAG	100.00
Südzucker Tiefkühl-Holding GmbH [2]	SZTK	Ochsenfurt	Germany	SZAG	100.00
Südzucker Versicherungs-Vermittlungs-GmbH		Mannheim	Germany	SZAG	51.00
Südzucker Verwaltungs GmbH [2]	SZVW	Mannheim	Germany	SZAG	100.00
Special products segment					
Division BENEO					
BENEO GmbH [2]	B	Mannheim	Germany	SZAG	100.00
BENEO Asia Pacific Pte. Ltd.		Singapore	Singapore	BP	100.00
BENEO Iberica S.L. Unipersonal		Barcelona	Spain	BO	100.00
BENEO Inc.		Parsippany	USA	BP	100.00
BENEO India Private Limited		New Delhi	India	BP	99.99
				B	0.01
BENEO Latinoamerica Coordenaçao Regional Ltda.		São Paulo	Brazil	BO	100.00
				BP	0.00
BENEO-Orafti S.A.	BO	Oreye	Belgium	BR	100.00
				B	0.00
BENEO-Palatinit GmbH [2]	BP	Mannheim	Germany	B	85.00
				SZAG	15.00
BENEO-Remy N.V.	BR	Wijgmaal (Leuven)	Belgium	B	100.00
				BP	0.00
Orafti Chile S.A.		Pemuco	Chile	BO	99.99
				BP	0.01
REMY ITALIA S.P.A.		Confienza (PV)	Italy	BR	66.70
Veniremy N.V.		Wijgmaal (Leuven)	Belgium	BR	100.00
Division Freiberger					
Freiberger Holding GmbH [2]	FH	Berlin	Germany	SZTK	90.00
				SZAG	10.00
Alberto Lebensmittel GmbH		Berlin	Germany	FLG KG	100.00
Crestar Crusts Inc.		Braintree	USA	RF	100.00
Favorit Lebensmittel-Vertriebs GmbH		Berlin	Germany	FLM	100.00

	Shortcut	Location	Country	Direct shareholder	%
Feinschmecker Eiscreme und Tiefkühlkost GmbH		Berlin	Germany	FH	100.00
Feinschmecker Feinkost GmbH	FF	Berlin	Germany	FLM	100.00
Freiberger France S.A.R.L.		St. Didier au Mont d'Or	France	FLM	100.00
Freiberger GmbH		Berlin	Germany	FLG KG	100.00
Freiberger Lebensmittel GmbH [2]	FLM	Berlin	Germany	FLG KG	100.00
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG [3]	FLG KG	Berlin	Germany	FH	100.00
Freiberger Osterweddingen GmbH & Co. KG [3]		Sülzetal	Germany	FLG KG	100.00
Freiberger Polska Sp.z o.o.		Warszawa	Poland	FLM	99.00
				FF	1.00
Freiberger UK Ltd.		Spalding	Great Britain	FLM	100.00
Freiberger USA Inc.	FLU	Parsippany	Germany	FLM	100.00
HASA GmbH [2]		Burg	Germany	FLG KG	100.00
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.		Oberhofen	Austria	FLM	100.00
Richelieu Foods Inc.	RF	Braintree	USA	RH	100.00
Richelieu Group LLC		Braintree	USA	RF	100.00
Richelieu Holdco Inc.	RH	Braintree	USA	FLU	100.00
Sandhof Limited		Westhoughton	Great Britain	FLM	100.00
Stateside Foods Ltd.		Westhoughton	Great Britain	SL	100.00
Willow Foods LLC		Braintree	USA	RF	100.00
Division PortionPack Europe					
PortionPack Europe Holding B.V.	PPEH	Oud-Beijerland	Netherlands	SZAG	100.00
CustomPack Ltd		Telford / Shropshire	Great Britain	SSL	100.00
Elite Portion Pack Belgium NV		Herentals	Belgium	PPEH	100.00
				PPH	0.00
Hellma Gastronomicky Servis Praha spol. s.r.o.		Praha	Czech Republic	PPEH	100.00
Hellma Gastronomie-Service GmbH [2]		Nürnberg	Germany	PPEH	100.00
Hellma Lebensmittel-Verpackungs-Gesellschaft m.b.H		Wien	Austria	PPEH	100.00
PortionPack Holland B.V.	PPH	Oud-Beijerland	Netherlands	PPEH	100.00
SAES The Portion Company, S.L.		La Llagosta (Barcelona)	Spain	PPEH	100.00
Single Source Limited	SSL	Telford / Shropshire	Great Britain	PPEH	100.00
Van Oordt Drukkerij B.V.		Oud-Beijerland	Netherlands	VOP	100.00
Van Oordt Landgraaf B.V.		Landgraaf	Netherlands	PPH	100.00
Van Oordt the portion company B.V.	VOP	Oud-Beijerland	Netherlands	PPH	100.00
Division starch					
AGRANA Stärke GmbH	AS	Wien	Austria	AB	98.91
				AMV	1.09
S.C. A.G.F.D. Tandarei S.r.l.		Tandarei	Romania	AS	100.00

	Shortcut	Location	Country	Direct shareholder	%
CropEnergies segment					
CropEnergies AG	CEAG	Mannheim	Germany	SZAG	69.19
Biowanze S.A.		Bruxelles	Belgium	CEAG	100.00
				CEB	0.00
Compagnie Financière de l'Artois SA	CF	Loon-Plage	France	CEAG	100.00
CropEnergies Beteiligungs GmbH	CEBet	Mannheim	Germany	CEAG	100.00
CropEnergies Bioethanol GmbH	CEB	Zeitz	Germany	CEBet	85.00
				CEAG	15.00
CropEnergies Inc.		Houston	USA	CEBet	100.00
Ensus UK Limited		Yarm	Great Britain	CEBet	100.00
RYSSEN ALCOOLS SAS	RYS	Loon-Plage	France	CF	100.00
Ryssen Chile SpA		Lampa, Santiago de Chile	Chile	RYS	100.00
Fruit segment					
Division fruit preparations (AGRANA Fruit)					
AGRANA Fruit S.A.S.	AF	Mitry-Mory	France	FA	100.00
ARANA Fruit Algeria Holding GmbH		Wien	Austria	AIV&A	55.00
AGRANA Fruit Argentina S.A.		Buenos Aires	Argentina	AF	91.76
				AFSS	8.24
AGRANA Fruit Australia Pty Ltd.	AF Aus	Sydney	Australia	AF	100.00
AGRANA Fruit Austria GmbH	AFA	Gleisdorf	Austria	AF	99.98
				AIV&A	0.02
AGRANA Fruit Brasil Indústria, Comércio, Importacao e Exportacao Ltda.		Cabreúva	Brazil	AF	99.99
				AFA	0.01
AGRANA Fruit Dachang Co., Ltd.		Dachang	China	AF	75.00
				AFK	25.00
AGRANA Fruit Fiji Pty Ltd.		Sigatoka	Fiji	AF	100.00
				AF Aus	0.00
AGRANA Fruit France S.A.S.		Mitry-Mory	France	AF	100.00
AGRANA Fruit Germany GmbH		Konstanz	Germany	AF	100.00
AGRANA FRUIT INDIA PRIVATE LIMITED		Pune	India	AF	99.99
				AFSG	0.01
AGRANA Fruit Istanbul Gida Sanayi ve Ticaret A.S.		Istanbul	Turkey	AF	100.00
AGRANA Fruit (Jiangsu) Company Limited		Xinbei Zone, Changzhou	China	AF	100.00
AGRANA Fruit Korea Co. Ltd.	AFK	Seoul	South Korea	AF	100.00
AGRANA Fruit Latinoamerica S. de R.L. de C.V.		Michoacan	Mexico	AF	99.99
				AFSG	0.01
AGRANA Fruit Luka TOV		Vinnitsa	Ukraine	AF	99.97
AGRANA Fruit Management Australia Pty Limited		Sydney	Australia	AF Aus	100.00
AGRANA Fruit México, S.A. de C.V.		Michoacan	Mexico	AFUS	100.00
AGRANA Fruit Polska SP z.o.o.		Ostroleka	Poland	AF	100.00
AGRANA Fruit Services GmbH	AFSG	Wien	Austria	AF	100.00

	Shortcut	Location	Country	Direct shareholder	%
AGRANA Fruit Services S.A.S.	AFSS	Mitry-Mory	France	AF	100.00
AGRANA Fruit South Africa (Proprietary) Ltd.		Johannesburg	South Africa	AF	100.00
AGRANA Fruit Ukraine TOV		Vinnitsa	Ukraine	AF	99.80
AGRANA Fruit US, Inc.	AFUS	Brecksville	USA	AF	100.00
AGRANA Nile Fruits Processing SAE		Qalyoubia	Egypt	AF	51.00
Dirafrost FFI N. V.	DFFI	Lummen	Belgium	AF	100.00
Dirafrost Maroc SARL		Larach	Marocco	DFFI	100.00
Financière Atys S.A.S.	FA	Mitry-Mory	France	AIV&A	100.00
o.o.o. AGRANA Fruit Moscow Region		Serpuchov	Russia	AF	100.00
SPA AGRANA Fruit Algeria [1]		Akbou	Argentina	AFAH	48.97
Yube d.o.o.		Požega	Serbia	DFFI	100.00
Division fruit juice concentrates (AUSTRIA JUICE)					
AUSTRIA JUICE GmbH	AJU	Allhartsberg	Austria	AIV&A	50.01
AGRANA JUICE (XIANYANG) CO., LTD		Xianyang City	China	AJU	100.00
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Germany	AJU	100.00
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100.00
AUSTRIA JUICE Hungary Kft.		Vásárosnamény	Hungary	AJU	100.00
AUSTRIA JUICE Poland Sp. z.o.o		Chelm	Poland	AJU	100.00
AUSTRIA JUICE Romania S.r.l.		Vaslui	Romania	AJU	100.00
AUSTRIA JUICE Ukraine TOV		Vinnitsa	Ukraine	AJU	100.00
Fruit other					
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	AIV&A	Wien	Austria	AB	98.91
				AMV	1.09

TABLE 120

[1] Majority of voting rights.
[2] By utilization of the exemption provision of Art. 264, section 3 of the German Commercial Code.
[3] By utilization of the exemption provision of Art. 264b of the German Commercial Code.

II. Joint ventures / associated companies (consolidated at equity)

	Shortcut	Location	Country	Direct shareholder	%
Sugar segment					
Business unit sugar					
Division Südzucker and sales companies					
Maxi S.r.l.		Bolzano	Italy	SZH	50.00
Division AGRANA sugar					
Sugar Bosnia					
"AGRAGOLD" d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00
AGRAGOLD d.o.o.		Zagreb	Croatia	ASB	100.00
AGRAGOLD dooel Skopje		Skopje	Northern Macedonia	ASB	100.00
AGRAGOLD trgovina d.o.o.		Ljubljana	Slovenia	ASB	100.00
AGRANA Studen Sugar Trading GmbH		Wien	Austria	ABIH	50.00
AGRANA-STUDEN Albania sh.p.k.		Tirane	Albania	ASB	100.00
AGRANA-STUDEN Beteiligungs GmbH	ASB	Wien	Austria	ABIH	50.00
AGRANA-STUDEN Kosovo L.L.C.		Prishtina	Kosovo	ASB	100.00
Company for trade and services AGRANA-STUDEN Serbia d.o.o. Beograd		Beograd	Serbia	ASB	100.00
STUDEN-AGRANA Rafinerija Secera d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00
Sugar other					
ED&F MAN Holdings Limited		London	Great Britain	SZH	34.55
Special products segment					
Division PortionPack Europe					
Collaborative Packing Solutions [Pty] Ltd		Johannesburg	South Africa	PPEH	40.00
Division starch					
GreenPower Services Kft.		Szabadegyháza	Hungary	HK	100.00
HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	HK	Szabadegyháza	Hungary	AS	50.00
CropEnergies segment					
CT Biocarbonic GmbH		Zeitz	Germany	CEBet	50.00

TABLE 121

III. Companies of minor importance and other investments > 20 % (not consolidated)

	Shortcut	Location	Country	Direct shareholder	%
Affiliated companies (not included)					
Sugar segment					
Division AGRANA sugar					
Sugar Bosnia					
AGRANA Croatia d.o.o.		Zagreb	Croatia	AZ	100.00
AGRANA Makedonija DOOEL Skopje		Skopje	Northern Macedonia	AZ	100.00
Sugar other					
Açúcar e Álcool do Sul Participações Ltda.		São Paulo	Brazil	SZH	100.00
				AIH	0.00
Arbeitsgemeinschaft für Versuchswesen und Beratung im Zuckerrübenanbau Zeitz GmbH		Kretzschau	Germany	SZAG	80.00
Sächsisch-Thüringische Zuckerfabriken GmbH & Co. KG		Mannheim	Germany	SZAG	100.00
Südprojekt Immobilienverwaltungsgesellschaft mbH		Mannheim	Germany	SZAG	100.00
Südtrans GmbH		Mannheim	Germany	SZAG	100.00
Südzucker Beteiligungs GmbH		Mannheim	Germany	SZAG	100.00
Südzucker International GmbH		Ochsenfurt	Germany	SZH	100.00
Südzucker Reise-Service GmbH		Mannheim	Germany	SZAG	100.00
Südzucker Verkauf GmbH	SZV	Mannheim	Germany	SZH	100.00
Special products segment					
Division starch					
AGRANA Skrob s.r.o. v likvidaci		Hrušovany	Czech Republic	AS	100.00
AGRANA Amidi srl		Sterzing (BZ)	Italy	AS	100.00

	Shortcut	Location	Country	Direct shareholder	%
Joint ventures / associated companies (not included)					
Sugar segment					
Division business unit sugar					
Sugar Belgium					
Food Port N.V.		Tienen	Belgium	RT	35.71
Sugar France					
Sucrerie et Distillerie de Souppes-Ouvré Fils S.A.		Paris	France	SLS	44.50
Sugar other					
Felix Koch Offenbach Couleur und Karamel GmbH		Offenbach	Germany	SZH	25.10
Liquid Feed Europe Holding B.V.		Oud-Beijerland	Netherlands	SZH	50.00
Liquid Feed France S.A.S.		Cagny	France	LFEH	100.00
Maritime Investment Holdings Pte. Ltd		Singapore	Singapore	SZH	25.00
Division agriculture					
Zschortauer-Glesiener Rübenrode GmbH		Schkeuditz	Germany	LOB	45.83
Special products segment					
Division BENEO					
INVITA Australia PTE Ltd		Balgowlah	Australia	BP	35.00
Other participations > 20% (not included)					
Sugar segment					
Division business unit sugar					
Sugar France					
GARDEL S.A.		Le Moule	France	SLS	24.28
Division AGRANA sugar					
Sugar Hungary					
Cukoripari Egyesülés		Budapest	Hungary	MCeF	44.27

TABLE 122

(39) Proposed appropriation of earnings

Retained earnings of Südzucker AG amount to € 40.9 million. The executive board proposes that a dividend of € 0.20 per share be distributed and be appropriated as follows:

		2018/19
Issued shares	Number	204,183,292
Dividends	€	0.20
Dividend amount	€	40,836,658.40
Earnings carried forward	€	86,665.71
Retained earnings	€	**40,923,324.11**

TABLE 123

To the extent that treasury shares are available on the day of the general meeting, the proposed resolution will be amended such that the distribution of € 0.20 per dividend-bearing share is maintained and the corresponding higher remainder carried forward. The annual general meeting will take place on 18 July 2019; the dividend will be paid on 23 July 2019.

(40) Events after the balance sheet date

No events of particular significance have occurred since 28 February 2019 that are expected to have a material impact on the company’s financial position and performance.

RESPONSIBILITY STATEMENT

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

Mannheim, 24 April 2019
THE EXECUTIVE BOARD

DR. WOLFGANG HEER (CEO)	**DR. THOMAS KIRCHBERG**	**THOMAS KÖLBL**	**JOHANN MARIHART**

The financial statements and the management report of Südzucker AG, prepared in accordance with German accounting principles and upon which PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has issued an unqualified auditors' report, will be submitted to the operator of the Federal Gazette (Bundesanzeiger Verlagsgesellschaft mbH, Cologne) and published in the Federal Gazette. The financial statements and the management report can be obtained from the company on request.

INDEPENDENT AUDITOR'S REPORT

To Südzucker AG, Mannheim

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Südzucker AG, Mannheim, and its subsidiaries (the Group), which comprise the balance sheet as at 28 February 2019, the statement of comprehensive income, the statement of changes in shareholder's equity and the cash flow statement for the financial year from 1 March 2018 to 28 February 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Südzucker AG for the financial year from 1 March 2018 to 28 February 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 28 February 2019, and of its financial performance for the financial year from 1 March 2018 to 28 February 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities 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 consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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 consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

❶ Recoverability of goodwill
❷ Provisions for litigation and risk provisioning
❸ Restructuring plan

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

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

Hereinafter we present the key audit matters:

❶ Recoverability of goodwill

① In the consolidated financial statements of Südzucker AG goodwill amounting in total to EUR 730.2 million is reported under the “Intangible assets” balance sheet item. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. On this basis, the Company carries out impairment tests once a year or if there are indications that goodwill may be impaired. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. The measurements for each group of cash-generating units are derived from the current five-year plan adopted by the executive directors and approved by the supervisory board. The discount rate used is the weighted cost of capital for the respective group of cash-generating units. On 25 February 2019 Südzucker’s Supervisory Board approved the Executive Board’s proposed restructuring plan for the Sugar segment in light of the persistently difficult global and European market environment where prices within the EU are at historical lows. The restructuring plan provides for measures along the entire value chain, specifically a realignment of the production and administrative structures. In light of the new assessment of the sugar market environment and the modified strategic approach, it was once again necessary to test the goodwill for the group of cash-generating units in the Sugar segment for impairment at the end of the year (triggering event). The impairment test determined that, even after taking into account the fair value less costs of disposal, it was necessary to recognize write-downs amounting to a total of EUR 673.1 million with respect to the groups of cash-generating units in the Sugar segment. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation models, 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 purpose of performing the impairment tests and examined the calculation of the weighted cost of capital, among other things. We evaluated the appropriateness of the future cash inflows used in the measurement, including by matching these against the current budget projections derived from the five-year plan adopted by the executive directors and approved by the supervisory board, as well as by reconciliation with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have material effects on the goodwill calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, including the average cost of capital, and assessed the calculation model. Due to the material significance of goodwill and the fact that its measurement also depends on economic conditions that are outside of the Company’s sphere of influence, we evaluated the Company's additional sensitivity analyses and found that the goodwill in all groups of cash-generating units with the exception of the Sugar segment was adequately covered by discounted future cash flows. Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on goodwill are contained in section 21 of the notes to the consolidated financial statements.

❷ Provisions for litigation and risk provisioning

① In the consolidated financial statements of Südzucker AG provisions for litigations and risk provisioning amounting to EUR 178.9 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. With respect to the pending court proceedings, the executive directors now assume that legally binding rulings will not be made until after several years and therefore an outflow of resources is not expected within the next twelve months. This reassessment of the maturities largely contributed to the increase in non-current provisions for litigation and risk provisioning by EUR 100.5 million as compared to the previous year. 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 consolidated net profit, 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 consolidated financial statements. We consider the estimates made by the executive directors to be appropriate.

③ The Company's disclosures relating to provisions for litigation and risk provisioning are contained in section 28 of the notes to the consolidated financial statements.

❸ Restructuring plan

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

In Südzucker AG's consolidated financial statements, "property, plant and equipment" amounting to EUR 2,950.8 million in total (36.0 % of consolidated total assets) is reported. Property plant and equipment is recognized at cost less straight-line or campaign-based depreciation and impairments. In connection with the restructuring plan, the carrying amounts of the property, plant and equipment of the affected sugar factories no longer permanently used as a result of the restructuring plan were tested for impairment in the financial year 2018/19 and written down taking into account the remaining period for campaign operations in 2019/20 and the expected proceeds from realization of EUR 57.5 million.

In the Special Products segment, an impairment test in accordance with IAS 36 was also triggered for the cash-generating unit for starch production in Germany due to the reassessment of the sugar market environment and the difficult market environment for starch sweetener products. The carrying amounts of the affected property, plant and equipment were written down pro-rata by EUR 50.7 million.

Provisions are to be recognized for the restructuring plan in accordance with IAS 37. The prerequisite for recognizing a restructuring provision is that the definition of restructuring measures within the meaning of IAS 37.10 is met. In the course of the strategic realignment, the corporate bodies responsible for approving the change in operations have adopted a restructuring plan by the balance sheet date. Based on that, the Company expensed EUR 40.4 million in provisions for restructuring and expected losses, which are reported in the consolidated financial statements under the "Other provisions" balance sheet item. This item also includes the risk provision for social plans in connection with the planned closures of factories in Germany, France and Poland.

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

② To obtain a better understanding of the restructuring plan, we inspected the minutes of Executive Board and Supervisory Board meetings and assessed the corresponding resolutions. As part of our audit of property, plant and equipment, we assessed among other things the processes and controls established by Südzucker AG for its asset management, which were established to ensure compliance with the relevant accounting requirements. Furthermore, as part of our audit we also reviewed and assessed the methodology for calculating impairments. Taking into account the relevant accounting standards, we assessed the appropriateness of the calculation of impairment amounts in the Sugar segment due to factory closures with the assumptions made by the executive directors, in particular by reconciling these with other previously carried out factory closures. For the impairments in the Special Products segment, we assessed, among other things, the method used to perform impairment tests and examined the calculation of the weighted cost of capital. We evaluated the appropriateness of the future cash inflows used in the measurement, including by matching these against the current budget projections derived from the plans adopted by the executive directors and approved by the supervisory board, as well as by reconciliation with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied can have material effects on the goodwill calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, including the average cost of capital, and assessed the calculation model. With the knowledge that the impairment losses entail a large degree of estimate uncertainty, we examined the calculation in detail.

With respect to the recognized provisions for restructuring, as part of our audit we assessed the general recognition and measurement criteria for provisions and the criteria of IAS 37.70 et seq. specifying these in greater detail. Then, with the knowledge that estimated values result in an increased risk of material misstatements within the consolidated financial statements and that the executive directors' measurement decisions have a direct effect on consolidated income, we also assessed the appropriateness of the measurement of the restructuring and severance provisions. To that end, we obtained and evaluated relevant evidence from the executive directors of the Company and the employees nominated by them. To the extent the amounts of the restructuring provisions were calculated on the basis of historical data from previous restructuring measures, we assessed the appropriate use of the historical data. In addition, we conducted interviews with the executive directors and the responsible departments of the Group companies in order to gain an understanding of the assumptions underlying the respective estimates.

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

③ The Company's disclosures relating to the impairments are contained in section 11 and to the other provisions are contained in section 28 of the notes to the consolidated financial statements.

Other Information

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

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section „Corporate governance and responsibility" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (except for the remuneration report)
- the non-financial group statement pursuant to § 315b Abs. 1 HGB included in section „ Corporate governance and responsibility " of the group management report including the related disclosures integrated in the group management report

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

Our audit opinions on the consolidated financial statements and on the group 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 consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.]

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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) and supplementary compliance with the ISAs 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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.
- 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group 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 consolidated 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 group auditor by the annual general meeting on 19 July 2018. We were engaged by the supervisory board on 19 July 2018. We have been the group auditor of the Südzucker AG, Mannheim, without interruption since the financial year 2003/2004.

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

German Public Auditor Responsible for the Engagement

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

Frankfurt am Main, 24 April 2019
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

MICHAEL CONRAD
WIRTSCHAFTSPRÜFER
(GERMAN PUBLIC AUDITOR)

CHRISTINA PÖPPERL
WIRTSCHAFTSPRÜFERIN
(GERMAN PUBLIC AUDITOR)

When it comes to feeding **gourmets on the go …**

... there is **no obstacle too great.**

Hottest spot

400 °C

in the pizza oven. Such high temperatures are the key to a crispy, flaky crust and a delicious final product.

TEMPERATURE DIFFERENCE

4.2 million packages

Daily production at Freiberger

EVERY DAY

Every year

72,000 t

of tomatoes are consumed at Freiberger.

Favorite Freiberger pizza in Germany

Pepperoni

FAVORITE PIZZA

1976

First frozen pizza from Freiberger in Berlin

IN 1889, KING UMBERTO I OF ITALY and his wife, Margherita, took a tour of his kingdom. When the got to Naples, they saw people on the street eating round, flat "bread". Curious, they ordered three pizzas from Raffaele Esposito, the owner of Pietro il Pizzaiolo, a pizzeria. Queen Margherita especially liked the simplest version of the dish, featuring tomatoes, mozzarella and basil – with the colors red, white and green, a perfect reflection of the Italian flag. It was the birth of the Pizza Margherita.

We know how to make one of the world's favorite dishes: Freiberger, a Südzucker subsidiary, has been specializing in frozen and chilled pizzas since 1976. At our twelve plants in Germany, Austria, England and the U.S., we are skilled at dealing with extreme differences in temperature and producing large volumes.

Coldest spot

–196 °C

in the nitrogen tank for raw pizza dough. Such low temperatures are the key to quality later on.

2.1 million pizzas

are eaten in Italy every day. Freiberger can deliver twice that amount to meet the demand of the country's roughly 60 million pizza-hungry inhabitants.

TOMATOES

Harvest volume in Germany in 2017

96,560 t

That means Freiberger would consume nearly 75 % of the German tomato harvest.

Favorite Freiberger pizza in France

Cheese

HISTORY

IT IS BELIEVED that the ancient Greeks and Etruscans used to bake flat disks of dough, which they would season with olive oil and other ingredients. The Romans took over the recipe and spread it throughout Italy, where it gained particular popularity in the area around Naples. For centuries, this original form of pizza remained a staple of poor people's diets. It was not until the tomato was introduced around 1520 that this dry bread would become the pizza we know today.

FURTHER MILESTONES IN HISTORY: The first premade pizza dough was sold in 1948. In 1957, the Italian-American Celentano brothers introduced the first frozen pizza. Today, over 70 % of the people in Germany eat at least one piece of pizza a week.

1830

First pizzeria in Naples

Additional **information**

GLOBAL REPORTING INITIATIVE

In this annual report, Südzucker discusses group sustainability programs. Südzucker complies with the Global Reporting Initiative standards, CORE, when collecting and presenting the material data that relate to its business activities.

Organizational and content related reporting boundaries

To the extent available, the tables and graphs include data from four previous years. If this is not the case, the information relates to the fiscal year just ended or the calendar year.

Organizational reporting boundaries

The sustainability information presented in this annual report applies principally to all fully consolidated Südzucker Group companies.

The information on energy, emissions, water and waste applies exclusively to production sites. In the sugar segment, these are still the sugar factories in the EU and INSTANTINA Nahrungsmittel-und Produktionsgesellschaft m.b.H., Vienna, Austria. For the special products segment, the report covers the production locations of the BENEO, Freiberger and starch divisions. The locations of HASA GmbH and Richelieu Foods Inc., Braintree, Massachusetts, both acquired during the fiscal year 2017/18, are included for the first time in the Freiberger division report. All production locations are included in the CropEnergies segment. The fruit preparations company in India, which started production at the end of fiscal 2017/18, was added to the fruit segment's list of production locations. The fruit preparations company in Changzhou City, China, which started production toward the end of fiscal 2018/19, and the fruit juice concentrates site in Nagykálló, Hungary, which was acquired during the 2018/19 fiscal year, are not yet included.

Content related boundaries

(1) Assessment of suppliers regarding human rights aspects, work practices and environmental factors

Because of the importance of agricultural raw materials for production, Südzucker restricts the report to agricultural raw material suppliers (sugar beets, grain, potatoes, fruits) and to subsuppliers from the food industry (for example, dairy products, vegetables and meat processing companies for pizza production, frozen fruit pieces).

(2) Energy consumption and emissions

As agricultural raw materials such as sugar beets, grain, potatoes and fruits that Südzucker processes is influenced by various annual fluctuations during the growing and harvesting periods, the specific energy consumption related to production can vary. As a result, information related to total energy consumption and / or emissions between individual reporting periods can fluctuate considerably.

The reports on energy consumption and emissions according to GRI relate to production and are restricted to direct and indirect energy related emissions classified as Scope 1 and Scope 2 as defined by the Greenhouse Gas Protocol. Direct energy related emissions (Scope 1) comprise the direct use of fossil fuels (gas, oil and coal) and renewable energy fuels (biomass) to generate electricity and process heat in the company's own power stations. Indirect energy related emissions (Scope 2) relate to the consumption of purchased energy such as electricity or steam, that contribute to indirect energy related emissions.

Energy flows at the multipurpose sites are attributable to various segments. Segment-based reporting made it necessary to make appropriate adjustments when compiling data in order to avoid double counting emissions as Scope 1 and Scope 2.

(3) Water withdrawal and water input

No data is provided on water use related to producing the agricultural raw materials in the upstream segments of the value chain.

(4) Waste

Südzucker applies a consistent definition of products and waste throughout the group, which may deviate from heterogeneous local waste regulations. Accordingly, products such as press pellets, Carbokalk and grape pulp are categorized as a product, not waste, if they are subsequently refined to produce high quality feed or fertilizer.

(5) Products

The information provided regarding energy use, emissions, water withdrawal and supply relate to the total production volume. No further distinction is made between primary products and byproducts.

Report profile and validation

The sustainability reporting was again integrated into the financial report in fiscal 2018/19. The report is restricted to material sustainability topics and activities and aims to provide balanced, clear, accurate, current, comparable and reliable information. The content and data contained in this report were prepared using internal processes. They are sourced from existing management and reporting systems and were provided in response to questionnaires sent to the operating arms of the segments or divisions. The content of the reports was checked by employees with expertise regarding the subject at hand.

The auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, audited the content of the sustainability information as part of the non-financial statement with limited assurance engagement.

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[1] No major corruption cases have been reported in the year under review.

GRI	Description	Page
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Forward looking statements / forecasts

This report contains forward looking statements. The statements are based on current estimates and financial projections made by the executive board and information currently available to its members. The forward looking statements are not to be viewed as guarantees of the future developments and results presented therein. Future developments and results are in fact dependent on a variety of factors and are subject to various risks and imponderables. They are based on assumptions that could in fact prove to be invalid. The Risks and Opportunities section of this annual report provides a summary of potential risks. We assume no obligation to update the forward-looking statements made in this report.

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